

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

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

**CASE NO. 12073
Order No. R-11089-C**

**APPLICATION OF NEARBURG EXPLORATION COMPANY
FOR COMPULSORY POOLING AND AN UNORTHODOX SURFACE
LOCATION AND SUBSURFACE DRILLING WINDOW
EDDY COUNTY, NEW MEXICO.**

**NEARBURG EXPLORATION COMPANY'S
PROPOSED
ORDER OF THE COMMISSION**

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on January 14, 1999, at Santa Fe, New Mexico before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this ____ day of January, 1999, the Commission, a quorum being present, having considered the record and being fully advised in the premises,

FINDS THAT:

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

(2) Nearburg Exploration Company, L.L.C. proposed its Eagle Creek "11" Well No. 1 as a Morrow well to be dedicated to the E/2 of Section 11, T17S, R25E, NMPM, Eddy County, New Mexico.

(3) This well is to be directionally drilled because the optimum subsurface location is in the SE/4 of this section where surface use is limited by existing houses in a subdivision and by the close proximity of the Artesia airport and the applicable FAA restrictions.

(4) Pursuant to Section 70-2-17(c) NMSA (1978) and upon the application of Nearburg, the Division entered Order R-11089 which pooled the following interests:

Yates Petroleum Corporation
ABO Petroleum Corporation
MYCO Petroleum Corporation
S.P. Yates
John A. Yates
John A. Yates, PR for estate of Peggy A. Yates
Sharbro Oil Ltd. Co.

(5) Order R-11089 also approved Nearburg requests for the drilling of its Eagle Creek "11" Well No. 1 as a directional well ("topographical exception") from an unorthodox surface location to an unorthodox subsurface gas well location for potential production from the Morrow and other formations. Yates, et al. have waived any objection to the unorthodox subsurface drilling window.

(6) At the time of the Division Examiner hearing held on November 5, 1998, Nearburg:

(a) had searched for a suitable surface location in the SE/4 of this section but believed no suitable location existed;

(b) intended to use an unorthodox surface location in adjoining section 14 at a point 1070 feet FNL and 2110 feet FWL. (Unit C) which

is adjacent to an existing well and which would minimize the need to build additional location facilities.

(c) this surface location was located on surface tract controlled by Yates Petroleum Corporation ("Yates") whom Nearburg believed would consent to the use of their surface; and

(d) the proposed costs of the well ("AFE") were \$801,530.00 for a completed well to be drilled directionally to the Morrow formation at approximately 8,000 feet TVD.

(7) At the time of the Examiner's hearing, Yates had filed a written waiver of objection to the location for this well and filed an entry of appearance but did not present any evidence or objection to the entry of this compulsory pooling order.

(8) After entry of this order, Yates Petroleum Corporation filed for a DeNovo hearing in this case.

(9) Nearburg believed it would not be able to reach an agreement with Yates for the use of the original unorthodox surface location in Section 14, and has:

(a) now located a surface owner in the SE/4 of Section 11 who was previously unknown to Nearburg and who is willing to allow Nearburg a surface location 460 feet FEL and 1120 feet FSL of this section;

(b) obtained an FAA permit for this new surface location;

(c) notified all of the parties pooled by Order R-11089 of this change in surface location and has afforded them an opportunity to elect to participate in this well as revised;

(d) applied to the Commission to amend only that portion of Order R-11089 necessary in order to authorize Nearburg to drill this well at an unorthodox surface location 460 feet FEL and 1120 feet FSL of Section 11.

(10) In addition, Nearburg has reached a voluntary agreement for this revised well with all of the parties in this spacing unit who were pooled by Order R-11089 and now desires that the Commission vacate those portions of Order R-11089 which deal with compulsory pooling.

(11) Nearburg's requested subsurface drilling window will not change and the AFE resulting for this amended surface location will be approximately \$812,198.00

IT IS THEREFORE ORDERED THAT:

(1) Ordering Paragraph (1) of Order R-11089 is hereby amended as follows:

The applicant, Nearburg Producing Company, L.L.C. is hereby authorized to drill its proposed Eagle Creek "11" Well No. 1 which will be directionally drilled from an unorthodox surface location 460 feet from the East line and 1120 feet from the South line of Section 11, Township 17 South, Range 25 East, such that the unorthodox bottomhole location at the base of the Morrow and the producing interval within the Morrow formation is located no closer than 660 feet from the south, west or east boundaries of a standard 320-acre spacing and proration unit consisting of the E/2 of this section.

(2) Those portions of Order R-11089 dealing with compulsory pooling are hereby vacated.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JAMI BAILEY, Member

BILL LEMAY, Member

LORI WROTENBERY, Chair