



New Mexico Energy, Minerals and Natural Resources Department

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Division Director
Oil Conservation Division



September 21, 2011

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

Administrative Order NSL-6367-B

**Re: Nearburg Producing Company
Howenstine 12 Well No. 1
API No. 30-025-40077
500 feet FNL & 1594 feet FEL
Unit B, Section 12-17S-37E
Lea County, New Mexico**

Dear Mr. Hall:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-24352623**) 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 August 30, 2011, and

(b) the Division's records pertinent to this request, including Administrative Order No. NSL-6367, issued on April 15, 2011 (the original order) and Administrative Order No. NSL-6367-A, issued on September 21, 2011 (the amended order).

Nearburg has requested to drill the above-referenced well as a directional oil well to the Strawn formation, at a location that will be unorthodox under Division Rule 16.14.B [19.16.14.B NMAC]. The proposed surface location is the same as that approved in the original order, but you are now proposing a revised bottom hole location, different from both that approved in the original order and that approved in the amended order. The surface location and terminus of the well as now proposed are as follows:

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



Surface Location: 500 feet from the North line and 1594 feet from the East line
(Unit B) of Section 12, Township 17 South, Range 37 East NMPM,
Lea County, New Mexico

Bottom Hole: 350 feet from the North line and 1540 feet from the East line
(Unit B) of said section

The N/2 NE/4 of Section 12 will be dedicated to the proposed well to form a standard, 80-acre oil spacing and proration unit in the Shipp Strawn Pool (55695). Spacing in this pool is governed by the Special Rules and Regulations for the Shipp Strawn Pool, as adopted by Order No. R-8062-A, issued on January 21, 1986, which provide for 80-acre units comprising two contiguous quarter-quarter sections within the same quarter section, with wells to be located no more than 150 feet from the center of a quarter-quarter section.

This location is unorthodox because the bottom hole location of this directional well will be more than 150 feet from the center of the quarter-quarter section.

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 a revised bottom hole location for geologic reasons.

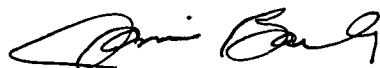
Since no offsetting owner or operator protested the location proposed in the original order, and the new revised bottom hole location is more distant from the spacing unit boundary than the location approved in the original order, no notice of this application is required.

Pursuant to the authority conferred by Division Rule 15.13.B [19.15.13.B NMAC], 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 - Hobbs