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*NEW MEXICO BOARD OF LEGAL SPECIALIZATION RECOGNIZED SPECIALIST IN THE AREA OF NATURAL RESOURCES-OIL AND GAS LAW

W THOMAS KELLAHIN*

September 25, 1995

HAND DELIVERED

Mr. Michael E. Stogner Chief Hearing Examiner Oil Conservation Division 2040 South Pacheco Santa Fe, New Mexico 87504

Re: READVERTISED AND CONTINUED NMOCD Case 11389

Stillings 7D Federal Well No. 1 (Unit D)
N/2NW/4 Section 7, T17S, R38E, NMPM
Application of Nearburg Exploration
Company for Compulsory Pooling and approval
of a Directional Wellbore with an Unorthodox
Subsurface Well Location, Lea County, New Mexico

Dear Mr. Stogner:

This case was heard by Examiner Catanach at the hearing held on September 21, 1995. At the conclusion of the hearing Examiner Catanach directed that the case be continued to the Examiners docket now scheduled for October 19, 1995 and readvertised to amend the requested unorthodox subsurface location for this well.

In compliance with the decisions made by Examiner Catanach, please find enclosed our amended application and proposed amended advertisement for this matter.

By copy of this letter to all offsetting parties entitled to notice, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.



Oil Conservation Division September 25, 1995 Page 2.

Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, October 13, 1995, with a copy delivered to the undersigned.

Very truly yours,

W. Thomas Kellahin

Enclosure

cc: Nearburg Producing Company cc: David Petroleum Corporation

cc: BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED to all parties listed in application



SEP 2 5 1995

Oil Conservation Division

CASE 11389: Readvertised and Continued from September 21, 1995, Examiner Hearing) Application of Nearburg Exploration Company for compulsory pooling, an exception to Rule 111 and approval of directional wellbore with an unorthodox subsurface location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the N/2NW/4 of Section 7, T17S, R38E, NMPM, Lea County, New Mexico, forming a standard 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the South Humble City-Strawn Pool. Said unit is to be dedicated to its Stillings 7D Federal Well No. 1 which is located 660 feet FNL and 773 feet FWL and is to be re-entered and as an exception to Division General Rule 111 to be directionally drilled to a subsurface location in the Strawn formation within an unorthodox drilling-producing window 330 feet from the north, east and south boundaries and 1103 feet from the western boundary of an 80-acre oil spacing unit consisting of the N/2NW/4 of said Section 7. Also to be considered will be cost of re-entry, deepening and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and a charge for risk involved in said well.

Said unit is located approximately 4 miles north from Humble City, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF NEARBURG EXPLORATION COMPANY FOR
COMPULSORY POOLING, FOR AN EXCEPTION
TO DIVISION GENERAL RULE 111 AND APPROVAL
OF A DIRECTIONAL WELLBORE AT AN
UNORTHODOX SUBSURFACE LOCATION
LEA COUNTY, NEW MEXICO.

RECEIVED

SEP 2 5 1995

Oil Conservation Division
UNORTHODOX SUBSURFACE LOCATION
LEA COUNTY, NEW MEXICO.

CASE NO. //389

FIRST AMENDED APPLICATION

Comes now NEARBURG EXPLORATION COMPANY, by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the N/2NW/4 of Section 7, T17S, R38E, NMPM, Lea County, New Mexico, forming a standard 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the South Humble City-Strawn Pool. Said unit is to be dedicated to its Stillings 7D Federal Well No. 1 which is located 660 feet FNL and 773 feet FWL (surface location in Unit D) and is to be reentered and as an exception to Division General Rule 111 to be directionally drilled to a subsurface location in the Strawn formation within an unorthodox drilling-producing window 330 feet from the north, east and south boundaries and 1103 feet from the western boundary of an 80-acre oil spacing unit consisting of the N/2NW/4 of said Section 7.

Also to be considered will be cost of re-entry, deepening and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and a charge for risk involved in said well.

NMOCD Application Nearburg Exploration Company Page 2.

