

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

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

JASON KELLAHIN (RETIRED 1991)

May 7, 1993

HAND DELIVERED

William J. LeMay, Director
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

RECEIVED
MAY 10 1993

Case 10731

Re: OBJECTION TO ADMINISTRATIVE APPLICATION

Application of Nearburg Producing Company for
Administrative Approval of an Unorthodox Location
for its Dagger Draw 31 Federal Well No 5, located
660 feet FNL and 2310 feet FWL (Unit C) Section 31,
T19S, R25E, NMPM, Eddy County, New Mexico

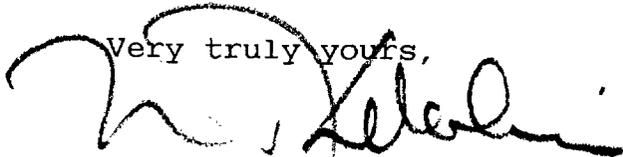
Dear Mr. LeMay:

On behalf of Conoco Inc., and in accordance with
Division Rule 104 (F), we hereby OBJECT to the granting
of the referenced administrative application.

We were notified of this application by letter dated
April 27, 1993 sent to Conoco Inc. by William F. Carr,
attorney for Nearburg Producing Company.

I have been advised by Mr. Carr that in anticipation
of opposition, he has requested that this same
application be set for an Examiner hearing on the May 20,
1993 Examiner's docket.

Very truly yours,



W. Thomas Kellahin

cc: William F. Carr, Esq.
cc: Jerry Hoover (Conoco-Midland)

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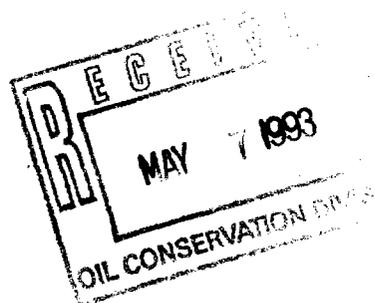
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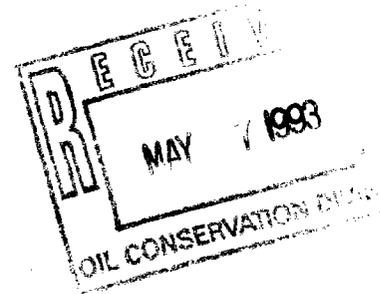
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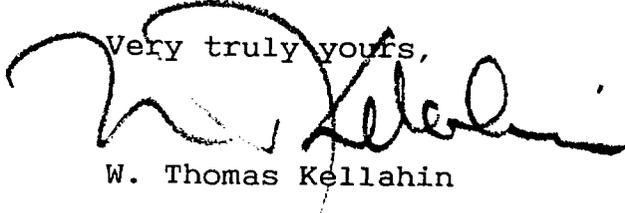
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& SHERIDAN, P.A.
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WILLIAM F. CARR
BRADFORD C. BERGE
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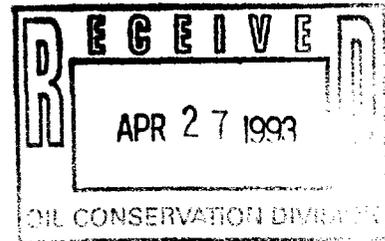
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

April 27, 1993

HAND-DELIVERED

Case 10731



William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

Re: In the Matter of the Application of Nearburg Producing Company for Administrative Approval of an Unorthodox Location for its Dagger Draw 31 Federal Well No. 5 located 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico

Dear Mr. LeMay:

Nearburg Producing Company hereby requests administrative approval of an unorthodox well location for its Dagger Draw 31 Federal Well No. 5. The proposed location will be in the North Dagger Draw-Upper Pennsylvanian Pool at a point 660 feet from the North line and 2310 feet from the West line of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. Nearburg seeks an exception to Rule 4 of the Special Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool to permit it to locate this well in the NW/4 of said Section 31 at the proposed unorthodox location.

This unorthodox location is necessary to prevent drainage of this acreage from offsetting wells. Since there already is a well to another formation at the nearest standard location, which cannot be reentered mechanically, as well as a lease road and electric line in the immediate vicinity of the proposed location this is the nearest location to a standard location that the BLM would approve. Pursuant to the provisions of Rule 5 of the Special Pool Rules and Regulations for this pool, this well location should qualify for administrative approval. In addition to the attached Oil Conservation Division Form C-102 showing the topographic conditions referenced hereinabove, a plat is also attached showing the ownership of all spacing or proration units offsetting the NW/4 of Section 31.

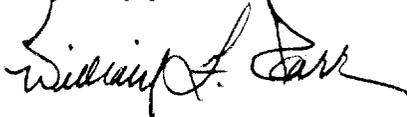
William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
April 27, 1993
Page 2

As you will note, Nearburg operates the acreage offsetting this location to the East which is the acreage which will be encroached on as a result of this unorthodox location. The offsetting acreage to the East is covered by the same lease as the NW/4 of Section 31.

All operators of proration or spacing units offsetting this unit have been notified of this application by certified mail. Copies of these letters are also attached to this application for administrative approval. On receipt of waivers from these offsetting owners, Nearburg will immediately advise the Division.

Your attention to this application for administrative approval is appreciated.

Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR NEARBURG PRODUCING COMPANY

WFC:mlh

Enclosures

cc w/o enc: Mr. Joe Fitzgerald

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

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WILLIAM F. CARR
BRADFORD C. BERGE
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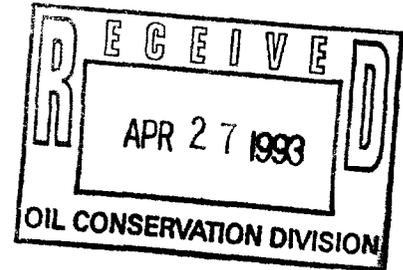
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
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POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

April 27, 1993

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Conoco, Inc.
10 Desta Drive West, Suite 100-W
Midland, Texas 79705
Attn: David Twomey



Re: Application of Nearburg Producing Company for Administrative Approval of an Unorthodox Location for its Dagger Draw 31 Federal Well No. 5, located 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico

Gentlemen:

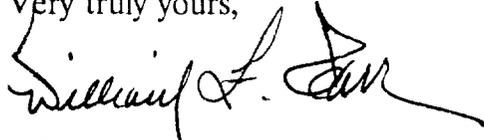
Enclosed is a copy of the above-referenced application of Nearburg Producing Company for administrative approval of an unorthodox well location in the North Dagger Draw-Upper Pennsylvanian Pool for its Dagger Draw 31 Federal Well No. 5. Due to topographical conditions Nearburg is proposing to locate this well at a point 660 feet from the North line and 2310 feet from the West line in Unit C of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

You are being notified of this application as the operator of a proration unit offsetting the above-referenced unorthodox location in the North Dagger Draw-Upper Pennsylvanian Pool. If you have no objection to the drilling of this well, please execute one copy of this letter and forward it to me at the above-referenced address. An additional copy of the letter is enclosed for your files.

Conoco, Inc.
Attn: David Twomey
April 27, 1993
Page 2

Your consideration of this request is appreciated.

Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR NEARBURG PRODUCING COMPANY

WFC:mlh

WAIVER OF OBJECTION

Title

Conoco, Inc.

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

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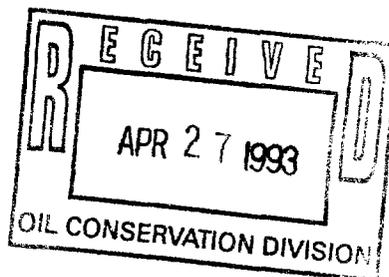
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April 27, 1993

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attn: Janet Richardson



Re: Application of Nearburg Producing Company for Administrative Approval of an Unorthodox Location for its Dagger Draw 31 Federal Well No. 5, located 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico

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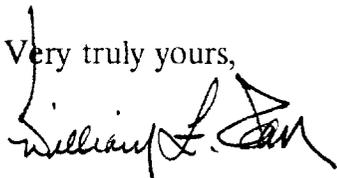
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Yates Petroleum Corporation
Attn: Janet Richardson
April 27, 1993
Page 2

Your consideration of this request is appreciated.

Very truly yours,

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WILLIAM F. CARR
ATTORNEY FOR NEARBURG PRODUCING COMPANY
WFC:mlh

WAIVER OF OBJECTION

Title

Yates Petroleum Corporation

04/02/93

15:28

505 397 3998

NEARBURG PROD CO →→→ NPC

State of New Mexico

Energy, Minerals and Natural Resources Department

Revised 1-1-88

District Office
State Lease - 4 copies
Fee Lease - 3 copies

OIL CONSERVATION DIVISION

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

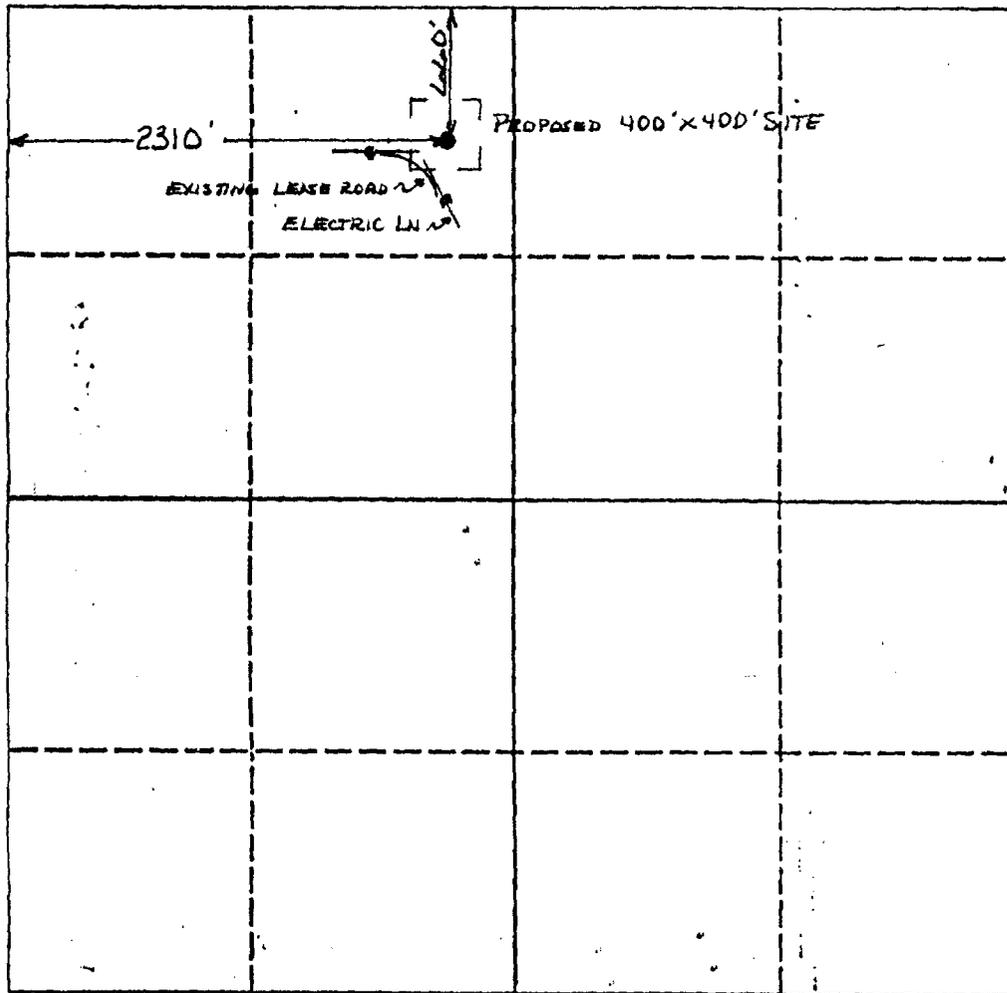
Operator Nearburg Producing Co.			Lease Dagger Draw 31 - Federal		Well No. 5
Unit Letter C	Section 31	Township 19 - South	Range 25 - East	County Eddy	
Actual Footage Location of Well: 660 feet from the North line and 2310 feet from the West line					
Ground level Elev. 3660	Producing Formation		Pool	Dedicated Acreage: Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

Yes No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature _____

Printed Name _____

Position _____

Company _____

Date _____

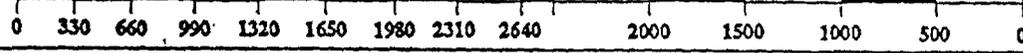
SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
March 28, 1993

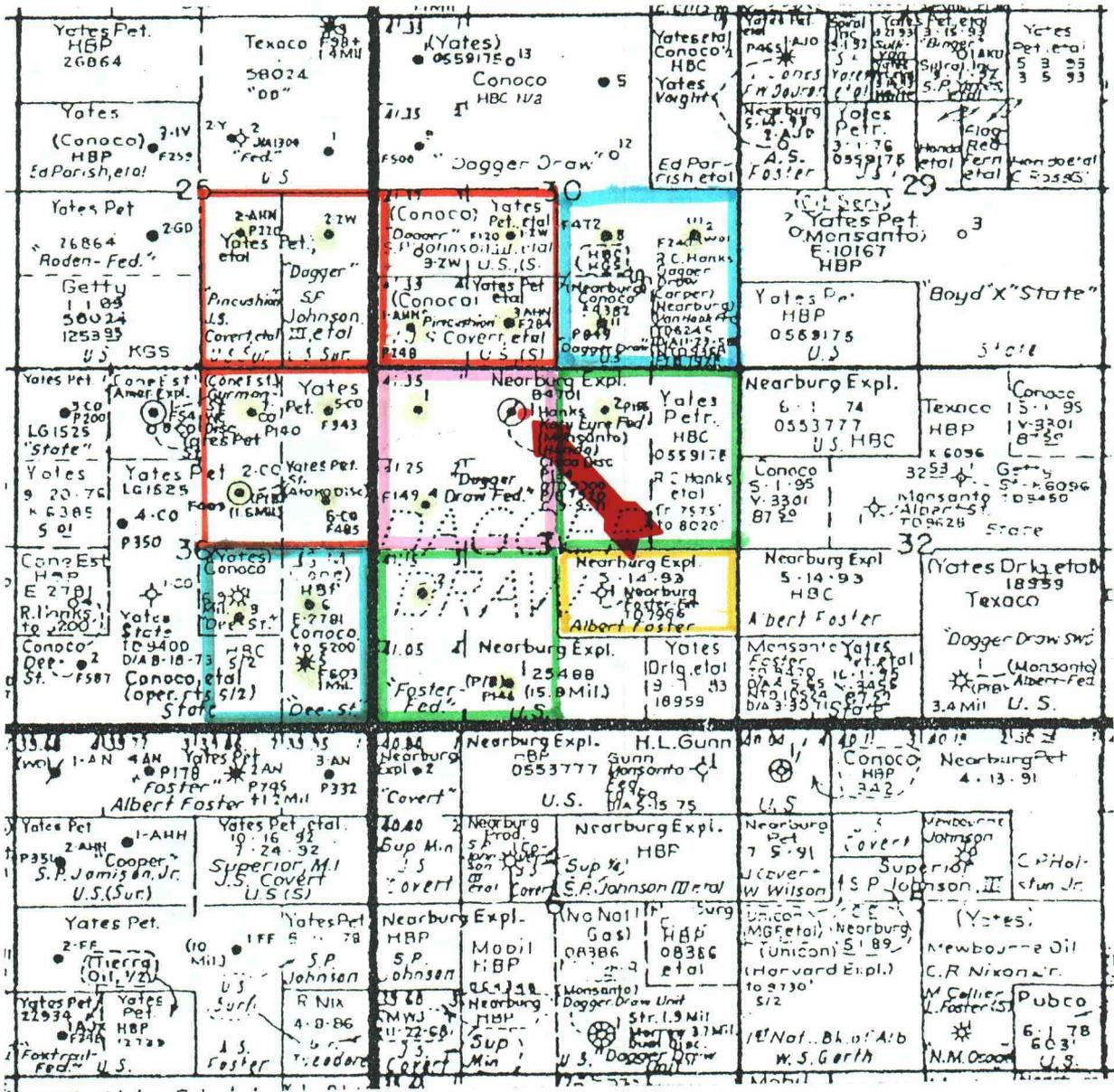
Signature & Seal of Professional Surveyor

Certificate No. 2126



NORTH DAGGER DRAW POOL EDDY COUNTY, NEW MEXICO

NEARBURG'S DAGGER DRAW 31 FED #5 660' FNL & 2310' FWL, SEC. 31, T-19-S, R-25-E



- NEARBURG'S 160 ACRE UNIT FOR THE SUBJECT WELL
- OTHER OFFSET NEARBURG OPERATED UNITS IN THE POOL
- NEARBURG OFFSET NON-PRODUCING LEASEHOLD
- YATES OPERATED OFFSET UNITS IN THE POOL
- CONOCO OPERATED OFFSET UNITS IN THE POOL
- OFFSET WELLS IN THE POOL

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

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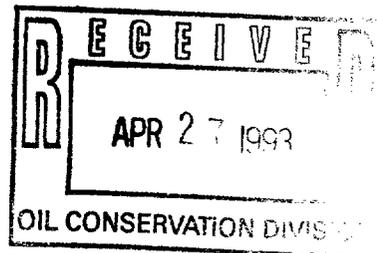
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State Land Office Building
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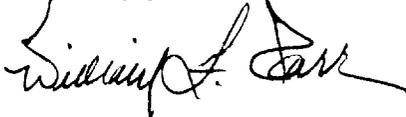
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ATTORNEY FOR NEARBURG PRODUCING COMPANY

WFC:mlh

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cc w/o enc: Mr. Joe Fitzgerald

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& SHERIDAN, P.A.
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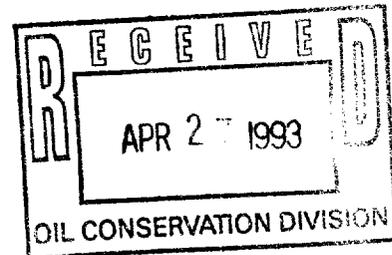
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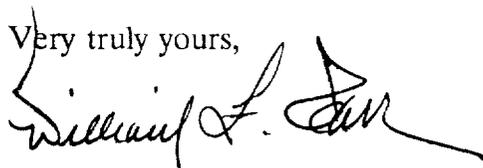
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& SHERIDAN, P.A.

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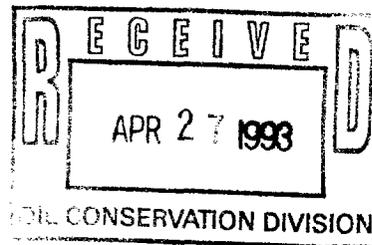
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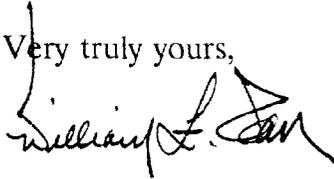
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ATTORNEY FOR NEARBURG PRODUCING COMPANY
WFC:mlh

WAIVER OF OBJECTION

Title

Yates Petroleum Corporation

04/02/93 15:28
 District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

505 397 3998

NEARBURG PROD CO →→→ NPC
 State of New Mexico

Energy, Minerals and Natural Resources Department

Form
 Revised 1-1-80

OIL CONSERVATION DIVISION

P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

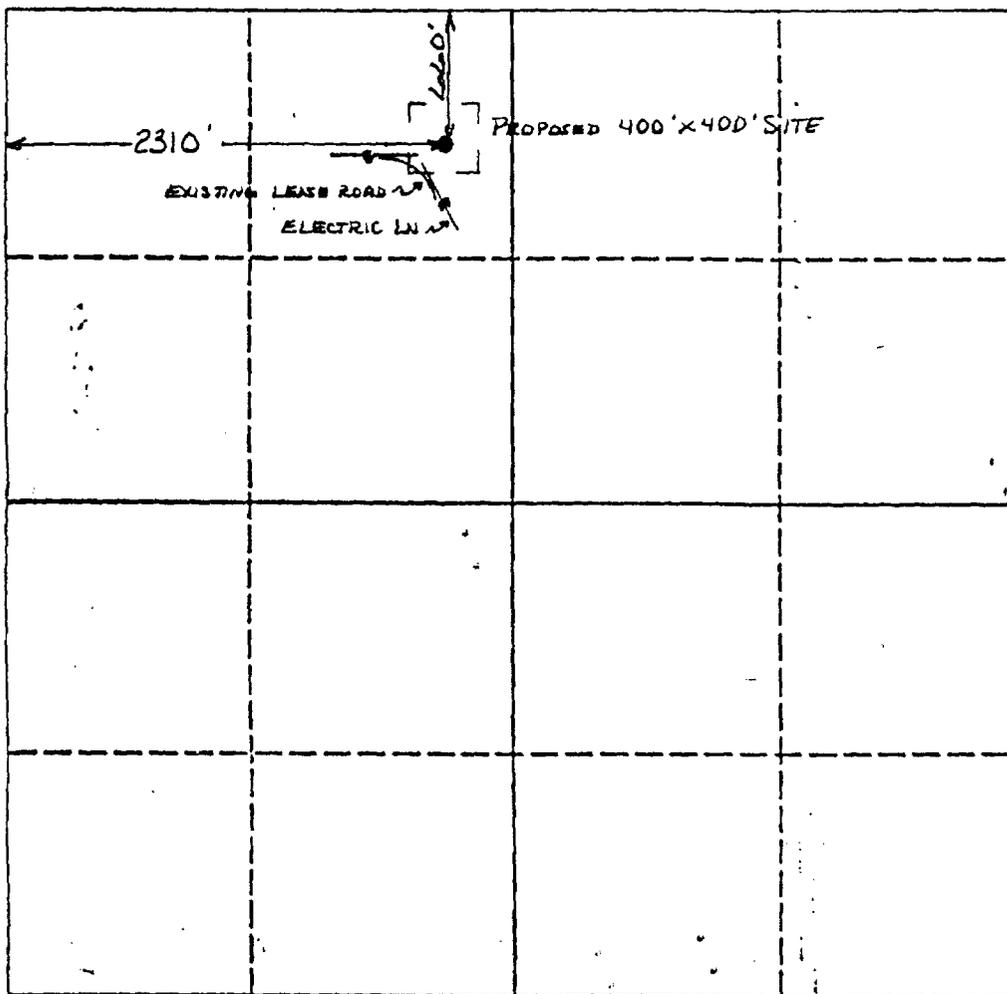
DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator Nearburg Producing Co.			Lease Dagger Draw 31 - Federal		Well No. 5
Unit Letter C	Section 31	Township 19 - South	Range 25 - East	County Eddy	
Actual Footage Location of Well: 660 feet from the North line and 2310 feet from the West line					
Ground level Elev. 3660	Producing Formation		Pool	Dedicated Acreage: Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc?
 Yes No If answer is "yes" type of consolidation _____
 If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary).
 No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature _____

