

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
PAUL R. OWEN
KATHERINE M. MOSS
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: ccbspa@ix.netcom.com

June 15, 1999

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

12212

99 JUN 15 PM 3:54

OIL CONSERVATION DIV.

Re: *Application of Nearburg Exploration Company, L.L.C., for an Unorthodox
Well Location, Lea County, New Mexico*

Dear Ms. Wrotenbery:

On behalf of Nearburg Exploration Company, L.L.C., please find enclosed our application for an unorthodox gas well location which we request be set for hearing on the next available Examiner docket now scheduled for July 8, 1999. Also enclosed is our proposed legal advertisement.

On June 3, 1999, we filed an administrative application for the unorthodox location which is the subject of the enclosed application. On June 11, we received from Tom Kellahin, who represents Mitchell Energy Corporation, a copy of a letter addressed to the Oil Conservation Division in which Mr. Kellahin states Mitchell's objection to the proposed location, and which requests that the matter be set for hearing before a Division Examiner. As with the administrative application, we will provide Mitchell with notice of the enclosed application and the requested July 9, 1999 hearing date.

Very truly yours,



WILLIAM F. CARR
PAUL R. OWEN

PRO:mlh

Enclosure

cc: Mr. Duke Roush (w/enclosures)
W. Thomas Kellahin (w/enclosures)

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

99 JUN 15 PM 3:54

OIL CONSERVATION DIV.

IN THE MATTER OF THE APPLICATION
OF NEARBURG EXPLORATION COMPANY, L.L.C.
FOR AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO.

CASE NO. _____

APPLICATION


NEARBURG EXPLORATION COMPANY, L.L.C., ("Nearburg"), through its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order approving an unorthodox well location, and in support of this application states:

1. Applicant is a working interest owner in Section 25, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico, and proposes to drill a well to the Morrow formation, Undesignated East Lusk-Morrow Gas Pool, at an unorthodox gas well location 990 feet from the South line and 660 feet from the East line of said Section 25.
2. Applicant seeks an exception to Rule 104 C(2)(b) of the General Rules and Regulations of the Oil Conservation Division to permit the drilling of this well at this unorthodox gas well location.
3. The E/2 of Section 25 should be dedicated to the well.
4. Approval of this application will afford the interest owners in this irregular Section the opportunity to produce their just and equitable share of the reserves under the subject spacing and proration unit and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Nearburg Exploration Company, L.L.C. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 8, 1999, that notice be given as required by law and the rules of the Division, and that the Division enter its Order granting this application.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR
PAUL R. OWEN
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR NEARBURG
EXPLORATION COMPANY, L.L.C.

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

OIL CONSERVATION DIV.

29 JUN 15 PM 3:54

IN THE MATTER OF THE APPLICATION
OF NEARBURG EXPLORATION COMPANY, L.L.C.
FOR AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO.

CASE NO. _____

APPLICATION


NEARBURG EXPLORATION COMPANY, L.L.C., ("Nearburg"), through its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order approving an unorthodox well location, and in support of this application states:

1. Applicant is a working interest owner in Section 25, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico, and proposes to drill a well to the Morrow formation, Undesignated East Lusk-Morrow Gas Pool, at an unorthodox gas well location 990 feet from the South line and 660 feet from the East line of said Section 25.
2. Applicant seeks an exception to Rule 104 C(2)(b) of the General Rules and Regulations of the Oil Conservation Division to permit the drilling of this well at this unorthodox gas well location.
3. The E/2 of Section 25 should be dedicated to the well.
4. Approval of this application will afford the interest owners in this irregular Section the opportunity to produce their just and equitable share of the reserves under the subject spacing and proration unit and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Nearburg Exploration Company, L.L.C. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 8, 1999, that notice be given as required by law and the rules of the Division, and that the Division enter its Order granting this application.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR
PAUL R. OWEN
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR NEARBURG
EXPLORATION COMPANY, L.L.C.

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

June 11, 1999

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

HAND DELIVERED

Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505
Attn: Mr. Michael E. Stogner

99 JUN 11 AM 11:30

OIL CONSERVATION DIV.

Re: **NOTICE OF OBJECTION:**

*Nearburg Exploration Company, L.L.C.'s
Diamondback "25" Federal Well No. 1
Unit P, Section 25, T19S, R32E, NMPM,
Administrative Application to NMOCD
for Approval of Unorthodox Gas Well
Location, Lea County, New Mexico*

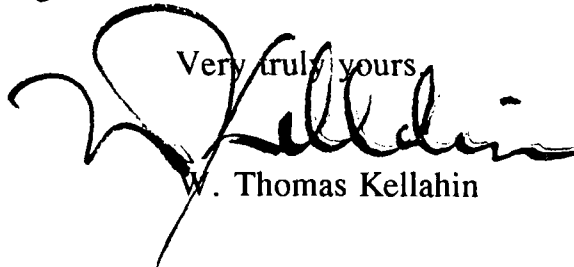
Dear Mr. Stogner:

By letter dated June 3, 1999, Nearburg Exploration Company, L.L.C. sent notification to the offsetting operators of the referenced request.

On behalf of Mitchell Energy Corporation, as an offsetting interest owner and operator in Section 31, we hereby object to the referenced application by Nearburg Exploration Company, L.L.C. for an unorthodox gas well location described in its administrative application to the Division.

We request that this matter be set for hearing and that Mitchell Energy Corporation be provided notification of the hearing in accordance with Division notice rules.

Very truly yours,



W. Thomas Kellahin

cfx: William F. Carr, Esq.
Attorney for Nearburg Exploration Company, L.L.C.
cfx: Matador Petroleum Corporation
Attn: Mona Ables
cfx: Mitchell Energy Corporation
Attn: Mark Stephenson

CASE _____: Application of Nearburg Exploration Company, L.L.C. for an unorthodox well location, Lea County, New Mexico. Applicant in the above-styled cause seeks authorization to drill a well to the Morrow formation, Undesignated East Lusk-Morrow Gas Pool, at an unorthodox well location 990 feet from the South line and 660 feet from the East line of Section 25, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico. The East half of Section 25 is to be dedicated to said well. Said unit is located approximately ____ miles _____ of _____, New Mexico.

