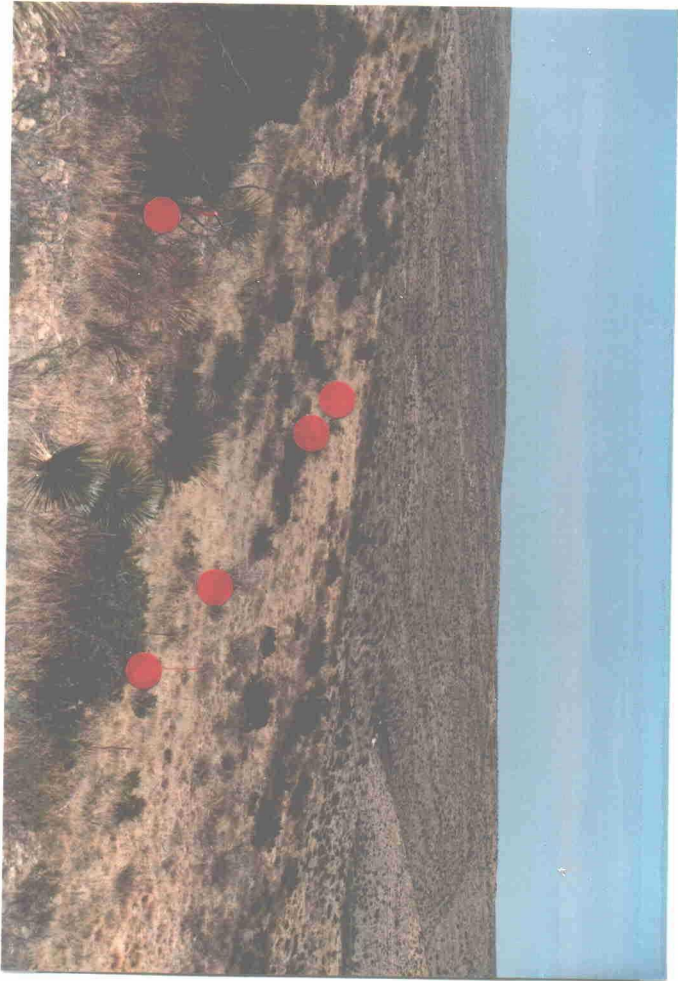
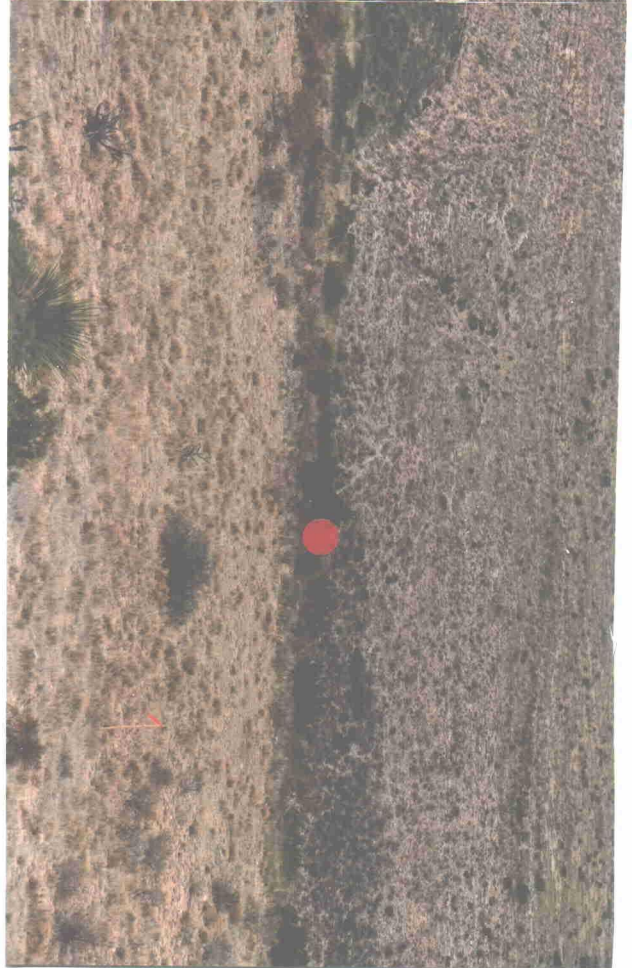
