

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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 - Simultaneous Dedication  
 NSL  NSP  SD

Check One Only for [B] or [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

[D] Other: Specify \_\_\_\_\_

[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] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

James Bruce

Print or Type Name

*James Bruce*  
 Signature

Attorney for Applicant

Title

jamesbruc@aol.com

e-mail Address

1/14/03

1/14/03

**RECEIVED**  
 JAN 18 2004  
 Oil Conservation Division  
 1220 S. St. Francis Drive  
 Santa Fe, NM 87505

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213  
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (PHONE)  
(505) 660-6612 (CELL)  
(505) 982-2151 (FAX)

jamesbruc@aol.com

January 14, 2004

Michael E. Stogner  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

30-025-33506

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), Nearburg Exploration Company, L.L.C. applies for administrative approval of an unorthodox oil well location for the following well:

<u>Well:</u>	Minis 1 Fed. Com. Well No. 3
<u>Location:</u>	4300 feet FSL & 1310 feet FWL
<u>Well Unit:</u>	Lot 12 of (Irregular) Section 1, Township 21 South, Range 32 East, N.M.P.M., Lea County, New Mexico

The well will was originally drilled to and completed in the Morrow formation (Hat Mesa-Morrow Gas Pool). See Exhibits A and B. The Form C-102 for the well is attached as Exhibit C. Applicant proposes to re-complete the well uphole in the Delaware formation (Undesignated Southeast Hat Mesa-Delaware Pool).

Attached as Exhibit D is a land plat of the area, highlighting the well's location. The affected acreage is Lot 11 of Section 1, which is covered by U.S. Lease NM 96236. The working interests in Lots 3-6 and 11-14 of Section 1 are subject to an operating agreement, a part of which is attached as Exhibit E. As a result, working interest ownership is common in the well regardless of depth. In addition, royalty ownership in Lot 12 and in offsetting Lot 11 is all federal, and thus the royalty owner is not affected by this application. The only affected parties are the overriding royalty owners in Lot 11. These owners are C. Mark Wheeler, John Thoma, Paul R. Barwis, Jared Partners, Ltd., and Penwell Employees Royalty Pool. All of these interest owners have waived objection, as shown in Exhibit F. Therefore, there are no offset interest owners to notify of this application. As a result, applicant requests that the 20 day notice period be waived.

Please call me if you need any further information on this matter.

Very truly yours,



James Bruce

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

DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK  
 DRILL  DEEPEN

b. TYPE OF WELL  
 OIL WELL  GAS WELL  OTHER  SINGLE ZONE  MULTIPLE ZONE

2. NAME OF OPERATOR  
 Nearburg Producing Company

3. ADDRESS AND TELEPHONE NO.  
 P.O. Box 823085, Dallas, TX 75382-3085 214/739-1778

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)\*  
 At surface  
 1,310' FWL and 4,300' FSL  
 At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\*  
 26 miles Northwest of Eunice, New Mexico

15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any) 1,310'

16. NO. OF ACRES IN LEASE 440

17. NO. OF ACRES ASSIGNED TO THIS WELL 317.66

18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING COMPLETED OR APPLIED FOR, ON THIS LEASE, FT. 3,800'

19. PROPOSED DEPTH 14,600'

20. ROTARY OR CABLE TOOLS Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3,734' GR

22. APPROX. DATE WORK WILL START\* May 5, 1997

5. LEASE DESIGNATION AND SERIAL NO.  
 NMNM - 92187

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.  
 Minis 1 Federal Com #3

9. APT. WELL NO.

10. FIELD AND POOL, OR WILDCAT  
 Hat Mesa Morrow

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA  
 Section 1, T21S, R32E

12. COUNTY OR PARISH Lea

13. STATE New Mexico

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8" J-55	48#	500' 900	500 SX
12-1/4"	9-5/8" J-55	36#	4,500'	500 SX
7-7/8"	5-1/2" N, K & S	17#, 20# & 23#	14,600'	500 SX

Propose to drill the well to sufficient depth to evaluate the Morrow formation. After reaching TD, logs will be run and casing set if the evaluation is positive. Perforate, test and stimulate as necessary to establish production.

