



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL
Office: (505) 986-2646
Email: shall@montand.com
Reply To: Santa Fe Office
www.montand.com
RECEIVED OOD
AUG 25 P 3: 22

August 25, 2011

Jami Bailey, Director
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Hand Delivered

Re: Nearburg Producing Company
Request for Amendment to Administrative Order NSL-6367
Shipp-Strawn Pool (55695)

Howenstine 12 Well No. 1
API No. 30-025-40077
500' FNL and 1594' FEL (B) (Surface)
330' FNL and 1570' FEL (B) (Bottom hole)
350' FNL and 1520' FEL (B) (Amended Bottom hole)
Section 12, T17S, R37E
Lea County, New Mexico

Dear Ms. Bailey:

On April 15, 2011, the Division issued NSL Order 6367 for the Nearburg Producing Company Howenstine 12 Well No. 1 at the surface and bottom-hole locations reflected above. Since that time, Nearburg has obtained and integrated more recent seismic data which, it is hoped, has enabled the company to more precisely define the location of an isolated Strawn formation algal mound it seeks to target. Based on its new interpretation, Nearburg now plans to move the bottom hole location for the well to the following: 350' FNL and 1520' FEL. The surface location will remain unchanged.

As explained in Nearburg's original application (copy enclosed) the pool rules for the Shipp-Strawn Oil Pool provide that wells are to be located within 150 feet of the center of a governmental quarter-quarter section or lot, with 80-acre units dedicated to wells. It was also pointed out that the surface and bottomhole locations for this well are no closer than 330' to the northern boundary of the NW/4 NE/4 of Section 12 and would be otherwise in compliance with statewide locational rules. With the revised BHL, this would continue to be the case. The amended location places the bottom hole location

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400
Albuquerque, New Mexico 87110
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210
Albuquerque, New Mexico 87176-6210

Ms. Jami Bailey
August 25, 2011
Page 2

approximately twenty feet farther away from the southern boundary of the adjoining Section 1 and fifty feet closer to the center of the 80-acre spacing unit that will be dedicated to the well. As a practical result, the encroachment on the adjoining section is effectively reduced.

Nearburg is the operator of the Price Family Trust 1 well drilled to the Shipp-Strawn formation (no longer producing) in the offsetting 80-acre spacing unit toward which the proposed location encroaches in the E/2 SE/4 of Section 1. Thirty-two interest owners in the adjoining section were notified of Nearburg's original NSL application and waivers were obtained from many of them. No objections were received.

It is our view that the changed location should be within an allowable tolerance for bottom hole locations. Further, the changed location reduces the encroachment and is otherwise *de minimis*. Under these circumstances, and in the interests of administrative efficiency, it would appear that the Division should be able to approve the amendment without requiring the operator to undertake formal re-application and re-notification, which in this case would be unnecessarily onerous.

Thank you for your consideration of this request. It is hoped that the Division is agreeable to Nearburg's proposed resolution of this matter.

Nearburg will be filing an amended C-102 with the Division's District 1 office. Drilling of the Howenstine 12 Well No. 1 has not commenced, but is planned for early September. If in the meantime further information is required, please let me know.

Very truly yours,

MONTGOMERY & ANDREWS, P. A.



J. Scott Hall

Attorneys for Nearburg Producing Company

JSH:kw

Enclosure: Copy of Original NSL Application

cc: NMOCD-Hobbs
Ken Dixon, Nearburg Producing Company

305048



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL

Cell: (505) 670-7362

Email: shall@montand.com

Reply To: Santa Fe Office

www.montand.com

March 11, 2011

Mr. Daniel Sanchez, Acting Director
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Via Hand Delivery

Re: Nearburg Producing Company
Request for Administrative Approval, Unorthodox Well Location
Shipp-Strawn Pool (55695)

Howenstine 12 Well No. 1
API No. 30-025-40077
500' FNL and 1594' FEL (B) (Surface)
330' FNL and 1570' FEL (B) (Bottom hole)
Section 12 , T17S, R37E
Lea County, New Mexico

Dear Mr. Sanchez:

Enclosed is an application for administrative approval on the above. I will supplement this filing next week with (1) a notice affidavit and (2) an affidavit of publication.