OIL CONSERVATION DIV.
99 JUN 15 PM 3:54

DATE 6/3/99	SUBMIT 6/23/99	ENGINEER MS	LOGGED KN	TYPE NSL
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling

☒ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] and [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

99 JUN -3 PM 3:31

OIL CONSERVATION DIV.

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

William F. Carr
Print or Type Name

William F. Carr
Signature

Attorney
Title

June 3, 1999
Date

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
PAUL R. OWEN
KATHERINE M. MOSS

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June 3, 1999

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: *Application of Nearburg Exploration Company, L.L.C. for Administrative Approval of an Unorthodox Well Location for its Diamondback "25" Federal Well No. 1 to be drilled 990 feet from the South line and 660 feet from the East Line of Section 25, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico*

Dear Ms. Wrotenbery:

Nearburg Exploration Company, L.L.C. hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2) adopted on January 18, 1996, of an unorthodox well location for its Diamondback "25" Federal Well No. 1 to be drilled to the Morrow formation, Undesignated East Lusk-Morrow Gas Pool, at an unorthodox well location 990 feet from South line and 660 from the East line of Section 25, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico. The E/2 of Section 25 will be dedicated to the well.

The well will be drilled to a depth sufficient to test the Morrow formation. This location in the Morrow formation is unorthodox because it is governed by the Division Rule 104.B. (1)(a) which provides for wells at this depth on 320-spacing units to be located no closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1650 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
June 3, 1999
Page 2

inner boundary.

Attached hereto as Exhibit A is a plat, as required by Rule 104.F (3), showing the subject spacing unit, the proposed unorthodox well location, the offsetting wells and the diagonal and adjoining spacing units.


This unorthodox location is required by geological conditions in the Morrow formation. Attached hereto as Exhibit B is a structure map on the top of the Morrow formation which shows the proposed location would be located along the western portion of a large Morrow feature at the same structural position to as offsetting Morrow producers. Exhibit C is an isopach map of the Morrow "C" Sand which shows the proposed location to be within a well developed Northwest-Southeast trending sand fairway. Exhibit D is a stratigraphic cross section which shows the productive sand lenses in the Morrow "B" and "C" sand sections in the area of interest. A Geological Discussion is also enclosed as Exhibit E which further demonstrates that the proposed unorthodox location is supported by geological data.

Exhibit F lists parties affected by this application. A copy of this application, including a copy of the plat described above has been sent to the affected parties by certified mail-return receipt requested in accordance with Rule 1207 (A)(5) advising them that if they have an objection to this application it must be filed in writing within twenty days from the date this notice was sent.

Also enclosed is a proposed order approving this application.

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is stylized with a large, looped initial "W" and a trailing flourish.

WILLIAM F. CARR
Attorney for Nearburg Exploration Company, L.L.C.

Enclosures

cc: Mr. Duke Roush
Nearburg Exploration Company, L.L.C.

Nearburg Exploration Company, L.L.C.
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

Attention: Duke Roush

Administrative Order NSL-_____

Dear Mr. Roush:

Reference is made to your application dated June 3, 1999, for an unorthodox well location for a well to be drilled to the Morrow formation, Undesignated East Lusk-Morrow Gas Pool, for your proposed Diamondback "25" Federal Well No.1. Said well to be drilled to a bottom hole location in the Morrow formation 990 feet from the South line and 660 feet from the East line (Unit P) of Section 25, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico.

A 320-acre spacing and proration unit in the Morrow formation comprising the E/2 of said Section 25 is to be dedicated to said well.

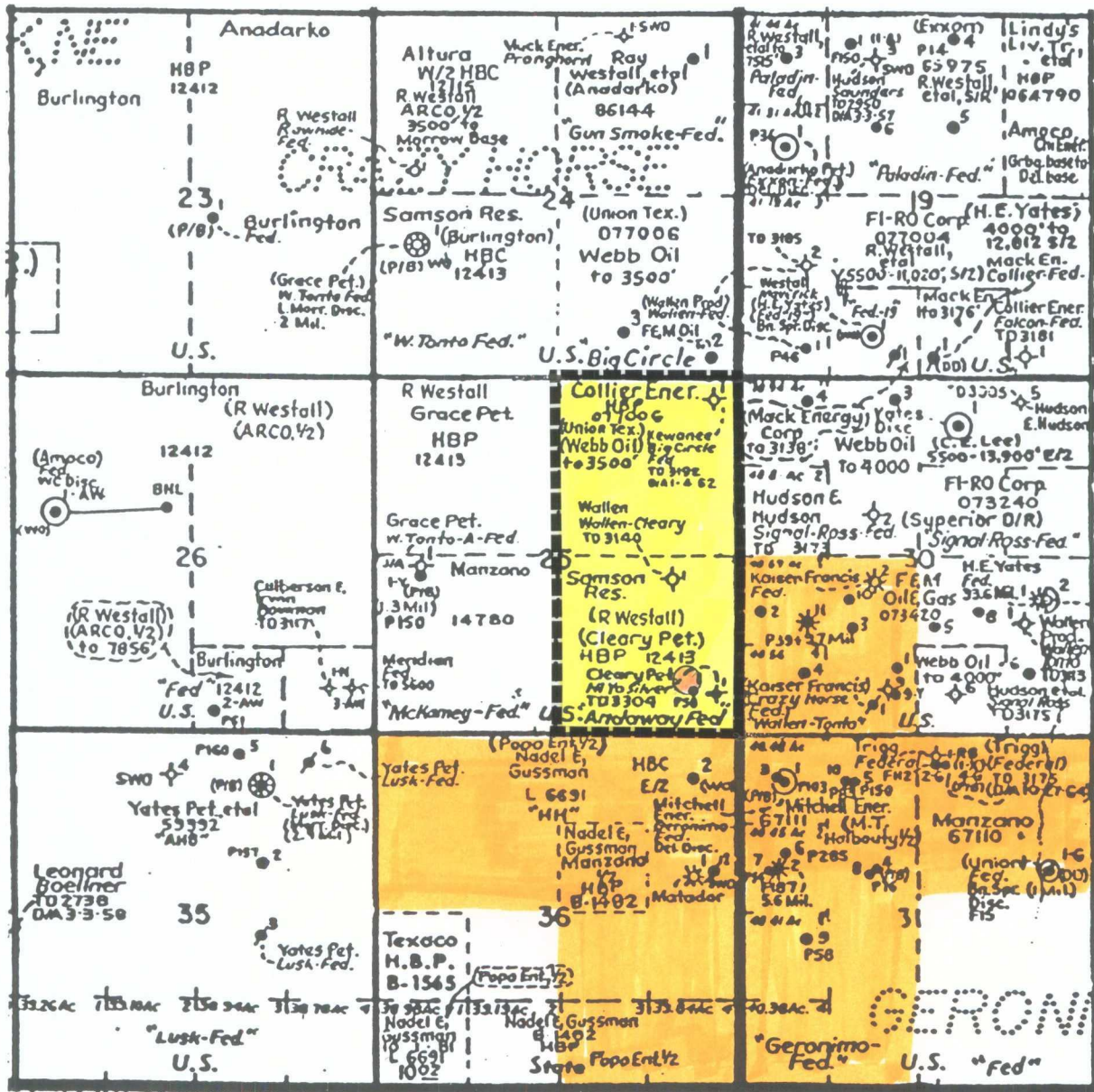
By authority granted me under the provisions of Rule 104.F(2) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the New Mexico Oil Conservation Commission in Case 11,351 on January 18, 1996, the above-described unorthodox well location is hereby approved.