Printed Name _____

Position _____

Company _____

Date _____

SURVEYOR CERTIFICATION

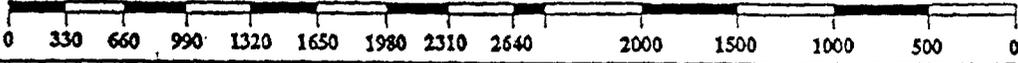
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
 March 28, 1993

Signature & Seal of Professional Surveyor

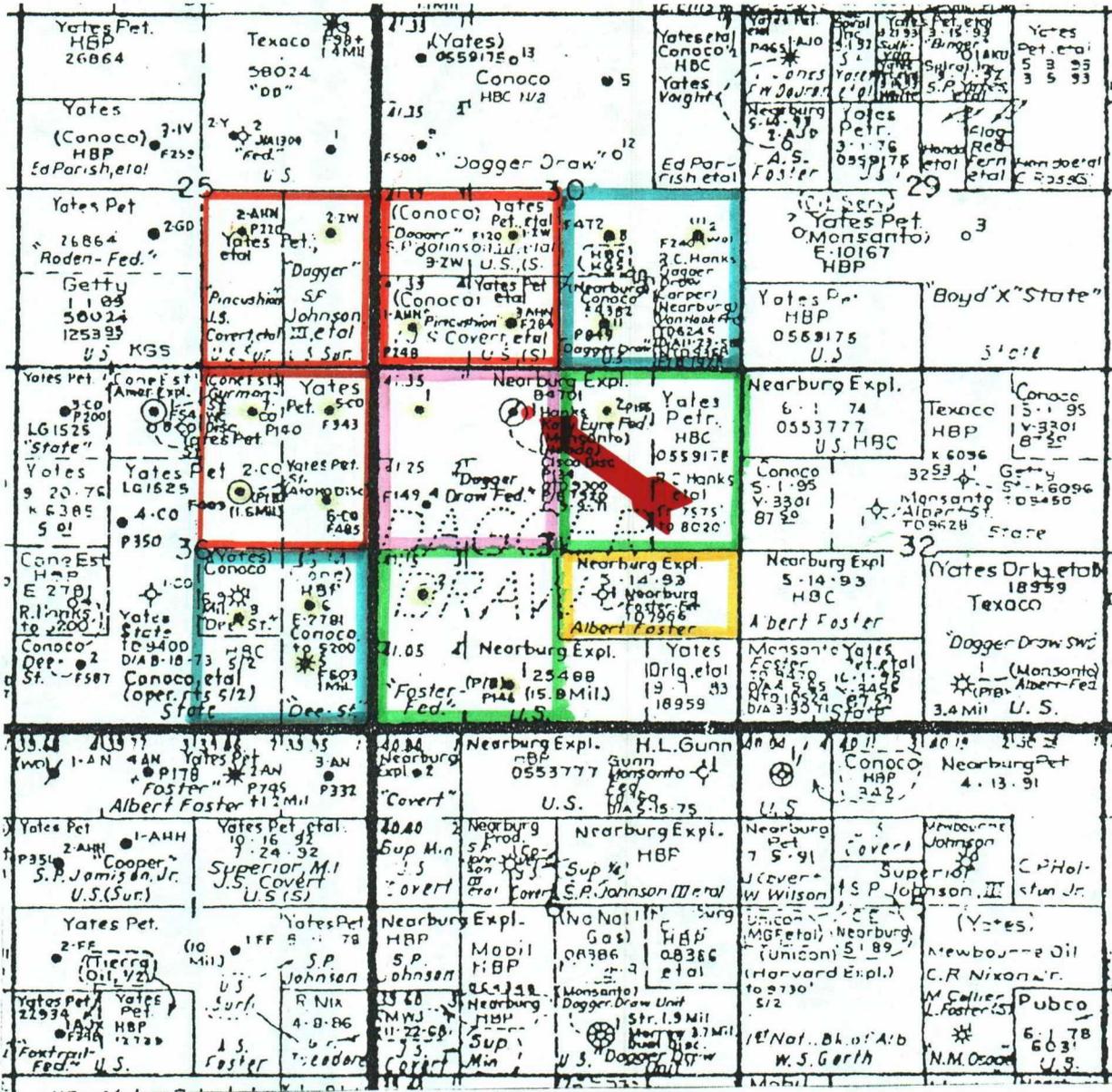
Certificate No. 21262

21262



NORTH DAGGER DRAW POOL EDDY COUNTY, NEW MEXICO

NEARBURG'S DAGGER DRAW 31 FED #5 660' FNL & 2310' FWL, SEC. 31, T-19-S, R-25-E



- NEARBURG'S 160 ACRE UNIT FOR THE SUBJECT WELL
- OTHER OFFSET NEARBURG OPERATED UNITS IN THE POOL
- NEARBURG OFFSET NON-PRODUCING LEASEHOLD
- YATES OPERATED OFFSET UNITS IN THE POOL
- CONOCO OPERATED OFFSET UNITS IN THE POOL
- OFFSET WELLS IN THE POOL

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT
DAVID B. LAWRENZ

JACK M. CAMPBELL
OF COUNSEL

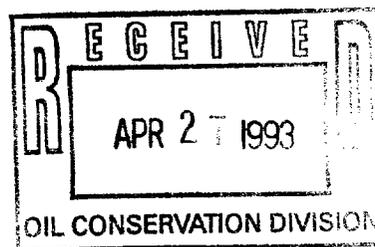
JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

April 27, 1993

Case 10731

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503



Re: In the Matter of the Application of Nearburg Producing Company for Administrative Approval of an Unorthodox Location for its Dagger Draw 31 Federal Well No. 5 located 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico

Dear Mr. LeMay:

Nearburg Producing Company hereby requests administrative approval of an unorthodox well location for its Dagger Draw 31 Federal Well No. 5. The proposed location will be in the North Dagger Draw-Upper Pennsylvanian Pool at a point 660 feet from the North line and 2310 feet from the West line of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. Nearburg seeks an exception to Rule 4 of the Special Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool to permit it to locate this well in the NW/4 of said Section 31 at the proposed unorthodox location.

This unorthodox location is necessary to prevent drainage of this acreage from offsetting wells. Since there already is a well to another formation at the nearest standard location, which cannot be reentered mechanically, as well as a lease road and electric line in the immediate vicinity of the proposed location this is the nearest location to a standard location that the BLM would approve. Pursuant to the provisions of Rule 5 of the Special Pool Rules and Regulations for this pool, this well location should qualify for administrative approval. In addition to the attached Oil Conservation Division Form C-102 showing the topographic conditions referenced hereinabove, a plat is also attached showing the ownership of all spacing or proration units offsetting the NW/4 of Section 31.

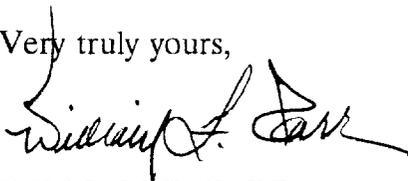
William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
April 27, 1993
Page 2

As you will note, Nearburg operates the acreage offsetting this location to the East which is the acreage which will be encroached on as a result of this unorthodox location. The offsetting acreage to the East is covered by the same lease as the NW/4 of Section 31.

All operators of proration or spacing units offsetting this unit have been notified of this application by certified mail. Copies of these letters are also attached to this application for administrative approval. On receipt of waivers from these offsetting owners, Nearburg will immediately advise the Division.

Your attention to this application for administrative approval is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is written in a cursive style with a large initial "W".

WILLIAM F. CARR
ATTORNEY FOR NEARBURG PRODUCING COMPANY

WFC:mlh

Enclosures

cc w/o enc: Mr. Joe Fitzgerald

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT
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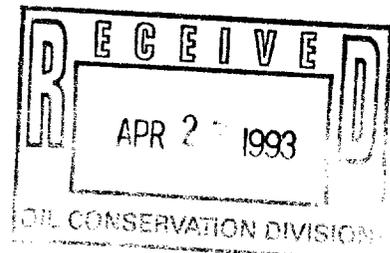
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

April 27, 1993

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Conoco, Inc.
10 Desta Drive West, Suite 100-W
Midland, Texas 79705
Attn: David Twomey



Re: Application of Nearburg Producing Company for Administrative Approval of an Unorthodox Location for its Dagger Draw 31 Federal Well No. 5, located 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico

Gentlemen:

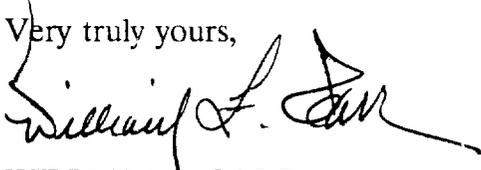
Enclosed is a copy of the above-referenced application of Nearburg Producing Company for administrative approval of an unorthodox well location in the North Dagger Draw-Upper Pennsylvanian Pool for its Dagger Draw 31 Federal Well No. 5. Due to topographical conditions Nearburg is proposing to locate this well at a point 660 feet from the North line and 2310 feet from the West line in Unit C of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

You are being notified of this application as the operator of a proration unit offsetting the above-referenced unorthodox location in the North Dagger Draw-Upper Pennsylvanian Pool. If you have no objection to the drilling of this well, please execute one copy of this letter and forward it to me at the above-referenced address. An additional copy of the letter is enclosed for your files.

Conoco, Inc.
Attn: David Twomey
April 27, 1993
Page 2

Your consideration of this request is appreciated.

Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR NEARBURG PRODUCING COMPANY

WFC:mlh

WAIVER OF OBJECTION

Title

Conoco, Inc.

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT
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JACK M. CAMPBELL
OF COUNSEL

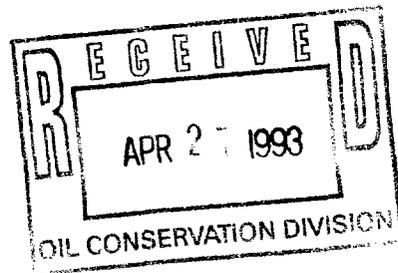
JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208

TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

April 27, 1993

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attn: Janet Richardson



Re: Application of Nearburg Producing Company for Administrative Approval of an Unorthodox Location for its Dagger Draw 31 Federal Well No. 5, located 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico

Gentlemen:

Enclosed is a copy of the above-referenced application of Nearburg Producing Company for administrative approval of an unorthodox well location in the North Dagger Draw-Upper Pennsylvanian Pool for its Dagger Draw 31 Federal Well No. 5. Due to topographical conditions Nearburg is proposing to locate this well at a point 660 feet from the North line and 2310 feet from the West line in Unit C of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

You are being notified of this application as the operator of a proration unit offsetting the above-referenced unorthodox location in the North Dagger Draw-Upper Pennsylvanian Pool. If you have no objection to the drilling of this well, please execute one copy of this letter and forward it to me at the above-referenced address. An additional copy of the letter is enclosed for your files.

Yates Petroleum Corporation
Attn: Janet Richardson
April 27, 1993
Page 2

Your consideration of this request is appreciated.

Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR NEARBURG PRODUCING COMPANY
WFC:mlh

WAIVER OF OBJECTION

Title

Yates Petroleum Corporation

04/02/93
 District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

15:28

505 397 3998

NEARBURG PROD CO →→→ NPC
 State of New Mexico

Energy, Minerals and Natural Resources Department

Revised 1-1-80

OIL CONSERVATION DIVISION

P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

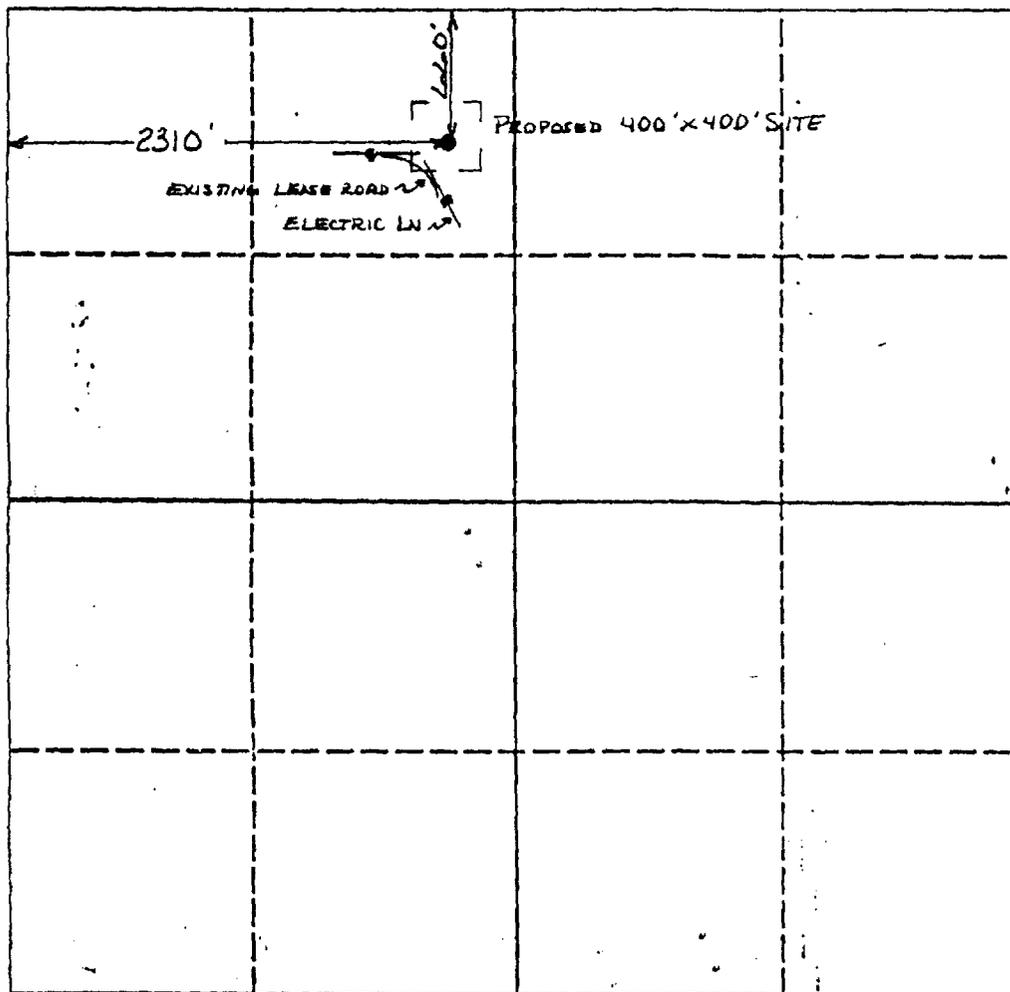
Operator Nearburg Producing Co.			Lease Dagger Draw 31 - Federal		Well No. 5
Unit Letter C	Section 31	Township 19 - South	Range 25 - East	County Eddy	
Actual Footage Location of Well: 660 feet from the North line and 2310 feet from the West line					
Ground level Elev. 3660	Producing Formation		Pool	Dedicated Acreage: Acres	

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Yes No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature _____

Printed Name _____

Position _____

Company _____

Date _____

SURVEYOR CERTIFICATION

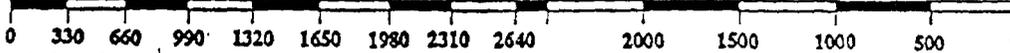
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
 March 28, 1993

Signature & Seal of Professional Surveyor

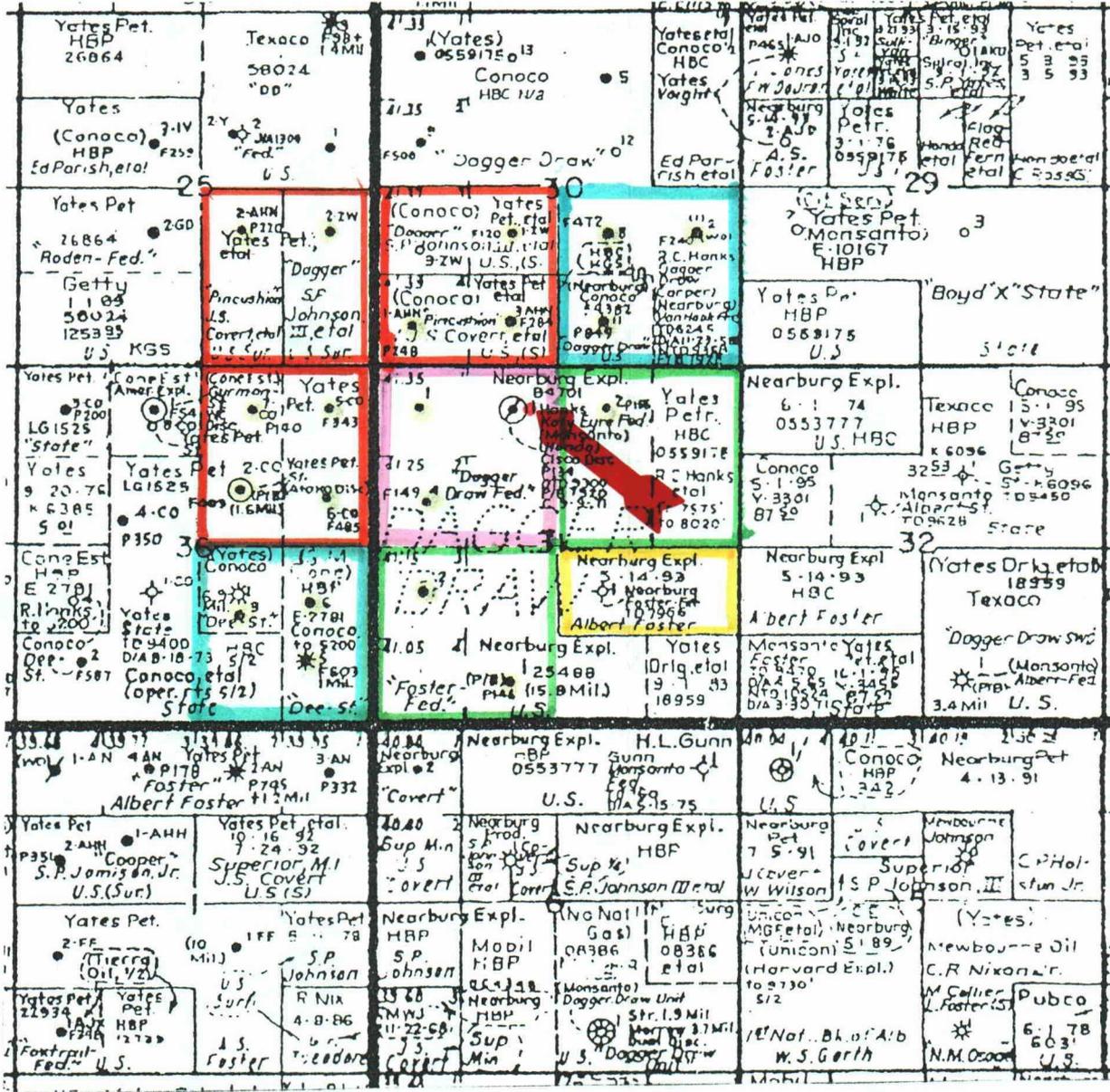
Certificate No. 2126

2126



NORTH DAGGER DRAW POOL EDDY COUNTY, NEW MEXICO

NEARBURG'S DAGGER DRAW 31 FED #5 660' FNL & 2310' FWL, SEC. 31, T-19-S, R-25-E



- NEARBURG'S 160 ACRE UNIT FOR THE SUBJECT WELL
- OTHER OFFSET NEARBURG OPERATED UNITS IN THE POOL
- NEARBURG OFFSET NON-PRODUCING LEASEHOLD
- YATES OPERATED OFFSET UNITS IN THE POOL
- CONOCO OPERATED OFFSET UNITS IN THE POOL
- OFFSET WELLS IN THE POOL

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

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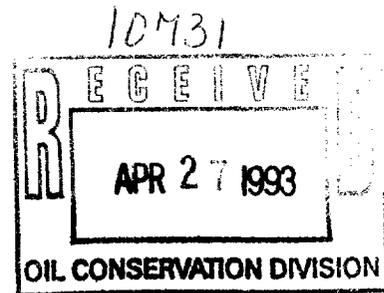
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

April 27, 1993

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503



Re: In the Matter of the Application of Nearburg Producing Company for an
Unorthodox Gas Well Location, Eddy County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Nearburg Producing Company and a draft of a legal advertisement in the above-referenced case. Nearburg Producing Company respectfully requests that this matter be placed on the docket for the May 20, 1993 Examiner hearings.

Very truly yours,

WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enclosure: Mr. Joe Fitzgerald

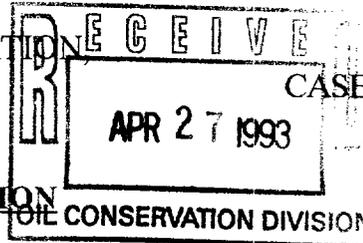
CASE 10931:

Application of Nearburg Producing Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks authorization to drill to the Upper Pennsylvanian formation, North Dagger Draw-Upper Pennsylvanian Pool, its Dagger Draw 31 Federal Well No. 5 at a location 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. The NW/4 of said Section 31 is to be dedicated to said well forming a standard 160-acre gas spacing and proration unit. Said unit is located approximately ____ miles _____ of _____, New Mexico.

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

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



APPLICATION
OIL CONSERVATION DIVISION

COMES NOW NEARBURG PRODUCING COMPANY, through its undersigned attorneys, and hereby makes application to the Oil Conservation Division for an order approving an unorthodox gas well location and in support of this application states:

1. Applicant is the operator of the NW/4 of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and proposes to drill its Dagger Draw 31 Federal Well No. 5 as a gas well in the North Dagger Draw-Upper Pennsylvanian Pool at an unorthodox location 660 feet from the North line and 2310 feet from the West line in Unit C of said Section 31.

2. Applicant seeks an exception to Rule 4 of the Special Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool to permit the drilling of this well in the Upper Pennsylvanian formation at the above-described location.

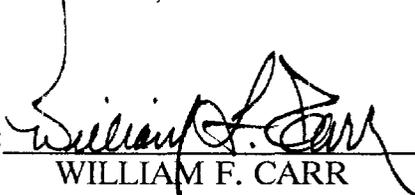
3. A standard 160-acre proration unit comprised of the NW/4 of said Section 31 should be dedicated to the well.

