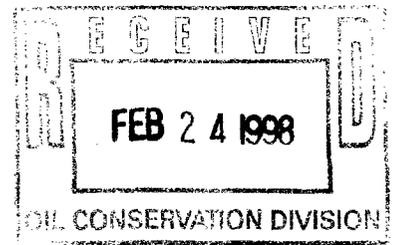


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February 24, 1998

HAND DELIVERED

119419

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

Re: *Application of Thornton Operating Corporation to Amend Division Order
No. R-9514-C, Chaves County, New Mexico*

Dear Mr. Stogner:

By Order No. R-9514-C dated June 5, 1997, the Oil Conservation Commission granted the application of Thornton Operating Corporation in the above-referenced case. This order, among other matters, approved an 80-acre non-standard spacing and proration unit comprised of the NW/4 NW/4 of Section 26 and the SW/4 SW/4 of Section 23, Township 13 South, Range 29 East, NMPM, Chaves County, New Mexico and authorized Thornton to re-enter the McClellan Federal Well No. 1A at a surface location of 182 feet from the North line and 507 feet from the West line of said Section 26 and directionally drill in a northwesterly direction and bottom the well in the Devonian formation in the West King Camp Devonian Pool in a target area within 100 feet of a point 148 feet from the South line and 177 feet from the West line of said Section 23.

Pursuant to this order, Thornton re-entered and directionally drilled the McClellan Federal Well No. 1 toward the approved bottomhole target area. However, the Devonian was encountered at a higher depth than anticipated and the well penetrated the Devonian at a point 48 feet from the South line and 285 feet from the West line of Section 23 and with a bottomhole location in the Devonian at a point 68 feet from the South line and 263 feet from

Mr. Michael E. Stogner
Chief Engineer
Oil Conservation Division
February 24, 1998
Page 2

the West line of Section 23. Accordingly, the well's bottomhole location is outside the approved target area and farther from the affected offset operators than approved by the original order. Attached hereto is a plat which shows the subject Devonian feature which is the subject of this application showing the surface location for the McClellan Federal Well No. 1A and the proposed bottomhole location. Also enclosed is a summary sheet which shows the actual location where the well encountered the Devonian and the well's bottomhole location.

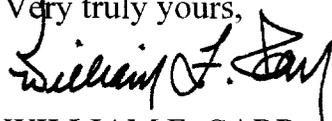
Tim Gum, District Supervisor for Division District II, has discussed this matter with Mr. Thornton and advised that the original order can be amended but he has required that the well be shut-in until the Division amends this order. The well has been shut-in by Thornton.

Thornton requests that this letter be accepted as our application for amendment of Division Order No. R-9514-C and that this matter be set for hearing before a Division Examiner on March 19, 1998. I have enclosed a draft of a legal advertisement for this hearing. Pursuant to our conversation of February 20, this advertisement provides that in the absence of objection, the application will be taken under advisement.

Thornton also requests that the Division permit this well to be produced pending the amendment of this order.

Your attention to this matter is appreciated.

Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR THORNTON OPERATING CORPORATION
Enclosures

Clellan Oil, etal
HBP
NM-2824

Marathon
9/1/97
NM-96570

OPEN

Drainage
Radius
2786'

23

SunValley 50%
Marathon 50%
9-1-97
NM-96570

Proposed
Bottom Hole
Location

Thornton, etal
5-1-98

*Actual
bottom hole
location*

U.S.

NM-62195

ellan Oil, etal
HBP
IM-2824

Thornton, etal
HBP

McClellan Oil, etal
8-15-97
NM-96569

NM-50415

Thornton Oper.
W. King Camp
-5336

26

SunValley 50%
Marathon 50%
9/1/97
NM-96570

McClellan Oil, etal
HBP
NM-50416

8
TD 3000

1
TD 9900

McClellan Oil, etal
HBP
NM-50416

WEST KING CAMP

MISSISSIPPIAN LIME DEPTH
Chaves Co., N.M. T13S-R29E

 PROPOSED
PRORATION UNIT

C.L.=20'

SCALE: 1"=1000'

R.L.T

LOCATION OF ESTIMATED TOP OF DEVONIAN FM. AND WELL BOTTOM HOLE LOCATION

N-S value is distance in feet North(+) or South(-) of Original B/H Location
 E-W value is distance in feet East(+) or West(-) of Original B/H Location

SURVEY NUMBER	MD	TRUE AZIMUTH	TVD	N-S	E-W	VERTICAL SECTION
14	10024	310.7	9821.3	228.4	-219.6	316.7
EST TOP OF DEV FM	10027	310.7	9822.5	230.2	-221.7	319.4
TD (BOTTOM HOLE)	10060	310.7	9836.0	249.8	-244.5	349.3

ORIGINAL BOTTOM HOLE LOCATION OF MANZANO #1 McCLELLAN FED #1 WELL

Section 26: 182 feet from North Line
 507 feet from West Line

CALCULATED BOTTOM HOLE LOCATION OF DEVONIAN FM IN McCLELLAN FED #1-A

* TOP OF DEVONIAN FM AT INITIAL PENETRATION

Section 23: 48.2 feet from South Line
 285.3 feet from West Line

Distance from Objective Point: 147.3 feet
 Direction from Objective Point: 132.7 degrees from N

* BOTTOM HOLE (Still in Devonian Fm)

Section 23: 67.8 feet from South Line
 262.5 feet from West Line

Distance from Objective Point: 117.2 feet
 Direction from Objective Point: 133.2 degrees from N

Case _____:

Application of Thornton Operating Corporation to Amend Division Order No. R-9514-C, Chaves County, New Mexico. Applicant seeks an amendment to Division Order No. R-9514-C, issued in Case 11615 and dated June 5, 1997 which authorized the reentry and directional drilling of the McClellan Federal Well No. 1 from a previously approved surface location 182 feet from the North line and 507 feet from the West line of Section 26, Township 13 South, Range 29 East, NMPM, to authorize a new unorthodox bottom hole location for this well in the Devonian formation 68 feet from the South line and 263 feet from the West line of Section 23, Township 13 South, Range 29 East, NMPM, Chaves County, New Mexico. This well is located approximately 18 miles east of Hagerman, New Mexico. IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.