

DATE IN 1-13-06	SUSPENSE 2-2-06	ENGINEER	LOGGED IN	TYPE	P.M.E.S.O. APP NO. 601357467
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ABOVE THIS LINE FOR DIVISION USE ONLY

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



2006 JUN 13

**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.

Ocean Munds-Dry      Ocean Munds-Dry      Attorney      1-13-06  
 Print or Type Name      Signature      Title      Date  
 omundsdry@hollandhart.com  
 e-mail Address



January 13, 2006

**HAND DELIVERY**

Mr. Mark Fesmire, 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, L.L.C., for administrative approval of an unorthodox well location for its Wapiti 31 Federal Well No. 2 to be completed in the EK-Bone Springs formation at a surface location 330 feet from the South line and 1830 feet from the East line of Section 31, Township 18 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Fesmire:

Nearburg Exploration Company, L.L.C. ("Nearburg") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) and Rule 5 of the Special Rules and Regulations for the EK-Bone Springs Pool, of an unorthodox well location in the EK-Bone Springs Pool for its Wapiti 31 Federal Well No. 2 located 330 feet from the South line and 1830 feet from the East line of Section 31, Township 18 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

This proposed location to the Bone Springs formation is unorthodox because it is governed by Special Pool Rules and Regulations for the EK-Bone Springs Pool which provides for wells to be located within 150 feet of the center of a governmental quarter-quarter section or lot. The proposed unorthodox well location is only 330 feet from the southern boundary of the SW/4 SE/4 (Unit O) and therefore encroaches on the NE/4 of Section 6, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico. A standard 80-acre spacing unit and proration unit comprised of the S/2 SE/4 of Section 31 will be dedicated to the well.

HOLLAND & HART<sup>LLP</sup>



The well name was originally the Mescalero 31 Federal Well No. 1 and was staked at an original location 660 from the South line and 1980 feet from the East line. However, the location had to be changed to an unorthodox location after a meeting with the Bureau of Land Management because of Dune Lizard concerns. The BLM has approved this location.

**Exhibit A** is a Location Verification Map, Vicinity Map and survey plat that shows the subject area and the 80-acre proposed spacing unit comprised of the S/2 SE/4 of Section 31 and the existing unorthodox well location.

**Exhibit B** is the C-102 filed for the well that shows the surveyed location of the well.

**Exhibit C** is a Sundry Notice filed with the BLM indicating that Nearburg is changing the well location after its meeting with a BLM representative regarding the Dune Lizard.

**Exhibit D** is the approved permit from the BLM.

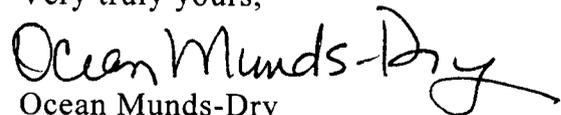
The ownership in the NE/4 of Section 6 is common as Nearburg operates the Mescalero 6 Federal #3-Y which is located 660 feet from the North line and 1980 feet from the East line in Section 6, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico therefore there are no affected parties as defined in Rule 1210(A)(2).

Due to pending drilling rig commitments, your prompt attention to this matter is greatly appreciated.

Also enclosed is a proposed administrative order prepared by Nearburg on behalf of the Division.

Your attention to this application is appreciated.

Very truly yours,



Ocean Munds-Dry

ATTORNEY FOR NEARBURG EXPLORATION  
COMPANY, LLC

Enclosures

cc: Duke Roush  
Nearburg Exploration Co.

Nearburg Exploration Company, LLC  
330 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705

Attention: Duke Roush

*Administrative Order NSL-\_\_\_\_\_*

Dear Mr. Roush:

Reference is made to your application dated January 13, 2006 for an unorthodox well location for Nearburg Exploration Company's, LLC Wapiti 31 Federal Well No. 2 to be completed in the Bone Springs formation in the EK-Bone Springs Pool. Said well will be located 3300 feet from the South line and 1830 feet from the East line of Section 31, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico.

An 80-acre spacing and proration unit in the Bone Springs formation comprising the S/2 SE/4 of said Section 31 is to be dedicated to said well.