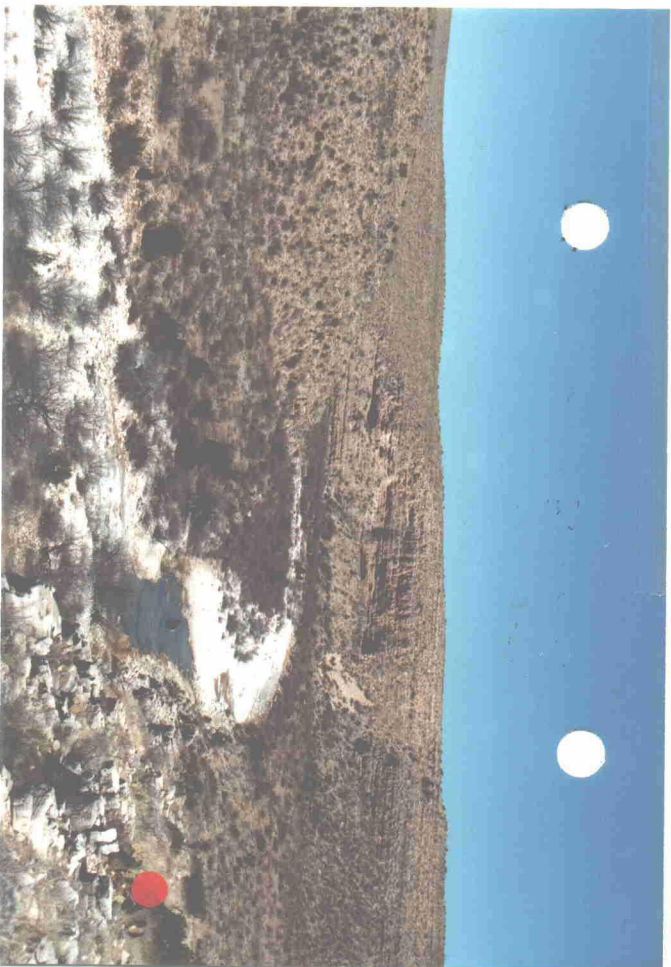


BEFORE EXAMINER CATANACH  
OIL CONSERVATION DIVISION  
*Sell* EXHIBIT NO. 5  
CASE NO. 9643



*SOUTH*



*SOUTH*

1

2

3

*Sell* EXHIBIT NO. 6

WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section.

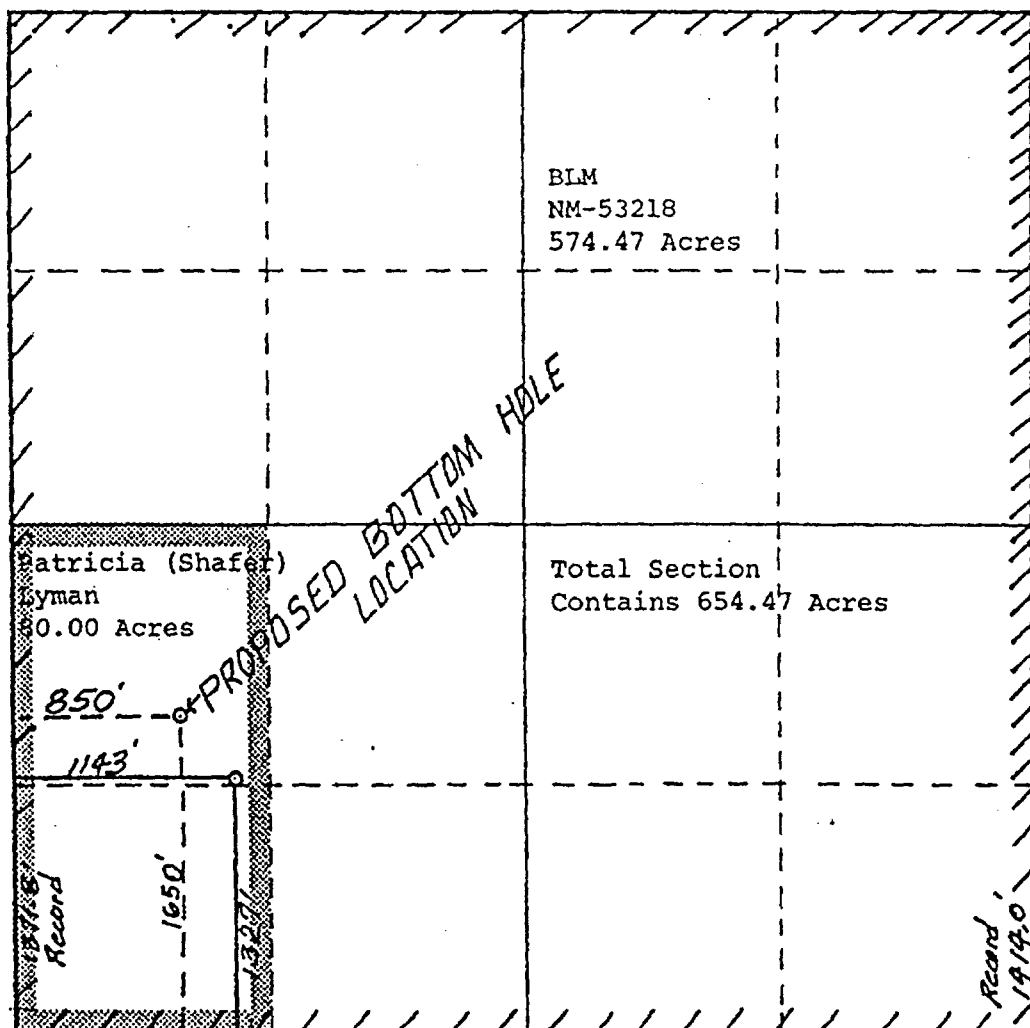
|  |  |                                    |   |                                    |
|--|--|------------------------------------|---|------------------------------------|
| Operator<br>CASE NO. <u>STEVE SELL</u>   |  | Lease<br><u>Shafer Federal Com</u> |   | Well No.<br><u>1</u>               |
| UNIT Letter<br><u>M</u>  | Section<br><u>35</u>                       | Township<br><u>21 South</u>        | Range<br><u>24 East</u>                   | County<br><u>Eddy County, N.M.</u> |
| Actual Footage Location of Well:<br><u>1143</u> feet from the <u>West</u> line and <u>1327</u> feet from the <u>South</u> line |  |                                    |   |                                    |
| Ground Level Elev.<br><u>3842.</u>   | Producing Formation<br><u>Cisco/Morrow</u> | Pool<br><u>Indian Basin</u>        | Dedicated Acreage:<br><u>654.47</u> Acres |                                    |

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). Patricia H. (Shafer) Lyman (Fee Land)  $80/654.47 \times .1875 = .0229193$  Net Royalty BLM NM-53218  $574.47/654.47 \times .125 = .1097205$  Net Royalty Steve Sell 100% WI
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes  No If answer is "yes," type of consolidation Communitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

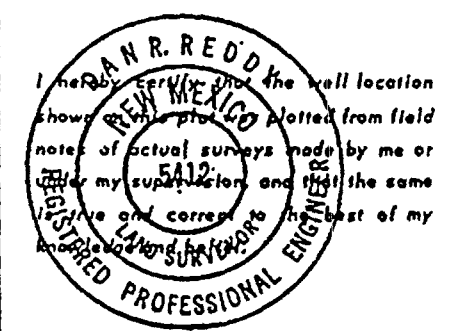
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

*Kurt Boley*  
Name  
Kurt Boley  
Position  
Geologist  
Company  
Steve Sell  
Date  
3-23-89



Date Surveyed  
March 22, 1989  
Registered Professional Engineer  
and/or Land Surveyor  
*Jan R. Kelly*  
Certificate No.

