



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Jennifer A. Salisbury
Cabinet Secretary

June 15, 2000

Lori Wrotenbery
Director
Oil Conservation Division

**Nearburg Producing Company
c/o William F. Carr
P. O. Box 2208
Santa Fe, New Mexico 87504-2208**

Telefax No. (505) 983-6043

Administrative Order NSL-4466(NSBHL)

Dear Mr. Carr:

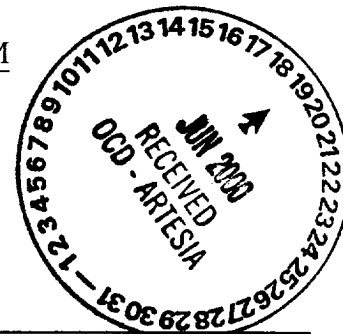
Reference is made to the following: (i) your application dated May 15, 2000; (ii) the records of the New Mexico Oil Conservation Division in Santa Fe ("Division"); and (iii) your telephone conversation with Mr. Michael E. Stogner, Division Chief Hearing Officer/Engineer, in Santa Fe on Monday June 12, 2000: all concerning Nearburg Producing Company's ("Nearburg") request for exception to Division Rules 111.A (13) and 111.C (2) and RULE 4 of the "*Special Rules and Regulations for the North Dagger Draw Upper-Pennsylvanian Pool*," as promulgated by Division Order No. R- 4691, as amended.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of: (i) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; (ii) Division Rule 111.C (2); and (iii) RULE 5 of the special North Dagger Draw-Upper Pennsylvanian Pool rules;
- (2) By Order No. R-4691 issued in Case No. 5117, dated December 11, 1973 and made effective January 1, 1974, the Division created and defined the North Dagger Draw-Upper Pennsylvanian Pool for the production of oil from the Cisco and Canyon formations. The horizontal limits for this pool, as currently designated, include the following lands in Eddy County, New Mexico:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 12:	E/2
Section 13:	E/2
Section 22:	SE/4
Section 24 through 26:	All
Section 27:	NE/4
Section 34:	E/2





Section 35 and 36: All

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM

Section 3:	SW/4
Section 8:	NE/4 and S/2
Sections 9 and 10:	All
Section 11:	S/2
Section 14:	NW/4
Sections 15 through 22:	All
Section 23:	N/2 and SE/4
Section 24:	NW/4
Section 27:	N/2 and SW/4
Sections 28 through 30:	All
Section 31:	N/2 and SW/4
Section 32:	N/2
Section 33:	N/2

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM

Sections 1 and 2:	All
Section 3:	N/2 and SE/4
Section 10:	NE/4
Section 11:	N/2
Section 12:	NW/4

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM

Section 5:	NW/4
Section 6:	N/2;

- (3) The special rules for the North Dagger Draw-Upper Pennsylvanian Pool require 160-acre spacing and proration units each comprising a single governmental quarter section (or equivalent) and designated well location requirements such that each well drilled in this pool is to be no closer than 660 feet to the outer boundary of a unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary;
- (4) Further, under Division Order No. R-4691, as amended, the North Dagger Draw-Upper Pennsylvanian Pool is subject to production limitations and restrictions;
- (5) The SW/4 of Section 27, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, being a standard 160-acre oil spacing and proration unit within the

North Dagger Draw-Upper Pennsylvanian Pool, is currently dedicated to Nearburg's:

- (a) South Boyd "27" Com. Well No. 4 (**API No. 30-015-28289**) located at a standard oil well location 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 27;
 - (b) South Boyd "27" Com. Well No. 5 (**API No. 30-015-28801**) located at a standard oil well location 820 feet from the South line and 990 feet from the West line (Unit M) of Section 27; and
 - (c) South Boyd "27" Well No. 7 (**API No. 30-015-29010**) located at a standard oil well location 1980 feet from the South and West lines (Unit K) of Section 27;
- (6) It is our understanding that Nearburg initially drilled its South Boyd "27" Well No. 12 (**API No. 30-015-30793**) at a standard oil well location 990 feet from the South line and 1980 feet from the West line (Unit N) of Section 27 to a depth of 8,000 feet in November, 1999; the well tested dry; Nearburg then plugged the well back to 5,414 feet (MD), kicked-off in a south-southwesterly direction and directionally drilled to a depth of 8,100 feet (MD);
 - (7) The resulting bottomhole location, being 636.6 feet from the South line and 1769.1 feet from the West line of Section 27, is unorthodox;
 - (8) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Division Rules 111.C (2) and 104.F and RULE 5 of the special pool rules; therefore the subject application should be approved; and
 - (9) The provisions contained within this order and all other applicable provisions of Division Rule 111 and Division Order No. R-4691, as amended, should govern the subject 160-acre oil spacing and proration unit.

It Is Therefore Ordered That:

- (1) By the authority granted me under the provisions of Division Rule 104.F (2) and RULE 5 of the "*Special Rules and Regulations for the North Dagger Draw Upper-Pennsylvanian Pool*," as promulgated by Division Order No. R- 4691, as amended, the above-described application

of Nearburg Producing Company ("Nearburg") for exception to Division Rules 111.A (13) and 111.C (2) and RULE 4 of the special pool rules for its South Boyd "27" Well No. 12 (**API No. 30-015-30793**), located at a surface location 990 feet from the South line and 1980 feet from the West line (Unit N) of Section 27, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, and an unorthodox bottomhole oil well location at a measured depth of 8,100 feet within the North Dagger Draw-Upper Pennsylvanian Pool 636.6 feet from the South line and 1769.1 feet from the West line of Section 27, is hereby approved.

(2) The existing 160-acre oil spacing and proration unit comprising the SW/4 of Section 27 is to be dedicated to this well.

It Is Further Ordered That:

(3) North Dagger Draw-Upper Pennsylvanian Pool production from the above-described South Boyd "27" Well No. 12 is to be simultaneously dedicated with the following three wells all located in the SW/4 of Section 27:

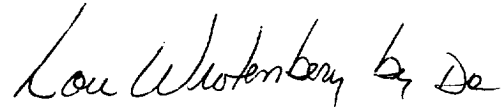
- (a) South Boyd "27" Com. Well No. 4 (**API No. 30-015-28289**) located at a standard oil well location 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 27;
- (b) South Boyd "27" Com. Well No. 5 (**API No. 30-015-28801**) located at a standard oil well location 820 feet from the South line and 990 feet from the West line (Unit M) of Section 27; and
- (c) South Boyd "27" Well No. 7 (**API No. 30-015-29010**) located at a standard oil well location 1980 feet from the South and West lines (Unit K) of Section 27.

(4) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111 and Division Order No. R-4691, as amended.

(5) 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 DIVISION

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery by De".

LORI WROTENBERY
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia /