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December 12, 1996

HAND DELIVERED

11683


Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Chevron "32" State Com Well No. 1
N/2 Section 32, T17S, R27E, NMPM
Application of Nearburg Producing Company
for an Unorthodox Gas Well Location,
Eddy County, New Mexico

Dear Mr. LeMay:

On behalf of Nearburg Producing Company, please find enclosed our application for an unorthodox gas well location which we request be set for hearing on the next available Examiner's docket now scheduled for January 9, 1997. Also enclosed is our proposed notice for the advertisement.

Very truly yours,



W. Thomas Kellahin

cc: Nearburg Producing Company
Attn: Michael M. Gray

Proposed notification/advertisement for OCD docket

Case 11683 : Application of Nearburg Producing Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its proposed Chevron "32" State Com Well No. 1 at a point 990 feet from the east line and 1090 feet from the north line (Unit A) of Section 32, Township 17 South, Range 27 East, NMPM, to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Logan Draw-Morrow Gas Pool, Logan Draw-Cisco Canyon Gas Pool, Scoggin Draw-Morrow Gas Pool, Chaulk Bluff-Wolfcamp Pool, or Red Lake-Pennsylvanian Gas Pool, and, if productive, to be dedicated to a 320-acre gas spacing unit consisting of the N/2 of said Section 32. Said location is located approximately 7 miles southeast from Artesia, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF NEARBURG PRODUCING COMPANY
FOR AN UNORTHODOX GAS WELL,
EDDY COUNTY, NEW MEXICO

CASE: 11683

APPLICATION

Comes now NEARBURG PRODUCING COMPANY ("Nearburg") by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division ("NMOCD") for an unorthodox gas well location in order to drill its proposed Chevron "32" State Com Well No. 1 at a point 990 feet from the east line and 1090 feet from the north line (Unit A) of Section 32, Township 17 South, Range 27 East, NMPM, to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Logan Draw-Morrow Gas Pool, Logan Draw-Cisco Canyon Gas Pool, Scoggin Draw-Morrow Gas Pool, Chaulk Bluff-Wolfcamp Pool, or Red Lake-Pennsylvanian Gas Pool, and if productive to be dedicated to a 320-acre gas spacing unit consisting of the N/2 of said Section 32.

In support thereof, Applicant states:

1. Applicant, Nearburg, is the proposed operator of the Chevron "32" State Com Well No. 1 to be located 990 feet from the east line and 1090 north line (Unit A) of Section 32, T17S, R27E, Eddy County, New Mexico.

2. Nearburg proposes to drill this well to a depth sufficient to test for gas production from the Morrow formation and shallower formations.

3. The well location is within one mile of the current boundary of the Logan Draw-Morrow Gas Pool which is subject to the Division's general rules and regulations which include:

Rule: 104.C(2) "...shall be located no closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1650 feet to the nearest end boundary..."

4. Nearburg proposes to dedicate the N/2 of Section 32 to the well if it is capable of gas production from the top of the Wolfcamp to the base of the Morrow formation.

5. This proposed location is the optimum location in the N/2 of said Section 32 at which to drill to test for Morrow gas production.

6. Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas underlying this unit, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

7. Notification of this application has been sent to all adjoining and offsetting operators as set forth on Exhibit "A" attached.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over a horizontal line. The signature is stylized with a large, looping 'W' and a cursive 'Kellahin'.

BY

W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285

EXHIBIT "A"

Murchison Oil & Gas, Inc.
1445 Ross Ave, Suite 5400
Dallas, Texas 75202-4752

Central Resources, Inc.
2600 Mellon Center
1775 Sherman Street
Denver, Co. 80203-1100

Yates Drilling Company
110 South Fourth Street
Artesia, New Mexico 88210-1001

Judy B. Gurley Oil & Gas Account
C/O Mr. Roy Gurley
2006 Hemlock
Borger, Texas 79007

Paw Print Oil & Gas, Ltd.
1500 Four Mile Lane
Denver, Co 81212

Marilyn J. Cone, Trustee
for the D.C. Trust
P. O. Box 64244
Lubbock, Texas 79464

Amoco Production Company
P. O. Box 3092
Houston, Texas 77253