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	·	[B]	Offset Operators, Leaseholders or Surface Owner	r	
		[C]	Application is One Which Requires Published Le	gal Notice	
		[D]	U.S. Bureau of Land Management - Commissioner of Public Lands, S		
		(E)	G For all of the above, Proof of Notification or Pub.	lication is Attach	ed, and/or
		[F]	U Waivers are Attached		

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

Robert G. Shelton

the lo Signature

Land Manager

2-13-97

Print or Type Name

Title

Date

KELLAHIN AND KELLAHIN ATTORNEYS AT LAW

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION RECOGNIZED SPECIALIST IN THE AREA OF NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

RE:

EL PATIO BUILDING 117 NORTH GUADALUPE POST OFFICE BOX 2265 SANTA FE, NEW MEXICO 87504-2265

Telephone (505) 982-4285 Telefax (505) 982-2047

February 18, 1997

HAND DELIVERED

Mr. Michael E. Stogner Oil Conservation Division 2040 South Pacheco Santa Fe, New Mexico 8750

Administrative Application of

Eddy County, New Mexico

Sandy Crossing "32" Eederal Com Well No. 2

Nearburg Producing Company for Approval

of an Unorthodox Gas Well Location,

RECEPT

FEB 1 8 1997

Oil Conservation Division

Dear Mr. Stogner:

On behalf of Nearburg Producing Company, please find enclosed our administrative application for approval of an unorthodox gas well location for its Sandy Crossing "32" Federal Com Well No. 2 to be drilled 990 feet FEL and 1980 feet FSL (Unit I) Section 32, T17S, R27E, Eddy County, New Mexico, in and dedicated to a standard 320-acre gas proration and spacing unit consisting of the S/2 of said Section 32 for gas production from all 320-acre gas pools including but not limited to the Logan Draw-Morrow Gas Pool.

Nearburg Producing Company is the only offsetting operator affected by this application and therefore no notice is required by the NMOCD rules.

erv truly your W. Thomás Kellahin

fxc: Nearburg Producing Company Attn: Mike Gray

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

FEB 1 8 1997

IN THE MATTER OF THE ADMINISTRATIVE Oil Conservation Division APPLICATION OF NEARBURG PRODUCING COMPANY FOR APPROVAL OF AN UNORTHODOX GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO

ADMINISTRATIVE APPLICATION

Comes now Nearburg Producing Company, by and through its attorneys, Kellahin and Kellahin, and in accordance with Division General Rule 104.F applies to the New Mexico Oil Conservation Division for administrative approval of an unorthodox gas well location for its Sandy Crossing "32" Federal Com Well No. 2 to be drilled 990 feet from the East line and 1980 feet from the South line (Unit I) Section 32, T17S, R27E, Eddy County, New Mexico and dedicated to a standard 320-acre gas proration and spacing unit consisting of the S/2 of said Section 32 for gas production from all 320-acre gas pools including but not limited to the Logan Draw-Morrow Gas Pool and in support states:

(1) Nearburg Producing Company ("Nearburg") is the proposed operator of the subject well and Nearburg Exploration Company. L.L.C. is the working interest owner in the S/2 of Section 32. See Exhibit 1.

(2) Nearburg proposes to drill its Sandy Crossing "32" Federal Com Well No. 1 at an unorthodox gas well location 990 feet from the East line and 1980 feet from the South Line of Section 32, T17S, R27E, NMPM, Roosevelt County, New Mexico. See Exhibit 2.

(3) The subject well is to be drilled to test, among other things, the Morrow formation in the Logan Draw-Morrow Gas Pool which is subject to the statewide Rule 104 providing for standard well locations not closer than 1650 feet to the end nor closer than 660 feet to the side boundary of the spacing unit.

(4) The subject well is offset by spacing units operated by Nearburg. See Exhibit 3.