Sell

EXHIBIT NO. 7

CASE NO.

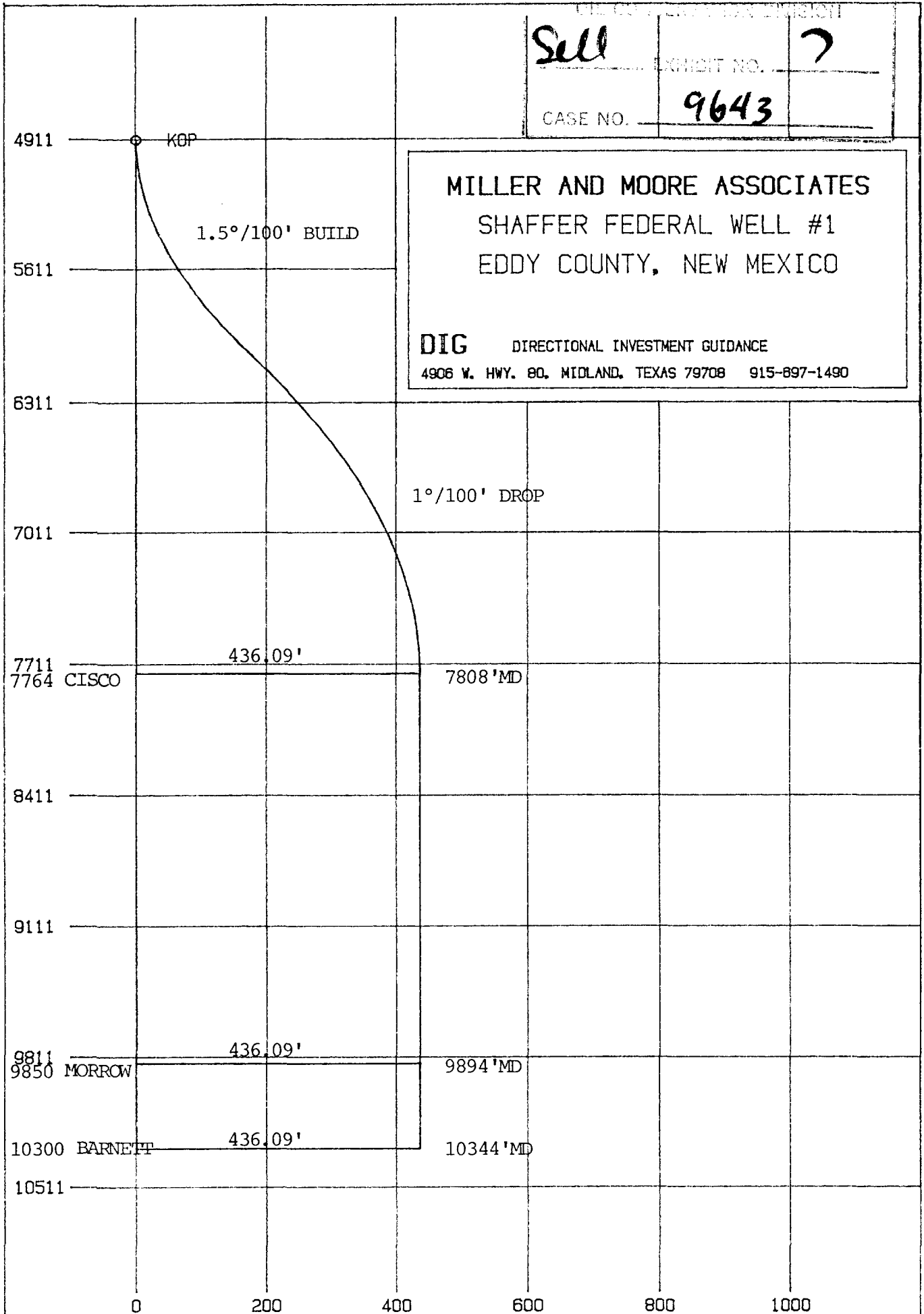
9643

MILLER AND MOORE ASSOCIATES  
SHAFFER FEDERAL WELL #1  
EDDY COUNTY, NEW MEXICO

DIG

DIRECTIONAL INVESTMENT GUIDANCE

4906 W. HWY. 80, MIDLAND, TEXAS 79708 915-897-1490





**DIRECTIONAL  
INVESTMENT  
GUIDANCE, INC.**

P.O. BOX 7238 • MIDLAND, TEXAS 79708 • 915/697-1490

Moore, Miller and Associates, Inc.  
Mr. Dennis Moore

Shaffer Federal No. 1  
April 25, 1989

**DIRECTIONAL DRILLING PROCEDURE**

1. Run gyro multishot while W.O.C. at 9 5/8" casing point at 2500.
2. Pick up a non mag drill collar in the bottom hole assembly prior to tripping in the hole to drill out the cement.
3. At 4900'+, KOP, drop a multishot survey prior to tripping out of the hole for the deflection assembly, surveying on 93' intervals.
4. Trip in the hole with a rock bit, 6 1/2" slow speed mud motor, 1.5° deflecting sub, 6 1/2" non mag drill collar and the rest of the collars and drill pipe.
5. Orient the motor assembly with a surface readout tool (steering tool) at the proposed target direction of N42°W. Drill with this assembly until 4-5° of inclination angle is obtained and trip out for a building assembly.
6. Trip in with a bit, 8 3/4" IBS, 6 1/2" non mag drill collar, 8 3/4" IBS, and the rest of the collars and drill pipe. Drill with this fulcrum until maximum angle of 17°± is achieved, Trip out of the hole to pick up a pendulum assembly to drop angle into target No. 1.
