

New Mexico Energy, Minerals and Natural Resources Department

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Division Director
Oil Conservation Division



June 28, 2011

Mr. J. Scott Hall
Montgomery & Andrews
P.O. Box 2307
Santa Fe, NM 87504

Administrative Order NSL-6409

**Re: Nearburg Producing Company
Fairchild 24 Well No. 2H
API No. 30-015-39013
2520 feet FSL & 750 FWL
Unit L, Section 24-19S-25E
Eddy County, New Mexico**

Dear Mr. Hall:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-15446822**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Nearburg Producing Company (Nearburg) [OGRID 15742], on June 2, 2011, and

b) the Division's records pertinent to this request.

Nearburg has requested to drill the above-referenced well as a horizontal well in the Yeso formation, at a location that will be unorthodox under Division Rule 16.14.B(2) [19.15.16.14.B(2) NMAC]. The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 2520 feet from the South line and 750 feet from the West line
(Unit L) of Section 24, Township 19 South, Range 25 East, NMPM,
Eddy County, New Mexico

Oil Conservation Division
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



Point of Penetration: 2570 feet from the South line and 744 feet from the West line
(Unit L) of said section

Terminus 330 feet from the North line and 330 feet from the West line
(Unit D) of said section

The W/2 NW/4 of Section 24 will be dedicated to the proposed well to form a project area comprising two standard 40-acre oil spacing units in the North Seven Rivers Glorieta-Yeso Pool (97565). This pool is governed by statewide Rule 15.9 [19.15.15.9 NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because a portion of the producing interval will be outside the producing area.

Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location in order to utilize an existing drilling pad and to maximize the portion of the target zone penetrated by the lateral portion of the well within the producing area.

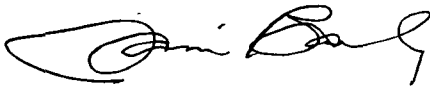
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2) [19.15.4.12.A(2) NMAC], in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9 [19.15.5.9 NMAC].

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division - Artesia