4. Approval of this application will afford applicant the opportunity to produce its just and equitable share of the gas in the Upper Pennsylvanian formation and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on May 20, 1993, that notice be given as required by law and the rules of the Division, and that the Division enter its Order granting this application and providing such other relief as is proper.

Respectfully submitted,

CAMPBELL, CARR, BERGE &
SHERIDAN, P.A.

By: 

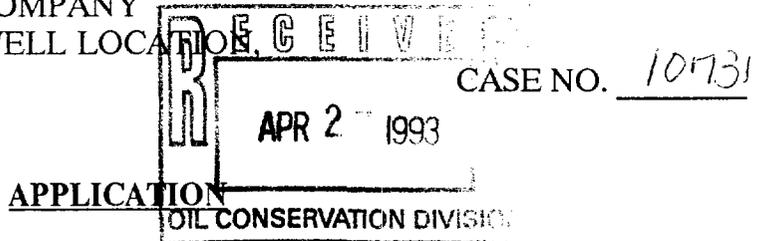
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR NEARBURG
PRODUCING COMPANY

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

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



COMES NOW NEARBURG PRODUCING COMPANY, through its undersigned attorneys, and hereby makes application to the Oil Conservation Division for an order approving an unorthodox gas well location and in support of this application states:

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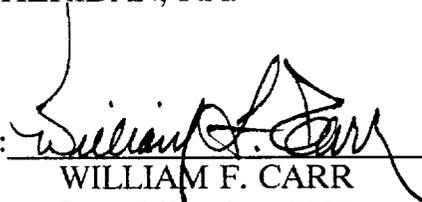
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Respectfully submitted,

CAMPBELL, CARR, BERGE &
SHERIDAN, P.A.

By:



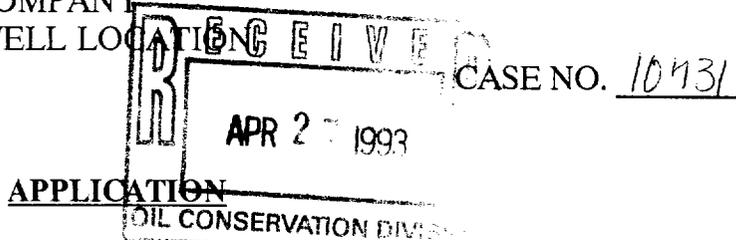
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NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

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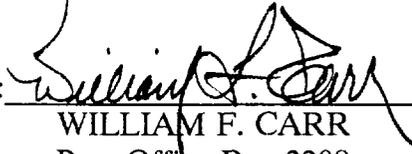
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Respectfully submitted,

CAMPBELL, CARR, BERGE &
SHERIDAN, P.A.

By:



WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR NEARBURG
PRODUCING COMPANY

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

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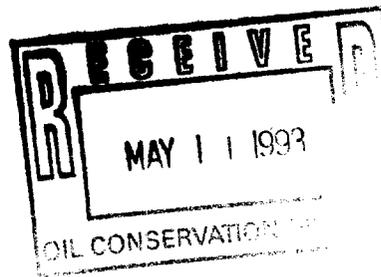
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TELEPHONE: (505) 988-4421
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May 11, 1993

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

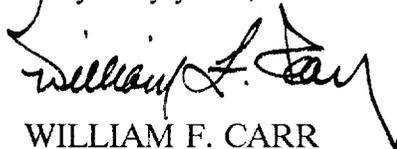


Re: In the Matter of the Amended Application of Nearburg Producing Company
for an Unorthodox Gas Well Location, Eddy County, New Mexico

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Very truly yours,


WILLIAM F. CARR

WFC:mlh

Enclosures

cc: Mr. Joe Fitzgerald (w/enclosure)

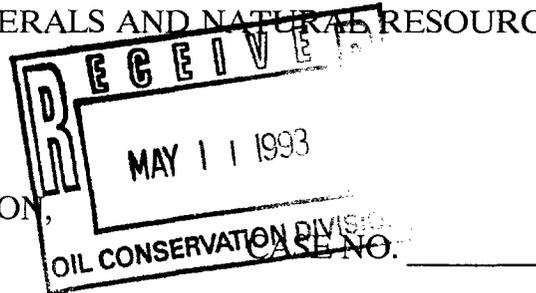
CASE _____: Amended Application of Nearburg Producing Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks authorization to drill to the Upper Pennsylvanian formation, North Dagger Draw-Upper Pennsylvanian Pool, its Dagger Draw 31 Federal Well No. 5 at a location 330 feet from the North line and 2460 feet from the West line (Unit C) of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. The NW/4 of said Section 31 is to be dedicated to said well forming a standard 160-acre gas spacing and proration unit. Said unit is located approximately _____ miles _____ of _____, New Mexico.

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

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



AMENDED APPLICATION

COMES NOW NEARBURG PRODUCING COMPANY, through its undersigned attorneys, and hereby makes application to the Oil Conservation Division for an order approving an unorthodox gas well location and in support of this application states:

1. Applicant is the operator of the NW/4 of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and proposes to drill its Dagger Draw 31 Federal Well No. 5 as a gas well in the North Dagger Draw-Upper Pennsylvanian Pool at an unorthodox location 330 feet from the North line and 2460 feet from the West line in Unit C of said Section 31.

2. Applicant seeks an exception to Rule 4 of the Special Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool to permit the drilling of this well in the Upper Pennsylvanian formation at the above-described location.

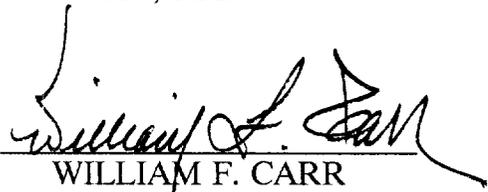
3. A standard 160-acre proration unit comprised of the NW/4 of said Section 31 should be dedicated to the well.

4. Approval of this application will afford applicant the opportunity to produce its just and equitable share of the gas in the Upper Pennsylvanian formation and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this amended application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on June 3, 1993, that notice be given as required by law and the rules of the Division, and that the Division enter its Order granting this application and providing such other relief as is proper.

Respectfully submitted,

CAMPBELL, CARR, BERGE &
SHERIDAN, P.A.

By: 

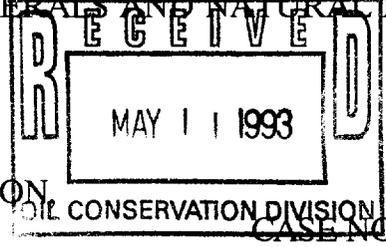
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR NEARBURG
PRODUCING COMPANY

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

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



AMENDED APPLICATION

COMES NOW NEARBURG PRODUCING COMPANY, through its undersigned attorneys, and hereby makes application to the Oil Conservation Division for an order approving an unorthodox gas well location and in support of this application states:

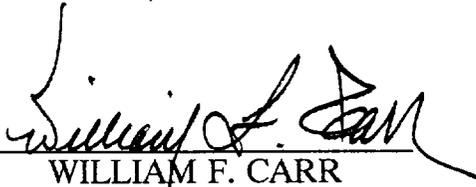
1. Applicant is the operator of the NW/4 of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and proposes to drill its Dagger Draw 31 Federal Well No. 5 as a gas well in the North Dagger Draw-Upper Pennsylvanian Pool at an unorthodox location 330 feet from the North line and 2460 feet from the West line in Unit C of said Section 31.
2. Applicant seeks an exception to Rule 4 of the Special Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool to permit the drilling of this well in the Upper Pennsylvanian formation at the above-described location.
3. A standard 160-acre proration unit comprised of the NW/4 of said Section 31 should be dedicated to the well.

4. Approval of this application will afford applicant the opportunity to produce its just and equitable share of the gas in the Upper Pennsylvanian formation and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this amended application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on June 3, 1993, that notice be given as required by law and the rules of the Division, and that the Division enter its Order granting this application and providing such other relief as is proper.

Respectfully submitted,

CAMPBELL, CARR, BERGE &
SHERIDAN, P.A.

By: 

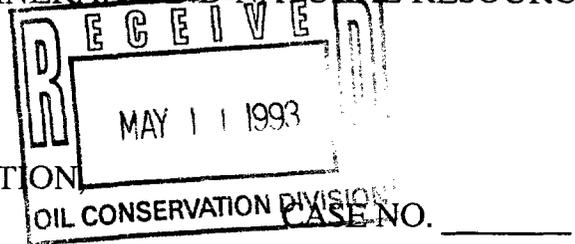
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR NEARBURG
PRODUCING COMPANY

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

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



AMENDED APPLICATION

COMES NOW NEARBURG PRODUCING COMPANY, through its undersigned attorneys, and hereby makes application to the Oil Conservation Division for an order approving an unorthodox gas well location and in support of this application states:

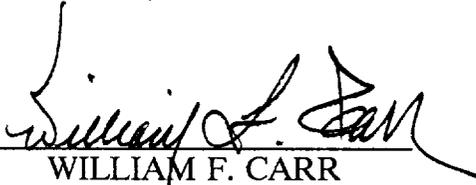
1. Applicant is the operator of the NW/4 of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and proposes to drill its Dagger Draw 31 Federal Well No. 5 as a gas well in the North Dagger Draw-Upper Pennsylvanian Pool at an unorthodox location 330 feet from the North line and 2460 feet from the West line in Unit C of said Section 31.
2. Applicant seeks an exception to Rule 4 of the Special Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool to permit the drilling of this well in the Upper Pennsylvanian formation at the above-described location.
3. A standard 160-acre proration unit comprised of the NW/4 of said Section 31 should be dedicated to the well.

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WHEREFORE, Applicant requests that this amended application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on June 3, 1993, that notice be given as required by law and the rules of the Division, and that the Division enter its Order granting this application and providing such other relief as is proper.

Respectfully submitted,

CAMPBELL, CARR, BERGE &
SHERIDAN, P.A.

By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR NEARBURG
PRODUCING COMPANY

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

218 MONTEZUMA

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FAX (505) 982-8623

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W. E. BONDURAN, JR. (1913-1973)
ROY C. SNODGRASS, JR. (1914-1987)

OF COUNSEL
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MACK EASLEY
JOE W. WOOD
RICHARD S. MORRIS

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ALAN J. STATMAN*

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LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
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ERIC D. LANPHERE
C. D. MARTIN
ROBERT P. TINKIN, JR.
MARSHALL G. MARTIN
OWEN M. LOPEZ
DOUGLAS L. LUNSFORD
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NICHOLAS J. NOEDING
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD*
RICHARD E. OLSON
RICHARD R. WILFONG*
THOMAS J. MCBRIDE
JAMES J. WECHSLER
NANCY S. CUSACK
JEFFREY L. FORNACIARI
JEFFREY D. HEWETT
JAMES BRUCE
JERRY F. SHACKELFORD*
JEFFREY W. HELLBERG*
ALBERT L. PITTS
THOMAS M. HNASKO
JOHN C. CHAMBERS*
GARY D. COMPTON*
MICHAEL A. GROSS
THOMAS D. HAINES, JR.
GREGORY J. NIBERT
DAVID T. MARAETTE*
MARK C. DOW

FRED W. SCHWENDIMANN
JAMES M. HUDSON
JEFFREY S. BAIRD*
REBECCA NICHOLS JOHNSON
WILLIAM P. JOHNSON
STANLEY K. KOTOVSKY JR.
H. R. THOMAS
ELLEN S. CASEY
MARGARET CARTER LUDEWIG

S. BARRY FAISNER
STEPHEN M. CRAMPTON
MARTIN MEYERS
GREGORY S. WHEELER
ANDREW J. CLOUTIER
JAMES A. GILLESPIE
GARY W. LARSON
STEPHANIE LANDRY
JOHN R. KULSETH JR.
MARGARET R. MCNETT
BRIAN T. CARTWRIGHT*
LISA K. SMITH*
ROBERT H. BETHEA*
BRADLEY W. HOWARD
CHARLES A. SUTTON
NORMAN D. EWART
DARREN T. GROCE*
MOLLY MCINTOSH
MARCIA B. LINCOLN
SCOTT A. SHUART*
DARREN L. BROOKS
CHRISTINE E. LALE
PAUL G. NASON
DARLA M. SILVA

*NOT LICENSED IN NEW MEXICO

June 8, 1993

David R. Catanach
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503

VIA HAND DELIVERY

Robert G. Stovall, Esq.
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503

VIA HAND DELIVERY

Re: Case No. 10,731, The Application of Nearburg
Producing Company for an Unorthodox Well
Location, Eddy County, New Mexico.