Administrative Application of Nearburg Producing Company Page 2

(5) For geologic reasons, the subject well is to be drilled at an unorthodox well location so that it is located at the point of greatest potential net thickness of clean Lower Morrow sand with reservoir characteristics not available at the closest standard location:

- (a) Geologic narrative, Exhibit 4-a
- (b) geologic isopach, Exhibit 4-b
- (c) geologic structure map Exhibit 4-c
- (d) geologic cross section, Exhibit 4-d

(7) Nearburg's geologic conclusion is that a well drilled at the closest standard location would place the well in an unfavorable position in the Morrow formation which will substantially increase the risk of a noncommercial well while the proposed unorthodox well location has the best opportunity of encountering a productive reservoir.

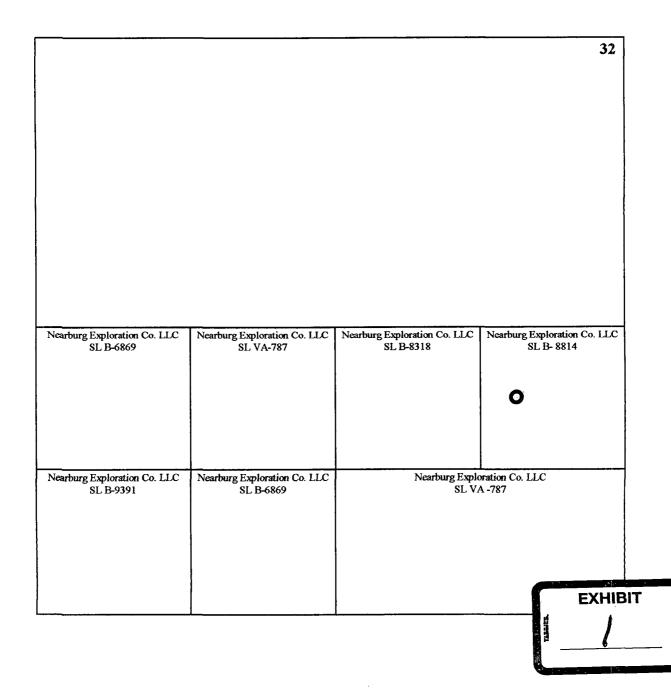
(8) This application involves federal surface and an APD has been filed with the BLM. The proposed surface location has been inspected by the BLM and Nearburg believes its location will be approved by the BLM. See Exhibit 5.

WHEREFORE, Nearburg Producing Company requests that this matter be approved administratively by the Division.

Respectfully submitted,

W. Thomas Kellahin Kellahin and Kellahin P.O. Box 2265 Santa Fe, New Mexico 87504-2265 (505) 982-4285 Attorneys for Applicant

NEARBURG PRODUCING COMPANY UNIT OWNERSHIP MAP Sandy Crossing "32" State Com. No. 1 1980' FSL & 990' FEL Section 32, T-17-S, R- 27-E Eddy County, New Mexico



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NEARBURG PRODUCING COMPANY OFFSET OWNERSHIP MAP Sandy Crossing "32" State Com. No. 1 1980' FSL & 990' FEL Section 32, T-17-S, R- 27-E Eddy County, New Mexico

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T-17-S, R-27-E 28 29 ☆ .☆ ₽. Nearburg Producing Company Operator Ο -☆-Nearburg Producing Company 33 32 Nearburg Producing Company Operator Amoco Production Company Operator Chevron "32" State Com. No. 1 Exxon "33" Fed Com. No 1 OCD Order # R-10739 0 ₽ ₽ Nearburg Exploration Company, L. L. C. Sandy Crossing State Com. No. 1 \odot 1980" FSL & 990'FEL EXHIBIT