7. Trip in the hole with a bit, 6 1/2" non mag drill collar, 30' steel collar, 8 3/4" IBS, 30' steel collar, 8 3/4" IBS and the rest of the collars and drill pipe. Drill with this assembly with an appropriate weight on bit to start dropping angle and maintaining a 1°/100' drop rate.
8. At approximately 7200' run a multishot survey to correct rectangular coordinates prior to drilling into the CISCO target at 7764' TVD. Overshot the survey tool at 4900' and trip back to bottom and continue drilling with the pendulum to T.D.
9. At T.D. drop another multishot to establish a certified bottom hole location for the commission.

BEFORE EXAMINER CATANACH  
OIL CONSERVATION DIVISION

*Sell* EXHIBIT NO. 8

CASE NO. 9643

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF STEVE SELL FOR DIRECTIONAL  
DRILLING AND AN UNORTHODOX GAS  
WELL LOCATION  
EDDT COUNTY, NEW MEXICO

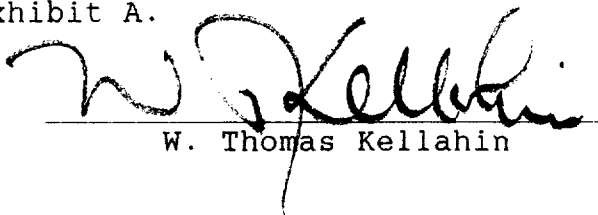
CASE NO. 9643

CERTIFICATE OF MAILING

AND

COMPLIANCE WITH ORDER R-8054

In accordance with Division Rule 1207 (Order R-8054) I hereby certify that on April 4, 1989, I caused to be mailed by regular mail, a notice of this hearing and a copy of the application for the above referenced case along with the cover letter, at least twenty days prior to the hearing set for April 26, 1989 to the parties shown in the Application evidenced by the attached Exhibit A.

  
W. Thomas Kellahin

SUBSCRIBED AND SWORN TO before me this 25th day of April, 1989 by W. Thomas Kellahin, attorney for the applicant.

