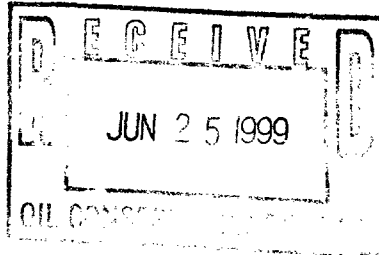


CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

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 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

Case 12212

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

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
916/896-8235
Fax 916/896-7808

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:

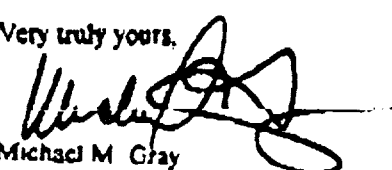
Nearburg Exploration Company, L.L.C. has applied for approval of an unorthodox location for the captioned well to be drilled as a 13,700' Morrow test in a unit comprising the E/2 of Section 25, T-19-S, R-32-E. This location is encroaching on a lease owned by Mitchell Energy Corporation and Mitchell has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

Pursuant to our verbal agreement, Mitchell Energy Corporation agrees to withdraw its 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.

2 AGS K


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

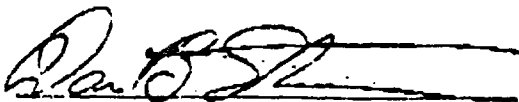
WELL DATA REQUIREMENTS SHEET

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

