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JASON KELLAHIN (RETIRED 1991)

October 5, 1995

HAND DELIVERED

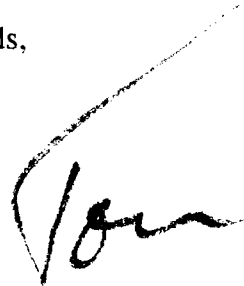
Mr. Michael E. Stogner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: NMOCD Case 11377

Dear Mike:

Please find enclosed for your consideration a rough draft order for the referenced case including a computer diskette.

Regards,

A handwritten signature in black ink, appearing to read "Tom", with a long, sweeping horizontal stroke extending to the right.

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 11377
Order No. R-**

**APPLICATION OF NEARBURG EXPLORATION COMPANY
FOR AN UNORTHODOX GAS WELL LOCATION
AND FOR SIMULTANEOUS DEDICATION,
EDDY COUNTY, NEW MEXICO**

**NEARBURG EXPLORATION COMPANY'S
PROPOSED ORDER OF THE DIVISION**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 7, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ____ day of October, 1995, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Nearburg Exploration Company ("Nearburg"), seeks approval to drill its Trigg "29" Federal Com Well No. 1 at an unorthodox gas well location 1400 feet from the South line and 750 feet from the East line (Unit I) Section 29, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico, to be dedicate to a standard 320-acre gas spacing and proration unit consisting of the S/2 of said Section 29.

(3) Nearburg has the right to drill and test any and all formations and/or pools from the top of the Wolfcamp formation to the base of the Morrow formation that are developed on 320-acre spacing within said vertical extent in the S/2 of said Section 29, which presently includes but is not necessarily limited to the Undesignated Red Lake-Pennsylvanian Gas Pool and the Undesignated West Logan Draw-Morrow Gas Pool.

(4) Nearburg presented land and geologic evidence which demonstrates that:

(a) the well is primarily intended as an attempt to penetrate a Morrow channel which is oriented north-south and which has its greatest thickness and structural advantage at a standard location in the SE/4 of this proposed spacing unit;

(b) there is no geologically acceptable standard location in the SW/4 of this spacing unit;

(c) within the SE/4 of this spacing unit, the Bureau of Land Management ("BLM") has limited the use of the surface such that the well cannot be located more than 750 feet from the east side of the spacing unit:

(5) No operator or affected interest owner appeared in opposition to the granting of this application.

(6) Approval of this application will protect correlative rights of offsetting interest owners and will afford the applicant the opportunity to produce its just and equitable share of the gas in the Morrow formation and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Nearburg Exploration Company or its designated operator, is hereby authorized to drill its Trigg "29" Federal Com Well No. 1 at an unorthodox gas well location 1400 feet from the south line and 750 feet from the east line (Unit I) Section 29, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico.

(2) Applicant is further authorized to dedicate a standard 320-acre gas spacing and proration unit consisting of the S/2 of Said Section 29 to the subject well for any gas production from the top of the Wolfcamp to the base of the Morrow formation.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director