

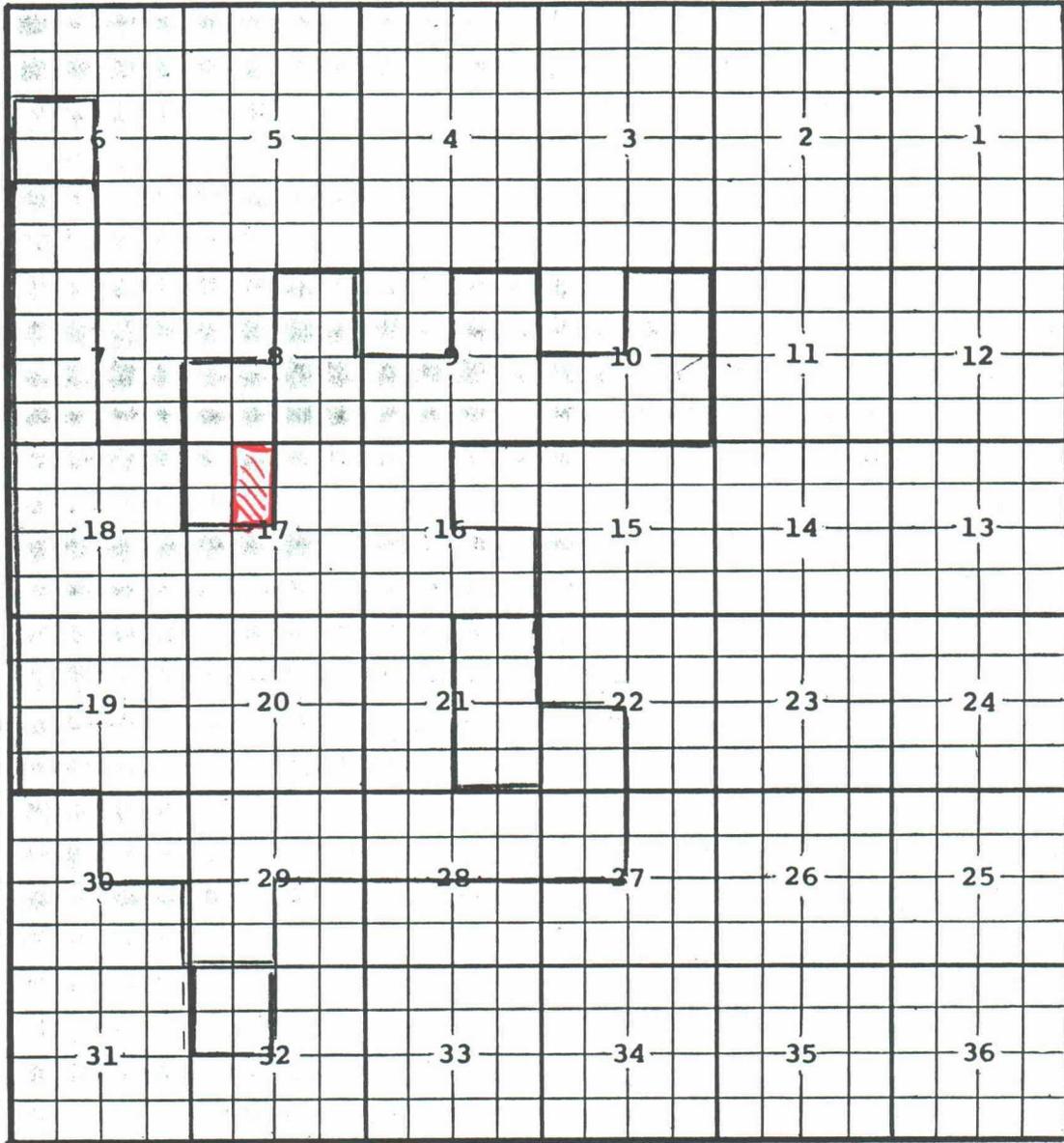
COUNTY LEA

POOL NORTHEAST LOVINGTON - PENNSYLVANIAN

TOWNSHIP 16S

RANGE 37E

NMPM



No Wells
in Unit

NW/4 SEC 16; SE/4 SEC 17; SE/4 SEC 18; ALL SEC 19; NE/4 + S/2 SEC 20;
 NW/4 SEC 21 (R-3816, 9/14/69, EFFEC: 9/1/69) EXT: NE/4 SEC 18 (R-6328, 5/1/80)
 EXT: NW/4 SEC 29 (R-8536, 12/1/80) EXT: W/2 SEC 18 (R-6724, 7/16/81)
 EXT: SW/4 SEC 7 (R-6923, 3/9/82) EXT: NW/4 SEC 20 (R-7076, 9/27/82)
 EXT: SE/4 SEC 8, NE/4 SEC 17 (R-7322, 8/1/83) EXT: NE/4 SEC 30 (R-7351, 9/19/83)
 EXT: SW/4 SEC 21 (R-7607, 7/27/84) EXT: NW/4 SEC 28 (R-7800, 1/31/85)
 EXT: S/2, NE/4 SEC 9 (R-7858, 3/28/85) EXT: NE/4 SEC 28 (R-7959, 6/12/85)
 EXT: NE/4 SEC 8, S/2 SEC 10 (R-8193, 3/21/86) EXT: SW/4 SEC 17, NE/4 SEC 29 (R-8214, 5/1/89)
 EXT: SW/4 SEC 6, NW/4 SEC 7 (R-8388, 1/14/87) EXT: SE/4 SEC 16 (R-8409, 3/7/87)
 EXT: NW/4 SEC 16, SW/4 SEC 29 (R-8584, 1/11/88) EXT: NE/4 SEC 10 (R-8603, 2/19/88)
 EXT: SW/4 SEC 8, NW/4 SEC 17, NW/4 SEC 32 (R-8826, 12-22-88) EXT: E/2 SEC 21
 (R-8946, 7-1-89)

(PRAIRIE, SOUTH-CISCO AND ALLISON, MIDDLE-PENNSYLVANIAN (ORDER NO. R-3806) POOLS - Cont'd.)

(4) That the NW/4 of said Section 28 should not be deleted from the South Prairie-Cisco Pool.

(5) That the Middle Allison-Pennsylvanian Pool should be extended to include all of said Section 29, the SE/4 of said Section 30, and the N/2 of said Section 32.

(6) That the deletion and extensions as described in Findings (3) and (5) above will not violate correlative rights nor cause waste.

IT IS THEREFORE ORDERED:

(1) That the horizontal limits of the South Prairie-Cisco Pool, Roosevelt County, New Mexico, are hereby contracted by the deletion therefrom of the following-described area:

TOWNSHIP 8 SOUTH, RANGE 36 EAST, NMPM
Section 29: NE/4

(2) That the horizontal limits of the Middle Allison-Pennsylvanian Pool, Lea and Roosevelt Counties, New Mexico, are hereby extended to include therein the following-described area:

ROOSEVELT COUNTY, NEW MEXICO
TOWNSHIP 8 SOUTH, RANGE 36 EAST, NMPM
Section 29: All
Section 30: SE/4
Section 32: N/2

(3) That the location of any well which, by virtue of this extension, is presently drilling to or completed in the Middle Allison-Pennsylvanian Pool or in the Bough "C" zone of the Pennsylvanian formation within one mile thereof is hereby approved; that the operator of any such well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before August 15, 1969.

(4) That, pursuant to Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, any well which, by virtue of this extension, is subject to the Middle Allison-Pennsylvanian Pool rules providing for 160-acre spacing or proration units, shall have 60 days from the effective date of this order in which to file new Forms C-102 dedicating 160 acres to said well or to obtain a non-standard unit approved by the Commission. Pending such compliance, the well shall receive a maximum allowable in the same proportion to a standard allowable for the pool that the acreage dedicated to the well bears to a standard unit for the pool. Failure to file Forms C-102 dedicating a standard unit to the well or to obtain a non-standard unit approved by the Commission within said 60-day period shall subject the well to cancellation of allowable.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

**NORTHEAST LOVINGTON-PENNSYLVANIAN POOL
Lea County, New Mexico**

Order No. R-3816, Creating and Adopting Temporary Operating Rules for the Northeast Lovington-Pennsylvanian Pool, Lea County, New Mexico, September 1, 1969.

Order No. R-3816-A, August 21, 1970, makes permanent the rules adopted in Order R-3816.

Application of Pennzoil United, Inc., for Special Pool Rules, Lea County, New Mexico.

CASE NO. 4172
Order No. 3816

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on August 6, 1969, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 14th day of August, 1969, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Pennzoil United, Inc., seeks the promulgation of special rules and regulations for the East Lovington-Pennsylvanian Pool, Lea County, New Mexico, including a provision for 80-acre oil proration units.

(3) That the reservoir information presently available indicates that the horizontal limits of the East Lovington-Pennsylvanian Pool, as presently designated, encompass more than one separate common source of supply.

(4) That the horizontal limits of the East Lovington-Pennsylvanian Pool should, in order to prevent waste and protect correlative rights, be contracted by deleting the following-described lands in Lea County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 16: SW/4
Section 17: SE/4
Section 18: SE/4
Section 19: All
Section 20: NE/4 and S/2
Section 21: NW/4
Section 29: All
Section 31: N/2 N/2, SW/4 NW/4, SW/4,
and W/2 SE/4
Section 32: N/2 and N/2 S/2
Section 33: N/2 SW/4 and SE/4 SW/4

(LOVINGTON, NORTHEAST-PENNSYLVANIAN POOL - Cont'd.)

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 4: NE/4, E/2 NW/4, and SW/4 NW/4
Section 5: S/2 N/2

(5) That in order to prevent waste and protect correlative rights, a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production should be created and designated the Northeast Lovington-Pennsylvanian Pool, with vertical limits comprising the Pennsylvanian formation and horizontal limits comprising the following-described lands in Lea County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM
Section 24: SE/4

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 16: SW/4
Section 17: SE/4
Section 18: SE/4
Section 19: All
Section 20: NE/4 and S/2
Section 21: NW/4

(6) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the Northeast Lovington-Pennsylvanian Pool.

(7) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(8) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(9) That this case should be reopened at an examiner hearing in August, 1970, at which time the operators in the subject pool should be prepared to appear and show cause why the Northeast Lovington-Pennsylvanian Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That, effective September 1, 1969, the horizontal limits of the East Lovington-Pennsylvanian Pool, Lea County, New Mexico, are hereby contracted by the deletion therefrom of the following-described lands:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 16: SW/4
Section 17: SE/4
Section 18: SE/4
Section 19: All
Section 20: NE/4 and S/2
Section 21: NW/4
Section 29: All
Section 31: N/2 N/2, SW/4 NW/4, SW/4,
and W/2 SE/4
Section 32: N/2 and N/2 S/2
Section 33: N/2 SW/4 and SE/4 SW/4

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 4: NE/4, E/2 NW/4, and SW/4 NW/4
Section 5: S/2 N/2

(2) That, effective September 1, 1969, a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production, is hereby created and designated the Northeast Lovington-Pennsylvanian Pool, with vertical limits comprising the Pennsylvanian formation and horizontal limits comprising the following-described lands:

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM
Section 24: SE/4

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 16: SW/4
Section 17: SE/4
Section 18: SE/4
Section 19: All
Section 20: NE/4 and S/2
Section 21: NW/4

(3) That effective September 1, 1969, temporary Special Rules and Regulations for the Northeast Lovington-Pennsylvanian Pool, Lea County, New Mexico, are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
NORTHEAST LOVINGTON-PENNSYLVANIAN POOL**

RULE 1. Each well completed or recompleted in the Northeast Lovington-Pennsylvanian Pool or in the Pennsylvanian formation within one mile thereof, and not nearer to or within the limits of another designated Pennsylvanian oil pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the

**(LOVINGTON, NORTHEAST-PENNSYLVANIAN POOL -
Cont'd.)**

proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed locating or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

RULE 6. A standard proration unit (79 through 81 acres) shall be assigned an 80-acre proportional factor of 6.67 for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Northeast Lovington-Pennsylvanian Pool or in the Pennsylvanian formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before September 1, 1969.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Northeast Lovington-Pennsylvanian Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 80 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the effective date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Northeast Lovington-Pennsylvanian Pool or in the Pennsylvanian formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing in August, 1970, at which time the operators in the subject pool may appear and show cause why the Northeast Lovington-Pennsylvanian Pool should not be developed on 40-acre spacing units.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

**WEIR-DRINKARD POOL
(Gas-Oil Ratio)
Lea County, New Mexico**

Order No. R-4803, Adopting a Gas-Oil Ratio Rule for the Weir-Drinkard Pool, Lea County, New Mexico, July 1, 1974.

Application of Continental Oil Company for a Special Gas-Oil Ratio Limitation, Lea County, New Mexico.

CASE NO. 5243
Order No. R-4803

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on May 22, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 4th day of June, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Continental Oil Company, seeks, as an exception to Rule 506 of the Commission Rules and Regulations, a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil in the Weir-Drinkard Pool, Lea County, New Mexico.

(3) That the reservoir characteristics of the subject pool justify the establishment of a gas-oil limitation of 10,000 cubic feet of gas per barrel of liquid hydrocarbons.

(4) That in order to afford to the owner of each property in the Weir-Drinkard Pool the opportunity to produce his just and equitable share of the oil and gas in the subject pool and for this purpose to use his just and equitable share of the reservoir energy, a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of liquid hydrocarbons should be established for the pool.

IT IS THEREFORE ORDERED:

(1) That effective July 1, 1974, the limiting gas-oil ratio in the Weir-Drinkard Pool, Lea County, New Mexico, shall be 10,000 cubic feet of gas for each barrel of liquid hydrocarbons produced; that, effective July 1, 1974, each proration unit in the Weir-Drinkard Pool shall produce only that volume of gas equivalent to 10,000 multiplied by the top unit allowable for the pool.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

CAMPBELL & BLACK, P.A.
LAWYERS

JACK V. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
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April 20, 1990

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APR 20 1990

OIL CONSERVATION DIVISION

Mr. Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of
Energy, Minerals and
Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

Re: Case No. 9909
Application of Nearburg Producing Company for Compulsory Pooling, Lea
County, New Mexico

Dear Mr. Stogner:

At the April 18, 1990 hearing on the above-referenced application, Mr. Nearburg requested that any order resulting from this hearing include overhead and administrative charges for the subject well of \$7,000 per month while drilling and \$700 per month while producing. On subsequent check, these figures represent current costs for deep wells Nearburg is drilling in Oklahoma and are not representative of what other operators are charging for similar wells in Lea County, New Mexico. The correct figures are \$6,600 per month while drilling and \$660 per month while producing.