  
Notary Public

My Commission Expires:

March 3, 1993

|  |                      |
|--|----------------------|
| BEFORE EXAMINER, OIL CONSERVATION DIVISION |                      |
| OIL CONSERVATION DIVISION                  |                      |
| <u>Sell</u>                                | EXHIBIT NO. <u>9</u> |
| CASE NO:                                   | <u>9643</u>          |



WTK/Steve Sell/Shafer No.1

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. 2.  Restricted Delivery (Extra charge)  
**XX**

|   |   |
|---|---|
| 3. Article Addressed to:<br>Mark Hearburg<br>Hearburg Producing Company<br>401 E. Illinois Ste 300<br>Midland, Tx 79701 | 4. Article Number<br>P 784 104 433  |
|   | Type of Service:<br><input type="checkbox"/> Registered <input type="checkbox"/> Insured<br><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD<br><input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise |
| Always obtain signature of addressee or agent and <b>DATE DELIVERED.</b>  |   |
| 5. Signature - Address<br><b>X</b> <i>Mark Hearburg</i>   | 8. Addressee's Address (ONLY if requested and fee paid)<br>401 E Illinois<br>#300   |
| 6. Signature - Agent<br><b>X</b>  |   |
| 7. Date of Delivery   |   |

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

WTK/Steve Sell/Shafer No. 1

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. 2.  Restricted Delivery (Extra charge)  
**XXX**

|   |   |
|---|---|
| 3. Article Addressed to:<br>Mr. Randy Patterson<br>Yates Petro Corp<br>105 S. 4th St<br>Artesia, NM 88210 | 4. Article Number<br>P 784 194 434  |
|   | Type of Service:<br><input type="checkbox"/> Registered <input type="checkbox"/> Insured<br><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD<br><input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise |
| Always obtain signature of addressee or agent and <b>DATE DELIVERED.</b>                                  |   |
| 5. Signature - Address<br><b>X</b> <i>Randy Patterson</i>   | 8. Addressee's Address (ONLY if requested and fee paid)   |
| 6. Signature - Agent<br><b>X</b>  |   |
| 7. Date of Delivery<br>4/6/89   |   |

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

KELLAHIN, KELLAHIN and AUBREY

*Attorneys at Law*

W. Thomas Kellahin  
Karen Aubrey

El Patio - 117 North Guadalupe  
Post Office Box 2265

Telephone 982-4285  
Area Code 505

Jason Kellahin  
Of Counsel

Santa Fé, New Mexico 87504-2265

April 4, 1989

RECEIVED

APR 4 1989

HAND-DELIVERED

OIL CONSERVATION DIVISION

Mr. William J. LeMay  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Re: Steve Sell for an Unorthodox  
Surface and Subsurface Location  
and Approval to Intentionally  
Deviate Well Bore  
Eddy County, New Mexico

Dear Mr. LeMay:

On behalf of Steve Sell, please set our first amended application enclosed for hearing at the next available examiner's docket now set for April 21, 1989.

We would appreciate you continuing and readvertising Division Case No. 9643 now set for April 12, 1989. We suggest the following to be used for the advertisement for this case:

Application of Steve Sell for an unorthodox surface and subsurface location and directional drilling, Eddy County, New Mexico. Applicant in the above styled cause seeks approval to spud its Shafer Federal Com #1 well at an unorthodox surface of 1,327' FSL and 1,143' FWL and drill vertically to a depth of 4,911' (TVD) and then to commence drilling directionally to penetrate the top of the Cisco formation in the undesignated Indian Basin Upper Penn Pool at a true vertical depth of approximately 7,764' and within a 50' radius of an unorthodox subsurface location 1,650' from the South line and 850' from the West line of Section 35, T21S, R24E, with all of said section being dedicated to its well, forming a standard 640 acre gas spacing and proration unit for said pool. In addition, the applicant seeks approval of an unorthodox subsurface well location within a 50' radius of a point 1,650' FSL and 850' FWL of said Section 35 in the Indian Basin Morrow Pool. Said location is approximately 14 miles West of Carlsbad, New Mexico.