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED [Signature] TITLE Senior Engineer DATE 4/09/97

(This space for Federal or State office use)

PERMIT NO. \_\_\_\_\_ APPROVAL DATE \_\_\_\_\_

Application approval does not warrant or certify that the applicant holds legal or equitable title to these rights in the subject lease which would entitle the applicant to conduct operations thereon.  
CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY [Signature] TITLE State Director DATE \_\_\_\_\_

\*See Instructions On Reverse Side



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE

FORM APPROVED  
OMB NO. 1004-0137  
Expires: February 28, 1995

CONFIDENTIAL  
(See instructions on reverse side)

WELL COMPLETION OR RECOMPLETION REPORT AND LOG\*

1a. TYPE OF WELL: OIL WELL  GAS WELL  DRY  Other \_\_\_\_\_

b. TYPE OF COMPLETION: NEW WELL  WORK OVER  DEEP-EN  PLUG BACK  DIFF. RESVR.  Other \_\_\_\_\_

2. NAME OF OPERATOR  
Nearburg Producing Company

3. ADDRESS AND TELEPHONE NO.  
3300 North A Street, Building 2, Suite 120, Midland, Texas 79705 (915) 686-8235

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)\*  
At surface  
4,300' FSL and 1,310' FWL  
At top prod. interval reported below

At total depth

14. PERMIT NO. \_\_\_\_\_ DATE ISSUED \_\_\_\_\_

12. COUNTY OR PARISH  
Lea

13. STATE  
New Mexico

5. LEASE DESIGNATION AND SERIAL NO.  
NM-92187

6. IF INDIAN, ALLOTTEE OR TRIBE NAME \_\_\_\_\_

7. UNIT AGREEMENT NAME \_\_\_\_\_

8. FARM OR LEASE NAME, WELL NO.  
Minis 1 Federal Com #3

9. API WELL NO.  
30-025-33506

10. FIELD AND POOL, OR WILDCAT  
Hat Mesa Morrow

11. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA  
Section 1, T21S, R32E

15. DATE SPUDDED 08/19/97 16. DATE T.D. REACHED 10/11/97 17. DATE COMPL. (Ready to prod.) 02/05/98 18. ELEVATIONS (DF, RKB, RT, GE, ETC.)\* 3,734' GR 19. ELEV. CASINGHEAD \_\_\_\_\_

20. TOTAL DEPTH, MD & TVD 14,550' 21. PLUG, BACK T.D., MD & TVD 14,449' 22. IF MULTIPLE COMPL., HOW MANY\* \_\_\_\_\_ 23. INTERVALS DRILLED BY \_\_\_\_\_ ROTARY TOOLS X CABLE TOOLS \_\_\_\_\_

24. PRODUCING INTERVAL(S), OF THIS COMPLETION-TOP, BOTTOM, NAME (MD AND TVD)\*  
13,936' - 13,992' Morrow

25. WAS DIRECTIONAL SURVEY MADE  
No

26. TYPE ELECTRIC AND OTHER LOGS RUN  
DLL/LDT/CNL/GR/CAL

27. WAS WELL CORED  
No

CASING RECORD (Report all strings set in well)

CASING SIZE/GRADE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	TOP OF CEMENT, CEMENTING RECORD	AMOUNT PULLED
13-3/8"	48#	570'	17-1/2"	Circ. to surface; 450 sx	
8-5/8"	24 & 32#	5,300'	11"	Circ. to surface; 2,200 sx	
5-1/2"	17 & 20#	14,550'	7-7/8"	4,824' by calc; 2,765 sx	

29. LINER RECORD				30. TUBING RECORD			
SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
					2-3/8"	13,717'	13,831'

31. PERFORATION RECORD (Interval, size and number of shots)	32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.
13,936' - 13,958' - .4" - 88 shots	DEPTH INTERVAL (MD)
13,984' - 13,992' - .4" - 64 shots	AMOUNT AND KIND OF MATERIAL USED
(ORIG. SGD.) GARY GOURLEY	13,936' - 13,958' 3,000 gals 7-1/2% acid + additives w/1,000
BLM	13,984' - 13,992' SCFPB N2
	Frac w/35,000# 20/40 ISP

33. \* PRODUCTION

DATE FIRST PRODUCTION	PRODUCTION METHOD (Flowing, gas lift, pumping--size and type of pump)	WELL STATUS (Producing or shut-in)
02/05/98	Flowing	P