Sincerely,

Lori Wrotenbery
Director

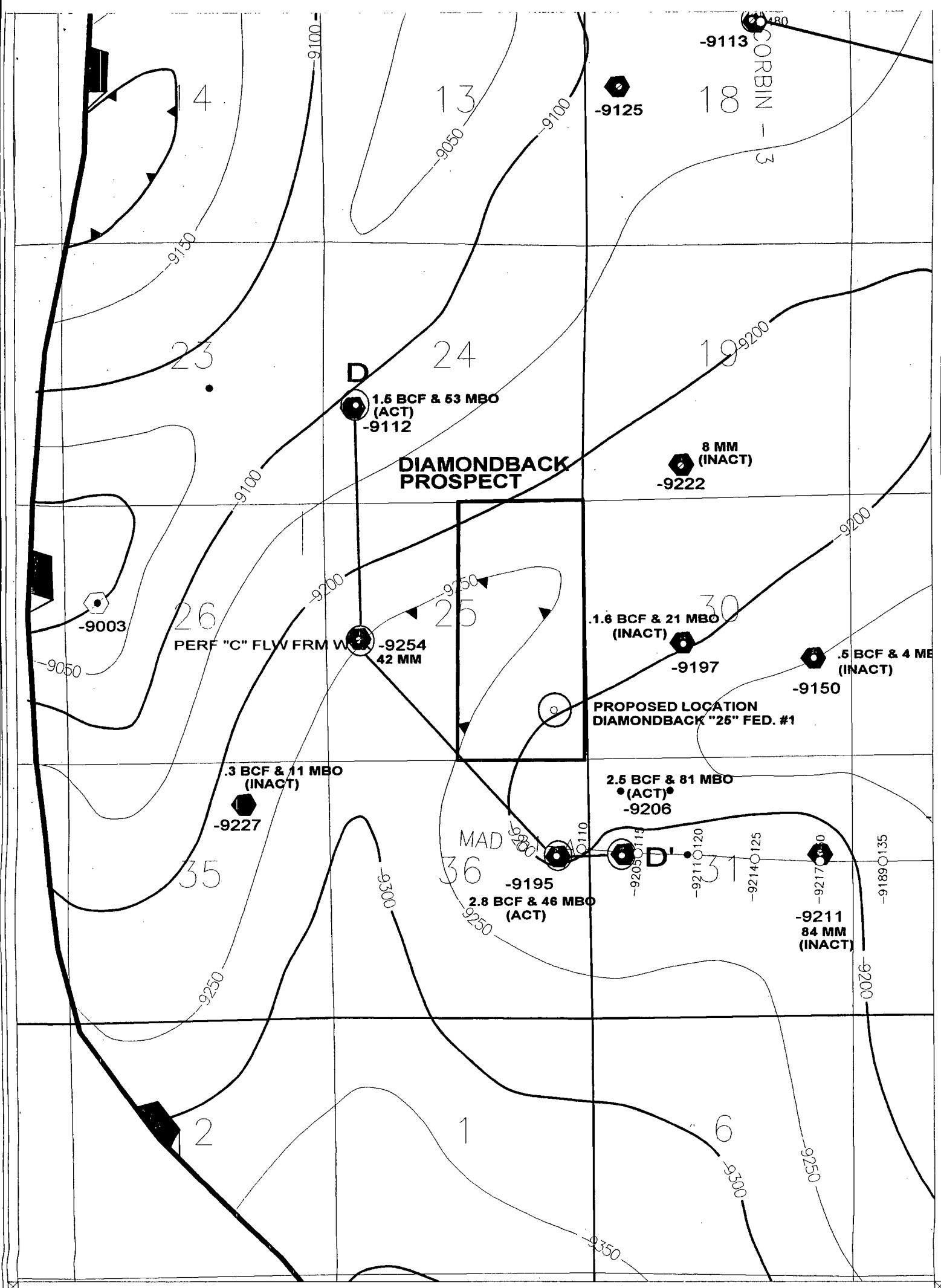
cc: Oil Conservation Division - Hobbs/Artesia
U. S. Bureau of Land Management - Carlsbad

Diamondback "25" Fed. #1
 990' FSL, 660" FEL, Sec. 25-T19S-R32E
 Lea County, New Mexico