.88 BCF R2// INACT. Ø .27 BCF(CISCO) INACT. .41 BCF INACT. 0 .04 BCF 300 MCFGPD 51 Ø4 BCF(PENN) NEW GAS WELL INACT. 1080 MCFGPD .12 BCF(CISCO) 2.40 BCF 29 MCFGPD 105 MCFGPD 0 -5632 .10 BCF 101 MCFGPD 0 PROPOSED OCATION 5700 .16 BCF(WOLF) 29 MCFGPD .04 BCF(MRRW) INACT. (GRAYBURG) X \$942 14.40 BCF(MRRW) .38 BCF ABDN. INACT. 96 S -R27F4-C Nearburg Producing Company Exploration and Production Midland, Texas LEGEND SANDY CROSSING "32" STATE COM. #1 WOLFCAMP EDDY COUNTY, NEW MEXICO **TOP LOWER MORROW** STRUCTURE MAP CISCO PRODUCTION MAP MORROW (CUM. TO 8-96) $C_{1} = 100^{\circ}$ SPACING UNIT ACREAGE GEOLOGIST DRAWN BY FILE NO. DATE 1/97

AND INCOME

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District II 811 South 1st	St, Artesia	, NM 88210		OIL CONSERVATION DIVISION PO Box 2088					Submit to Appropriate District Office State Lease - 6 Copies Fee Lease - 5 Copies				
District III 1000 Rio Braz	cos Rd, Azte	ec, NM 8741	0	Santa F	e, NM 87504	1-2088				_			
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NEARBURG PRODUCING COMPANY Sandy Crossing "32" State Com. #1 1980' FSL & 990' FEL Section 32 T-17-S, R-27-E Eddy County, New Mexico

Nearburg Producing Company proposes the drilling of it's Sandy Crossing "32" State Com. #1 at an unorthodox location (1980' FSL & 990' FEL) in the S/2 of section 32 T-17-S, R-27-E. This test is a development location in the Logan Draw Morrow gas pool. Projected total depth should be 9600'. Three geological exhibits have been prepared to explain why Nearburg is seeking an unorthodox location within this 320 acre unit.

GEOLOGICAL EXHIBIT 1

Geological exhibit 1 is a combined structure map of the top of the Lower Morrow and production map identifying current /former gas producers including the cumulative production and current daily rates for each. By far the most significant production locally has been from the Pennsylvanian Morrow Formation. Nearburg Producing Company has recently drilled two Morrow tests in the immediate area (SE/4 section 29 and NW/4 section 33). Of these two wells, the most significant is the Nearburg *Exxon "33" Fed. Com #1* drilled in section 33. Based on it's current performance, this well is expected to recover a commercial quantity of natural gas. The sand pay encountered by this well forms the basis for Nearburg's application for an unorthodox drillsite in the SE/4 section 32, and is described/displayed on the accompanying geological exhibits.

GEOLOGICAL EXHIBIT 2

Geological exhibit 2 is a Morrow stratigraphic cross-section incorporating the three closest Morrow penetrations. The two closest Morrow producers have both been drilled and operated by Nearburg as previously described. This cross-section is hung on a datum which has been identified as the Top of the Lower Morrow. The Nearburg *Trigg "29" Fed. Com. #1* is currently completed from two sands in the Morrow clastics. This well is considered to be a poor to marginal producer based on it's current daily gas rate (see geological exhibit 1). The Nearburg *Exxon "33" Fed. Com. #1* is completed in a sand equivalent to the lowermost sand perforated and producing in the Trigg well. This sand was drillstem tested during drilling operations and subsequently completed from sands as shown on this exhibit (perforations = dark red shading in depth column). As previously noted, the Exxon "33" is expected to be a significant commercial well.