DATE OF TEST	HOURS TESTED	CHOKE SIZE	PROD'N FOR TEST PERIOD	OIL--BBL.	GAS--MCF.	WATER--BBL.	GAS-OIL RATIO
02/17/98	24	16/64		7	513	3	73286:1

FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL--BBL.	GAS--MCF.	WATER--BBL.	OIL GRAVITY-API (CORR.)
650			7	513	3	47.4

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.)  
Sold

TEST WITNESSED BY  
Matt Lee

35. LIST OF ATTACHMENTS  
C-104, Deviation Report, Logs

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records

SIGNED [Signature] TITLE Manager of Drilling and Production DATE 3/2/98

\*(See Instructions and Spaces for Additional)

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and w  
United States any false, fictitious or fraudulent statements or representations a

EXHIBIT  
B

Department or agency of the  
jurisdiction.

District I  
 PO Box 1900, Hobbs, NM 88240-2900  
 District II  
 PO Drawer DD, Artesia, NM 88211-0719  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
 PO Box 2088  
 Santa Fe, NM 87504-2088

Form C-102  
 Revised February 10, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 State Lease - 4 Copies  
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* AFI Number		* Pool Code		* Pool Name	
* Property Code		* Property Name		* Well Number	
		MINIS "1" FEDERAL COM		3	
* OGRID No.		* Operator Name		* Elevation	
		NEARBURG PRODUCING COMPANY		3734.	

<sup>10</sup> Surface Location

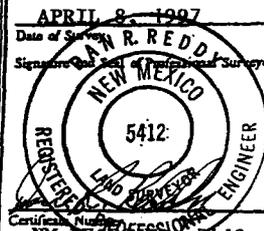
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 12	1	21-S	32-E		4300	SOUTH	1310	WEST	LEA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

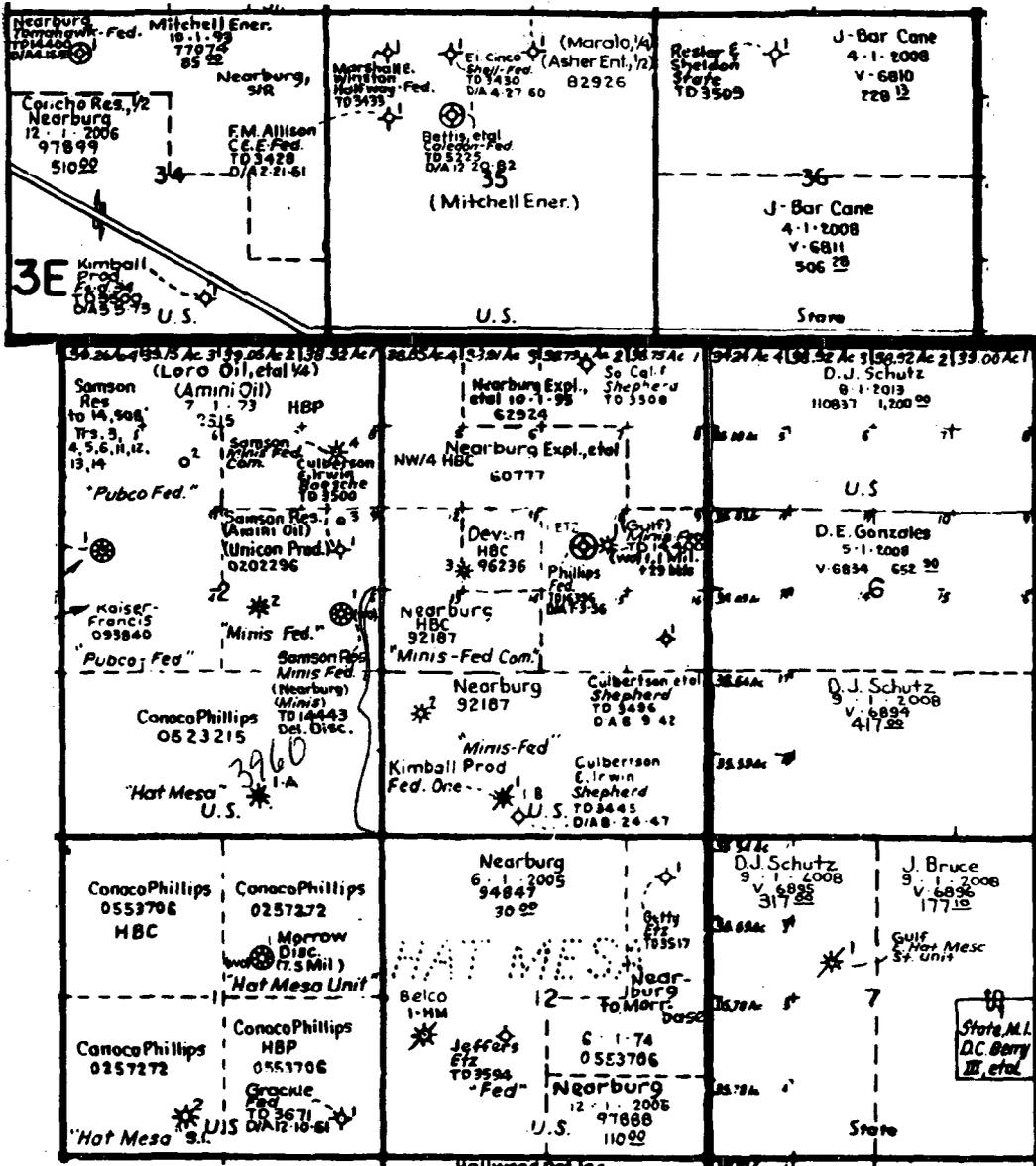
<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Owner No.
317.66	N	C	

NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16	4 NM-60777	3 NM-62924	2	1	<sup>17</sup> OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature Clyde P. Findlay II Printed Name Senior Engineer Title 04/09/97 Date
	5 NM-60777	6 NM-60777	7	8	
16	12 1310' NMNM-92187	11 96236 <del>NMNM-92187</del>	10	9	<sup>18</sup> SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was placed from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. APRIL 8, 1997 Date of Survey R. REDDY Signature and Seal of Registered Surveyor  Certificate Number NM 5412
	13 NMNM-92187	14 340' NMNM-92187	15	16	
	17 4300'				
	18				

Blumberg No. 5119  
 EXHIBIT  
 C

3960'



Blumberg No. 5119  
**EXHIBIT**  
**D**

A.A.P.L. FORM 610-1982  
MODEL FORM OPERATING AGREEMENT



MINIS PROSPECT

OPERATING AGREEMENT

DATED

APRIL 12, 1996

OPERATOR NEARBURG PRODUCING COMPANY

CONTRACT AREA LOTS 3, 4, 5, 6, 11, 12, 13 AND 14 OF SECTION 1,

TOWNSHIP 21 SOUTH, RANGE 32 EAST

COUNTY ~~OR PARISH~~ OF LEA STATE OF NEW MEXICO

COPYRIGHT 1982 — ALL RIGHTS RESERVED  
AMERICAN ASSOCIATION OF PETROLEUM  
LANDMEN, 4100 FOSSIL CREEK BLVD.  
FORT WORTH, TEXAS 76137, APPROVED FORM.  
A.A.P.L. NO. 610 - 1982 REVISED

Blumberg No. 5119  
EXHIBIT  
E

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1982

ARTICLE XVI  
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of the 12th day of April, 1996.

**OPERATOR**

ATTEST OR WITNESS

\_\_\_\_\_  
\_\_\_\_\_

**NEARBURG PRODUCING COMPANY**

By: Bob Shelton

Bob Shelton  
Type or Print Name

Title Land Manager

Date April 12, 1996

Tax ID or SS No. 74-1666262

**NON-OPERATORS**

ATTEST OR WITNESS

\_\_\_\_\_  
\_\_\_\_\_

**NEARBURG EXPLORATION COMPANY, L.L.C.**

By: Robert G. Shelton

Robert G. Shelton  
Type or Print Name

Title Attorney-in-Fact

Date April 12, 1996

Tax ID or SS No. 462-80-5563

ATTEST OR WITNESS

\_\_\_\_\_  
\_\_\_\_\_

**PENWELL ENERGY, INC.**

By: Steven R. Foy

Steven R. Foy  
Type or Print Name

Title Vice President

Date April 23, 1996

Tax ID or SS No. 75-2223190

ATTEST OR WITNESS

\_\_\_\_\_  
\_\_\_\_\_

**COENERGY CENTRAL EXPLORATION, INC.**

By: M. Jay Diedzic

M. Jay Diedzic  
Type or Print Name

Title Vice President

Date April 29, 1996

Tax ID# 38-3220803

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED THE 12TH DAY OF APRIL, 1996, BY AND BETWEEN NEARBURG PRODUCING COMPANY, AS OPERATOR, AND NEARBURG EXPLORATION COMPANY, L.L.C. ET AL, AS NON-OPERATORS

