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November 2, 1998

FEDERAL EXPRESS

Mr. Tim Gum, Supervisor
Oil Conservation Division
811 S. First Street
Artesia, New Mexico 88210

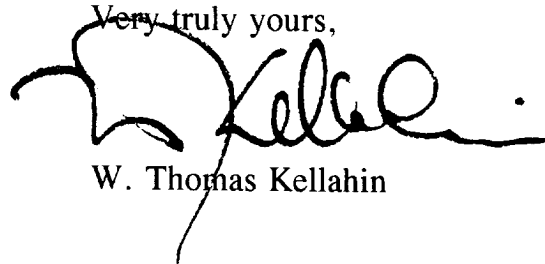
Re: Eagle Creek "11" Well No. 1
Administrative Application of
Nearburg Producing Company
for a Directional Wellbore
E/2 Section 11, T17S, R25E
Eddy County, New Mexico

Dear Mr. Gum:

On behalf of Nearburg Producing Company, and in accordance with Division Rule 111 authorizing the District Supervisor to process Directional Wellbore applications, please find enclosed our Application for approval of the referenced well.

For your information, Nearburg's application for the unorthodox surface location and subsurface drilling window is pending hearing on November 5, 1998 as Division Case 12073.

Very truly yours,



W. Thomas Kellahin

cc: Mr. Michael E. Stogner (OCD-Santa Fe)
cfx: Nearburg Producing Company
Attn: Bob Shelton

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

**APPLICATION OF NEARBURG PRODUCING COMPANY
FOR A DIRECTIONAL WELLBORE
EDDY COUNTY, NEW MEXICO**

ADMINISTRATIVE APPLICATION

Comes now Nearburg Producing Company ("Nearburg"), by and through its attorneys, Kellahin & Kellahin, and in accordance with Division Rule 111 applies to the District Supervisor-Artesia of the New Mexico Oil Conservation Division for approval for a Directional Wellbore for its Eagle Creek "11" Well No. 1 and in support states:

(1) Nearburg is the proposed operator for the E/2 of Section 11, T17S, R25E, NMPM, Eddy County, New Mexico.

(2) Nearburg has conducted a geologic investigation and has concluded that the optimum location for a well in the E/2 of said Section 11 would be at a location 1980 feet from the East line and 660 feet from the North line of said Section 11. However, that location is closer to the Artesia airport runway than permitted by the City of Artesia. Accordingly, Nearburg proposes to locate the well at a surface location 2100 feet from the west line and 1070 feet from the north line of Section 14 and to drill this wellbore directionally to a subsurface location approximately 1980 feet from the East line and 660 feet from the south line of Section 11.

(3) Therefore, Nearburg proposes to drill its Eagle Creek "11" Well No. 1 from an unorthodox surface location 1200 feet from the East line and 660 feet from the North line of Section 11, T17S, R25E, and to drill directionally to an unorthodox subsurface location within a Producing Area and Producing Interval at the top of the Morrow formation not closer than 660 feet from the south, east and west boundaries of consisting of a spcign unit consisting of the E/2 of said Section 11 for any gas production below the top of the Wolfcamp formation and to dedicate the NE/4 of said Section to any gas production above the top of the Wolfcamp formation.

(4) Nearburg proposes the following:

- (a) **Project Area:**
320-acre gas dedication
(E/2 Section 11)
- (b) **Producing Area & Producing Interval:**
being within an area at the top of the Morrow formation within a standard 320-acre spacing unit but not closer than 660 feet to the south, east and west side boundaries of the spacing unit

(5) The following exhibits are attached:

Exhibit 1: Area Locator Plat indicating spacing unit, surface and subsurface well location, offset owners

Exhibit 2: C-102 and APD

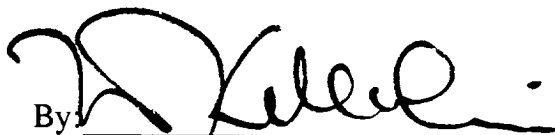
Exhibit 3:

Scientific Drilling International's vertical oriented plan view and horizontal plan view and 2 pages of numerical tabulation of program.

WHEREFORE, Applicant requests that this application be approved.

Respectfully submitted,

KELLAHIN & KELLAHIN



By W. Thomas Kellahin
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