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2011 APR 20 P 4:07

April 20, 2011

Ms. Florene Davidson
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Hand Delivered

Re: NMOCD Case No. 14655: Application of Nearburg Producing Company for Designation of a Non-Standard Oil Spacing and Proration Unit, an Unorthodox Surface Location, Compulsory Pooling, and Cancellation of APD's Issued to Nadel and Gussman Permian LLC, Eddy County, New Mexico (Glass "7" D-A No. 1-H Well)

Dear Ms. Davidson:

On behalf of Nearburg Producing Company, enclosed is an original and one copy of and Application in the above-referenced case. Please set this matter for hearing on the May 26, 2011 examiner docket. Also enclosed is a proposed advertisement for the case.

Very truly yours,

J. Scott Hall

JSH:kw
Enclosure

cc: Russell Wickman, Nearburg Producing Company

00273910

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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

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2011 APR 20 P 3:10

IN THE MATTER OF THE APPLICATION OF
NEARBURG PRODUCING COMPANY FOR
DESIGNATION OF A NON-STANDARD OIL
SPACING AND PRORATION UNIT, AN
UNORTHODOX SURFACE LOCATION,
COMPULSORY POOLING, AND
CANCELLATION OF APD'S ISSUED TO
NADEL AND GUSSMAN PERMIAN LLC,
EDDY COUNTY, NEW MEXICO

CASE NO. 14655

APPLICATION

Nearburg Producing Company, by its undersigned attorneys, Montgomery and Andrews, P.A. (J. Scott Hall), hereby makes application pursuant to *inter alia* Rule 19.15.16.14 NMOCD of the Division's Rules and Regulations and NMSA 1978 Section 70-2-17 (1995) for an order providing as follows:

A. Consolidating each of the 40-acre spacing units within the N/2 N/2 of Section 7, Township 19 South, Range 25 East, NMPM and designating the consolidated units as a 160-acre± non-standard oil spacing and proration unit in the Glorieta-Yeso formation for Applicant's horizontal drilling project area;

B. Pooling all interests in the Glorieta-Yeso formation underlying the N/2 N/2 of said Section 7; and

C. Cancelling two conflicting drilling permits (APD's) on the subject lands issued to Nadel & Gussman Permian LLC.

In support, Applicant states:

1. Applicant owns certain working interests in and under the proposed project area in Section 7, and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled unit to its Glass "7" D-A No. 1-H Well to be drilled horizontally from an unorthodox surface location 760' from the North line and 100' from the East line of Section 12, Township 19 South, Range 25 East, to a bottom hole location 760' from the North line and 330' from the East line of Section 7, Township 19 South, Range 25 East to a depth sufficient to test the Glorieta-Yeso formation underlying the proposed project area in Section 7.

3. Applicant does not have leases or a voluntary agreement for pooling or farmout from certain other interest owners in the above-referenced formation underlying the proposed non-standard unit.

4. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and Applicant should be designated operator of the well.

5. The pooling of interests and approval of the non-standard unit will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the spacing unit, will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

6. Nadel and Gussman Permian LLC holds approved APD's for two proposed horizontal wells and non-standard units: the Long Branch Well No. 2 (API No. 3001538519) located in the E/2 W/2 of Section 7, and the Long Branch Well No. 4 (API No. 3001538529) located in the E/2 E/2 of Section 7, Township 19 South, Range 25 East. These wells and units are

in conflict with the development pattern proposed by Applicant and the APD's should be cancelled.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on May 26, 2011, and that after notice and hearing as required by law, the Division enter its Order cancelling the APD's of Nadel and Gussman Permian, LLC, designating Applicant as operator, approving the unorthodox surface location, the non-standard spacing unit and pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as maybe proper in the premises.

Respectfully submitted,

MONTGOMERY & ANDREWS, P. A.

By: _____



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Attorneys for Nearburg Producing Company

00271958

Case No. 14635 *Application of Nearburg Producing Company for Designation of a Non-standard Spacing Unit, an Unorthodox Surface Location, Compulsory Pooling, and Cancellation of APD's Issued to Nadel and Gussman Permian, LLC, Eddy County, New Mexico.* Applicant seeks an order consolidating the 40-acre spacing units within the N/2 N/2 of Section 7, Township 19 South Range 25 East, NMPM and designating the consolidated units as a 160-acre± non-standard oil spacing and proration unit for a well location in the Glorieta-Yeso formation for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Glorieta-Yeso formation underlying the N/2 N/2 of said Section 7 to be dedicated to its Glass "7" D-A No. 1-H Well to be drilled horizontally from an unorthodox surface location 760' from the North line and 100' from the East line of Section 12 to a bottom hole location 760' from the North line and 330' from the East line of Section 7, all in Township 19 South, Range 25 East, to a depth sufficient to test the Glorieta-Yeso formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as operator and a charge for risk involved in drilling the well. Applicant also seeks the cancellation of two APD's held by Nadel and Gussman Permian LLC for wells and non-standard units proposed for the E/2 W/2 and the E/2 E/2 of Section 7. The proposed well and lands are located approximately 4 miles northwest of Lakewood, New Mexico.