



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

November 28, 2005

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

Director

Oil Conservation Division

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

Attention: William F. Carr

*Administrative Order NSL-5308 (BHL)  
(Non-Standard Subsurface Location/Producing Area)*

Dear Mr. Carr:

Reference is made to the following: (i) your application filed on behalf of the operator, Nearburg Producing Company ("Nearburg"), and submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on November 23, 2005 (*administrative application reference No. pSEM0-532747505*); (ii) your telephone conversation with Mr. Michael E. Stogner, Engineer with the Division in Santa Fe, on Monday morning, November 28, 2005 requesting preferential treatment for this application; and (iii) the Division's records in Artesia and Santa Fe: all concerning Nearburg's proposed development of the Delaware formation within a portion of its Salt Draw "11" Federal lease (*U. S. Government lease No. NM-16104*) underlying the W/2 NW/4 of Section 11, Township 25 South, Range 28 East, NMPM, Eddy County, New Mexico, utilizing horizontal drainhole drilling techniques.

**The Division Director Finds That:**

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F, 111.A (13), and 111.C (2);
- (2) By Order No. R-11120, issued in Case No. 12116 on January 21, 1999 and made effective on February 1, 1999, the Division created and defined the Southwest Willow Lake-Delaware Pool (**96855**) for the production of oil from the Delaware formation; the horizontal limits for this pool currently comprises the following described lands in Eddy County, New Mexico:

TOWNSHIP 25 SOUTH, RANGE 28 EAST, NMPM

Section 3:	NE/4 and S/2
Section 4:	SE/4
Section 9:	NE/4
Section 10:	All
Section 15:	NE/4;

- (3) Currently, the Southwest Willow Lake-Delaware Pool and that area within one-mile of the pool boundaries [*see Division Rule 104.A (2) (a)*] are subject to the statewide rules and regulations, as promulgated by Rule 104.B (1), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of a single 40-acre oil spacing and proration unit;
- (4) It is the Division's understanding that Nearburg intends to drill its Salt Draw "11" Federal Well No. 1 (API No. 30-015-34436) from a surface location 2590 feet from the North line and 330 feet from the West line (Unit E) of Section 11, vertically to an approximate depth of 4,329 feet (MD); kick-off to the north-northeast and build angle until a 90 degree deviation off of vertical is achieved at an approximate measured depth of 5,147 feet (MD); and continue to drill horizontally for an approximate distance of 1,763 feet to a targeted bottomhole location, or end-point, approximately 330 feet from the North line and 660 feet from the West line (Unit D) of Section 11;
- (5) The top of the Undesignated Northwest Corral Canyon-Delaware Pool should be intercepted at an approximate depth of 2,550 feet;
- (6) The proposed 80-acre "Project Area" (W/2 NW/4 of Section 11), pursuant to Division Rules 111.A (9) and C (3), will be established by combining two standard 40-acre oil spacing and proration unit within the Undesignated Southwest Willow Lake-Delaware Pool comprising the NW/4 NW/4 (Unit D) and SW/4 NW/4 (Unit E) of Section 11;
- (7) The path way of the proposed wellbore vertically from the entry point into the Delaware formation to the kick-off depth and a portion of the curved wellbore will be unorthodox pursuant to Division Rules 104.B (1) and 111.A (13);
- (8) It appearing the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F, the subject application should be approved, further, the aforementioned horizontal drainhole and 80-acre project area should continue operating under the provisions contained within this order and all other applicable provisions of Division Rule 111;
- (9) The applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F; therefore the subject application based on Nearburg's proposed directional drilling plan should be approved; and
- (10) The subject 80-acre oil spacing and proration unit/project area is to be governed by the provisions contained within this order and all other applicable provisions of Division Rules 111 and 505.

**It Is Therefore Ordered That:**

(1) Nearburg Producing Company ("Nearburg") is hereby authorized to directionally drill its Salt Draw "11" Federal Well No. 1 (API No. 30-015-34436) from a surface location 2590 feet from the North line and 330 feet from the West line (Unit E) of Section 11, Township 25 South, Range 28 East, NMPM, Eddy County, New Mexico, vertically to an approximate depth of 4,329 feet (MD) within the Delaware formation; kick-off to the north-northeast and build angle until a 90 degree deviation off of vertical is achieved at an approximate measured depth of 5,147 feet (MD); and continue to drill horizontally for an approximate distance of 1,763 feet to a targeted bottomhole location, or end-point, approximately 330 feet from the North line and 660 feet from the West line (Unit D) of Section 11.

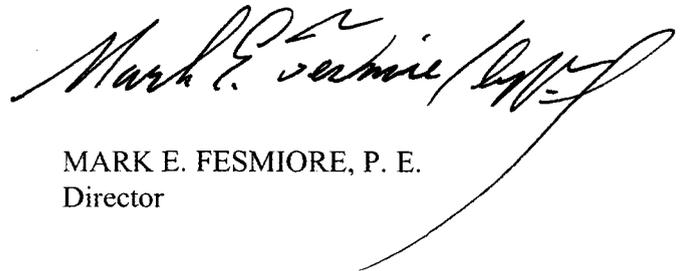
(2) Further, an 80-acre Project Area within the Undesignated Southwest Willow Lake-Delaware Pool (96855) comprising the W/2 NW/4 of Section 11 shall be established by combining the NW/4 NW/4 (Unit D) and the SW/4 NW/4 (Unit E) of Section 2.

(3) The operator shall comply with all applicable requirements and conditions set forth in Division Rules 111 and 505.

(4) 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



MARK E. FESMIORE, P. E.  
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad