

District I - (575) 393-6161

Energy, Minerals and Natural Resources

Revised July 18, 2013

1625 N. French Dr., Hobbs, NM 88240

District II - (575) 748-1283

811 S. First St., Artesia, NM 88210

District III - (505) 334-6178

1000 Rio Brazos Rd., Aztec, NM 87410

District IV - (505) 476-3460

1220 S. St. Francis Dr., Santa Fe, NM 87505

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

HOBBS OCD

MAR 27 2014

RECEIVED

WELL API NO.

30-025-41073

5. Indicate Type of Lease

STATE ☐ FEE ☒

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name

Sapient 17

8. Well Number

1

9. OGRID Number

15742

10. Pool name or Wildcat

Midway; Strawn, South

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☒ Gas Well ☐ Other ☐

2. Name of Operator
Nearburg Producing Company

3. Address of Operator 3300 N. A Street, Bldg. 2, Ste. 120
Midland, TX 79705

4. Well Location

Unit Letter H : 1641 feet from the NORTH line and 1225 feet from the EAST line
Section 17 Township 17S Range 37E NMPM County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3,783'

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐
DOWNHOLE COMMINGLE ☐
CLOSED-LOOP SYSTEM ☐
OTHER: Change C-102: Dedicated Acres ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐
OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Nearburg Producing Company submits the attached C-102 changing Dedicated Acres from 40 acres to 80 acres.
The Non-Standard Location has been approved by the OCD: Case No. 14996; Order No. R-13747.

Spud Date:

Rig Release Date:

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

SIGNATURE

Vicki Johnston

Gray Surface Specialties,

TITLE Agent for Nearburg Producing Comp. DATE 3/24/2014

Type or print name Vicki Johnston

E-mail address: vjohnston1@gmail.com

PHONE: (830) 537-4599

For State Use Only

APPROVED BY:

[Signature]

TITLE Petroleum Engineer

DATE MAR 27 2014

Conditions of Approval (if any):

MAR 27 2014

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

DISTRICT II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

DISTRICT III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

HOBBS OCD

State of New Mexico

Energy, Minerals & Natural Resources Department

MAR 27 2014 OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102

Revised August 1, 2011

Submit one copy to appropriate
District Office

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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-41073	Pool Code 96346	Pool Name Midway; Strawn, South
Property Code 39764	Property Name SAPIENT 17	Well Number 1
OGRID No. 15742	Operator Name NEARBURG PRODUCING COMPANY	Elevation 3783

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	17	17-S	37-E		1641	NORTH	1225	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	17	17-S	37-E		1691	NORTH	1225	EAST	LEA

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
80			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>GRID AZ.=179°17'56" HORZ. DIST.=50.0'</p> <p>S.L. 1225' B.H. 1225'</p> <p>GEODETIC COORDINATES NAD 27 NME</p> <p>SURFACE LOCATION Y=670055.8 N X=827023.8 E</p> <p>LAT.=32.837539° N LONG.=103.268634° W</p> <p>BOTTOM HOLE LOCATION Y=670005.9 N X=827024.4 E</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>[Signature]</i> 3-21-14 Signature Date</p> <p><i>Tim Green</i> Printed Name</p> <p><i>tgreen@nearburg.com</i> E-mail Address</p> <p>SURVEYOR CERTIFICATION</p> <p>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 belief.</p> <p>SEPTEMBER 4, 2011 Date of Survey</p> <p><i>[Signature]</i> Signature & Seal of Professional Surveyor:</p> <p>RONALD J. EIDSON NEW MEXICO 3239</p> <p><i>[Signature]</i> 09/16/2012 Certified Surveyor Ronald J. Eidson 12641</p> <p>BKL PROFESSIONAL SURVEYOR 3239 JWSC W.O.: 12.11.1496</p>
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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 14996
ORDER NO. R-13747

HOBBS OCD
MAR 27 2014
RECEIVED

APPLICATION OF NEARBURG EXPLORATION
COMPANY, L.L.P. FOR A NON-STANDARD OIL
SPACING AND PRORATION UNIT, UNORTHODOX OIL
WELL LOCATION, AND COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 27, July 12 and August 8, 2013, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 13th day of September, 2013, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) Nearburg Exploration Company, L.L.P. ("Applicant") filed this application seeking establishment of an 80-acre non-standard oil spacing and proration unit ("the proposed unit") comprising the S/2 NE/4 of Section 17, Township 17 South, Range 37 East, NMPM, in Lea County, New Mexico, in the Strawn formation (undesignated South Midway-Strawn Pool [Pool Code 46340]) for its proposed Sapient 17 Well No. 1 (API No. 30-025-41073) ("the proposed well"), a directional well to be drilled from an unorthodox surface location 1641 feet from the North line and 1225 feet from the East line (Unit H) of Section 17, to an unorthodox bottomhole location 1691 feet from the North line and 1225 feet from the East line (Unit H) of Section 17. Applicant also sought compulsory pooling of the proposed unit and approval of the non-standard location of the proposed well.