Gentlemen:

This letter constitutes Nearburg's (1) Motion to Quash Subpoena, and (2) Response in Opposition to Conoco's Motion for Continuance.

I. BACKGROUND.

On May 7, 1993 Mr. Kellahin, on behalf of Conoco, delivered to Mr. Carr, Nearburg's attorney¹, a letter request for document production. A copy of the letter is attached hereto as Exhibit A. This letter was delivered to Nearburg by the undersigned in mid-May. Nearburg collected substantial amounts of data, and by letter dated June 2, 1993 (copy attached hereto as

¹Due to scheduling conflicts Mr. Carr had to withdraw from representing Nearburg.

David R. Catanach
Robert G. Stovall, Esq.
Page Two
June 8, 1993

Exhibit B), Nearburg turned over (1) all data requested in paragraph (1) of Mr. Kellahin's letter, and (2) all raw data (logs, etc.) requested by paragraphs (2) - (4) of Mr. Kellahin's letter. Nearburg refused to turn over its geologic or engineering interpretations (isopachs, economic studies, etc.), and also refused to turn over its hearing exhibits (which have not yet been finalized). The data turned over by Nearburg included data not only from its proposed well unit, but data in its files for an area within approximately a mile of its proposed well. Nearburg refused to turn over the above data based upon guidelines developed by the Division and the Commission in Case Nos. 10,211 and 10,219.

II. MOTION TO QUASH SUBPOENA.

Nearburg hereby moves the Division to quash paragraphs I (2) - I (9) and II (1) - II (4) of Conoco's subpoena insofar as it requests reserve calculations, reservoir studies, economic studies, isopachs, structure maps, hearing exhibits and other geologic or engineering interpretations prepared by Nearburg. In support thereof, Nearburg states that such documents are outside the scope of documents which may be subpoenaed under Division and Commission guidelines.

The Division's subpoena guidelines in cases of this nature were outlined in Case No. 10,211 (Application of Santa Fe Energy Operating Partners, L.P. for compulsory pooling) and Case No. 10,219 (Application of Hanley Petroleum, Inc. for compulsory pooling). In Case No. 10,211, Santa Fe applied to pool an 80 acre unit for a Wolfcamp well. In Case No. 10,219, Hanley filed a counter-application to pool the same 80 acre unit, and requested approval of a well location different than that of Santa Fe's proposed well. Thus, there were two main issues in this case: (1) well operator; and (2) well location.

Hanley subpoenaed data from two of Santa Fe's offsetting wells, pursuant to the subpoena attached hereto as Exhibit C.² Santa Fe moved to quash Hanley's subpoena. The Division ordered all raw data described in paragraphs 1-5 and 9 of the subpoena to be produced. However, the Division refused to order production of Santa Fe's engineering and geologic interpretations and

²The original subpoena pertained only to one well. During the course of these cases Santa Fe completed another well, and data from that well was also requested by Hanley.

David R. Catanach
Robert G. Stovall, Esq.
Page Three
June 8, 1993

calculations. Upon appeal, the Commission upheld the Division's decision, although it was modified slightly. See Exhibit D attached hereto.

The Santa Fe/Hanley case is like Nearburg's present case because the main issue in each case is well location. Therefore, based on the foregoing, Nearburg is under no requirement to produce to Conoco its geologic and engineering calculations and interpretations, including hearing exhibits, and Nearburg requests that the subpoena be quashed.³

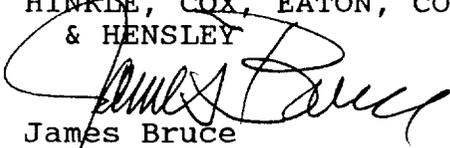
Nearburg also objects to producing the data requested by Conoco for the following reason: Recently Conoco contacted Nearburg regarding purchasing Nearburg's Dagger Draw interests. Although Nearburg was non-committal, it did inform Conoco that it would review any offer. Ordering a turnover of data at this time would give Conoco an unfair advantage in any purchase negotiations which may ensue. Again, the subpoena should be quashed.

III. RESPONSE IN OPPOSITION TO MOTION FOR CONTINUANCE.

Due to the foregoing, Nearburg has produced all data it is required to turn over to Conoco. Conoco has all the data Nearburg has⁴, and two weeks is sufficient time to prepare for hearing. As a result, Nearburg requests that Conoco's motion for a continuance be denied.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY


James Bruce

c: Bob Shelton
W. Thomas Kellahin, Esq.
(via Hand Delivery)
Ernest L. Carroll, Esq.
(via First Class Mail)

³As noted above, Nearburg has already turned over raw engineering and geologic data, together with all data requested by paragraph I (1) of the subpoena.

⁴Conoco operates wells offsetting Nearburg's proposed well, and was first notified that Nearburg would seek an unorthodox well location on April 29, 1993.

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

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

JASON KELLAHIN (RETIRED 1991)

May 7, 1993

HAND DELIVERED

William F. Carr, Esq.
Campbell, Carr, Berg & Sheridan
Attorneys at Law
110 North Guadalupe
Santa Fe, New Mexico 87501

RECEIVED
MAY - 7 1993
CAMPBELL, CARR, et al.

Re: REQUEST FOR DOCUMENT PRODUCTION:

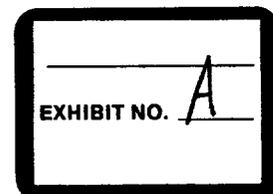
Application of Nearburg Producing Company for Approval of an Unorthodox Location for its Dagger Draw 31 Federal Well No 5, located 660 feet FNL and 2310 feet FWL (Unit C) Section 31, T19S, R25E, NMPM, Eddy County, New Mexico

Dear Mr. Carr:

I am appearing on behalf of Conoco Inc. in opposition to the referenced Nearburg case which I understand you have placed on the NMOCD docket set for hearing on May 20, 1993.

On behalf of Conoco Inc., and in lieu of a Division Subpoena, we hereby request that on or before noon, Thursday, May 13, 1993, Nearburg Producing Company deliver to me at my office the following documents:

(1) Any and all documents including but not limited to plats, maps and surveys involving any surface use limitations, easements, utility lines, pipelines, surface improvements, restrictions, stipulations or archeological surveys which show and/or describe the extent of the topographical conditions in Section 31, T19S, R25E;



William F. Carr, Esq.
May 7, 1993
Page 2.

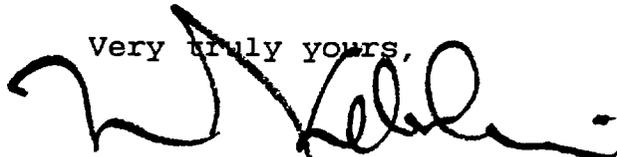
(2) Any documents being used by the applicant as the basis for the requested unorthodox well location;

(3) Any petroleum engineering data being used by the applicant to justify its location;

(4) Any geologic data including geologic maps, structure maps, isopachs, cross-sections, and/or logs being used by the applicant to justify its location

(5) Copies of any and all exhibits which the applicant may or could use as hearing exhibits in this case.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name below.

W. Thomas Kellahin

cc: Jerry Hoover (Conoco-Midland)

OIL CONSERVATION DIVISION LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

ERNEST L. CARROLL
JOEL M. CARSON
JAMES E. HAAS
A. J. LOSEE
DEAN B. CROSS
MARY LYNN BOGLE

300 YATES PETROLEUM BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88211-0239

TELEPHONE
(505) 746-3505
TELECOPY
(505) 746-6316

'93 MAR 27 AM 9 03

May 24, 1993

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

2125

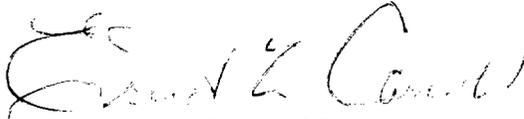
Re: In the Matter of the Application of Nearburg
Producing Co. for an Unorthodox Well
Location, Eddy County, New Mexico; Case No.
10731

Dear Mr. LeMay:

Enclosed please find for filing an Entry of Appearance in the
above-referenced cause of action.

Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.


Ernest L. Carroll

ELC:kth
Enclosures

xc w/encl: James G. Bruce
Kathy Porter, Yates Petroleum Corporation

BEFORE THE OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

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

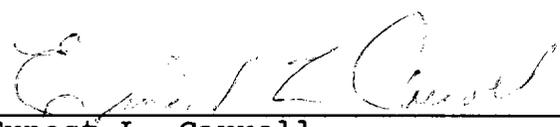
CASE NO. 10731

ENTRY OF APPEARANCE

COMES NOW Ernest L. Carroll, Losee, Carson, Haas & Carroll,
P. A., and enters his appearance in the above-entitled matter on
behalf of Yates Petroleum Corporation.

LOSEE, CARSON, HAAS & CARROLL, P.A.

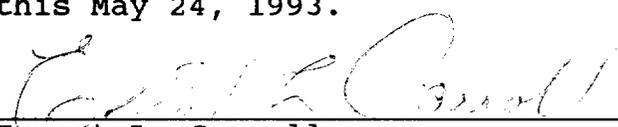
By:



Ernest L. Carroll
P. O. Drawer 239
Artesia, New Mexico 88211-0239
(505) 746-3505

Attorneys for Yates Petroleum Corporation

I hereby certify that I caused to be
mailed a true and correct copy of the
foregoing to all counsel of record
this May 24, 1993.



Ernest L. Carroll

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

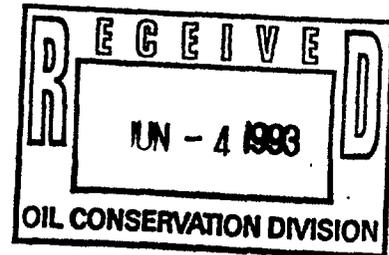
IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION FOR THE
PURPOSE OF CONSIDERING:

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

CASE NO. 10731

SUBPOENA DUCES TECUM

TO: NEARBURG PRODUCING COMPANY
c/o James Bruce, Esq.
Hinkle Law Firm
218 Montezuma
P. O. Box 2068
Santa Fe, New Mexico, 87504



Pursuant to Section 70-2-8, NMSA (1978) and Rule 1211 of the New Mexico Oil Conservation Division's Rules of Procedure, you are hereby ORDERED to appear at 8:15 a.m., JUNE 17, 1993, to the offices of the Oil Conservation Division, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico 87501 and to produce the documents and items specified in attached Exhibit A and to make available to Conoco Inc. and their attorney, W. Thomas Kellahin, for copying, all of said

documents.