 Affected Tracts

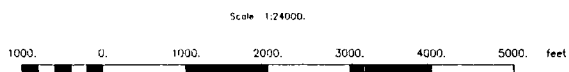
 Location



LEGEND

● MORROW SAND PRODUCER

EXHIBIT B



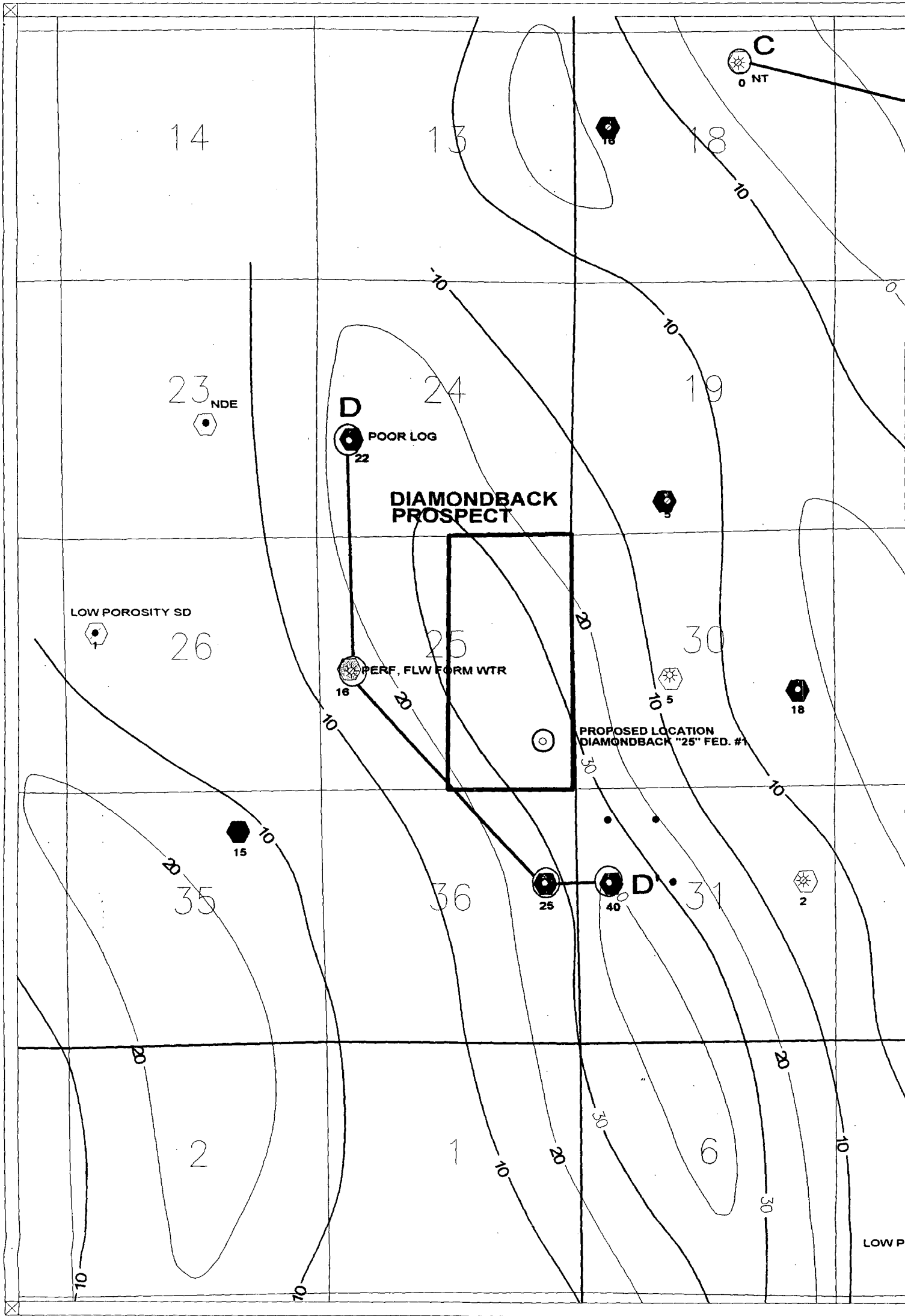
Nearburg Producing Company
Exploration and Production
Midland, Texas

DIAMONDBACK PROSPECT LEA COUNTY, NEW MEXICO




STRUCTURE MAP TOP MORROW

C.I. = 50'

GEOLOGIST	DATE	DRAWN BY	FILE NO.
T. F. GAWLOSKI	5/99	PLD	TMRW.GPF



LEGEND

-  MORROW "C" SAND PRODUCER
-  MORROW "C" SAND SHOW
-  MORROW "C" SAND WET

Scale 1:24000

1000. 0. 1000. 2000. 3000. 4000. 5000. feet

EXHIBIT C



Nearburg Producing Company
Exploration and Production
Midland, Texas

**DIAMONDBACK PROSPECT
LEA COUNTY, NEW MEXICO**

**ISOPACH MAP
MORROW "C" SAND
 $\phi \geq 8\%$**

CL = 10'

GEOLOGIST	DATE	DRAWN BY	FILE NO.
T. F. GAWLOSKI	5/69	PLD	ISOMC.GPF

INTENTIONAL OMISSIONS

The following document(s) have been intentionally omitted from this file due to the indicated reasons.

FILE # _____

DESCRIPTION OF OMITTED DOCUMENTS

OMITTED DOCUMENT

REASON OMITTED

EXHIBIT D Morrow Stratigraphic Too LARGE

**UNORTHODOX LOCATION
NEARBURG PROD. CO. ,
DIAMONDBACK "25" FED. #1
990' FSL & 660' FEL, SEC. 25-T19S-R32E
LEA COUNTY, NEW MEXICO**

GEOLOGICAL DISCUSSION

The Nearburg Producing Co., Diamondback "25" Fed. #1 well is located along the northern portion of the Delaware Basin in central Lea County, New Mexico. The proposed 13,700' test is projected to encounter the gas productive sands of the (Pennsylvanian) Morrow Formation. The Morrow, in this area of Lea County, produces from multiple sand lenses within the Morrow "B" and "C" sand sections from both structural and stratigraphic traps.

The Diamondback "25" Fed. #1 well has been placed at an unorthodox location of 990' FSL & 660' FEL principally to maintain a positive structural position. The structural position of the Morrow sands is important in this area of Lea County. There are several wells situated off structure that produce water. In fact, the Grace Petroleum, West Tonto "A" Fed. Com. # 1Y well, located just $\frac{3}{4}$ mile northwest of the proposed location, recovered formation water on a production test across the Morrow "C" sand interval. The enclosed structure map shows that the proposed location would be located along the western portion of a large Morrow structural feature ~ 50ft. high to the West Tonto "A" #1Y well. In addition, the proposed location is at the same structural position as the 2 closest Morrow producers; the Union, State "HH" #1 (NE/4 of Sec.36-19S-32E) and the Mitchell Energy, Geronimo Federal #2 (NW/4 of Sec.31-19S-33E) both of which produce from multiple sands within the Morrow "B" and "C" sections (cross section D-D').