I. Identification of Lands Subject to this Agreement:

Lots 3, 4, 5, 6, 11, 12, 13 and 14 of Section 1, Township-21-South, Range-32-East, Lea County, New Mexico

II. Restrictions as to Depths or Formations:

This agreement is limited from the surface to the base of the Morrow formation.

III. Percentages of Parties to this Agreement:

Nearburg Exploration Company, L.L.C.	87.4079%
Penwell Energy, Inc.	1.8890%
CoEnergy Central Exploration, Inc.	10.7031%
	<hr/>
	100.0000%

IV. Oil and Gas Leases Subject to this Agreement:

- 1) Lease Name: USA NM NM 92187  
Lessor: United States of America  
Original Lessee: Doug J. Schutz  
Lease Date: 12/01/93  
Description: Insofar as said lease covers Lots 12, 13, and 14 of Section 1, T-21-S, R-32-E, Lea County, New Mexico
- 2) Lease Name: USA NM 60777  
Lessor: United States of America  
Original Lessee: Charles E. Nearburg  
Lease Date: 04/01/85  
Description: Insofar as said lease covers Lots 4, 5, and 6 of Section 1, T-21-S, R-32-E, Lea County, New Mexico
- 3) Lease Name: USA NM 62924  
Lessor: United States of America  
Original Lessee: Victor Salazar  
Lease Date: 10/01/85  
Description: Insofar as said lease covers Lot 3 of Section 1, T-21-S, R-32-E, Lea County, New Mexico
- 4) Lease Name: USA NM 96236  
Lessor: United States of America  
Original Lessee:  
Lease Date:  
Description: Lot 11 of Section 1, T-21-S, R-32-E, Lea County, New Mexico

V. Addresses of Parties to this Agreement:

Nearburg Producing Company  
5447 Glen Lakes Drive  
Dallas, Texas 75382-3085

Nearburg Exploration Company, L.L.C.  
5447 Glen Lakes Drive  
Dallas, Texas 75382-3085

Penwell Energy, Inc.  
600 North Marienfeld, Suite 1100  
Midland, Texas 79701

CoEnergy Central Exploration, Inc.  
600 North Marienfeld, Suite 1100  
Midland, Texas 79701

**Nearburg Exploration Company, L.L.C.**

Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
432/686-8235  
FAX: 432/686-7806

JAN 3 2004

December 2, 2003

Mr. C. Mark Wheeler  
Mr. John Thoma  
Mr. Paul R. Barwis  
Jareed Partners, Ltd.  
Capstone Oil & Gas Company, L.P.  
P.O. Box 10187  
Midland, Texas 79702

RE: Minis 1 Fed. Com. #3  
Section 1 T-21-S R-32-E  
Lea County, New Mexico  
Minis Prospect

Dear Mr. Wheeler,

Pursuant to our conversation yesterday, Nearburg Exploration Company ("NEC") is in the process of recompleting the Minis 1 Fed. Com. #3 from the Morrow to the Delaware. When the well is recompleted the spacing unit will change from 320 acres (Lots 3,4,5,6,11,12,13,14 Section 1) to 40 acres (Lot 12 Section 1) in which you have no ownership. Due to the well's unorthodox location, NEC proposes to allow your group to retain 50% of your existing spacing unit override in exchange for your waiver of the non standard location.

Should you have any questions please call me at 432.682.0505 ext. 219.

Yours truly,

Nearburg Exploration Company, L.L.C.

  
Brendan J. Fikes  
Landman

Agreed and Waiver granted for non-standard location for the aforementioned well on December 31, 2003.

By: 

Its: \_\_\_\_\_



**Nearburg Exploration Company, L.L.C.**

Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
432/686-8235  
FAX: 432/686-7806

JAN 6 2004

December 2, 2003

Mr. C. Mark Wheeler  
Mr. John Thoma  
Mr. Paul R. Barwis  
Jareed Partners, Ltd.  
Capstone Oil & Gas Company, L.P.  
P.O. Box 10187  
Midland, Texas 79702

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Section 1 T-21-S R-32-E  
Lea County, New Mexico  
Minis Prospect

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Yours truly,

Nearburg Exploration Company, L.L.C.

