

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. 11683
ORDER NO. R-10739

**APPLICATION OF NEARBURG PRODUCING COMPANY FOR AN
UNORTHODOX GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 9, 1997, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 17th day of January, 1997 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 Producing Company ("Nearburg"), seeks approval to drill its Chevron "32" State Com Well No. 1 at an unorthodox gas well location 1090 feet from the North line and 990 feet from the East line (Unit A) of Section 32, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico, to be dedicated to a standard 320-acre gas spacing and proration unit consisting of the N/2 of said Section 32.
- (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 N/2 of said Section 32, which presently includes but is not necessarily limited to the Undesignated Jennings Spring-Wolfcamp Gas Pool, Undesignated Red Lake-Pennsylvanian Gas Pool, Undesignated Logan Draw Cisco-Canyon Gas Pool, Undesignated Logan Draw-Morrow Gas Pool, Undesignated West Logan Draw-Morrow Gas Pool, and the Undesignated Scoggin Draw-Morrow Gas Pool.

(4) All of the aforementioned pools are currently subject to **Rule 104.C(2)(b)** of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996, which require standard 320-acre gas spacing and proration units with wells to be located no closer than 1650 feet from the end boundaries nor closer than 660 feet from the side boundaries nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

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

(a) the well is primarily intended as an attempt to penetrate the Lower Morrow interval which appears to be a delta/bar complex and which has its greatest thickness and structural advantage in the NE/4 NE/4 of this proposed 320-acre spacing unit;

(b) there is no geologically acceptable standard location within the Morrow interval in the NE/4 of this spacing unit; and,

(c) the proposed unorthodox location places this well as far as is practical from a dry hole in the NE/4 SW/4 (Unit K) of said Section 32 (the Humble Oil & Refining Company Chalk Bluff Draw Unit Well No. 2 located 1930 feet from the South line and 1880 feet from the West line of said Section 32).

(6) No offset operator or interest owner appeared at the hearing in opposition to the proposed unorthodox location.

(7) Approval of this application is in the best interest of conservation, will serve to 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 subject formations and will otherwise prevent waste and protect correlative rights.

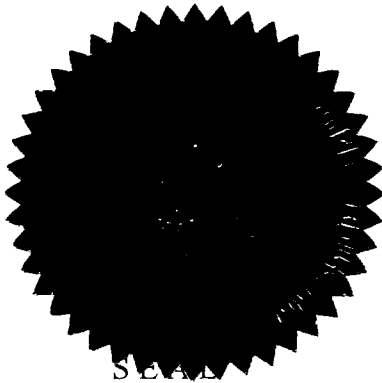
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Nearburg Producing Company, is hereby authorized to drill its Chevron "32" State Com Well No. 1 at an unorthodox gas well location 1090 feet from the North line and 990 feet from the East line (Unit A) of Section 32, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico.

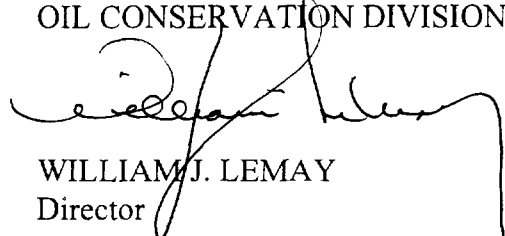
(2) Applicant is further authorized to dedicate a standard 320-acre gas spacing and proration unit consisting of the N/2 of said Section 32 to the subject well for any gas production from the top of the Wolfcamp to the base of the Morrow formation.

(3) Jurisdiction of this cause is 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