KELLAHIN, KELLAHIN and AUBREY

Mr. William J. LeMay  
April 4, 1989  
Page 2

By copy of this letter and application sent certified mail, return-receipt to all offset operators, we are notifying each of them of the right to appear at the hearing either in support of or in opposition to this application.

Should any such party desire more information about this matter or about the procedures to hearing this application, they may call the Division or the undersigned.

Very truly yours,

Original signed by  
W. THOMAS KELLAHIN

W. Thomas Kellahin

WTK/rs  
Encl.

cc: Steve Sell  
P. O. Box 5061  
Midland, Texas 79704

"Certified-Return Receipt Requested"

All parties listed on Exhibit "A".

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF STEVE SELL FOR APPROVAL FOR  
DIRECTIONAL DRILLING AND APPROVAL  
OF AN UNORTHODOX SURFACE AND SUB-  
SURFACE LOCATIONS  
EDDY COUNTY, NEW MEXICO

Case No. 9643

F I R S T A M E N D E D  
A P P L I C A T I O N

COMES NOW, STEVE SELL, by and through its attorneys, Kellahin, Kellahin & Aubrey, and applies to the New Mexico Oil Conservation Division for approval for directional drilling and for an unorthodox surface and subsurface location for its Shafer Federal Com Well #1 to be located at an unorthodox surface location 1,327' FSL and 1,143' FWL of Section 35, T21S, R24E, NMPM, Eddy County, New Mexico, and to be directionally drilled to an unorthodox bottom hole location in the Cisco formation of the undesignated Indian Basin Upper Penn Pool and in the Morrow formation of the Indian Basin Morrow Pool and in support thereof would show:

1. Applicant is a working interest owner and operator in Section 35, T21S, R24E, NMPM, Eddy County, New Mexico.

2. Applicant proposes to drill its well commencing at an unorthodox surface location of 1,327' FSL and 1,143' FWL to 4,911 feet at which point applicant will then commence to directionally drill the subject well to penetrate the top of the Cisco formation in the undesignated Indian Basin Upper Pennsylvanian Gas Pool at a true vertical depth of approximately 7,764 feet to be within 50' radius of an unorthodox subsurface target which will be 1,650' FSL and 850' FWL of said section and then to continue drilling in a vertical manner to penetrate the top of the Morrow formation in the undesignated Indian Basin Morrow Pool at a true vertical depth of approximately 9,850 feet within a 50' radius of an unorthodox subsurface target 850'FWL and 1,650' FSL of said section. The approximate total depth of the well will be 10,300 feet.

4. The applicant proposes that the proration and spacing unit for the subject well for Cisco and Morrow production will be all of Section 35.

5. Applicant's well will be an attempt to obtain production from the undesignated Indian Basin Penn Pool and the undesignated Indian Basin Morrow Pool which requires wells to locate no closer than 1,650' to the outer boundary of a section.

6. The subject well at its bottom hole location will be no closer than 1,650' from the North, South or East line of subject spacing unit but will be unorthodox to the West acre line of Section 35.

7. Applicant is the operator of all of the adjoining Section 34 and all of the interests between Section 34 and Section 35 are identical.

8. In accordance with Division Rule 111, applicant seeks approval to directional drill the subject well based upon geologic and economic reasons.

9. All offset operators are listed on Exhibit A and pursuant to Division Notice Rules have been provided with a copy of this application.

10. Applicant requests that this application be set for hearing on April 21, 1989.

WHEREFORE, applicant requests that after notice and hearing the application be approved as requested.

Respectfully submitted,

By: \_\_\_\_\_  
W. Thomas Kellahin  
Kellahin, Kellahin & Aubrey  
Post Office Box 2265  
Santa Fe, New Mexico 87504

(505) 982-4285

Exhibit "A"

Mr. Mark Nearburg  
Nearburg Producing Company  
401 E. Illinois  
Suite 300  
Midland, Texas 79701

Yates Petroleum Corporation  
105 S. Fourth Street  
Artesia, New Mexico 88210  
Attn: Mr. Randy Patterson