

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. 9405
Order No. R-8687

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 8, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 5th day of July, 1988, 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, seeks approval of an unorthodox gas well location 1200 feet from the South line and 750 feet from the West line (Unit M) of Section 26, Township 19 South, Range 25 East, NMPM, Undesignated Cemetery-Morrow Gas Pool, Eddy County, New Mexico.

(3) The applicant proposes to dedicate a standard 320-acre proration unit consisting of the S/2 of said Section 26 to the above described well.

(4) The applicant presented geologic evidence and testimony at the hearing which indicates that a well drilled at the proposed location would penetrate the Morrow formation at a position up-dip from the gas-water contact, thereby increasing the likelihood of obtaining a commercial producing well.

(5) The record in this case indicates that by letter dated June 3, 1988, addressed to the Division, American National Petroleum Company, an offset leasehold owner of the SE/4 of Section 27, Township 19 South, Range 25 East, NMPM, has requested that the Division impose a production penalty on the subject well due to encroachment and possible drainage of said SE/4 of Section 27.

(6) American National Petroleum Company did not appear at the hearing to present evidence or testimony to support their position that offset drainage will occur should the subject well location be approved.

(7) No production penalty should be imposed on the subject well at this time.

(8) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject 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 Producing Company, is hereby authorized to drill a gas well at an unorthodox location 1200 feet from the South line and 750 feet from the West line (Unit M) of Section 26, Township 19 South, Range 25 East, NMPM, Undesignated Cemetery-Morrow Gas Pool, Eddy County, New Mexico.

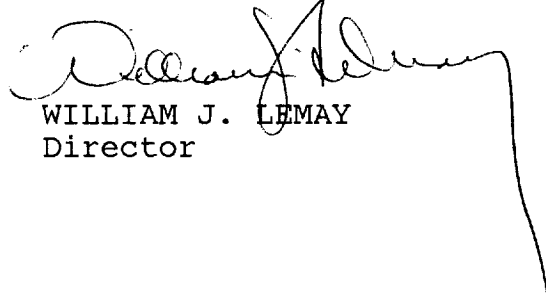
(2) The S/2 of said Section 26 shall be dedicated to the above described well.

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(3) Jurisdiction of this cause 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



WILLIAM J. LEMAY
Director

S E A L