

SULLIVAN AND COMPANY 3D PROGRAM I, L.L.C.

PRODUCERS OF OIL AND GAS
3031 FIRST PLACE TOWER
15 EAST FIFTH STREET
TULSA, OKLAHOMA 74103-4331

TELEPHONE
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June 12, 1995

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Via Facsimile and Certified Mail

ATTN: David Catanach

RE: Application for Unorthodox Well Location
LOWE 25 #1
Bottom Hole Location: 2205' FNL & 100' FWL
Surface Location: 2105' FNL & 60' FWL
Section 25, T-13-S, R-37-E, N.M.P.M.
Lea County, New Mexico

Case 11319

Dear Mr. Catanach:

Sullivan and Company 3D Program I, L.L.C. ("Sullivan") intends to properly permit and drill the referenced well to a depth of approximately 12,600' in order to test the Devonian formation. The proposed well location will be unorthodox for all the King Field pools including the Wolfcamp, Penn., and Devonian formations. We plan to monitor the deviation of this well while drilling through the use of directional survey tools and will provide a certified borehole directional survey indicating the exact bottom hole location after reaching total depth. If necessary, we will perform remedial operations during the drilling of this well to ensure that the borehole does not drift off our lease in Section 25. We have received approval from BTA Oil Producers, the offset owner of the leasehold in the S/2 NE/4 and SE/4 of Section 26, through the form of a written Waiver of our proposed unorthodox location (see enclosed). Our title research and records indicate that the mineral ownership of the S/2 NW/4 and SW/4 of Section 25 and the S/2 NE/4 and SE/4 of Section 26, T-13-S, R-37-E is identical insuring that their correlative rights will be protected.

Sullivan and its partners own leasehold or contractual rights to leasehold under all acreage included in the E/2 of Section 26 and W/2 of Section 25, T-13-S, R-37-E, Lea County, New Mexico (an attached acreage plat shows leasehold ownership). More specifically, Sullivan and its partners are the owners of all leasehold in the SW/4 and S/2 NW/4 of Section 25 and has contractual rights to all leasehold owned by BTA Oil Producers in the SE/4 and S/2 NE/4 of

June 12, 1995

Section 26 through a Seismic Option Farmout Agreement. Under the Farmout Agreement with BTA, Sullivan is required to commence drilling the referenced well on or before July 1, 1995. Due to delays in acquiring and interpreting our recent 3-D seismic survey over the area, we have been unable to select a drillsite location for our proposed test well until a few days ago. Based on the recently acquired 3-D seismic data we believe that the proposed location will allow us to prudently develop the identified structure by preventing the drilling of unnecessary wells.

Due to our contractual obligations under the BTA farmout, and having received approval to begin this proposed drilling operation subject to a formal NMOCD Application and Hearing for the Unorthodox Well Location, we will commence drilling the subject well on or before the last day of June. I have instructed our surveyor, John West Engineering, Hobbs, New Mexico, to forward a copy of the C-102 for your convenience in processing our application. If you should need any additional information or have questions regarding this request, please let me know.

Very truly yours,

SULLIVAN AND COMPANY



Marcus D. Garrett
Assistant Manager of
Production and Drilling

cc: Jerry Sexton
NMOCD District 1

C. Robert Crawford
BTA Oil Producers

enclosures