

**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:**

**NOMENCLATURE
CASE NO. 12132
Order No. R-11181**

**APPLICATION OF NEARBURG EXPLORATION COMPANY, L.L.C. FOR POOL
CREATION AND SPECIAL POOL RULES, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 1, 1999 and April 29, 1999, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 13th day of May, 1999, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised,

FINDS THAT:

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

(2) The applicant, Nearburg Exploration Company, L.L.C. ("Nearburg"), seeks the creation of a new pool for the production of oil from the Strawn formation comprising the NE/4 of Section 15, Township 16 South, Range 32 East, NMPM, Lea County, New Mexico, and the issuance of special pool rules therefor including a provision for 80-acre spacing and proration units and designated well location requirements.

(3) The applicant and Yates Petroleum Corporation ("Yates") are co-owners of the working interests in the E/2 of Section 15. Yates is the operator of the recently completed Ruby "ASV" State Com Well No. 1 (API No. 30-025-34498) located at a standard oil well location 1650 feet from the North line and 700 feet from the East line (Unit H) of Section 15.

(4) The Ruby "ASV" State Com Well No. 1 has been completed in the Strawn

formation through perforations from 11,340 feet to 11,540 feet at an initial producing rate of approximately 112 barrels of oil per day and 80 MCF of gas per day. It is currently located within the Anderson Ranch-Pennsylvanian Pool, which is currently governed by Division General Rule No. 104.C., which requires standard 40-acre spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the proration unit.

(5) Division records indicate that there are several Strawn pools currently spaced on 80 acres within this general area, namely the West Lovington-Strawn, Casey-Strawn, West Casey-Strawn, Shipp-Strawn, Humble City-Strawn, South Humble City-Strawn and Southwest Humble City-Strawn Pools.

(6) The preliminary engineering evidence presented by the applicant indicates that the Ruby "ASV" State Com Well No. 1 should be capable of draining an area in excess of 40 acres.

(7) The applicant testified that having temporary special pool rules would allow for the collection of additional data relative to drainage and recoverable reserves in the Strawn formation.

(8) The applicant testified that the data necessary to promulgate permanent special pool rules for the proposed Strawn pool should be available within one year from the date of this order.

(9) The applicant further testified that it plans to drill a west offset to the Ruby "ASV" State Com Well No. 1 in the near future.

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

(11) In order to prevent waste and protect correlative rights, temporary special pool rules providing for 80-acre spacing units should be issued for the proposed pool.

(12) The temporary special pool rules should provide for designated well locations such that a well shall be located no closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary in order to assure the orderly development of the pool and protect correlative rights.

(13) At the request of the applicant, temporary special pool rules for the proposed pool should be established for a period of one year in order to allow the operators in the pool the opportunity to gather sufficient reservoir information to show that an 80-acre proration

unit in this pool can be efficiently and economically drained and developed by one well.

(14) Pursuant to Division Rules No. 505.A. and 506.A., this pool should be assigned a depth bracket allowable of 445 barrels of oil per day at a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil, which results in a casinghead gas allowable of 890 MCF per day.

(15) Pursuant to Division nomenclature procedures, a new pool classified as an oil pool for Strawn production should be created and designated the Anderson Ranch-Strawn Pool, with vertical limits comprising the Strawn formation and horizontal limits comprising the NE/4 of Section 15, Township 16 South, Range 32 East, NMPM, Lea County, New Mexico.

(16) This case should be reopened at an examiner hearing in May, 2000, at which time the operators in this pool should be prepared to appear and show cause why the Temporary Special Pool Rules for the Anderson Ranch-Strawn Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Nearburg Exploration Company, L.L.C., a new pool in Lea County, New Mexico, classified as an oil pool for Strawn production is hereby created and designated the Anderson Ranch-Strawn Pool, with vertical limits comprising the Strawn formation, and horizontal limits comprising the following described area:

Township 16 South, Range 32 East, NMPM
Section 15: NE/4.

(2) The following Temporary Special Pool Rules for the Anderson Ranch-Strawn Pool are hereby adopted:

**SPECIAL POOL RULES FOR THE
ANDERSON RANCH-STRAWN POOL**

RULE 1. Each well completed in or recompleted in the Anderson Ranch-Strawn Pool or in the Strawn formation within one mile thereof, and not nearer to or within the limits of another designated Strawn oil pool, shall be spaced, drilled, operated, and produced in accordance with these rules.

RULE 2. Each well completed or recompleted in the Anderson Ranch-Strawn Pool shall be located on a unit containing 80 acres, more or less, which consists of the N/2, S/2, E/2 or W/2 of a single governmental quarter section.

RULE 3. The Director may grant an exception to the requirements of Rule 2 without hearing when an application has been filed for a non-standard unit consisting of less than 80 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey. All operators offsetting the proposed non-standard unit shall be notified of the application by certified mail, sent at the same time the application is filed, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 20 days after the Director has received the application.

RULE 4. Each well shall be located no closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary.

RULE 5. The Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper horizon. All operators offsetting the proposed location shall be notified of the application by certified mail, sent at the same time the application is filed, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. The allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 445 barrels of oil per day, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from these wells in any proportion. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED THAT:

(3) The location of all wells presently drilling to or completed in the Anderson Ranch-Strawn Pool or in the Strawn formation within one mile thereof are hereby approved. The operator of any well having an unorthodox location shall notify the Division's Hobbs District Office in writing of the name and location of the well within 30 days from the date of this order.

(4) Pursuant to Paragraph A of Section 70-2-18, NMSA 1978, existing oil wells in the Anderson Ranch-Strawn Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of Section 70-2-18, existing wells may

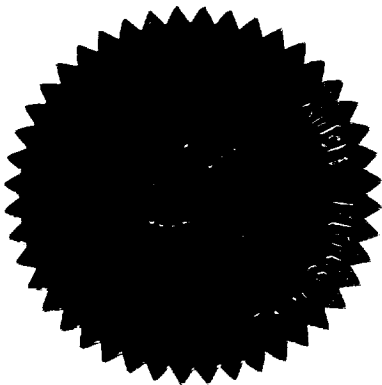
have non-standard spacing and proration units established by the Division and dedicated thereto.

Failure to file a new Form C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable.

(5) This case shall be reopened at an examiner hearing in May, 2000, at which time the operators in the subject pool shall appear and show cause why the Temporary Special Pool Rules for the Anderson Ranch-Strawn Pool should not be rescinded.

(6) 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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