(3) The only owner whose interest Applicant sought to pool by its request for compulsory pooling was OXY USA WTP, LP ("OXY"). During the pendency of this case, Applicant acquired OXY's interest in the proposed unit, and, accordingly, Applicant no longer seeks compulsory pooling in this case.

(4) At the hearings, Applicant appeared through counsel and presented geologic and engineering evidence as follows:

(a) Applicant is targeting a reservoir in the Strawn formation that consists of a pocket geologic feature, identified by seismic, approximately 30 to 45 acres in lateral extent, and more or less equally divided between the SE/4 NE/4 and the SW/4 NE/4 of Section 17.

(b) The proposed non-standard bottomhole location is in what Applicant judges to be the thickest portion of the Strawn formation within this geologic feature, and accordingly the optimal location to maximize production from the target reservoir.

(c) Production history and engineering calculations from Strawn wells within a two-mile radius of the proposed well indicate that such wells will drain 75 to 80 acres, or more.

(d) The Division has spaced other Strawn pools in this vicinity on 80 acres, thereby recognizing the extended drainage capacity that exists in the Strawn in this area.

(e) Since the target reservoir is expected to comprise not more than 45 acres, drilling of two wells in separate 40-acre units to drain this reservoir would constitute economic waste by drilling of unnecessary wells.

(f) Locating the proposed well close to the quarter-quarter section line, which coincides with the thickest portion of the Strawn reservoir, will maximize production of hydrocarbons from this particular geologic feature, thereby preventing waste.

(5) OXY appeared at the first two hearings in opposition to this Application, but subsequently withdrew its objection. No other party appeared at any of the hearings or communicated any objection to the granting of the application.

The Division concludes:

(6) Approval of Applicant's proposed 80-acre non-standard spacing and proration unit, and of the non-standard bottomhole location of the proposed well, will prevent waste and will not impair correlative rights. Accordingly this application should be granted.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Nearburg Exploration Company, L.L.C., on behalf of Nearburg Producing Company, a non-standard 80-acre oil spacing and proration unit is hereby established comprising the S/2 NE/4 of Section 17, Township 17 South, Range 37 East, NMPM, in Lea County, New Mexico, in the Strawn formation (undesignated South Midway-Strawn Pool [Pool Code 46340]).

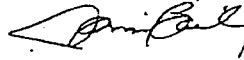
(2) This non-standard unit shall be dedicated to Applicant's Sapient 17 Well No. 1 (API No. 30-025-41073) ("the proposed well"), a directional well to be drilled from an unorthodox surface location 1641 feet from the North line and 1225 feet from the East line (Unit H) of Section 17, to an unorthodox bottomhole location 1691 feet from the North line and 1225 feet from the East line (Unit H) of Section 17.

(3) The unorthodox location of the proposed well is hereby approved.

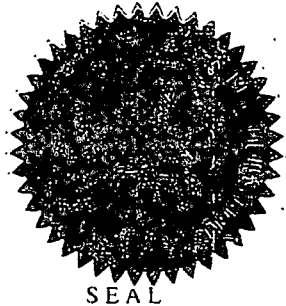
(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

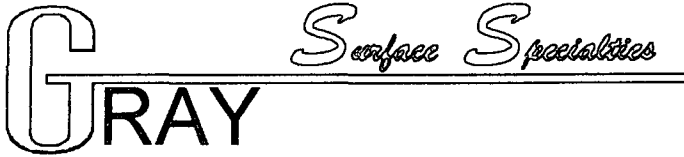
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JAMI BAILEY
Director





3106 N. Big Spring St. Ste. 100
Midland, TX 79705
Tel: (432) 685-9158

March 24, 2014

SENT VIA FEDERAL EXPRESS

State of New Mexico
Oil Conservation Division – District I
1625 N. French Drive
Hobbs, New Mexico 88240

HOBBS OCD

ATTN: Paul Kautz

MAR 27 2014

Re: **SAPIENT 17 #1 – API #30-025-41073**
Nearburg Producing Company
Form C-103 Sundry Notice
1641' FNL and 1225' FEL
Section 17, T17S, R37E
Lea County, New Mexico

RECEIVED

Dear Mr. Kautz:

Please find enclosed Form C-103 Sundry Notice for the referenced well. The purpose of the Sundry Notice is to change Dedicated Acres from 40 acres to 80 acres. A corrected Form C-102 is attached showing the 80-acre area. The Non-Standard Location was approved by the OCD in Case No. 14996; Order No. R-13747.

If you have questions, or if additional information is required, please call (830) 537-4599 or send an email to me at the address below.

Sincerely,

A handwritten signature in cursive script that reads 'Vicki Johnston'.

Vicki Johnston
Agent for Nearburg Producing Company
Gray Surface Specialties
vjohnston1@gmail.com