

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 11554
Order No. R-10620**

**APPLICATION OF NEARBURG EXPLORATION
COMPANY FOR AN UNORTHODOX OIL WELL
LOCATION, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 27, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach..

NOW, on this 2nd day of July, 1996, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Nearburg Exploration Company, seeks approval to drill its Nueve "36" Well No. 1 at an unorthodox oil well location 2310 feet from the North line and 1200 feet from the East line (Unit H) of Section 36, Township 16 South, Range 37 East, NMPM, to test the Shipp-Strawn Pool, Lea County, New Mexico.

(3) The S/2 NE/4 of Section 36 is to be dedicated to the subject well forming a standard 80-acre spacing and proration unit for the Shipp-Strawn Pool.

(4) The proposed well location and 80-acre unit is within the Shipp-Strawn Pool and is therefore subject to the "*Special Rules and Regulations for the Shipp-Strawn Pool*", as promulgated by Division Order No. R-8062-A, dated January 21, 1986, which provides for standard 80-acre oil spacing and proration units with wells to be located within 150 feet of the center of either governmental quarter-quarter section or lot.

(5) In support of its application, the applicant presented geologic evidence and testimony based upon well control and 3-D seismic data.

(6) The geological evidence and testimony presented indicates that a well drilled at the proposed unorthodox location should penetrate a small algal reef mound within the Strawn formation in an area of greater thickness and greater porosity development than a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial production.

(7) According to applicant's testimony, the E/2 of Section 36 is commonly owned. In addition, applicant has recently received Division authorization (Order No. R-10613, dated June 19, 1996) to drill a well within the affected offset acreage at an unorthodox oil well location 2310 feet from the South line and 660 feet from the East line (Unit I) of Section 36, to test the Strawn formation. The N/2 SE/4 of Section 36 is dedicated to this well.

(8) No other interested party appeared at the hearing in opposition to this application.

(9) Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the oil in the Shipp-Strawn Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

(10) At the request of the applicant, Nearburg Producing Company should be designated the operator of the subject well.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Nearburg Exploration Company, is hereby authorized to drill its Nueve "36" Well No. 1 at an unorthodox oil well location 2310 feet from the North line and 1200 feet from the East line (Unit H) of Section 36, Township 16 South, Range 37 East, NMPM, to test the Shipp-Strawn Pool, Lea County, New Mexico.

(2) The S/2 NE/4 of said Section 36 shall be dedicated to said well forming a standard 80-acre oil spacing and proration unit for said pool.

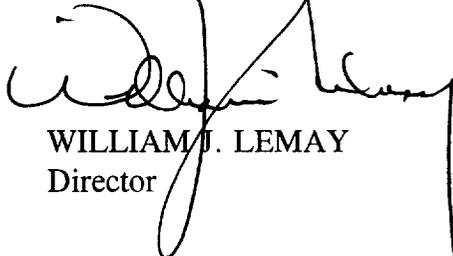
(3) Nearburg Producing Company is hereby designated the operator of the subject well.

(4) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
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WILLIAM J. LEMAY
Director

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