



Texaco North America Production
Denver Region - Permian Business Unit

500 North Loraine
Midland TX 79701

P O Box 3109
Midland TX 79702

April 12, 2001

GOV - STATE AND LOCAL GOVERNMENTS

Unorthodox Location

C. C. Fristoe 'B' Federal NCT-2 Well No. 27

Justis Fowler, Ellenburger Field

Lea County, New Mexico

State of New Mexico

Energy and Minerals Department

Oil Conservation Division

2040 South Pacheco

Santa Fe, New Mexico 87505

Attention: Mr. Michael E. Stogner

Gentlemen:

An Exception to Rule 104 F. (2) by administrative approval is requested for the captioned well. The surface hole location of this well is located 2310' FNL & 990' FEL, Unit Letter "I", of Section 26, T-24-S, R-37-E.

The location of the C. C. Fristoe 'B' Federal NCT-2 #27 was chosen to maximize recovery of Ellenburger hydrocarbons while avoiding zones of reservoir depletion surrounding current producers in the Fowler Ellenburger field. This location is nonstandard only because the Fowler Ellenburger field rules state that wells must be located in the NW or SE quarter of any quarter section. Texaco has drilled an Ellenburger test in the SE quarter of this quarter section at a standard location; as discussed below, it was not productive. The proposed location is standard with regard to the lease lines. (Note: Texaco is also the leaseholder of the offsetting lease to the north, the G. L. Erwin 'B' Federal NCT-1).

The positioning of the C.C. Fristoe 'B' Federal NCT-2 #27 was based on three factors: (1) location relative to the active Ellenburger producer, the C. C. Fristoe 'B' Federal NCT-2 #18 (2) location relative to the failed Ellenburger test (C. C. Fristoe 'B' Federal NCT-2 #19), and (3) the uncertainty in the location of the east-bounding fault.