Thank you.

Very truly yours,

J. Scott Hall

JSH:kw
Enclosures a/s

cc: Ken Dixon

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400
Albuquerque, New Mexico 87110
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210
Albuquerque, New Mexico 87176-6210



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL
Office: (505) 986-2646
Email: shall@montand.com
Reply To: Santa Fe Office
www.montand.com

March 11, 2011

Mr. Daniel Sanchez, Acting Director
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Hand Delivered

Re: Nearburg Producing Company
Request for Administrative Approval, Unorthodox Well Location
Shipp-Strawn Pool (55695)

Howenstine 12 Well No. 1
API No. 30-025-40077
500' FNL and 1594' FEL (B) (Surface)
330' FNL and 1570' FEL (B) (Bottom hole)
Section 12 , T17S, R37E
Lea County, New Mexico

Dear Mr. Sanchez:

On behalf of Nearburg Producing Company ("Nearburg") and pursuant to Division Rule 19.15.15.13 and the applicable rules governing oil well locations for the Shipp-Strawn Pool (55695; Order No. R-8062-A), we request administrative approval for an unorthodox well location for the Howenstine 12 Well No. 1 at the surface and bottom-hole locations reflected above.

This well will be drilled to a depth sufficient to test the Strawn formation within the boundaries of the Shipp-Strawn oil Pool. The rules for the pool currently provide that wells shall be located within 150 feet of the center of a governmental quarter-quarter section or lot, with 80-acre units dedicated to the wells. The surface and bottomhole locations for this well are no closer than 330' to the outer boundary of the NW/4 NE/4 of the section and otherwise comply with statewide locational rules. The C-101 along with the C-102 plat showing the N/2 NE/4 spacing unit and the proposed unorthodox location for the Howenstine 12 No. 1 are attached as Exhibit A.

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400
Albuquerque, New Mexico 87110
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210
Albuquerque, New Mexico 87176-6210

Mr. Daniel Sanchez, Acting Director
March 11, 2011
Page 2

Nearburg seeks an exception from the applicable well location rules for the well for the following reasons: (1) The surface is utilized as irrigated crop land and at a standard location under the pool rules, the well would interfere with a pivot-point irrigation system. The irrigation system and proposed location are demonstrated on the enclosed aerial photo (Exhibit "B"). (2) Based on development in the adjoining units and on Nearburg's interpretation of geologic and geophysical data, the well would be optimally situated to encounter and produce from an isolated algal mound typical of Strawn formation reservoirs in the area. (See attached affidavit, Exhibit "C").

Nearburg is the operator of the Price Family Trust 1 well drilled to the Shipp-Strawn formation (no longer producing) in the offsetting 80-acre spacing unit toward which the proposed location encroaches in the E/2 SE/4 of Section 1 T17S R37E. There is presently no well or dedicated spacing unit in the W/2 SE/4 of Section 1. However, the ownership throughout the entire E/2 of Section 1 is identical. Nearburg owns or controls approximately 78% of the leasehold working interest or mineral interest in each of the adjoining spacing units comprising the E/2 SE/4 and W/2 SE/4 of Section 1. (See Exhibit "D".) Nearburg is providing notification to and obtaining waivers of objections from the owners of the interests it controls, as well as the owners of another 20% that it does not presently control. (See Exhibit "E"). The owners of the remaining interests, approximately 2%, are unlocatable (Exhibit "F") and are being notified by publication. (See Rule 19.15.4.12.A.2). This application for administrative approval will be supplemented with a copy of the affidavit of publication as soon as it is received.

The Division's Administrative Application Checklist is enclosed.

Thank you for your consideration of this request. Should more information be required, please do not hesitate to contact me.

Very truly yours,

MONTGOMERY & ANDREWS, P. A.