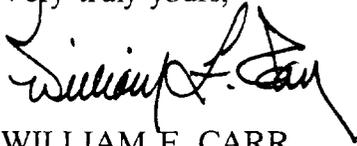
Mr. Michael E. Stogner
Hearing Examiner
April 20, 1990
Page Two

Enclosed is a copy of two pages from the 1989 Ernst & Young Survey of Combined Fixed-Rate Overhead Charges for Oil and Gas Producers. As you will note this report sets the average 1989 charges for oil wells drilled to the depth of the well involved in this application at \$6,082 per month while drilling and \$581 per month while producing. When these figures are adjusted for inflation to reflect 1990 costs they are approximately \$6,600 per month figure while drilling and \$660 per month while producing.

Nearburg, therefore, requests that the Division consider these adjusted figures in entering its order in the above-referenced case.

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is written in a cursive style with a large, stylized initial "W".

WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enc.: Mr. Mark Nearburg

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Survey Results — 1989

Region: West Texas and Eastern New Mexico-5

Ernst & Young

Oil Wells

Responses 1989 1988		Depth in Feet Over But Not Over		Monthly Drilling Well Rates				Monthly Producing Well Rates			
				1989		1988		1989		1988	
				Average or Mean	Median	Average or Mean	Median	Average or Mean	Median	Average or Mean	Median
147	214	0-	5,000	\$ 3,487	\$ 3,000	\$ 3,069	\$ 3,000	\$ 335	\$ 300	\$ 318	\$ 300
115	163	5,000-	10,000	4,541	4,000	4,066	4,000	438	400	407	390
42	76	10,000-	15,000	6,082	5,000	4,939	5,000	581	500	520	500
10	26	15,000-	20,000	6,042	6,000	5,594	5,763	649	620	634	592
10	16	20,000		5,679	5,737	5,554	5,953	619	620	673	595
32	29	No Depth Limit		5,396	5,490	4,961	5,200	541	570	561	530

Gas Wells

Responses 1989 1988		Depth in Feet Over But Not Over		Monthly Drilling Well Rates				Monthly Producing Well Rates			
				1989		1988		1989		1988	
				Average or Mean	Median	Average or Mean	Median	Average or Mean	Median	Average or Mean	Median
115	151	0-	5,000	\$ 3,265	\$ 3,042	\$ 3,202	\$ 3,000	\$ 318	\$ 300	\$ 325	\$ 300
86	119	5,000-	10,000	4,914	4,000	4,109	4,000	469	400	419	400
38	64	10,000-	15,000	6,134	5,000	4,940	5,000	566	450	524	500
11	23	15,000-	20,000	6,049	6,000	5,434	5,658	642	620	633	582
10	15	20,000		5,674	5,688	5,506	5,953	620	620	676	595
32	28	No Depth Limit		5,320	5,490	5,035	5,000	535	562	567	530

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1989 Survey for Oil and Gas Producers

U.S. Department of Interior
Geological Survey Circular 860
Regional Designation



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Ernst & Young



REGION

- | | |
|-----|---|
| No. | Name |
| 1 | Alaska |
| 1A | Alaska Offshore |
| 2 | Pacific Coast |
| 2A | Pacific Coast Offshore |
| 3 | Colorado Plateau, Basin and Range |
| 4 | Rocky Mountains and Northern Great Plains |
| 5 | West Texas and Eastern New Mexico |
| 6 | Gulf Coast |
| 6A | Gulf of Mexico |
| 6M | Gulf Coast—Inland Marine* |
| 7 | Mid-Continent |
| 8 | Michigan Basin |
| 9 | Eastern Interior |
| 10 | Appalachians |
| 11 | Atlantic Coast |
| 11A | Atlantic Coast Offshore |

The United States has not resolved its offshore boundaries with other States concerned. The lines on this chart are for purposes of illustration only and do not necessarily reflect the position or views of the United States with respect to the boundary involved.

*Added to designate inland marine activity for survey purposes.

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1989 Survey for Oil and Gas Producers



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

GARREY CARRUTHERS
GOVERNOR

May 1, 1990

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SANTA FE, NEW MEXICO 87504
(505) 827-5800

Mr. William F. Carr
Campbell & Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 9909
ORDER NO. R-9168

Applicant:

Nearburg Producing Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other Thomas Kellahin