



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

March 5, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Nearburg Exploration Company, L.L.C.
c/o William F. Carr
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Telefax No. (505) 983-6043

Administrative Order NSL-4558(BHL)

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator, Nearburg Exploration Company, L.L.C. ("Nearburg") dated January 30, 2001, which contained information dated December 12, 2000 (see Exhibits C, D, E, and F); (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe and Hobbs; (iii) Mr. Mark Wheeler's telephone conversation with Mr. David R. Catanach, Engineer/Hearing Officer in Santa Fe on Friday, February 23, 2001; (iv) Mr. Michael H. Feldewert's, meeting with Mr. Michael E. Stogner, Chief Hearing Officer/Engineer in Santa Fe on Friday, March 2, 2001; (v) Mr. Stogner's telephone conversation with you on Friday, afternoon on March 2, 2001 concerning notice in this matter, see Rule 1207.A (2); (vi) Mr. Stogner's faxed message on March 3, 2001; and (vii) your response by letter dated March 5, 2001: all concerning Nearburg's request for a non-standard subsurface oil producing area/bottomhole oil well location, as defined by Division Rule 111.A (7) within a project area [see Division Rule 111.A (9)] comprising the W/2 SE/4 of Section 31, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, being a standard 80-acre stand-up oil spacing and proration unit for either the Undesignated Northeast Lovington-Strawn Pool or the Undesignated Shipp-Strawn Pool.

This 80-acre unit is within one mile of both the Northeast Lovington-Strawn and Shipp-Strawn Pools. The special pool rules concerning well location is identical for both pool and require wells to be within 150 feet of the center of a governmental quarter-quarter section or lot, see Rule 4 of the "*Special Rules and Regulations for the Ship-Strawn Pool*," as promulgated by Division Order No. R-8062-A, as amended, and Rule 4 of the "*Special Rules and Regulations Northeast Lovington-Pennsylvanian Pool*," as promulgated by Division Order No. R-3816, as amended.

This application has been duly filed under the provisions of: (i) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; (ii) Division Rule 111.C (2); (iii) Division Rule 1207.A (2); and (iv) the applicable special provisions governing both the Northeast Lovington and Shipp Strawn Pools.

It is our understanding that Nearburg intends to drill its proposed Apache "31" State Well No. 1 (API No. 30-025-35380) from a surface location 210 feet from the South line and 2310 feet

Administrative Order NSL-4558(BHL)
Nearburg Exploration Company, L.L.C.
March 5, 2001
Page 2

from the East line (Unit O) of Section 31, kick-off from the vertical portion of this wellbore to the north, and directionally drill into the Strawn formation at a targeted unorthodox bottomhole location that is approximately 2130 feet from the South line and 2310 feet from the East line (Unit J) of Section 31.

It is further understood that Nearburg is seeking this subsurface location exception based on seismic data taken within the immediate area, whereby it contends that a well directionally drilled to the proposed unorthodox bottomhole oil well location will serve to intersect the top of a small algal reef mound at a more favorable geologic position within the Strawn formation underlying the subject 80-acre unit.

By the authority granted me under the provisions of: (i) Rule 5 of both the special Northeast Lovington and Shipp Strawn Pool rules; and (ii) Division Rule 104.F (2), Nearburg is hereby authorized to directionally drill its proposed Apache "31" State Well No. 1 as close as is reasonably possible to a targeted subsurface location within the Strawn formation considered to be unorthodox 2130 feet from the South line and 2310 feet from the East line (Unit J) of Section 31.

The operator shall comply with all provisions of Division Rule 111 applicable in this matter and to the rules governing the appropriate pool assigned once production is established.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery", followed by a large, stylized flourish or initial "LW".

Lori Wrotenbery
Director

LW/MES/kv

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