J. Scott Hall

Attorneys for Nearburg Producing Company

JSH:kw

Enclosures:

Exhibit A C-102

Exhibit B Aerial Photo

Exhibit C Affidavit

Exhibit D, E, F Lists of affected persons

Administrative Application Checklist

1220 S. St Francis Dr
Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address NEARBURG PRODUCING CO PO BOX 823085 DALLAS, TX 75382		2. OGRID Number 15742
		3. API Number 30-025-40077
4. Property Code 38523	5. Property Name HOWENSTINE 12	6. Well No. 001

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn.	Feet From	N/S Line	Feet From	E/W Line	County
B	12	17S	37E	B	500	N	1594	E	LEA

8. Pool Information

SHIPP-STRAWN	55695
--------------	-------

Additional Well Information

9. Well Type New Well	10. Well Type OIL	11. Casing/Rotary	12. Lease Type Private	13. Ground Level Elevation 3734
14. Multiple N	15. Proposed Depth 12230	16. Formation Strawn	17. Contractor	18. Spud Date 3/15/2011
Depth to Ground water		Distance from nearest salt water well		Distance to nearest surface water
Pit: Linear Synthetic <input type="checkbox"/> Closed Loop System <input type="checkbox"/> miles thick Clay <input type="checkbox"/> Pit Volume: bbls Drilling Method: Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

19. Proposed Casing and Cement Program

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48	465	491	0
Int1	11	8.625	32	4650	1165	0
Prod	7.375	5.5	17	12230	1510	0

Casing/Cement Program: Additional Comments

--

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Annular	5000	5000	Shaffer

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input type="checkbox"/> , a general permit <input type="checkbox"/> , or an (attached) alternative OCD-approved plan <input type="checkbox"/> .	OIL CONSERVATION DIVISION	
	Approved By: Paul Kautz	
	Title: Geologist	
	Approved Date: 3/8/2011	Expiration Date: 3/8/2013
	Conditions of Approval Attached	

Printed Name: Electronically filed by Sarah Jordan
Title: Manager
Email Address: sjordan@nearburg.com
Date: 3/7/2011
Phone: 432-686-8235

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION
1500 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 RIO BRAZOS RD., AZTEC, NM 87410

DISTRICT IV
1500 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code 55695	Pool Name Shupp; Strawn
Property Code	Property Name HOWENSTINE 12	Well Number 1
GORID No. 015742	Operator Name NEARBURG PRODUCING COMPANY	Elevation 3734'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	12	17-S	37-E		500	NORTH	1594	EAST	LEA

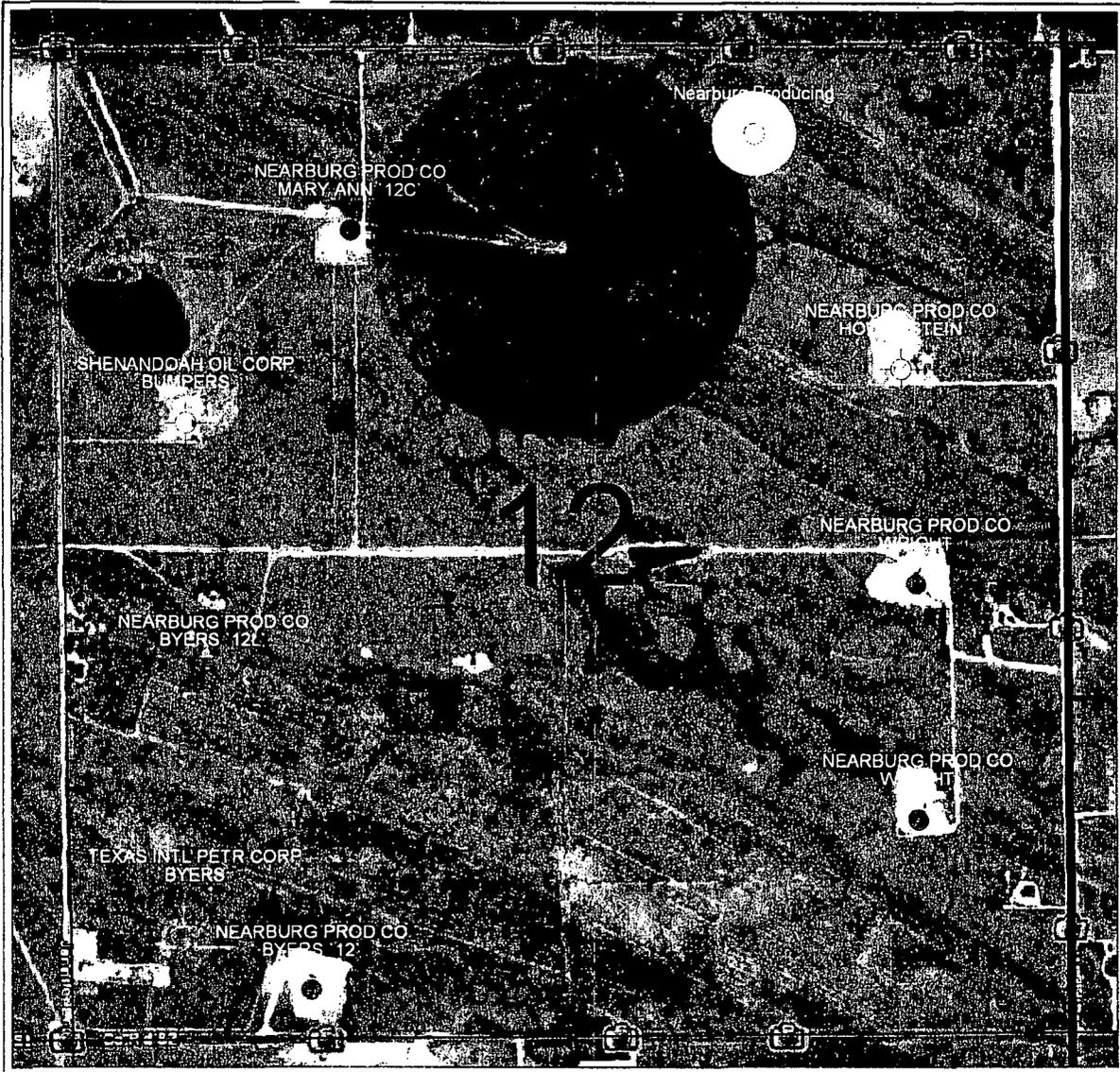
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	12	17-S	37-E		330	NORTH	1570	EAST	LEA

Dedicated Acres 80	Joint or Infill	Consolidation Code	Order No.
-----------------------	-----------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>Y=677092.5 N X=844020.5 E</p>	<p>Y=677119.5 N X=846656.8 E</p> <p>Y=677130.0 N X=847979.9 E</p> <p>GRID AZ. = 07°23'50" HORZ. DIS. = 171.70'</p>		<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Terry Stathem</i> 3-7-11 Signature Date TERRY Stathem Printed Name</p>
<p>Y=675797.8 N X=846671.5 E</p>	<p>Y=675810.7 N X=847990.2 E</p>		<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>OCTOBER 26, 2010</p> <p>Date Surveyed Rev. 3/2/11 OSS Signature & Seal of Professional Surveyor <i>Ronald E. Eidson</i> 10/23/2010 11-13-0510</p>
<p>Y=671810.2 N X=844075.2 E</p>	<p>Y=671833.1 N X=846715.8 E</p>	<p>Y=671855.1 N X=849356.2 E</p>	<p>Certificate No. GARY EIDSON 12641 RONALD E. EIDSON 3239</p>



PETRA 3/10/2011 10:41:49 AM

EXHIBIT B

STATE OF TEXAS)
)ss
COUNTY OF MIDLAND)

AFFIDAVIT

1. My name is Timothy Speer. I am a petroleum engineer for Nearburg Producing Company in the company's Midland, Texas office. I am familiar with the subject matter of this Application and am otherwise competent to testify to the matters set forth herein.
2. Nearburg Producing Company seeks approval of an unorthodox well location as follows:

Howenstine 12 Well No. 1
API No. 30-025-40077
500' FNL and 1594' FEL (B) (Surface)
330' FNL and 1570' FEL (B) (Bottom hole)
Section 12 , T17S, R37E Lea County, New Mexico

3. This well will be drilled to the Strawn formation. The applicable pool rules for the Shipp-Strawn pool in this area provide that wells must be located within 150 feet of the center of a quarter-quarter section.
4. I have examined geologic and geophysical data of the Strawn formation in the NE/4 of Section 12. The Strawn formation production in the area is typically from isolated algal mounds that are of limited areal extent. Based on my interpretation of the available data, I have concluded that a well drilled to the proposed bottom hole location will be better situated to more completely and efficiently recover Strawn formation reserves than would be likely if the well were drilled at a standard location. Further, because of the limited size of the isolated Strawn formation mound being targeted, the correlative rights of owners in the adjacent section are not likely to be impaired.



Timothy Speer

SUBSCRIBED AND SWORN before me on this ___ day of March, 2011.

NOTARY PUBLIC

My Commission expires:

261110

EXHIBIT C

AAR Limited Partnership,
Anna A. Reischman, sole partner
c/o Duane Davis, Power-of-Attorney
P. O. Box 823085
Dallas, TX 75382-3085

Holsum Inc., a NM Corporation
P. O. Box 2527
Roswell, NM 88202

B&L Oil Company, Inc.
6537 Dunbar Drive
Odessa, TX 79762-5422

Nearburg Exploration Company, L.L.C.
P. O. Box 823085
Dallas, TX 75382-3085

Menpart Associates
c/o Larry Elkin
Palisades Hudson Financial Group
2 Overhill Road, Ste. 100
Scarsdale, NY 10583

Gretchen B. Nearburg
c/o Nearburg Producing Company
Attn: Duane Davis
P. O. Box 823085
Dallas, TX 75382-3085

B&S Enterprises
P. O. Box 606
Roswell, NM 88201

Joe R. Wright
393 Calle Colina
Santa Fe, NM 87501

R-N Limited Partnership
3755 East Grand Plains Road
Roswell, NM 88201

C. W. Paine Company
969 Prairie Grove Road
Valley View, TX 76272

Mark K. Nearburg
710 Dragon
Lakeway, TX 78734

00261137

Earleen Duel Mills, Individually
And as Administratrix u/w/o
Earle Marvin Simon, deceased

James L. Marr, Trustee of the
M&M Families Trust dated 2.3.1992

Libby Ann Underwood Morrish and
Husband, Alan Morrish

DEBCO, LLC.

Methodist Children's Home

Beams Mineral

Michel E. Curry, Successor Trustee
Of the Aubrey M. Baker Revocable Trust

Slash Exploration, LP

Breckenridge Partnership, Ltd.

David Petroleum Corporation

Royalty Holding Company

00261142

Harrison Levy and Helen S. Levy
4801 Classen Blvd.
Oklahoma City, OK 73118

Estate of C. H. Nelson
% Charles H. Nelson, Jr. and
Hildred Nelson
1116 N. Garfield
Sand Springs, OK 74063

Joseph Nelson
3454 Patomoc Ave.
Dallas, TX 75205

Veva or Neva Nelson
2412 Argosy Way
Hollywood, CA 90028

Lena Ann Blake, deceased
H. L. Farris, Administrator
516 S. Macomd
El Reno, OK 73036

The Colorado Corporation, a
Bankrupt corporation, William C. Lam,
Trustee for the U.S. District Court for
The District of Colorado-Case.
No. 71-B-1216
No Known Address

Dr. C. S. Daley
No known address

Boatmens First National Bank of
Oklahoma, Successor Trustee of
The Myrtle L. Davis Oil Trust
P. O. Box 91381
Oklahoma City, OK 73172

J. Kenneth Fasken
1535 S. Gillette
Tulsa, OK 74104

Wanda Doss Ellison, Individually
And as Independent Executrix
Of the Estate of Donald Ellison, Jr.
2505 Whispering Oaks
Denton, TX 7609-6491

00261130

DATE IN	SUSPENSE	ET	LOGGED IN	TYPE	APP NO.
---------	----------	----	-----------	------	---------

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 _____

- [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.

J. Slovic Hall T. Sweeney ATTORNEY 3.11.2011
 Print or Type Name Signature Title Date

shall@montand.com
 e-mail Address