

**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. 11902
Order No. R-10959**

**APPLICATION OF NEARBURG EXPLORATION
COMPANY, L.L.C. FOR AN UNORTHODOX WELL
LOCATION, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 5, 1998, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 11th day of February, 1998, 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 Exploration Company, L.L.C., seeks approval to drill its Lone Ranger "16" State Com Well No. 1 at an unorthodox gas well location 660 feet from the South line and 1650 feet from the East line (Unit O) of Section 16, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico, to test the Morrow formation, Undesignated Gem-Morrow Gas Pool. The E/2 of Section 16 is to be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit for said pool.
- (3) At the time of the hearing the applicant testified that as a result of an agreement with the affected offset operator, Yates Energy Corporation, it now proposes to drill the aforesaid Lone Ranger "16" State Com Well No. 1 at an unorthodox gas well location 990 feet from the South line and 1980 feet from the East line (Unit O) of Section 16.
- (4) Inasmuch as the newly proposed location is less unorthodox than the originally proposed location, the Division determined that re-advertisement of this case is not necessary.

(5) The applicant testified that the primary objectives within the subject well are the Upper Morrow "B" Sand, and Lower Morrow "B" and "C" Sands.

(6) The applicant's geologic evidence and testimony indicates that a well drilled at the proposed unorthodox gas well location should penetrate the Upper Morrow "B" Sand and Lower Morrow "B" and "C" Sands in an area of greater sand thickness than a well drilled at a standard gas well location within the SE/4 of Section 16, thereby increasing the likelihood of obtaining commercial gas production.

(7) The applicant's evidence further indicates that the proposed well location is also geologically favorable to a standard gas well location with respect to an Atoka formation completion, being a secondary target within the Lone Ranger "16" State Com Well No. 1.

(8) In addition, the applicant testified that in 1970, King Resources Company drilled its Kimo Sabe Well No. 1, located at a standard gas well location 1980 feet from the South and East lines (Unit J) of Section 16, to a total depth of 14,700 feet to test the Devonian formation. This well was DST'd in various Morrow sand intervals, however, no commercial gas production from the Morrow was encountered.

(9) Yates Energy Corporation currently operates an Atoka producing well within the N/2 of Section 21, being the affected offset acreage. This well, the Sun Bright Federal Com Well No. 1, cumulatively produced approximately 3.0 BCF from the Morrow formation prior to being plugged back to the Atoka formation in 1993.

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

(11) At the time of the hearing, the applicant requested that Nearburg Producing Company be named operator of the Lone Ranger "16" State Com Well No. 1.

(12) The applicant's request should be granted.

(13) Approval of the subject application 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.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Nearburg Exploration Company, L.L.C., is hereby authorized to drill its Lone Ranger "16" State Com Well No. 1 at an unorthodox gas well location 990 feet from the South line and 1980 feet from the East line (Unit O) of Section 16, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico, to test the Morrow and Atoka formations, Undesignated Gem-Morrow and Undesignated Tonto-Atoka Gas Pools.

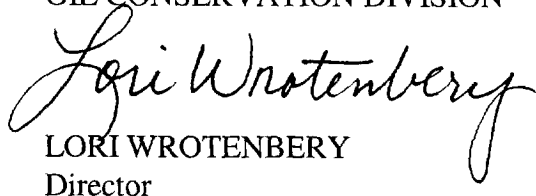
(2) The E/2 of Section 16 shall be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit for said pools.

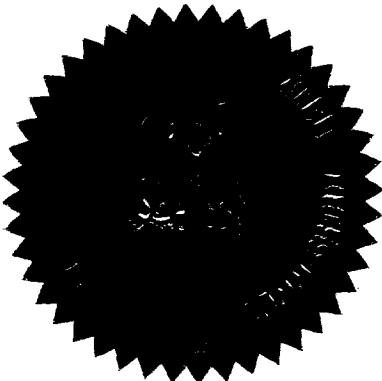
(3) Nearburg Producing Company is hereby designated operator of the Lone Ranger "16" State Com Well No. 1.

(4) 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


LORI WROTENBERY
Director



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