

DATE IN 4-16-04	SUSPENSE 5-6-04	ENGINEER MS	LOGGED IN MS	TYPE NSP	APP NO. 412139757
--------------------	--------------------	----------------	-----------------	-------------	----------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
 [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
 Check One Only for [B] or [C]
 [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
 [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
 [D] Other: Specify _____

RECEIVED

APR 16 2004

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
 [A] Working, Royalty or Overriding Royalty Interest Owners
 [B] Offset Operators, Leaseholders or Surface Owner
 [C] Application is One Which Requires Published Legal Notice
 [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

WILLIAM F. CARR _____ 4/16/04
 Print or Type Name Signature Title Date

 e-mail Address wcarr@hollandhart.com

April 16, 2004

HAND-DELIVERED

Ms. Joanna Prukop, Acting Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Nearburg Exploration Company, L.L.C. for administrative approval of a 160-acre non-standard gas spacing unit for its U.S. Federal 13 Well No. 2 Section 13, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico.

Dear Ms. Prukop:

Nearburg Exploration Company, L.L.C., pursuant to the provisions of Division Rule 104 D (2)(b) and (c) adopted on January 18, 1996, hereby seeks administrative approval of a 160-acre non-standard gas spacing and proration for the U.S. Federal 13 Well No. 2 to be drilled to test the Cisco Canyon formation at a legal standard bottomhole to be located in the SE/4 of Section 13, Township 22 South, Range 24 East, N.M.P.M., Eddy County, New Mexico. A standard 320-acre spacing unit comprised of the S/2 of said Section 13 was originally proposed for this well. However, the SW/4 of this section is federal land that the Bureau of Land Management has refused to lease.

Nearburg proposes to drill this well to a depth sufficient to test all formations from the surface to the base of the Cisco Canyon formation which includes but is not necessarily limited to the Morrow formation. Nearburg therefore seeks approval of this non-standard unit in all formations below the top of the Wolfcamp formation which, pursuant to the General Rules and Regulations of the Oil Conservation Division, are developed on 320-acre spacing.

This non-standard gas spacing and proration unit is necessary because (i) the north half of the Section is dedicated to the Nearburg U.S. Federal 13 Well No. 1-Y located at a surface location 1977 feet from the North line and 988 feet from



the West line and a bottomhole location 850 feet from the North line and 1650 feet from the West line of said Section 13, and (ii) the BLM has refused to lease the SW/4 of the Section because it has determined that this acreage is located in the McKittrick Hill Special Recreation Management Area. A copy of the BLM's determination and decision not to lease is attached hereto as Exhibit A. This 160-acre non-standard unit, therefore, is the only acreage that is available for the drilling of the proposed well. Attached as Exhibit B is a plat that shows the subject spacing unit and all adjoining spacing units or leases. The Federal government is the only owner being excluded from the proposed unit, and on or before the date on which this application was filed with the Division, a copy of this application with all attachments thereto was mailed to by Certified Mail--Return Receipt Requested, to the Bureau of Land Management. The BLM was advised that if it has an objection to the proposed non-standard spacing or proration unit it must be filed in writing with the Division's Santa Fe office within twenty days from the date notice was sent. It was also advised that if no objections are received by the Division within twenty days, the Division Director could approve the application.

Your attention to this application is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr".

William F. Carr

cc: Mr. Duke Roush
Nearburg Exploration Company, L.L.C.

NOTIFICATION LIST

Application of Nearburg Exploration Company, L.L.C.
administrative approval of
a non-standard spacing or proration unit
U.S. Federal 13 Well No. 2
Section 13, Township 22 South, Range 24 East, NMPM
Eddy County, New Mexico.

United States Department of the Interior
Bureau of Land Management
New Mexico State Office
Post Office Box 27115
Santa Fe, New Mexico 87502-0115



United States Department of the Interior



BUREAU OF LAND MANAGEMENT

New Mexico State Office
1474 Rodeo Road
P.O. Box 27115
Santa Fe, New Mexico 87502-0115
www.nm.blm.gov



In Reply Refer To:
3120 (NM921-lbo)
expression of interest

MAR 29 2004

Mr. Duke Roush
3300 North A Street Building 2, Suite 120
Midland, TX 79705

Dear Mr. Roush:

In regards to your interest in lands located in Eddy County, NM, T. 22 S., R. 24 E., Sec. 13 SW containing 160.00 acres, which were nominated for the April 21, 2004 Oil and Gas Lease Sale. The recommendation given by the Carlsbad Field Office after their review was that these lands were encumbered within the McKittrick Hill Special Recreation Management Area and were not open to leasing. The Carlsbad Approved Resource Management Plan, Amendment and Record of Decision dated October 1997 reflects this decision and this area is closed to future leasing. The New Mexico State Office concurs with their findings and therefore, will not process these lands for leasing.

Thank you for your interest in our oil and gas leasing program. If you have any questions, please contact me at (505) 438-7586.

Sincerely,

Lourdes B. Ortiz
Land Law Examiner
Fluids Adjudication Team

EXHIBIT A



April 16, 2004

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

United States Department of the Interior
Bureau of Land Management
New Mexico State Office
Post Office Box 27115
Santa Fe, New Mexico 87502-00115

Re: Application of Nearburg Exploration Company, L.L.C. for administrative approval of a 160-acre non-standard gas spacing unit for its U.S. Federal Well No. 2, Section 13, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application and attached plat which was filed with the New Mexico Oil Conservation Division on this date by Nearburg Exploration Company, L.L.C. for administrative approval of a non-standard spacing unit its U.S. Federal Well No. 2, to be drilled in the SE/4 Section 13, Township 22 South, Range 24 East, N.M.P.M., Eddy County, New Mexico.

As an owner of an interest which may be affected by the proposed well, you may object to this application. Objections must be filed in writing at the Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505 within twenty days from this date. If no objection is received within this twenty-day period, this application for unorthodox well location may be approved.

Very truly yours,

William F. Carr
Attorney for Nearburg Exploration Company, L.L.C.

cc: Mr. Duke Roush

County Eddy

Pool McKittick Hills - Upper Pennsylvanian Gas

TOWNSHIP 22 South

Range 24 East

NMPM

81160

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Description: 5/2 Sec 12 (R-5204, 5-1-76)