This subpoena is issued on application of Conoco Inc. through their attorneys, Kellahin & Kellahin, P. O. Box 2265, Santa Fe, New Mexico 87504.

Dated this 4th day of June, 1993.

NEW MEXICO OIL CONSERVATION DIVISION

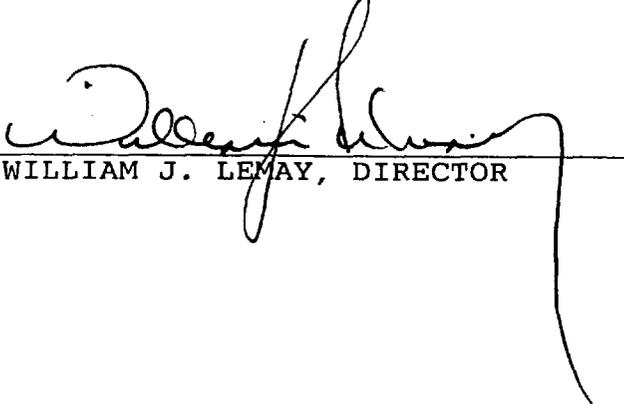
BY: 
WILLIAM J. LEMAY, DIRECTOR

EXHIBIT "A"

TO SUBPOENA DUCES TECUM
TO NEARBURG PRODUCING COMPANY IN NEW MEXICO
OIL CONSERVATION DIVISION CASE 10731

I. FOR THE PROPOSED UNIT AND ANY WELL WITHIN THE UNIT
PRODUCE THE FOLLOWING DOCUMENTS:

1. Any and all documents including but not limited to plats, maps and surveys involving any surface use limitation, easements, utility lines, pipelines, surface improvements, restrictions, stipulations or archeological surveys which show and/or describe the extent of the topographical conditions in Section 31, T19S, R25E.
2. Any documents being used by Nearburg Producing Company as the basis for the original requested unorthodox well location and the amended requested unorthodox well location.
3. Any petroleum engineering data being used by Nearburg Producing Company to justify its

proposed location including all pressure data, including but not limited to bottom hole pressure surveys, daily tubing pressure and casing pressure surveys, with relevant information as to shut-in time and production rate prior to shut-in;

4. Any and all reserve calculations, including but not limited to estimates of ultimate recovery, production decline curves, pressure decline curves, material balance calculations (including reservoir parameters), volumetric calculation (including reservoir parameters);
5. Any and all reservoir studies, including but not limited to drainage calculations, well interference studies, pressure studies or well communication studies;
6. Any geologic data including geologic maps, structure maps, isopachs, cross-sections, and/or logs being used by Nearburg Producing Company to justify its proposed location;

7. Any calculations of proposed penalty formulas for the subject well including all supporting data and documents.
8. Any and all economic studies including but not limited to Cash Flow Economic Projections which state rate of return, years to payout net income/investment (return on investment), and undiscounted present worth;
9. Any and all geologic and/or engineering studies and interpretations by which you justify and evaluate all locations within the NW/4 of said Section 31;

II. HEARING EXHIBITS ORDERED PRODUCE:

1. Copies of any geologic exhibits for possible use by Nearburg Producing Company at the subject hearing;
2. Copies of any engineering exhibits for possible use by Nearburg Producing Company at the subject hearing;

3. Copies of any land exhibits for possible use by Nearburg Producing Company at the subject hearing;
4. Copies of any other exhibits which you could or may use at the hearing;

INSTRUCTIONS

This Subpoena Duces Tecum seeks all information available to you or in your possession, custody or control from any source, wherever situated, including but not limited to information from any files, records, documents, employees, former employees, counsel and former counsel. It is directed to each person to whom such information is a matter of personal knowledge.

When used herein, "you" or "your" refers to the person or entity to whom this Subpoena Duces Tecum is addressed to including all of his or its attorneys, officers, agent, employees, directors, representatives, officials, departments, divisions, subdivisions, subsidiaries, or predecessors.

The term "document" as used herein means every writing and record of every type and description in the possession, custody or control of Nearburg Producing Company, whether prepared by you or otherwise, which is in your possession or control or known by you to exist, including but not limited to all drafts, papers, books, writings, records, letters, photographs, tangible things, correspondence, communications, telegrams, cables, telex messages, memoranda, notes, notations, work papers,

transcripts, minutes, reports and recordings of telephone or other conversations or of interviews, conferences, or meetings. It also includes diary entries, affidavits, statements, summaries, opinions, reports, studies, analyses, evaluations, contracts, agreements, jottings, agenda, bulletins, notices, announcements, plans, specifications, sketches, instructions charts, manuals, brochures, publications, schedules, price lists, client lists, journals, statistical records, desk calendars, appointment books, lists, tabulations sound recordings, computer printouts, books of accounts, checks, accounting records, vouchers, and invoices reflecting business operations, financial statements, and any notice or drafts relating to the foregoing, without regard to whether marked confidential or proprietary,. It also includes duplicate copies if the original is unavailable or if the duplicate is different in any way, including marginal notations, from the original.

LAW OFFICES
LOSEE, CARSON, HAAS & CARROLL, P. A.

ERNEST L. CARROLL
JOEL M. CARSON
JAMES E. HAAS
A. J. LOSEE
DEAN B. CROSS
MARY LYNN BOGLE

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July 9, 1993

VIA FACSIMILE AND FIRST CLASS MAIL

Mr. David Catanach
Hearing Examiner
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: In the matter of the Application of Nearburg
Producing Company for an Unorthodox Oil Well
Location, Eddy County, New Mexico; Case No.
10,731

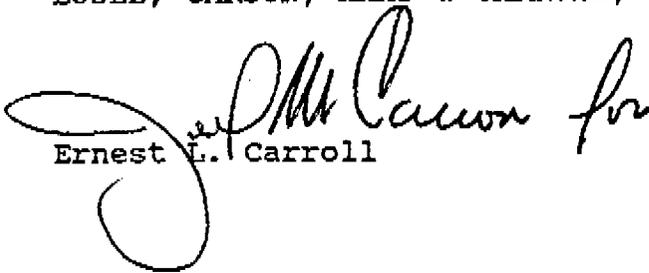
Dear Mr. Catanach:

I am submitting herewith on behalf of Yates Petroleum Corporation
a proposed Order for your consideration in the above-referenced
matter.

If you have any questions or if I can provide you with anything
further, please advise.

Yours truly,

LOSEE, CARSON, HAAS & CARROLL, P.A.


Ernest L. Carroll

ELC:kth
Encl.

xc w/encl: Kathy Porter
James G. Bruce, Esq.
Tom Kellahin, Esq.

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:

APPLICATION OF NEARBURG PRODUCING
COMPANY FOR AN UNORTHODOX OIL WELL
LOCATION, EDDY COUNTY, NEW MEXICO

CASE NO. 10,731

ORDER OF THE DIVISION

BY THE DIVISION:

THIS CAUSE came on for hearing at _____ a.m. on June __, 1993, at Santa Fe, New Mexico, before Examiner David Catanach.

NOW, on this ___ day of _____, 1993, 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 of an unorthodox well location for its Dagger Draw 31 Fed. Well No. 5, to be drilled at a location 330' from the north line and 2,460' from the west line of Section 31, Township 19 South, Range 25 East, to test the North Dagger Draw-Upper Pennsylvanian Pool.

3. At the time of the hearing, Yates Petroleum Corporation ("Yates") and Conoco, Inc. ("Conoco"), direct offsetting leasehold owners to the north, northeast and east of the subject

acreage, each having varying percentages of ownership in the proration units comprising the SW/4 of Section 30, the SE/4 of Section 30 and the NE/4 of Section 31, all Township 19 South, Range 25 East, Eddy County, New Mexico, appeared at these proceedings in opposition to this application and tendered witnesses and offered evidence in support of their protest.

4. Nearburg presented information that its original unorthodox location was denied by the Bureau of Land Management for the reason that such location would encounter an archaeological site. Nearburg did not present testimony which indicated that all other possible orthodox locations for its proposed well would likewise encounter archaeological sites.

5. Yates and Conoco presented information which indicated that there were several possible orthodox locations for the proposed well which would not infringe upon a Bureau of Land Management designated archaeological site.

6. Nearburg presented a geological interpretation of existing geologic data which indicated that locating the proposed well either west or south of its proposed first choice location would be inferior from a geologic standpoint.

7. Yates and Conoco presented geologic interpretations of known geologic data which contradicted Nearburg's geologic interpretations.

8. Yates and Conoco presented geologic testimony which indicates that there were several alternative orthodox locations existing within the NE/4 of the NW/4 of Section 31 which all had

as good as or better probability of success than Nearburg's location.

9. Conoco has drilled successfully in Dagger Draw North at a location 180 feet from a preexisting Well. Nearburg could drill from the pad of the abandoned Kathy Eyre No. 1 with little chance of drilling problems.

10. Nearburg did not investigate surface conditions at the legal locations in Unit C. These potential locations are south and west of the Kathy Eyre No. 1. Photographs show the topography is suitable for drilling and Nearburg performed no arc studies in this area. Nearburg did not even attempt to show that the prime orthodox locations in Unit C have surface problems. The evidence presented shows that Nearburg can probably drill at one of many legal locations.

11. The Conoco, Yates and even Nearburg geology show that thick, productive dolomite will be encountered at legal locations in Unit C. Nearburg can drill a very economic well at a legal location.

FINDING:

Based upon the use of the nearest controlling geologic data to the NE/4 of the NW/4 of Section 31, it is determined that numerous orthodox locations which have not been shown by Nearburg to be condemned topographically or geologically exist.

12. Yates and Conoco presented engineering testimony which indicated that a well drilled at the proposed unorthodox location, if completed, would drain reserves from all three of the offsetting proration units closest to it.

13. Nearburg did not present any evidence which would contradict Yates' evidence that the proposed unorthodox location would drain reserves from the three closest offsetting proration units.

14. If the Nearburg unorthodox location is granted, the allowable for the NW/4 of Section 31 must be reduced by a penalty factor of at least 66% (from 700 BOPD to 238 BOPD) to protect the rights of offset operators. Even then, Nearburg could produce the entire 238 BOPD from the proposed Dagger Draw 31 Fed. #5 to the detriment of Yates and Conoco wells.

15. Yates presented engineering testimony that developed several scenarios utilizing Oil Conservation Division precedence in the setting of penalties when a well drilled at an unorthodox location has been shown to drain reserves from surrounding proration units. Such testimony indicated that there was no effective way, utilizing past precedence, to effectively penalize the proposed Nearburg well because of the situation created by the North Dagger Draw field rules, which allow for the drilling of multiple wells on a single proration unit.

16. The rights of all parties are best protected if Nearburg drills at a legal location in Unit C of Section 31. The unorthodox Nearburg location should be denied.

17. The standard size for a pad at Dagger Draw is 250 feet by 300 feet, so Nearburg does not need a location as large as 400 feet by 400 feet.

FINDING:

A penalty for an unorthodox well drilled at the proposed location would be in order; however, because of the North Dagger Draw Field Rules allowing multiple wells within a single pro-ration unit, it is determined that a penalty could not be effectively or fairly invoked in order to protect correlative rights of offsetting leaseholders.

12. The Application of Nearburg for an unorthodox well location to be drilled at a location 330' from the north line and 2,460' from the west line of Section 31, Township 19 South, Range 25 East, to test the North Dagger Draw-Upper Pennsylvanian Pool should be denied.

IT IS THEREFORE ORDERED THAT:

1. The Application of Nearburg Producing Company for an unorthodox well location to be drilled at a location 330' from the north line and 2,460' from the west line of Section 31, Township 19 South, Range 25 East, to test the North Dagger Draw-Upper Pennsylvanian Pool is hereby denied.

2. Jurisdiction of this cause is retained for entry of such further orders as the Division may deem necessary.

CASE 10730: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks authorization to drill to the Morrow formation, Cemetery-Morrow Gas Pool, its Conoco AGK Federal Well No. 15 at an unorthodox location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 26, Township 20 South, Range 24 East. The E/2 of said Section 26 is to be dedicated to said well forming a standard 320-acre gas spacing and proration unit. Said well is located approximately 7 miles southwest of Seven Rivers, New Mexico.

CASE 10731: Application of Nearburg Producing Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks authorization to drill to the Upper Pennsylvanian formation, North Dagger Draw-Upper Pennsylvanian Pool, its Dagger Draw 31 Federal Well No. 5 at an unorthodox gas well location 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 31, Township 19 South, Range 25 East. The NW/4 of said Section 31 is to be dedicated to said well forming a standard 160-acre gas spacing and proration unit. Said well is located approximately 2 miles southwest of Lakewood, New Mexico.

CASE 10717: (Continued from April 22, 1993, Examiner Hearing.)

Application of Davcro Inc. for salt water disposal, Lea County, New Mexico. Applicant seeks authority to re-enter the previously plugged and abandoned Cactus Drilling Corporation Sawyer Deep Well No. 1 located 330 feet from the South line and 2310 feet from the West line (Unit N) of Section 19, Township 9 South, Range 38 East, and utilize said well to dispose of produced salt water into the Sawyer-San Andres Associated Pool through the open-hole interval from approximately 5120 feet to 5600 feet. Said well is located approximately 4.5 miles east of Crossroads, New Mexico.

CASE 10732: Application of Condor Oil Corporation for eighteen unorthodox oil well locations, San Juan County, New Mexico. Applicant seeks approval for eighteen unorthodox oil well locations in the Northeast Hogback Unit, as follows:

SE/4 NE/4 of Section 10 - 2630 feet from the North line and 1310 feet from the East line;
NW/4 SW/4 of Section 11 - 1340 feet from the South line and 10 feet from the West line;
NW/4 SE/4 of Section 10 - 1340 feet from the South line and 1350 feet from the East line;
NE/4 NE/4 of Section 10 - 1310 feet from the North line and 1310 feet from the East line;
SW/4 NW/4 of Section 11 - 2630 feet from the North line and 50 feet from the West line;
NE/4 NE/4 of Section 10 - 1310 feet from the North line and 10 feet from the East line;
NW/4 NE/4 of Section 10 - 1310 feet from the North line and 2310 feet from the East line;
NW/4 NE/4 of Section 10 - 330 feet from the North line and 2310 feet from the East line;
NE/4 NE/4 of Section 10 - 330 feet from the North line and 1310 feet from the East line;
NW/4 NW/4 of Section 14 - 10 feet from the North line and 1310 feet from the West line;
NW/4 SW/4 of Section 11 - 1330 feet from the South line and 1310 feet from the West line;
NE/4 NE/4 of Section 15 - 10 feet from the North line and 10 feet from the East line;
SW/4 NE/4 of Section 10 - 2630 feet from the North line and 2310 feet from the East line;
NW/4 SW/4 of Section 11 - 2630 feet from the South line and 1310 feet from the West line;
SW/4 SE/4 of Section 10 - 1310 feet from the South line and 2010 feet from the East line;
SW/4 NE/4 of Section 14 - 1500 feet from the North line and 2300 feet from the East line;
SE/4 SW/4 of Section 11 - 1310 feet from the South line and 2310 feet from the West line;
NE/4 NW/4 of Section 14 - 1310 feet from the North line and 1330 feet from the West line, all in Township 30 North, Range 16 West.

The above wells are infill wells within a secondary recovery unit which is centered approximately 3 miles northwest of Waterflow, New Mexico.

CASE 10714: (Continued from May 6, 1993, Examiner Hearing.)

Application of Gary-Williams Company for a unit agreement and for special operating rules for drilling and producing horizontal/high angle wellbores in the Rio Puerco-Mancos Oil Pool, within said unit area, Sandoval County, New Mexico. Applicant seeks approval of the Ceja Pelon Unit Agreement for an area comprising 25,445.43 acres, more or less, of State, Federal, and fee lands in portions of Townships 20 and 21 North, Ranges 2, 3, and 4 West. Further, the applicant seeks the promulgation of special operating rules and procedures for wells drilled in the Rio Puerco-Mancos Oil Pool within the proposed Unit boundary including provisions for administrative authorization for horizontal/high angle wellbores, the formation of oversized and irregular shaped spacing and proration units to accommodate such wellbores, and the assignment of a special oil allowable to units with horizontal wellbores. The center of said Unit area is located approximately nine miles west by north of Cuba, New Mexico.

DOCKET: EXAMINER HEARING - THURSDAY - MAY 20, 1993

8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM, STATE LAND OFFICE BUILDING,
SANTA FE, NEW MEXICO

Dockets Nos. 16-93 and 17-93 are tentatively set for June 3, 1993 and June 17, 1993. Applications for hearing must be filed at least 23 days in advance of hearing date.

The following cases will be heard before David R. Catanach, Examiner or Michael E. Stogner, Alternate Examiner:

CASE 10699: (Reopened)

Application of Meridian Oil Inc. to amend Order No. R-9980, Rio Arriba County, New Mexico. Applicant seeks approval to reopen Division Order No. R-9980 so that all references therein to San Juan County are replaced with Rio Arriba County and the unit letter designation of L is replaced with the unit letter K. This case and its order approved the downhole commingling of Blanco-Pictured Cliffs and Basin-Fruitland Coal Gas Pool production and a non-standard spacing unit for its proposed San Juan 29-7 Unit Well No. 583 to be drilled at a standard gas well location 1850 feet from the South line and 790 feet from the West line of Section 6, Township 29 North, Range 7 West. The well is located approximately 1 mile west of Navajo City, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT AND THE REQUESTED CORRECTION GRANTED.**

CASE 10729: **Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a special project gas allowable and a non-standard spacing and proration unit, Rio Arriba County, New Mexico.** Applicant seeks authority to initiate a high angle/horizontal directional drilling pilot project in the Blanco-Mesayerde Pool, including special operating rules, a well location and producing window, a special project gas allowable and a non-standard 642.52-acre spacing and proration unit consisting of all of Section 3, Township 25 North, Range 6 West, for its Canyon Largo Unit Well No. 388 to be drilled at a standard surface location 2040 feet from the South line and 1625 feet from the West line (Unit K) of said Section 3. Applicant further seeks special rules and provisions within the pilot project area including the designation of a prescribed area limiting the surface location and the horizontal displacement of the wellbore such that its surface location and producing interval be no closer than 790 feet to the outer boundaries of the non-standard spacing unit. Said project area is located approximately 18 miles south of Counselors, New Mexico.

CASE 10728: (Continued from May 6, 1993, Examiner Hearing.)

Application of Hallwood Petroleum Inc. for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant seeks approval to recomplate its F Montoya "27" Well No. 1 for production from the Basin Fruitland Coal Gas Pool at an unorthodox coal gas well location 790 feet from the South and East lines (Unit P) of Section 27, Township 32 North, Range 13 West. The S/2 of said Section 27 is to be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit for said pool. Said well is located approximately 2 miles north of La Plata, New Mexico.

CASE 10676: (Continued from May 6, 1993, Examiner Hearing.)

Application of Mitchell Energy Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Pennsylvanian formation underlying the following described areas in Section 35, Township 24 South, Range 29 East, and in the following manner: the N/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; the NW/4 forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; the E/2 NW/4 forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent; and the SE/4 NW/4 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said units are to be dedicated to a single well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 16 miles southeast of Carlsbad, New Mexico.

CASE 10706: (Continued from May 6, 1993, Examiner Hearing.)

Application of Richardson Operating Company for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Fruitland formation underlying the N/2 of Section 15, Township 29 North, Range 12 West. Said unit is to be dedicated to its Ropco Fee 15-2 FC Well located at a standard location 1845 feet from the North line and 1405 feet from the East line of said Section 15. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 4 miles west of Farmington, New Mexico.

CASE 10731: (Readvertized)

Application of Nearburg Producing Company for an unorthodox oil well location, Eddy County, New Mexico. Applicant seeks approval to drill its Dagger Draw "31" Federal Well No. 5 to the North Dagger Draw-Upper Pennsylvanian Pool at an unorthodox oil well location 330 feet from the North line and 2460 feet from the West line (Unit C) of Section 31, Township 19 South, Range 25 East. Said well is to be simultaneously dedicated to an existing 162.60-acre oil spacing and proration unit comprising Lots 1 and 2 and the E/2 NW/4 (NW/4 equivalent) of said Section 31, which is currently dedicated to the Dagger Draw "31" Federal Well Nos. 1 and 4 located in Units "D" and "E", respectively. Said unit is located approximately 9 miles west by south of Lakewood, New Mexico.

CASE 10556: (Continued from March 18, 1993, Examiner Hearing.)

Application of Chi Energy, Inc. for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order promulgating special rules for the Old Millman Ranch-Bone Spring Pool including a provision for a limiting gas-oil ratio of 20,000 cubic feet of gas per barrel of oil. Said pool currently comprises portions of Sections 4, 5, and 8, Township 20 South, Range 28 East, being approximately 13.5 miles east of Seven Rivers, New Mexico.

CASE 10737: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the NW/4 of Section 21, Township 19 South, Range 25 East. Said unit is to be dedicated to its Hooper "AMP" Well No. 2 to be drilled at a standard location in the NW/4 of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 4 miles southwest of Seven Rivers, New Mexico.

CASE 10543: (Reopened)

Application of Yates Petroleum Corporation for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Subsequent to Division Order No. R-9740, dated October 13, 1992, the applicant, Yates Petroleum Corporation, seeks to reopen this matter to present new evidence to support its original application for an unorthodox gas well location for its Irish Hills "KW" State Well No. 3, located 660 feet from the North and East lines (Unit A) of Section 2, Township 19 South, Range 24 East, to test all formations and/or pools from the top of the Wolfcamp formation to the base of the Morrow formation which are spaced on 320-acre spacing. Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of said Section 2 are to be dedicated to said well forming a standard 321.08-acre gas spacing and proration unit. Further, the applicant seeks an exception to Division General Rule 104.C(2) to allow the N/2 equivalent of said Section 2 to be simultaneously dedicated in the Penasco Draw-Permo Pennsylvanian Gas Pool to the proposed well and to the existing Irish Hills "KW" State Well No. 2 located at a standard gas well location 1980 feet from the North and East lines (Unit G) of said Section 2. Said unit is located approximately 11.5 miles west by south of Seven Rivers, New Mexico.