



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

November 4, 2004

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

**Nearburg Producing Company**  
c/o **Holland & Hart LLP**  
**P. O. Box 2208**  
**Santa Fe, New Mexico 87504-2208**

**Attention: William F. Carr**

*Administrative Order NSL-5131*

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator Nearburg Producing Company ("Nearburg") filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on October 14, 2004 (*administrative application reference No. pSEM0-429436470*); and (ii) the Division's records in Santa Fe and Hobbs, including the files in Cases No. 3442, 6467, 6543, 6926, 7145, 12622, and 12908-A: all concerning Nearburg's request for an unorthodox Bone Spring(s) oil well location for its existing Grama Ridge East "34" State Well No. 1 (**API No. 30-025-34948**), located 1548 feet from the North line and 900 feet from the East line (Unit H) of Section 34, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico.

**The Division Director Finds That:**

- (1) Nearburg commenced drilling its above-described Grama Ridge East "34" State Well No. 1 on March 7, 2000 and reached a total depth of 13,500 feet on April 28, 2000. This well, which was the subject of Division Orders No. R-11768, R-11768-A, and R-11768-B, was subsequently completed as a deep Morrow gas well within the N/2 of Section 34, being a standard 320-acre lay-down gas spacing unit in the East Grama Ridge-Morrow Gas Pool (**77690**).
- (2) It is Nearburg's intent at this time to abandon the deeper Morrow interval within the Grama Ridge East "34" State Well No. 1 and plug-back to the shallower Bone Spring formation in order to establish commercial oil production.
- (3) Rules governing the Bone Spring formation for this well are as follows:
  - (a) **NORTHEAST GRAMA RIDGE-BONE SPRING POOL (28435)**, which comprises the SW/4 of Section 26, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico, is subject to Division statewide Rule 104.B (1), requiring 40-acre spacing and proration units consisting of a single governmental quarter-quarter section and for wells to be located no closer than 330 feet to any boundary of such unit;

(b) GRAMA RIDGE-BONE SPRINGS POOL (28430), which comprises the SE/4 of Section 33, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico, is also subject to Division statewide Rule 104.B (1), requiring 40-acre spacing and proration units consisting of a single governmental quarter-quarter section and for wells to be located no closer than 330 feet to any boundary of such unit; and

(c) EAST GRAMA RIDGE-LOWER BONE SPRING POOL (28440), which comprises the SW/4 of Section 35, Township 21 South, Range 34 East, NMPM, and the NW/4 of Section 2 and the NE/4 of Section 3, both in Township 22 South, Range 34 East, NMPM, all in Lea County, New Mexico, is subject to the "*Special Rules and Regulations for the East Grama Ridge-Lower Bone Springs Pool*," as promulgated by Division Orders No. R-5958, R-5958-A, and R-5958-B, requiring 160-acre spacing and proration units consisting of a single governmental quarter section and for wells to be located no closer than 660 feet to any quarter section line nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

- (4) The application indicates that the NW/4 of Section 34, being a standard 160-acre oil spacing and proration unit for the East Grama Ridge-Lower Bone Spring Pool, is to be dedicated to this well; HOWEVER, should the Bone Spring oil production from this well be placed in either the Northeast Grama Ridge-Bone Spring Pool or Grama Ridge-Bone Springs Pool with 40-acre spacing requirements, then the SE/4 NE/4 (Unit H) of Section 34 is to be the assigned acreage thereby forming a standard 40-acre oil spacing and proration unit.
- (5) In any case the subject Bone Spring oil well location is considered to be unorthodox.
- (6) The N/2 of Section 34 comprises a single State lease issued by the New Mexico State Land Office (State lease No. V-05683) with common mineral interests throughout (see Division Order No. R-11768).
- (7) This application has been duly filed under the provisions of: (i) Rule 4 of the "*East Grama Ridge-Lower Bone Springs Pool*;" (ii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission ("Commission") in Case No. 12119 on August 12, 1999; and (iii) Rule 1207.A (2), revised by Division Order No. R-11205, issued by the Commission in Case No. 12177 on June 17, 1999.

- (8) Approval of this application for both acreage assignments will afford the applicant the opportunity to produce its just and equitable share of the oil in the Bone Spring formation, 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.
- (9) Subsequent to the completion of the above-described Grama Ridge East "34" State Well No. 1 in the Bone Spring formation, the operator should consult with the Division's District Supervisor in Hobbs as to the proper pool placement of this production and the appropriate assignment of its dedicated acreage.

**It Is Therefore Ordered That:**

(1) Nearburg Producing Company ("Nearburg") is hereby authorized to recomplete its Grama Ridge East "34" State Well No. 1 (**API No. 30-025-34948**), located at an unorthodox oil well location 1548 feet from the North line and 900 feet from the East line (Unit H) of Section 34, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico, in order to test the Bone Spring formation for commercial oil production.

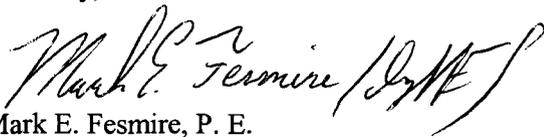
(2) Subsequent to the completion of the Grama Ridge East "34" State Well No. 1, the operator shall consult with the Division's District Supervisor in Hobbs as to the proper pool placement of this production and the appropriate assignment of the dedicated acreage. Either:

(a) the SE/4 NE/4 (Unit H) of Section 34, being a standard 40-acre oil spacing and proration unit for the Undesignated Northeast Grama Ridge-Bone Spring Pool (**28435**) or the Undesignated Grama Ridge-Bone Springs Pool (**28430**); or,

(b) the NE/4 of Section 34, being a standard 160-acre oil spacing and proration unit for the Undesignated East Grama Ridge-Lower Bone Spring Pool (**28440**).

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

Sincerely,



Mark E. Fesmire, P. E.  
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Hobbs  
New Mexico State Land Office - Santa Fe