This application has been duly filed under the provisions of Rule 104.F of the General Rules of the Oil Conservation Division revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

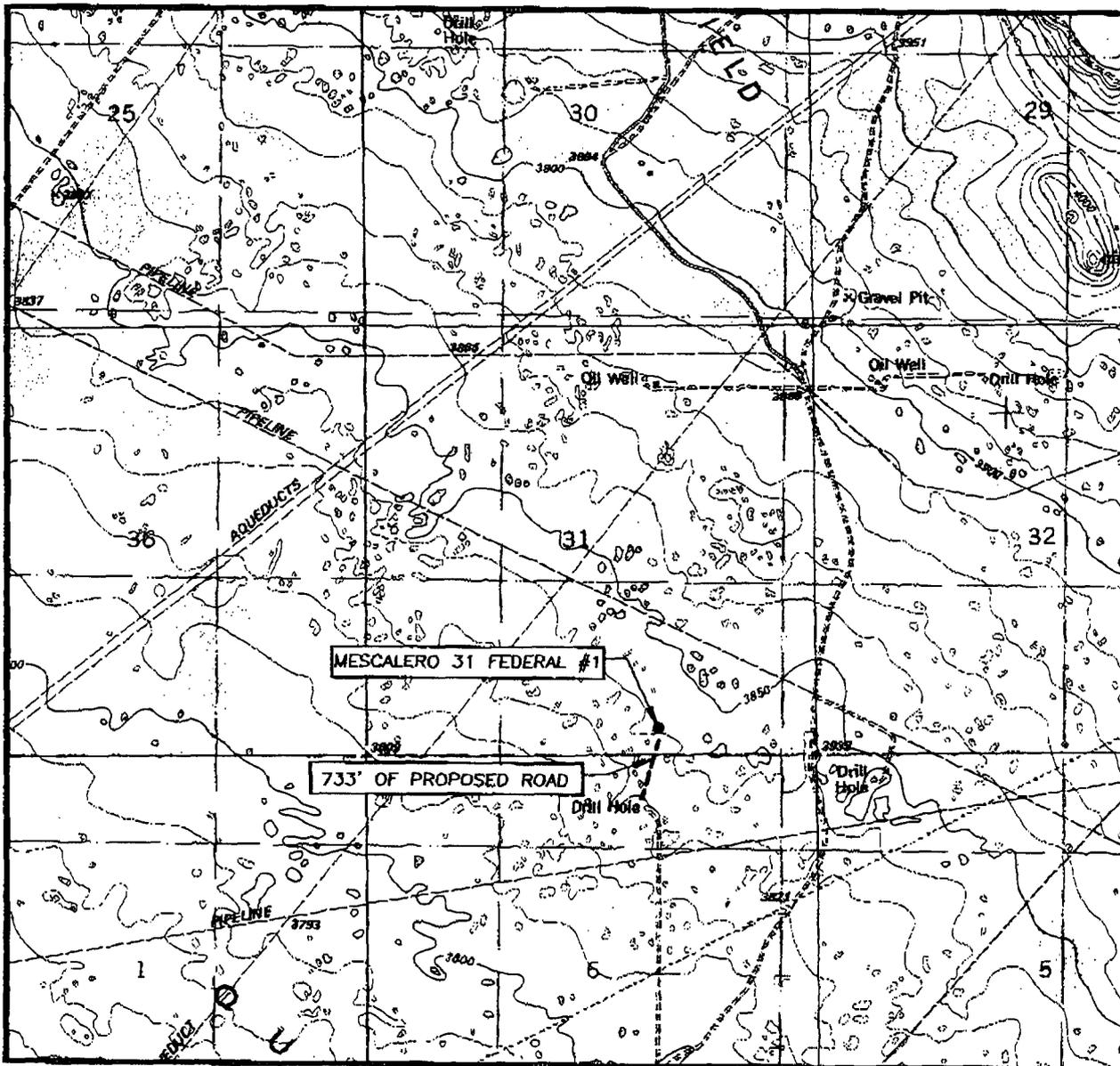
By authority granted me under the provisions of Rule 104.F(2), the above-described unorthodox well location within this 80acre unit in the Bone Springs formation is hereby approved.

Sincerely,

Mark E. Fesmire, P.E.  
Director

cc: Oil Conservation Division - Hobbs/Artesia

# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:  
IRONHOUSE WELL, N.M. - 10'

SEC. 31 TWP. 18-S RGE. 34-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 330' FSL & 1830' FEL

ELEVATION 3838'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE MESCALERO 31 FEDERAL

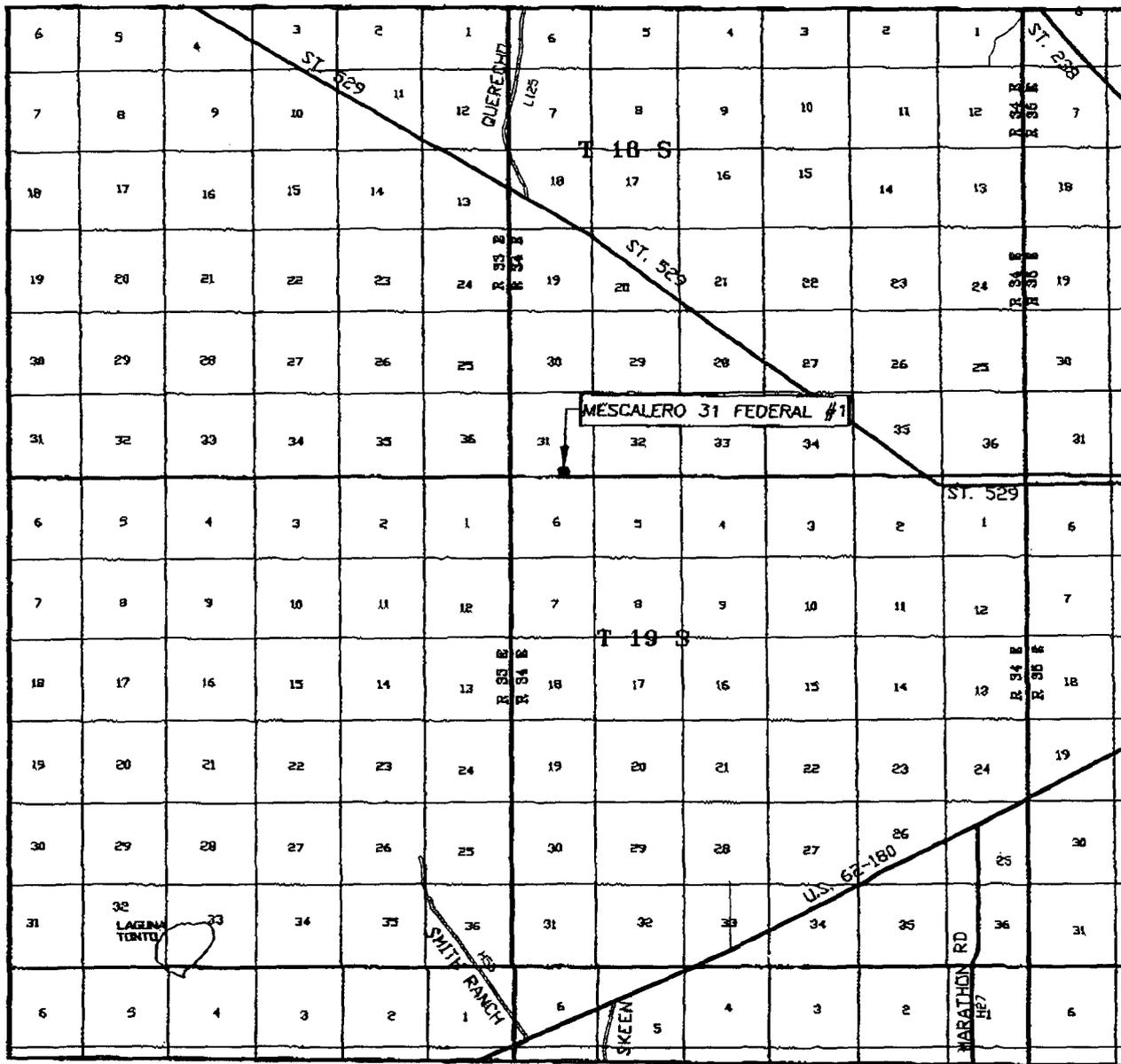
U.S.G.S. TOPOGRAPHIC MAP  
IRONHOUSE WELL, N.M.



PROVIDING SURVEYING SERVICES  
 SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 399-3117

EXHIBIT A

# VICINITY MAP



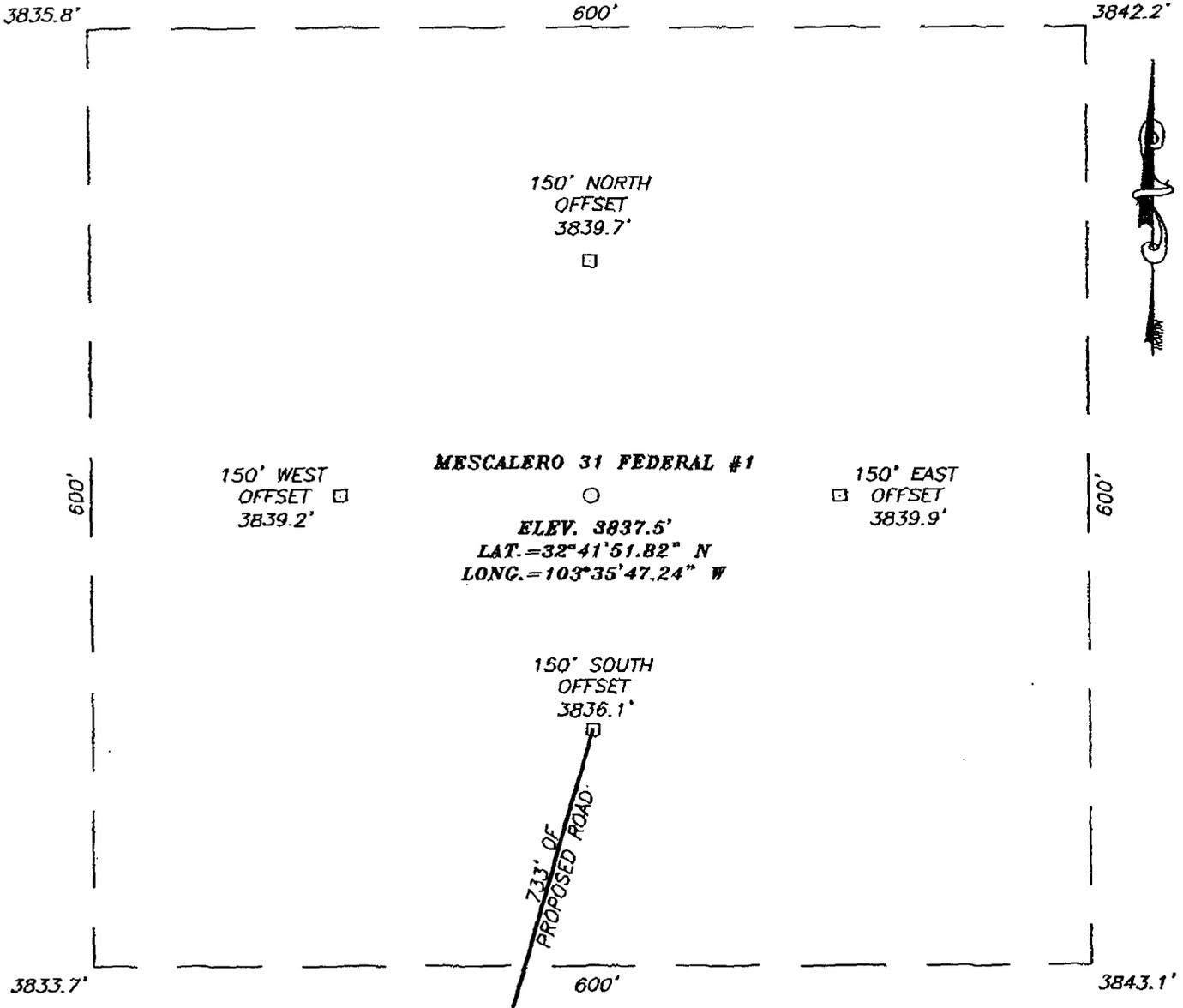
SCALE: 1" = 2 MILES

SEC. 31 TWP. 18-S RGE. 34-E  
 SURVEY N.M.P.M.  
 COUNTY LEA  
 DESCRIPTION 330' FSL & 1830' FEL  
 ELEVATION 3838'  
 OPERATOR NEARBURG PRODUCING COMPANY  
 LEASE MESCALERO 31 FEDERAL



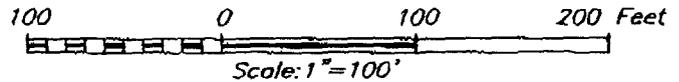
PROVIDING SURVEYING SERVICES  
 SINCE 1948  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL. PASSO  
 HOERS, N.M. 88240  
 (805) 383-3117

**SECTION 31, TOWNSHIP 18 SOUTH, RANGE 34 EAST, N.M.P.M.,**  
LEA COUNTY, NEW MEXICO



**DIRECTIONS TO LOCATION**

FROM THE INTERSECTION OF U.S. HWY. #62-180 AND SMITH RANCH ROAD, GO NORTH ON SMITH RANCH ROAD APPROX. 2.1 MILES. TURN RIGHT AND GO THRU CATTLE GUARD APPROX. 0.2 MILES TO A ROAD INTERSECTION. TURN RIGHT AND GO NORTH APPROX. 4.0 MILES TO A ROAD INTERSECTION. TURN LEFT AND GO WEST APPROX. 200 FEET TO A PROPOSED ROAD SURVEY. FOLLOW ROAD SURVEY APPROX. 733 FEET NORTHEAST TO THIS LOCATION.



**NEARBURG PRODUCING COMPANY**

MESCALERO 21 FEDERAL #1 WELL  
LOCATED 330 FEET FROM THE SOUTH LINE  
AND 1830 FEET FROM THE EAST LINE OF SECTION 31,  
TOWNSHIP 18 SOUTH, RANGE 34 EAST, N.M.P.M.,  
LEA COUNTY, NEW MEXICO.

Survey Date: 12/13/05	Sheet 1 of 1 Sheets
W.O. Number: 05.11.1976	Dr By: LA
Date: 12/14/05	Disk: CD#4
05111976	Scale: 1"=100'

PROVIDING SURVEYING SERVICES  
SINCE 1948  
**JOHN WEST SURVEYING COMPANY**  
412 N. DAL PASO  
HOBBBS, N.M. 88340  
(505) 383-3117



Form 3160-5  
(April 2004)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**OPERATOR'S COPY**

FORM APPROVED  
OMB NO. 1004-0137  
Expires March 31, 2007

**SUNDRY NOTICES AND REPORTS ON WELLS**

*Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.*

**SUBMIT IN TRIPLICATE - Other instructions on reverse side**

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. <b>NMNM107396</b>
2. Name of Operator <b>Nearburg Producing Company</b>		6. If Indian, Allottee or Tribe Name
3a. Address <b>3300 N A St., Bldg 2, Ste 120, Midland, TX 79705</b>	3b. Phone No. (Include area code) <b>432/686-8235</b>	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) <b>660 FSL and 1980 FEL, Sec 31, 18S, 34E</b>		8. Well Name and No. <b>Mescalero 31 Federal #1</b>
		9. API Well No.
		10. Field and Pool, or Exploratory Area <b>E-K; Bone Springs</b>
		11. County or Parish, State <b>Lea NM</b>

**12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Location</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<u>Move</u>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

NPC is moving the subject location at the request of BLM Rep. Ty Allen as follows:

from:  
660 FSL and 1980 FEL, Sec 31, 18S, 34E

to:  
330 FSL and 1830 FEL, Sec 31, 18S, 34E

**EXHIBIT C**

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) <b>Sarah Jordan</b>	Title <b>Production/ Regulatory Analyst</b>
<i>Sarah Jordan</i>	Date <b>12/15/05</b>

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by <i>Sarah Jordan</i> Acting	<b>FIELD MANAGER</b>	Date <b>12/28/05</b>
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office <b>CARLSBAD FIELD OFFICE</b>	

Title 18 U.S.C. Section 1001, and Title 43 U.S.C. Section 1212, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Form 3160-3  
(April 2004)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OPERATOR'S COPY

FORM APPROVED  
OMB NO. 1004-0137  
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work <input checked="" type="checkbox"/> DRILL <i>E.A. L. Lara</i> <input checked="" type="checkbox"/> REENTER		5. Lease Serial No. NMNM107396
1b. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Nearburg Producing Company		7. Unit or CA Agreement Name and No.
3a. Address 3300 N A St., Bldg 2, Ste 120, Midland, TX 79705		8. Lease Name and Well No. Mescalero 31 Federal #1
3b. Phone No. (include area code) 432/686-8235		9. API Well No.
4. Location of Well (Report location clearly and in accordance with any State requirements)* At surface <sup>330</sup> 560 FSL and <sup>1830</sup> 1900 FEL <i>see attached SA sheet 12/15/05</i>		10. Field and Pool, or Exploratory E-K; Bone Spring
At proposed prod. zone		11. Sec., T., R., M., or Blk. and Survey or Area Sec 31, 18S, 34E
14. Distance in miles and direction from nearest town or post office* 11 miles NE of Halfway, NM		12. County or Parish Lea
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 660		13. State NM
16. No. of Acres in lease 80		17. Spacing Unit dedicated to this well 80
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 660		20. BLM/BIA Bond No. on file NMB000153
19. Proposed Depth 10,000		21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3840
22. Approximate date work will start* 12/1/05		23. Estimated duration 40 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- |   |  |
|---|--|
| 1. Well plat certified by a registered surveyor.  | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).    |
| 2. A Drilling Plan  | 5. Operator certification.   |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPU shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>[Signature]</i>	Name (Printed/Typed) Sarah Jordan	Date 11/3/05
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Title Production Analyst		
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Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed) Joe G. Lara	Date 12/28/05
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Title Acting FIELD MANAGER	Office CARLSBAD FIELD OFFICE	
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Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
Conditions of approval, if any, are attached.

**APPROVAL FOR 1 YEAR**

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*(Instructions on page 2)

**APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED**

EXHIBIT D