The enclosed Morrow "C" sand isopach also shows that the proposed location to be within a well developed NW-SE trending sand fairway. The Morrow "C" sands are productive in 3 out of the 4 wells along this trend. The one non-productive well has well developed sand but tested water.

The well defined Morrow "C" sand trend along with the favorable structural position should increase the chances of recovering gas from the Morrow formation at the proposed unorthodox location.

EXHIBIT F

AFFECTED PARTIES

Application of Nearburg Exploration Company, L.L.C. for
administrative approval of an unorthodox well location
Diamondback "25" Federal Well No.1
990 feet from the South line and 660 feet from the East line
Section 25, Township 19 South, Range 32 East, NMPM
Lea County, New Mexico

Matador Petroleum Corporation
8340 Meadow Road, Suite 158
Pecan Creek
Dallas, TX 75231-3751

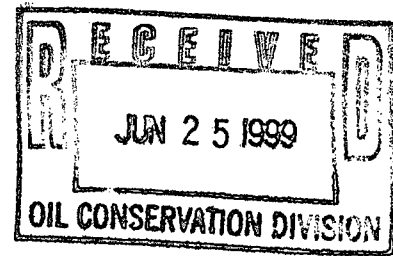
Mitchell Energy & Development Corp.
Post Office Box 4000
The Woodlands, TX 77387-4000

Kaiser-Francis Oil Company
Post Office Box 21468
Tulsa, OK 74121

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
PAUL R. OWEN
KATHERINE M. MOSS

JACK M. CAMPBELL
OF COUNSEL



JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
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SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: ccbspa@ix.netcom.com

June 25, 1999

HAND DELIVERED

Michael E. Stogner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: *Application of Nearburg Exploration Company, L.L.C. for administrative approval of an unorthodox well location for its proposed Diamondback "25" Federal Well No. 1, 990 feet from the South line and 660 feet from the East line of Section 25, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico.*

Dear Mr. Stogner:

On June 3, 1999 Nearburg Exploration Company, L.L.C. filed the above referenced application with the Division seeking administrative approval of an unorthodox well location for its Diamondback "25" Federal Well No. 1. Notice of this application was provided in accordance with division rules to all affected offsetting parties on that date advising them that if they objected to the application a written objection had to be filed with the Division's Santa Fe office within twenty days from the date notice was provided to them.

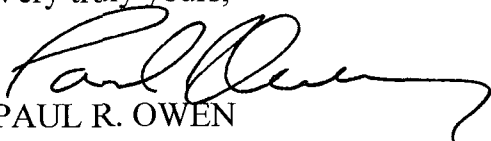
On June 11, 1999, Mitchell Energy Corporation, an offsetting operator, filed its written objection and the application is set for hearing on the July 8, 1999 Examiner hearing docket. A copy of Mitchell's letter is attached for your easy reference. Since that date, Nearburg and Mitchell have reached an agreement whereby Mitchell withdraws its objection to the Nearburg application in exchange for certain data from the well. A copy of this letter agreement is attached.

Michael E. Stogner
June 25, 1999
Page 2

Since no other affected party has objected to Nearburg's application and since the twenty day objection period has now run, Nearburg requests that its administrative application be approved.

Your attention to this matter is appreciated.

Very truly yours,



PAUL R. OWEN

Attorney for Nearburg Exploration Company, L.L.C.

PRO/jmg
Enclosure

From: Stogner, Michael
Sent: Friday, June 25, 1999 5:35 PM
To: Valdes, Kathy
Cc: Williams, Chris; Peterson, Marie; Pitzer, Donna; 'Paul Owen'; 'William F. Carr'; Davidson, Florene
Subject: Case 12212

Attached is a draft administrative order for Nearburg Exploration Company, L.L.C.'s Diamondback "25" Federal Well No. 1 to be drilled at an unorthodox Morrow gas well location 990' FSL & 660' FEL (P) 25-T19S-R32E:



NSL-GAS.N61

Upon the issuance of an administrative order this case can be dismissed from the July 8th hearing docket.

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
916/886-8235
Fax 916/886-7808

June 22, 1999

FAX (713) 377-5949

Mitchell Energy Corporation
P. O. Box 4000
The Woodlands, Texas 77387-4000

ATTN: Mr. Ben Waller

Re: Diamondback "25" #1 Well
T-19-S, R-32-E, Section 25, E/2
660' FEL and 990' FSL
Lea County, New Mexico
Diamondback Prospect

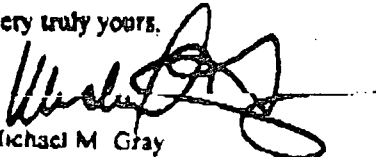
Gentlemen:

Nearburg Exploration Company, L.L.C. has applied for approval of an unorthodox location for the captioned well to be drilled as a 13,700' Morrow test in a unit comprising the E/2 of Section 25, T-19-S, R-32-E. This location is encroaching on a lease owned by Mitchell Energy Corporation and Mitchell has filed an objection to the location.

Pursuant to our verbal agreement, Mitchell Energy Corporation agrees to withdraw it's objection to our proposed unorthodox location for the Diamondback "25" #1 well to be located 660' FEL and 990' FSL of Section 25, T-19-S, R-32-E, Lea County, New Mexico. In return Nearburg agrees to provide Mitchell with the well information set forth on the attached Well Data Requirements Sheet for said well and will agree to waive any objection to a mirror location in Section 31, T-19-S, R-33-E, but only in the event that the Mitchell Geronimo Federal No. 1 well located in Unit E of Section 31, T-19-S, R-33-E is abandoned in the Morrow formation.

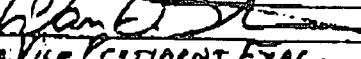
If this agreement meets with your approval, please execute and return one copy of this letter by fax and mail.

Very truly yours,


Michael M. Gray
Senior Landman

ACCEPTED AND AGREED this ____ day of June, 1999.

