

**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. 10997 (Reopened)
Order No. R-10150-A**

**APPLICATION OF NEARBURG EXPLORATION
COMPANY TO REOPEN CASE NO. 10997 AND
TO AMEND DIVISION ORDER NO. R-10150,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 10, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 29th day of November, 1994, 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) By Order No. R-10150 issued in Case No. 10997 on July 14, 1994, the Division, upon application of Nearburg Exploration Company, pooled all mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 26, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, 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 which presently includes but is not necessarily limited to the Undesignated North Cemetery-Atoka Gas Pool and the Undesignated Cemetery-Morrow Gas Pool. Said unit is to be dedicated to the Morris 26G Well No. 1 to be drilled at an unorthodox gas well location 1450 feet from the North and East lines (Unit G) of said Section 26.

(3) Order No. R-10150 also pooled all non-participating royalty interests in the N/2 of Section 26, Township 19 South, Range 25 East, NMPM, for any production from the surface to the base of the Morrow formation to be proportionately reduced for any sized spacing unit dedicated to production from the subject well.

(4) The applicant, Nearburg Exploration Company (Nearburg), seeks to amend Division Order No. R-10150 by substituting a new unorthodox gas well location for the Morris 26G Well No. 1 which the applicant now proposes to drill 2310 feet from the North and East lines (Unit G) of Section 26.

(5) The applicant further seeks to provide a new election period for those non-participating interest owners to pay their share of estimated well costs to the operator in lieu of paying their share of reasonable well costs out of production.

(6) The applicant does not propose to amend those portions of Division Order No. R-10150 regarding overhead charges and risk penalty.

(7) Pursuant to the provisions of Order No. R-10150, the subject Morris 26G Well No. 1 was to have been spudded by November 1, 1994. Division records indicate, however, that on October 21, 1994, Nearburg sought and was granted an extension to February 5, 1995, to spud the Morris 26G Well No. 1.

(8) The evidence and testimony indicate that subsequent to the original hearing in this case, Nearburg obtained additional geophysical and geologic data within Section 26.

(9) The geologic evidence indicates that a well at the newly proposed unorthodox location should penetrate the Middle Morrow Sand interval in an area of greater net sand thickness than a well drilled at the previously approved unorthodox location.

(10) The affected offset acreage, being the S/2 of Section 26, is operated by Nearburg Exploration Company.

(11) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(12) Approval of the proposed unorthodox location will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

(13) Ordering Paragraph No. (3) of Division Order No. R-10150 should be amended as proposed by the applicant.

(14) All other provisions contained within Division Order No. R-10150 should remain in full force and effect.

IT IS THEREFORE ORDERED THAT:

(1) Ordering Paragraph No. (3) of Division Order No. R-10150 is hereby amended to read in its entirety as follows:

"(3) Said unit is to be dedicated to the Morris 26G Well No. 1 to be drilled at an unorthodox gas well location 2310 feet from the North and East lines (Unit G) of said Section 26. Said unorthodox location is hereby approved.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of March, 1995, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of March, 1995, Decretory Paragraph Nos. (1) and (2) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

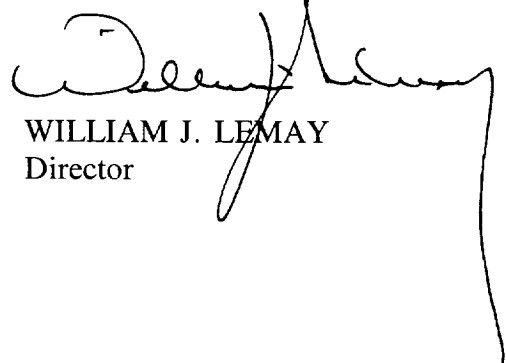
PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Decretory Paragraph Nos. (1) and (2) of this order should not be rescinded".

(2) All other provisions contained within Division Order No. R-10150 shall remain in full force and effect.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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