



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

June 26, 1998

Nearburg Producing Company
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Administrative Order NSL-4070(BHL)

Dear Mr. Kellahin:

Reference is made to your application on behalf of the operator, Nearburg Producing Company ("Nearburg"), dated June 17, 1998 for authorization to reenter the plugged and abandoned Cities Service Company Little Box Canyon Unit Well No. 4, to be redesignated the Little Box Canyon "12" Federal Com Well No. 4 (API No. 30-015-22288), located 1980 feet from the North line and 1650 feet from the East line (Unit G) of Section 12, Township 21 South, Range 21 East, NMPM, Eddy County, New Mexico. This well is to be dedicated to a standard "lay-down" 320-acre gas spacing and proration unit that comprises the N/2 of Section 12 for any and all formations and/or pools developed on 320-acre spacing from the base of the Wolfcamp formation to the base of the Morrow formation, which presently includes but is not necessarily limited to the Undesignated Box Canyon-Permo Pennsylvanian Gas Pool, Indian Loafer Draw-Upper Pennsylvanian Gas Pool, Undesignated Little Box Canyon-Strawn Gas Pool, Undesignated Little Box Canyon-Atoka Gas Pool, and Little Box Canyon-Morrow Gas Pool.

It is our understanding from Division records that this well was originally drilled at a standard gas well location by Cities Service Company in 1977 to a total depth of 8,320 feet in order to evaluate the Morrow formation for gas production within this 320-acre unit. The Morrow interval tested dry and was subsequently plugged and abandoned.

Per your application, Nearburg now intends to reenter the wellbore, side track off of vertical, and drill directionally in a northeasterly direction in order to further evaluate all potential gas producing intervals down to the Little Box Canyon-Morrow Gas Pool at a subsurface location that is considered to be unorthodox.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox subsurface gas well location will be at a more favorable geologic position within the Little Box Canyon-Morrow Gas Pool than a well drilled at a location considered to be standard within the NE/4 of Section 12.

The applicable drilling window or "producing area" within the vertical interval from the base of the Wolfcamp formation to the base of the Morrow formation for said wellbore shall include that

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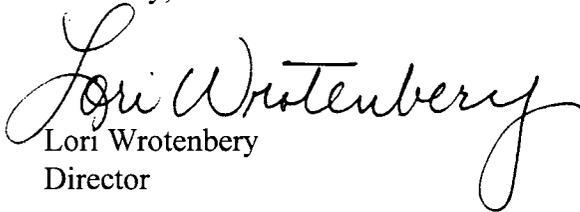
area within the subject 320-acre gas spacing and proration unit comprising the N/2 of Section 12 that is:

- (a) no closer than 660 feet to the east, south, and west boundaries of the unit; and,
- (b) no closer than 990 feet from the North line of Section 12.

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described non-standard subsurface gas producing area/bottomhole gas well location is hereby approved.

The operator shall comply with all provisions of Division General Rule 111 applicable in this matter.

Sincerely,


Lori Wrotenberg
Director

LW/MES/kv

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