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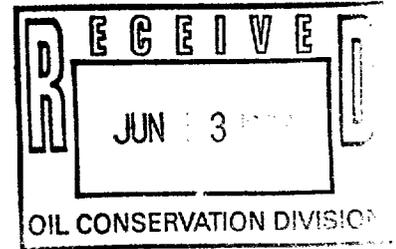
*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

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June 13, 1996

HAND DELIVERED



Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Case 11564

Re: Black River "3" Federal Well No. 1
Application of Nearburg Exploration Company
for an Unorthodox Gas Well Location,
Eddy County, New Mexico

Dear Mr. LeMay:

On behalf of Nearburg Exploration Company, please find enclosed our Application for an unorthodox gas well location for its proposed Black River "3" Federal Well No. 1 which we request be set for hearing on the next available Examiner's docket now scheduled for July 11, 1996. Also enclosed is our proposed notice for the advertisement.

Very truly yours,

A handwritten signature in cursive script, appearing to read "W. Thomas Kellahin".

W. Thomas Kellahin

cc: Nearburg Producing Company
Attn: Michael M. Gray

Proposed notification/advertisement for OCD docket

Case 11564 Application of Nearburg Exploration Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill its proposed Black River "3" Federal Well No. 1 at an unorthodox gas well location 1650 feet from the West line and 1330 feet from the South line (Unit K) Section 3, Township 24 South, Range 26 East, NMPM, to be dedicated to a standard 320-acre spacing unit consisting of the W/2 of said Section 3 and to be dedicated to any and all production therein including but not necessarily limited to the Undesignated South Carlsbad-Morrow Gas Pool. Said unit is located approximately 10 miles southwest from Whites City, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF NEARBURG EXPLORATION COMPANY
FOR AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO

CASE: 11564

APPLICATION

Comes now NEARBURG PRODUCING COMPANY ("Nearburg"), by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division for approval to drill its Black River "3" Federal Well No. 1 at an unorthodox gas well location 1650 feet from the West line and 1330 feet from the South line (Unit K) Section 3, Township 24 South, Range 26 East, NMPM, to be dedicated to a standard 320-acre spacing units consisting of the W/2 of said Section 3 and to be dedicated to any and all production therein including but not necessarily limited to the South Carlsbad-Morrow Gas Pool.

In support thereof, Applicant states:

1. Nearburg has the right to drill and test for gas production in the W/2 of Section 3, T24S, R26E, NMPM, Eddy County, New Mexico.
2. Nearburg proposes to drill a well at an unorthodox gas well location in the W/2 of said Section 3 to test for Morrow production and if capable of producing then to be dedicated to the South Carlsbad-Morrow Gas Pool.
3. This proposed gas well will be located within one mile of the current boundaries of the following Morrow gas pools:
 - (a) South Carlsbad Morrow Gas Pool
 - (b) White City-Pennsylvanian Gas Pool

4. Nearburg proposed Black River "3" Federal Well No. 1 will be drilled at unorthodox location 1650 feet from the West line and 1330 feet from the South line of said Section 3 because of geologic reasons in to attempt to recover any remaining recoverable gas reserves underlying W/2 Section 10 and thereby protect correlative rights and preventing waste.

5. Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the remaining gas underlying this unit, 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.

6. Notification of this application has been sent to the offsetting operators and/or interested parties as required by Division rules and as identified on Exhibit "A" attached.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN



BY

W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285

Nearburg Producing Company's
OCD Application
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EXHIBIT "A"
NOTICE LIST

Mallon Oil Company
999 18th Street, Suite 1700
Denver, Colorado 80202
Attn: Randy Stalcup

Read & Stevens
P. O. Box 1518
Roswell, New Mexico 88202

W.A.D.I. Petroleum Inc.
14405 Walter Rd, Suite 400
Houston, Texas 77014

W.A.D.I. Petroleum, Inc.
1010 First City Bank Towner
Corpus Christi, Texas 78478