  
Brendan J. Fikes  
Landman

Agreed and Waiver granted for non-standard location for the aforementioned well on December 31, 2003.

By: JOHN THOMA by C. Yarbrough

Its: \_\_\_\_\_

I polled Mr. Thoma and  
got his approval on this.  
C. Yarbrough

**Nearburg Exploration Company, L.L.C.**

Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
432/686-8235  
FAX: 432/686-7806

JAN 3 2004

December 2, 2003

Mr. C. Mark Wheeler  
Mr. John Thoma  
Mr. Paul R. Barwis  
Jareed Partners, Ltd.  
Capstone Oil & Gas Company, L.P.  
P.O. Box 10187  
Midland, Texas 79702

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Minis Prospect

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Yours truly,

Nearburg Exploration Company, L.L.C.

  
Brendan J. Fikes  
Landman

Agreed and Waiver granted for non-standard location for the aforementioned well on December 31, 2003.

By: PAUL R. BARWIS

by: C. Mark Wheeler

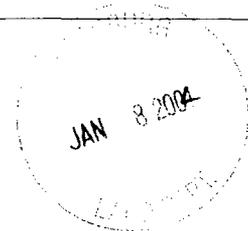
Its: \_\_\_\_\_

I polled Mr. Barwis and got his approval on this



**Nearburg Exploration Company, L.L.C.**

Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
432/686-8235  
FAX: 432/686-7806



December 2, 2003

Mr. C. Mark Wheeler  
Mr. John Thoma  
Mr. Paul R. Barwis  
Jareed Partners, Ltd.  
Capstone Oil & Gas Company, L.P.  
P.O. Box 10187  
Midland, Texas 79702

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Section 1 T-21-S R-32-E  
Lea County, New Mexico  
Minis Prospect

Dear Mr. Wheeler,

Pursuant to our conversation yesterday, Nearburg Exploration Company ("NEC") is in the process of recompleting the Minis 1 Fed. Com. #3 from the Morrow to the Delaware. When the well is recompleted the spacing unit will change from 320 acres (Lots 3,4,5,6,11,12,13,14 Section 1) to 40 acres (Lot 12 Section 1) in which you have no ownership. Due to the well's unorthodox location, NEC proposes to allow your group to retain 50% of your existing spacing unit override in exchange for your waiver of the non standard location.

Should you have any questions please call me at 432.682.0505 ext. 219.

Yours truly,

Nearburg Exploration Company, L.L.C.

A handwritten signature in black ink, appearing to read "B. Fikes".

Brendan J. Fikes  
Landman

**Agreed and Waiver granted for non-standard location for the aforementioned well on  
December 31, 2003.**

By: A handwritten signature in black ink, appearing to read "Joe S. Gregory".

Its: Officer, Jareed Enterprises Inc. GP  
for the benefit of Jareed Partners, Ltd.

**Nearburg Exploration Company, L.L.C.**

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Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
432/686-8235  
FAX: 432/686-7806

January 9, 2004  
Penwell Employee Royalty Pool  
303 West Wall  
Suite 1501  
Midland, Texas 79701  
Attention: John Bergman

RE: Minis 1 Fed. Com. #3  
Section I T-21-S R-32-E  
Lea County, New Mexico  
Minis Prospect

Dear Mr. Bergman,

Pursuant to our conversation yesterday, Nearburg Exploration Company ("NEC") is in the process of recompleting the Minis 1 Fed. Com. #3 from the Morrow to the Delaware. When the well is recompleted the spacing unit will change from 320 acres (Lots 3,4,5,6,11,12,13,14 Section 1) to 40 acres (Lot 12 Section 1) in which you have no ownership. Due to the well's unorthodox location, NEC proposes to allow your group to retain 50% of your existing spacing unit override in exchange for your waiver of the non standard location.

Should you have any questions please call me at 432.682.0505 ext. 219.

Yours truly,

Nearburg Exploration Company



Duke Roush  
Landman

**Agreed and Waiver granted for non-standard location for the aforementioned well on  
January 9, 2004.**

By: 

Its: Trustee