

United Gas Search, Inc.

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July 15, 1991

State of New Mexico
Energy, Minerals & Natural Resources Department
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501-2088

ATTN: William J. Lemay, Director

RE: Application for Unorthodox
Well Location
United Gas Search, Inc.
Lea County, New Mexico

Gentlemen:

Please consider this letter the formal application of United Gas Search, Inc. for an unorthodox well location for its Leonard Brothers #21 well pursuant to the provisions of Rule 104 (F) of the Rules and Regulations of the New Mexico Oil Conservation Division (1991), whereby United Gas Search, Inc., as operator of said well, seeks administrative approval thereof based upon the following facts and circumstances:

LOCATION OF WELL. The Leonard Brothers #21 well is located 1980' FNL and 2180' FWL of Section 14, Township 26 South, Range 37 East, Lea County, New Mexico. This well was originally drilled and completed in the Queen Formation in 1978 by Tenneco Oil and produced oil therefrom, said location being orthodox for the forty (40) acre unit designated therefor; thereafter it was utilized for injection purposes for a waterflood program. In 1990, the property was purchased by United Gas Search, Inc. of Tulsa, Oklahoma and was plugged back and completed into the Rhodes Yates Seven Rivers Gas Formation, a non-prorated gas pool in which spacing is defined by rule to be 160 acres per unit, with permitted locations being no closer than 660' from the outer boundaries of such unit (per Rule 104 C. II.a). In June, 1991 a frac job was performed upon the well and the same is capable of production from said formation. As located, the well is 200' closer to the east boundary of the unit comprised of the NW4 of said Section 14 than is authorized per the quoted Rule. United Gas Search, Inc. now files this application to approve the unorthodox location by virtue of its re-completion of the existing well from a deeper horizon (Queen) wherein the location for oil production was orthodox to a shallower horizon where gas production has been established. The approval of this application

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is sought in order to prevent the drilling of unnecessary wells, to prevent waste, and also correlative rights are protected inasmuch as there is common ownership of the minerals (United States of America) and operating rights (United Gas Search, Inc.) in the units toward the east and southeast of the subject well and to which the unorthodox location represents a 200' removal. (See Exhibits).

OFFSETTING INFORMATION. Attached to this application is a current rendering of leasehold ownership provided by Midland Map on July 3, 1991 and also a plat showing well completions for the NW4 Section 14, T26S-R37E, Lea County, NM which is the subject unit, and for the eight contiguous 160 acre units as to the Rhodes Yates Seven Rivers Gas Formation. The only wells producing from the subject horizon are located in the SW4 Section 14, T26S-R37E, operated by United Gas Search, Inc. (Leonard Federal #13), and in the SE4 Section 15, T26S-R37E, operated by Meridian Oil, Inc. As illustrated on the plat, the unorthodox location sought by this application moves toward the SE4 and NE4 160 acre units in Section 14, wherein there is no Rhodes Yates Seven Rivers production and which are owned and operated by United Gas Search, Inc. under United States Oil and Gas Lease #NM 7951 (which is the same lease underlying the remainder of Section 14 and the S2 of Section 11, to the north). For clarification, it should be noted that there is a well located in the SW4SW4 Section 14 listed as being operated by Bettis, Boyle & Stovall as to the subject formation; this well no longer produces and the acreage covered thereby was joined with the acreage owned by United Gas Search in the SW4 Section 14 to form a unit with the Leonard Federal #13 designated as the unit well as approved by the OCD in February, 1991.

NOTIFICATION. Copies of this application were sent by certified mail, return receipt requested (see exhibit), to the following companies who are the operators of offsetting units or owners of offsetting leasehold which could form a unit:

Meridian Oil
2919 Allen Parkway
Suite 1100
Houston, TX 77019

Oryx Energy Company
(successor to Sun Exploration & Production)
P. O. Box 2880
Dallas, TX 75221-2880

Union Texas Petroleum
P. O. Box 2120
Houston, TX 77252

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Doyle Hartman
500 North Main
Midland, TX 79701

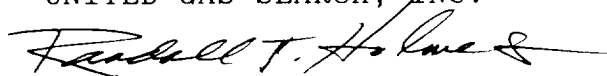
NOTE: The exhibits attached hereto regarding the Well Completion Report initially filed by Tenneco Oil on the subject well contained an error in the location whereby the coordinates thereof were transposed. Your attention is directed to the New Mexico Oil Conservation Commission Well Location and Acreage Dedication Plat filed by Tenneco per the survey performed on January 4, 1978 by John W. West and to the certification as to the location 2180' FWL and 1980' FNL Section 14, T26S-R37E, Lea County, NM.

* * * * *

In view of the foregoing, United Gas Search, Inc. requests that this application for an unorthodox well location be handled administratively, in accordance with the Rules and Regulations of the New Mexico Oil Conservation Division, and that an Order approving said location be issued; or, otherwise, that it be set for hearing upon the next appropriate docket. Please advise should any additional information be required.

Yours truly,

UNITED GAS SEARCH, INC.


Randall T. Holmes
General Counsel

RTH:rt

Exhibits

cc: J. T. Sexton
Supervisor, District I Office
New Mexico Oil Conservation Division
P. O. Box 1980
Hobbs, NM 88240