



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

May 28, 1999

Nearburg Exploration Company, L.L.C.
c/o Cambell, Carr, Berge & Sheridan, P. A.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208
Attention: William F. Carr

Telefax No. (505) 983-983-6043

Administrative Order NSL-4293 (BHL)

Dear Mr. Carr:

Reference is made to the following: (i) your initial application dated May 7, 1999 on behalf of the operator, Nearburg Exploration Company, L.L.C. ("Nearburg"); (ii) the New Mexico Oil Conservation Division's ("Division") response by letter from Mr. Michael E. Stogner, Engineer in Santa Fe; and (iii) Mr. Stogner's meeting with you and Mr. Paul Owen on Friday, May 28, 1999, whereby additional data was submitted: all concerning Nearburg's request for a non-standard subsurface gas well location, pursuant to New Mexico Oil Conservation Division ("Division") Rule 104.F and 111.C(2), to be applicable to the Morrow formation, for Nearburg's proposed Haganman "34" Well No. 1 to be drilled from a surface location 300 feet from the North and East lines (Lot 1/Unit A) of Section 3, Township 17 South, Range 25 East, NMPM, Eddy County, New Mexico. The E/2 of offsetting Section 34, Township 16 South, Range 25 East, NMPM, Eddy County, New Mexico, being a standard 320-acre gas spacing and proration unit for the gas bearing Morrow interval, is to be dedicated to this well.

It is our understanding that Nearburg intends to kickoff of the vertical portion of this wellbore in a northwesterly direction and directionally drill to an estimated depth of 8,100 feet within the Morrow formation at a targeted unorthodox bottomhole location that is approximately 1100 feet from the South line and 1150 feet from the East line (Unit P) of Section 34.

By the authority granted me under the provisions of Division Rule 104.F(2), Nearburg is hereby authorized to directionally drill is proposed Haganman "34" Well No. 1 as close as is reasonably possible to a targeted subsurface location considered to be unorthodox 1100 feet from the South line and 1150 feet from the East line (Unit P) of Section 34.

Further, Nearburg shall comply with all provisions of Division Rule 111 applicable in this matter.

Sincerely,

A handwritten signature in cursive script, reading "Lori Wrotenbery".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia