

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF NEARBURG EXPLORATION
COMPANY, L.L.C. FOR A NON-STANDARD OIL
SPACING AND PRORATION UNIT, UNORTHODOX
OIL WELL LOCATIONS, AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

Case No. 14787

AMENDED APPLICATION

Nearburg Exploration Company, L.L.C. applies for an order approving a non-standard oil spacing and proration unit in the Devonian formation comprised of the W $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 8, Township 17 South, Range 37 East, N.M.P.M., Lea County, New Mexico, approving unorthodox oil well locations in the Strawn and Devonian formations, and pooling all mineral interests in the Devonian formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the NW $\frac{1}{4}$ of Section 8, and has the right to drill a well thereon.
2. Applicant proposes to drill the Midway 8 State Well No. 1 at an unorthodox location 925 feet from the north line and 1644 feet from the west line of Section 8, to a depth sufficient to test the Strawn formation, and will dedicate the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 8 to the well in the Strawn formation.
3. In the event the well does not result in commercial Strawn production, applicant plans to cut a window in the wellbore and directionally drill the well to a bottom hole location approximately 1139 feet from the north line and 1195 feet from the west line of Section 8 to test the Devonian formation (Midway-Devonian Pool). The location is based on geological reasons.
4. The Midway-Devonian Pool is developed on the Division's statewide rules, with 40 acre spacing and wells to be located no closer than 330 feet to a quarter-quarter section line.

5. One Devonian well will drain reserves underlying the W $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 8. Therefore, applicant requests that a non-standard spacing and proration unit comprised of the W $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 8 be dedicated to the well, to be re-named the Midway 8 State Com. Well No. 1.

6. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 8 for the purposes set forth herein.

7. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling and completion of the well to test the Devonian formation, or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the Devonian formation underlying the W $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 8, pursuant to NMSA 1978 §§70-2-17, 18.

8. The granting of this application will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

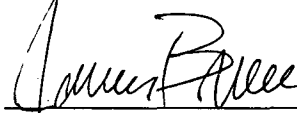
A. Approving an unorthodox oil well location in the Strawn formation in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 8;

B. Approving a non-standard oil spacing and proration unit in the Devonian formation comprised of the W $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 8;

C. Approving an unorthodox oil well location in the Devonian formation in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 8;

- D. Pooling all mineral interests in the Devonian formation underlying the non-standard unit;
- E. Designating Nearburg Producing Company as operator of the well;
- F. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- G. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- H. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



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Attorney for Nearburg Exploration
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PROPOSED ADVERTISEMENT

Case No. 14787:

Application of Nearburg Exploration Company, L.L.C. for a nonstandard oil spacing and proration unit, unorthodox oil well locations, and compulsory pooling, Lea County, New Mexico. Applicant seeks an order approving a non-standard oil spacing and proration unit in the Devonian formation comprised of the W/2NW/4 of Section 8, Township 17 South, Range 37 East, N.M.P.M., Lea County, New Mexico, approving unorthodox oil well locations in the Strawn and Devonian formations, and pooling all mineral interests in the Devonian formation underlying the non-standard unit. Applicant proposes to drill the Midway 8 State Well No. 1 at an unorthodox location 925 feet from the north line and 1644 feet from the west line of Section 8, to a depth sufficient to test the Strawn formation, and will dedicate the NE/4NW/4 of Section 8 to the well in the Strawn formation. In the event the well does not result in commercial Strawn production, applicant plans to directionally drill the well to an unorthodox bottom hole location approximately 1139 feet from the north line and 1195 feet from the west line of Section 8 to test the Devonian formation (Midway-Devonian Pool). Applicant requests that a non-standard spacing and proration unit comprised of the W/2NW/4 of Section 8 be dedicated to the well, to be re-named the Midway 8 State Com. Well No. 1, and pooling all mineral interest owners in the Devonian formation underlying the W/2NW/4 of Section 8. Also to be considered will be the cost of drilling and completing the 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 of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 5-1/2 miles northwest of Humble City, New Mexico.

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