MITCHELL ENERGY CORPORATION

By: 
Title: Vice President ExPL.
MID CONTINENT Region

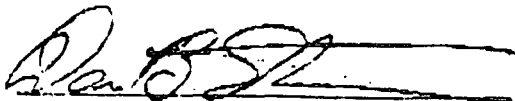
WELL DATA REQUIREMENTS SHEET

Please furnish Mitchell Energy Corporation, P.O. Box 4000, The Woodlands, Texas 77387-4000, Attn: Chris Stamm, within ten days of becoming available or preparation, the following information and reports:

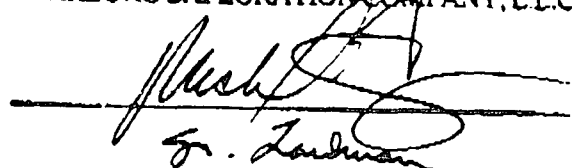
- 1) Location Plat and drilling permits, prior to spudding and one (1) copy of all forms filed with all state or federal regulatory agencies.
- 2) Daily drilling reports faxed to 713-377-6637 Attn: Cindy Agnew until the well is potentialed or abandoned, with a complete set of daily drilling reports furnished after the well is finished.
- 3) Daily production rates faxed to 713-377-6637 Attn: Cindy Agnew for the first thirty (30) days of production.
- 4) If any of the following services or surveys are performed, the following should be sent to the above address to the attention of Chris Stamm.

- | | |
|--|----------------|
| - Mud Log | 2 Final Prints |
| - Open Hole Logs (DIL-
Sonic, LDT-CNL, GR,
Cal, Micrologs) | 2 Final Prints |
| - Core Analysis | 2 Final Prints |
| - Directional Surveys | 1 Copy |
| - Velocity Survey | 2 Copies |
| - Dipmeter | 2 Copies |
| - Water/Gas Analysis | 1 Copy |
| - Drillstem Test Report(s) | 1 Copy |
| - Drawdown and Buildup
Test Data | 1 Copy |
| - Digital Well Log Data
in LAS Format | 1 Copy |

MITCHELL ENERGY CORPORATION



NEARBURG EXPLORATION COMPANY, L.L.C



Er. Erdman

CASE 12205: Continued from June 24, 1999, Examiner Hearing.

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 3, Township 20 South, Range 33 East, in the following manner: the S/2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated East Gem-Morrow Gas Pool; the SE/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and the NW/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Teas Yates-Seven Rivers Pool. These units are to be dedicated to applicant's Viper 3 Fed. Well No. 2, located 1650 feet from the South line and 1980 feet from the East line (Unit J) of Section 3. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 4.5 miles northeast of Loco Hills, New Mexico.

CASE 12206: Continued from June 24, 1999, Examiner Hearing.

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling and unorthodox gas well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 24, Township 19 South, Range 33 East, and in the following manner: the E/2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated East Gem-Morrow Gas Pool; the NE/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and the NE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated East Gem-Delaware Pool, Undesignated East Gem-Bone Spring Pool, and Undesignated East Gem-Strawn Spring Pool. The units are to be dedicated to its Sagebrush 24 Fed. Com Well No. 1, to be located at an unorthodox gas well location 660 feet from the north line and 990 feet from the east line (Unit A) of Section 24. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as operator of the well and a charge for risk involved in drilling the well. The unit is located approximately 4 miles northeast of Loco Hills, New Mexico.

CASE 12211: **Application of Nearburg Exploration Company, L.L.C. for an unorthodox gas well location, Lea County, New Mexico.** Applicant seeks approval to drill its Sagebrush "24" Federal Com. Well No. 1 at an unorthodox Morrow gas well location 660 feet from the North line and 990 feet from the East line (Unit A) of Section 24, Township 19 South, Range 33 East, located approximately 12 miles south-southwest of Buckeye, New Mexico. The E/2 of Section 24 is to be dedicated to the well to form a standard 320-acre gas spacing and proration unit in either the Undesignated East Gem-Morrow Gas Pool or Undesignated Quail Ridge-Morrow Gas Pool.

CASE 12212: **Application of Nearburg Exploration Company, L.L.C. for an unorthodox well location, Lea County, New Mexico.** Applicant seeks authorization to drill a well to the Morrow formation, Undesignated East Lusk-Morrow Gas Pool, at an unorthodox well location 990 feet from the South line and 660 feet from the East line (Unit P) of Section 25, Township 19 South, Range 32 East. The E/2 of Section 25 is to be dedicated to the well. The unit is located approximately 16 miles south-southeast of Maljamar, New Mexico.

CASE 12103: Continued from June 24, 1999, Examiner Hearing.

Application of Nearburg Exploration Company, L.L.C. and E.G.L. Resources, Inc. to reopen Case No. 12103 and for compulsory pooling, Lea County, New Mexico. Applicant seeks an order reopening Case No. 12103 and pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the SE/4 SE/4 of Section 3, Township 20 South, Range 33 East, to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Teas-Yates-Seven Rivers Pool. The unit is to be dedicated to a well to be drilled at an orthodox oil well location in the SE/4 SE/4 (Unit P) of Section 3. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as operator of the well, and a charge for risk involved in drilling and completing the well. The unit is located approximately 5.5 miles northeast of the intersection of State Highway 176 and U.S. Highway 62/180.

CASE 12195: Continued from June 24, 1999, Examiner Hearing.

Application of Shackelford Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NE/4 SE/4 (Unit I) of Section 3, Township 20 South, Range 33 East, thereby forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, which presently includes the Undesignated Teas-Yates-Seven Rivers Pool and the Undesignated West Teas-Yates-Seven Rivers Pool. This unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling the well. The proposed 40-acre unit is located approximately 1.25 miles north of U. S. Highway 62-180 at mile marker No. 77.

set for
7-8-99 hearing

CASE 12212:

Application of Nearburg Exploration Company, L.L.C.

for an unorthodox well location, Lea County, New Mexico.

Applicant seeks authorization to drill a well to the Morrow formation, Undesignated East Lusk-Morrow Gas Pool, at an unorthodox well location 990 feet from the South line and 660 feet from the East line (Unit P) of Section 25, Township 19 South, Range 32 East. The E/2 of Section 25 is to be dedicated to the well. The unit is located approximately 16 miles south-southeast of Maljamar, New Mexico.

for filing

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

June 11, 1999

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

HAND DELIVERED

Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505
Attn: Mr. Michael E. Stogner

Re: **NOTICE OF OBJECTION:**

*Nearburg Exploration Company, L.L.C.'s
Diamondback "25" Federal Well No. 1
Unit P, Section 25, T19S, R32E, NMPM,
Administrative Application to NMOCD
for Approval of Unorthodox Gas Well
Location, Lea County, New Mexico*

99 JUN 11 AM 11:30

OIL CONSERVATION DIV.

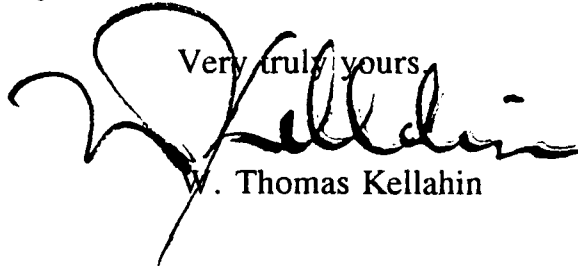
Dear Mr. Stogner:

By letter dated June 3, 1999, Nearburg Exploration Company, L.L.C. sent notification to the offsetting operators of the referenced request.

On behalf of Mitchell Energy Corporation, as an offsetting interest owner and operator in Section 31, we hereby object to the referenced application by Nearburg Exploration Company, L.L.C. for an unorthodox gas well location described in its administrative application to the Division.

We request that this matter be set for hearing and that Mitchell Energy Corporation be provided notification of the hearing in accordance with Division notice rules.

Very truly yours,



W. Thomas Kellahin

cfx: William F. Carr, Esq.
Attorney for Nearburg Exploration Company, L.L.C.
cfx: Matador Petroleum Corporation
Attn: Mona Ables
cfx: Mitchell Energy Corporation
Attn: Mark Stephenson

CMD :
OG5SECTONGARD
INQUIRE LAND BY SECTION06/07/99 15:11:27
OGOMES -TPLW
PAGE NO: 1

Sec : 25 Twp : 19S Rng : 32E Section Type : NORMAL

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E 40.00 Federal owned	F 40.00 Federal owned	G 40.00 Federal owned	H 40.00 Federal owned

PF01 HELP
PF07 BKWDPF02
PF08 FWDPF03 EXIT
PF09 PRINTPF04 GoTo
PF10 SDIVPF05
PF11PF06
PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

06/07/99 15:11:33
OGOMES -TPLW
PAGE NO: 2

Sec : 25 Twp : 19S Rng : 32E Section Type : NORMAL

L 40.00	K 40.00	J 40.00	I 40.00
Federal owned A	Federal owned	Federal owned	Federal owned
M 40.00	N 40.00	O 40.00	P 40.00
Federal owned	Federal owned	Federal owned	Federal owned P A

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06
PF07 BKWD	PF08 FWD	PF09 PRINT	PF10 SDIV	PF11	PF12

County Lea Pool GEM - Morrow GAS
TOWNSHIP 19 S Range 32 E NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Ext: $\frac{E}{2}$ sec 36 (R-6876, 1-22-82)

County LEA

Pool GEN-MORROW GAS

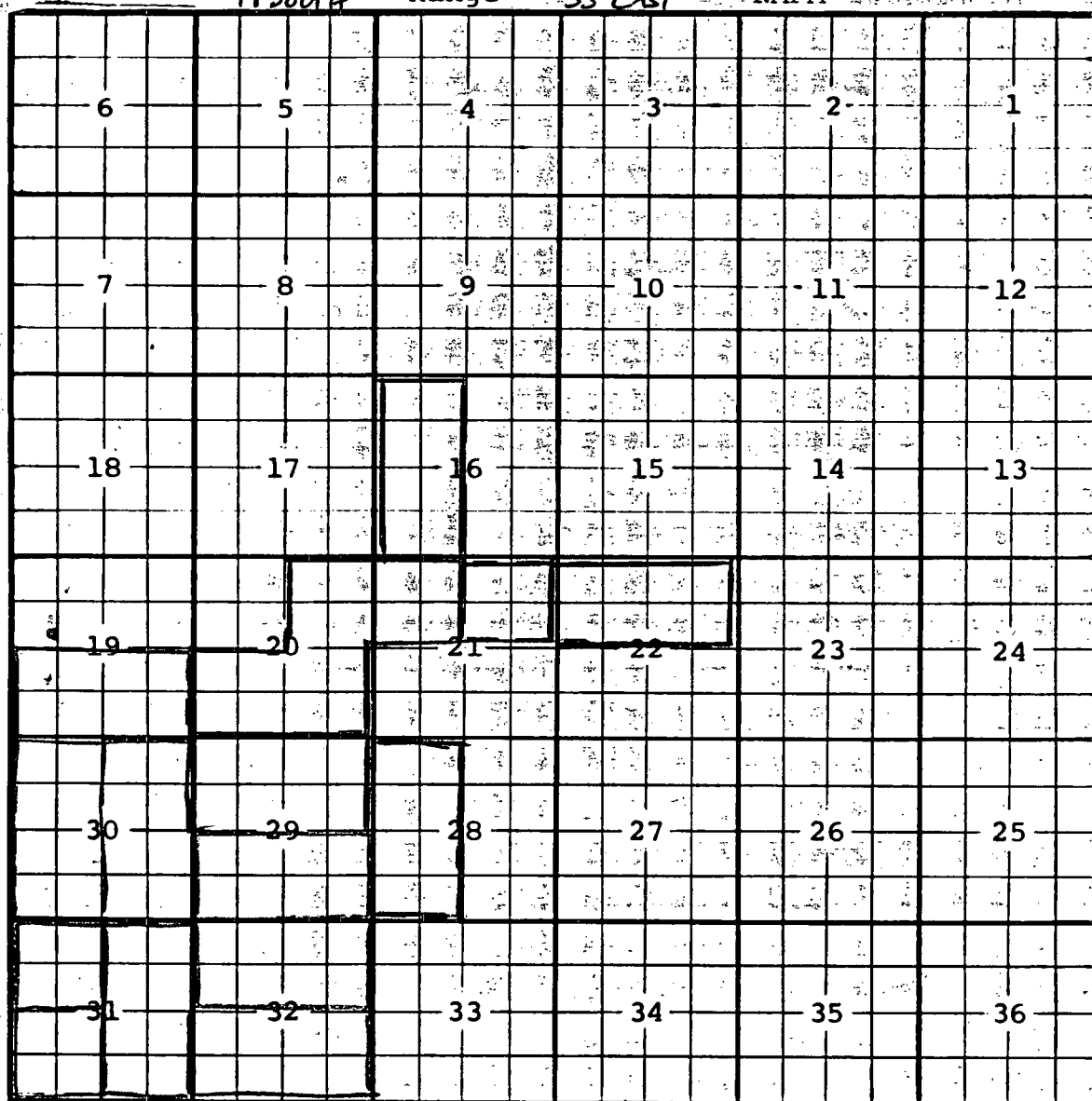
TOWNSHIP

19 South

Range

33 East

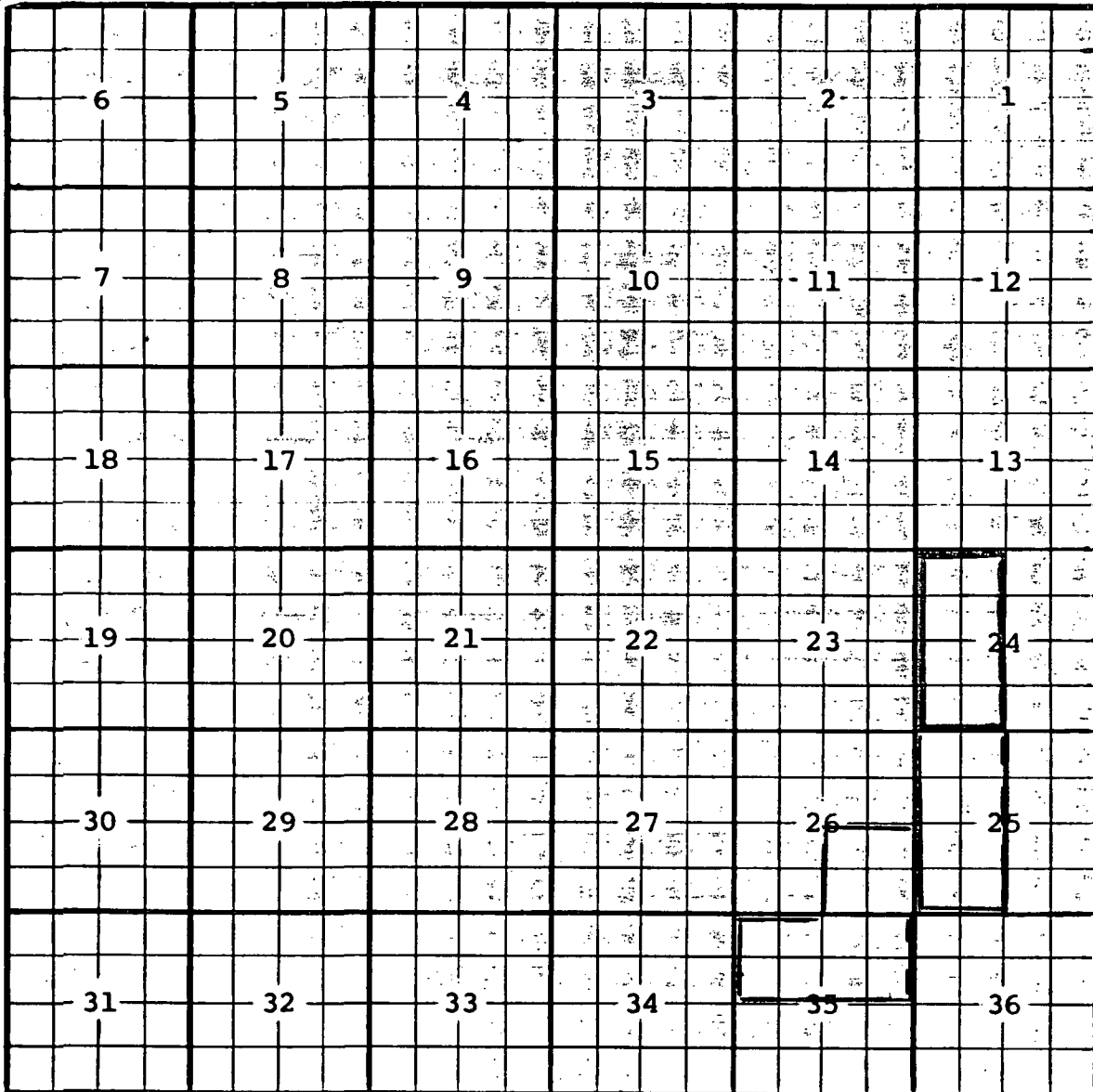
NMPM



DESCRIPTION: $\frac{1}{2}$ Sec. 29 (R-6211, 12-31-79) EXT: $\frac{1}{2}$ Sec. 32 (R-6420, 8-1-80)
 EXT: $\frac{1}{2}$ Sec. 31 (R-6724, 7-16-81) EXT: $\frac{1}{2}$ Sec. 30, $\frac{1}{2}$ Sec. 32 (R-6890, 1-2-82)
 EXT: $\frac{1}{2}$ Sec. 30 (R-7307, 6-14-83) EXT: $\frac{1}{2}$ Sec. 19 (R-7322, 8-1-83)
 EXT: $\frac{1}{2}$ and $\frac{NE}{4}$ Sec. 20, $\frac{NW}{4}$ Sec. 21 (R-7996, 8-6-85)
 EXT: $\frac{NE}{4}$ Sec. 21 (R-8041, 10-3-85) EXT: $\frac{1}{2}$ Sec. 16 (R-8233, 5-29-86)
 EXT: $\frac{1}{2}$ Sec. 29 (R-9271, 8-28-90) EXT: $\frac{SW}{4}$ Sec. 31 (R-9472, 4-1-91)
 EXT: $\frac{1}{2}$ Sec. 22 (R-10303, 1-23-95) EXT: $\frac{1}{2}$ Sec. 28 (R-11111, 1-7-99)

County Lea Pool East Lusk - Morrow Gas

TOWNSHIP 19 S Range 32 E NMPM



Desc. W/2 sec. 24 (R-6724-7-16-81)

Ext: W/2 Sec. 15 (R-7158, 12-8-82) Ext: SE/4 Sec. 26, N/2 Sec. 35 (R-9271, 8-28-90)