GEOLOGICAL EXHIBIT 3

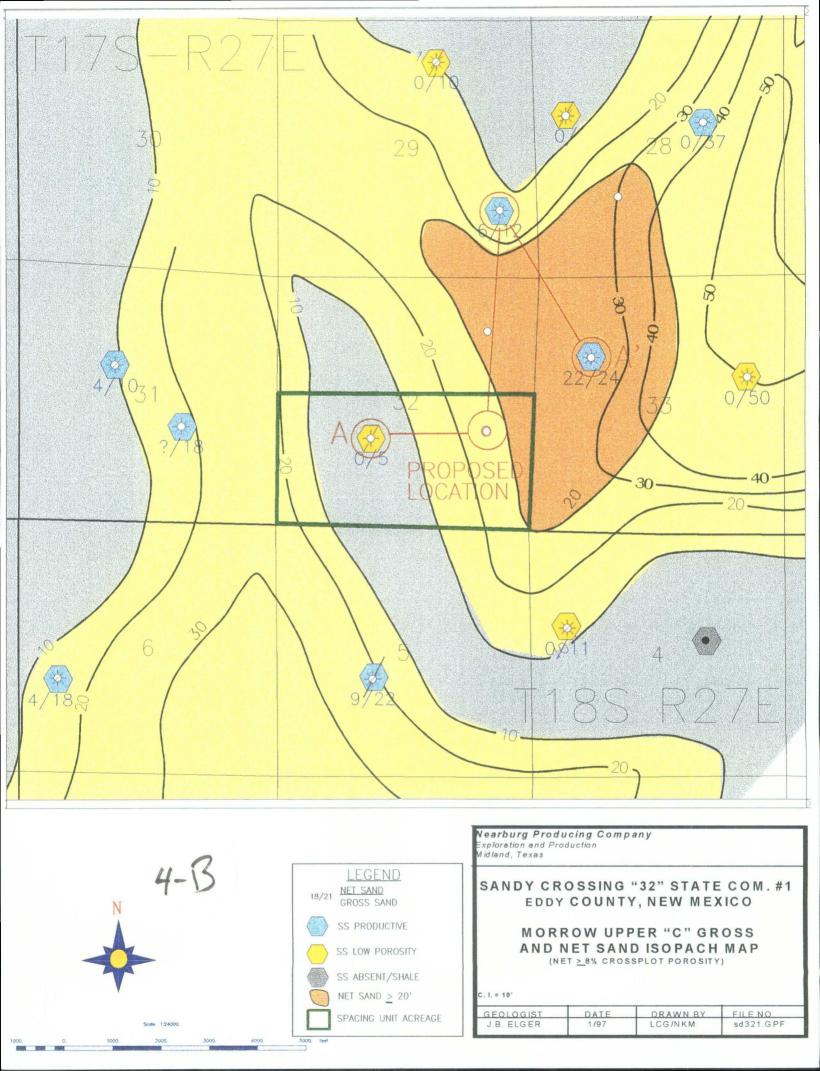
Geological exhibit 3 is a combined gross/net sand isopach map of the Lower Morrow sand which has been identified on geological exhibit 2 as the main commercial producing sand developed within the Morrow Formation in the immediate area. Again, this is the main sand which is developed in the NPC Exxon "33" well. The map legend explains which wells are productive from this particular sand. The dark brown shaded area of this map represents that area in which 20' or greater of net porous sand (8% or greater porosity) is expected to be present. This map was constructed utilizing subsurface well control only. Of importance is the Humble Oil *Chalk Bluff Draw #2* well drilled in the SW/4 section 32. This well encountered a very thin, poorly developed sand in the Lower Morrow equivalent to the main pay in the Exxon "33" (this relationship is displayed on geological exhibit 2). In fact , all of the Morrow sands are very poorly developed at this location and although Humble ran pipe and attempted to complete this well from the Morrow, it was unsuccessful, and the well was abandoned.

SECONDARY OBJECTIVES

Several wells in the vicinity of the prospect acreage have produced natural gas and associated liquids from formations other than the Morrow, specifically, from the Wolfcamp and Cisco. Production from these reservoirs represents a viable secondary objective at the proposed drillsite, however, as geological figure 1 shows, these formations contain reserves which are considered non-commercial as primary objectives.

CONCLUSION

The proposed unorthodox location has been situated such that it has a reasonable opportunity to encounter this Lower Morrow sand with reservoir characteristics consistent with commercial production. The risk of not encountering porous and permeable sands within the Lower Morrow associated with a drillsite located at an orthodox location (1650' from the east line) would preclude Nearburg from developing the natural gas reserves underlying the S/2 section 32. Granting of Nearburg's request for an unorthodox location, based on the geological evidence presented in the attached exhibits, would prevent waste and protect Nearburg's correlative rights.



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