In support of its application, Nearburg Exploration Company, ("Nearburg") states:

- 1. Nearburg has a working interest ownership in the oil and gas minerals from the surface to the base of the Strawn formation underlying the N/2NW/4 of Section 7, T17S, R38E, NMPM, Lea County, New Mexico. See Exhibit "A".
- 2. The subject tract is located within one-mile of the current boundaries of the South Humble City-Strawn Pool, said pool being spaced on 80-acre oil spacing and proration units with stand well locations within 150 feet of the center of a quarter-quarter section all pursuant to Division Order R-6913 issued effective March 3, 1982.
- 3. Nearburg requests an exception to Division General Rule 111 in order to establish an unorthodox drilling/producing window for its Stillings 7D Federal Well No. 1 which is located at a standard surface well location 660 feet FNL and 773 feet FWL (Unit D) of Section 7 and is to be reentered and kicked off at approximately 6500 feet (TVD) and drill directionally in an easterly direction to approximately 12,500 feet TVD and within an unorthodox drilling-producing window 330 feet from the north, east and south boundaries and 1103 feet from the western boundary of an 80-acre oil spacing unit consisting of the N/2NW/4 of said Section 7.
- 4. The proposed unorthodox drilling/producing window is necessary in order to have the operational flexibility to locate this well at the point of greatest thickness in a Strawn algal mound to be determined upon the completion of the 3-D Seismic survey currently being undertaken for this well.
- 5. Nearburg has the voluntary agreement of all of the working interest ownership of the oil & gas minerals from the surface to the base of Strawn formation underlying the N/2NW/4 of Section 7 with the exception of Christine Riley who has an 00.28% mineral interest in this spacing unit.

- 6. Nearburg has made a good faith attempt to proposed the subject re-entry and its spacing unit to this interest owner but despite its best efforts is unable to located Christine Riley.
- 7. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Nearburg needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
- 8. Based upon the economic savings realized by re-entering the existing well rather than drill a "new well" and the geologic considerations of attempting to maximize the opportunity to encounter the Strawn formation at its most favorable location in this spacing unit, Nearburg proposes to directionally drill this wellbore to the proposed unorthodox subsurface location.
- 9. All appropriate offset operators, lessees or unleased mineral owners are being notified as described in Exhibit "B" attached.

WHEREFORE, Nearburg, as applicant, requests that this application be set for hearing on October 19, 1995 before the Division's duly appointed Examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the directional drilling of the subject well at an unorthodox subsurface well location upon terms and conditions which include:

- (1) Nearburg Producing Company be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of the wellbore, the drilling, completing, equipping and operating the well;

- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, reimbursement for the value of the wellbore, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) Provisions pooling any non-participating interests owners; and

(6) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

W. THOMAS KELLAHIN KELLAHIN/& KELLAHIN

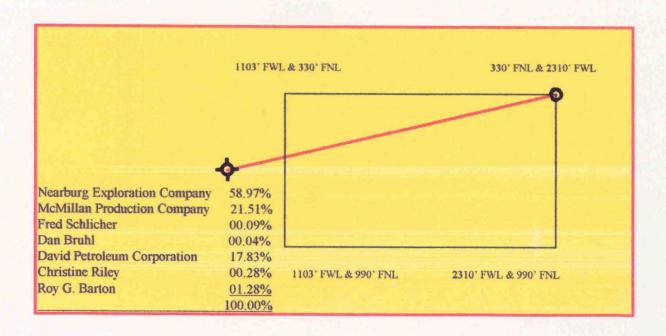
P. O. Box 2265

Santa Fe, New Mexico 87501

(505) 982-4285

NEARBURG PRODUCING COMPANY STILLINGS 7D FEDERAL NO. 1

Surface Location: 773' FWL & 660' FNL Bottom Hole Location: 2,310' FWL & 330' FNL N/2 NW/4 Section 7, T-17-S, R-38-E Lea County, New Mexico



BEFORE THE OIL CONSERVATION DIVISION

Case No. 11389 Exhibit No. Submitted By:

Nearburg Exploration Company
Hearing Date: September 21, 1995

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