

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

## APPLICATION FOR PERMIT TO DRILL OR DEEPEN

|  |  |   |  |
|--|--|---|--|
| 1a. TYPE OF WORK<br>DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>  |  | 5. LEASE DESIGNATION AND SERIAL NO.<br>NMNM-96047                         |  |
| b. TYPE OF WELL<br>OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/> |  | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME                                      |  |
| 2. NAME OF OPERATOR<br>Nearburg Producing Company 15742  |  | 7. UNIT AGREEMENT NAME<br>19956   |  |
| 3. ADDRESS AND TELEPHONE NO.<br>P.O. Box 823085, Dallas, TX 75382-3085 214/739-1778  |  | 8. FARM OR LEASE NAME, WELL NO.<br>Black River 3 Fed #1                   |  |
| 4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements*)<br>At surface<br>1,330' FSL and 1,650' FWL<br>At proposed prod. zone<br>Unit K NOV - 8 1995                     |  | 9. API WELL NO.<br>30-015-79259   |  |
| 14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*<br>7 miles South of Carlsbad   |  | 10. FIELD AND POOL, OR WILDCAT<br>South Carlsbad + Morrow                 |  |
| 13. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) 990'   |  | 11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA<br>Section 3, T24S, R26E |  |
| 15. NO. OF ACRES IN LEASE<br>318.16  |  | 12. COUNTY OR PARISH<br>Eddy County                                       |  |
| 16. NO. OF ACRES ASSIGNED TO THIS WELL<br>318.6  |  | 13. STATE<br>New Mexico   |  |
| 18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. None   |  | 20. ROTARY OR CABLE TOOLS<br>Rotary                                       |  |
| 21. ELEVATIONS (Show whether DF, RT, GR, etc.)<br>3,340' GR  |  | 22. APPROX. DATE WORK WILL START*   |  |

| PROPOSED CASING AND CEMENTING PROGRAM |                         |                 |               |                            |
|---------------------------------------|-------------------------|-----------------|---------------|----------------------------|
| SIZE OF HOLE                          | GRADE, SIZE OF CASING   | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT         |
| 17-1/2"                               | 13-3/8" H-40            | 48#             | 500'          | 500 <del>STIMULATE</del>   |
| 12-1/4"                               | 9-5/8" K-55             | 36# & 40#       | 3,800'        | 1,200 <del>STIMULATE</del> |
| 7-7/8"                                | 5-1/2" K-55<br>and N-80 | 17# & 20#       | 11,900'       | 1,500 sacks                |

Propose to drill the well to sufficient depth to evaluate the Morrow formation. After reaching TD, logs will be run and casing set if the evaluation is positive. Perforate, test and stimulate as necessary to establish production.

**SUBJECT TO  
LIKE APPROVAL  
BY STATE**

FOR UNORTHODOX  
LOCATION

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED

Posted ID-1  
11-8-96  
NL-RPE

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. T. Scott Kunkauf TITLE Mgr Drilling/Production DATE 10/4/96  
(This space for Federal or State office use)

PERMIT NO. \_\_\_\_\_ APPROVAL DATE \_\_\_\_\_  
Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY (ORIG. SGD.) TONY L. FERGUSON TITLE ADM. MINERALS DATE 11/8/96

\*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

District I  
PO Box 1980, Hobbs, NM 88241-1980  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-102  
Revised February 10, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

|   |  |  |  |   |                                 |
|---|--|--|--|---|---------------------------------|
| <sup>1</sup> APT Number<br>30-015-29259 |  | <sup>2</sup> Pool Code<br>73960                          |  | <sup>3</sup> Pool Name<br>South Carlsbad • Morrow |                                 |
| <sup>4</sup> Property Code              |  | <sup>5</sup> Property Name<br>BLACK RIVER "3" FEDERAL    |  |   | <sup>6</sup> Well Number<br>1   |
| <sup>7</sup> OGRID No.<br>15742         |  | <sup>8</sup> Operator Name<br>NEARBURG PRODUCING COMPANY |  |   | <sup>9</sup> Elevation<br>3340. |

<sup>10</sup> Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| K             | 3       | 24-S     | 26-E  |         | 1330          | SOUTH            | 1650          | WEST           | EDDY   |

<sup>11</sup> Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
|               |         |          |       |         |               |                  |               |                |        |

|                                      |                                    |                                  |                                    |
|--------------------------------------|------------------------------------|----------------------------------|------------------------------------|
| <sup>12</sup> Dedicated Acres<br>320 | <sup>13</sup> Joint or Infill<br>N | <sup>14</sup> Consolidation Code | <sup>15</sup> Order No.<br>R-10640 |
|--------------------------------------|------------------------------------|----------------------------------|------------------------------------|

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

|                   |   |  |
|-------------------|---|--|
| <sup>16</sup><br> | <sup>17</sup> OPERATOR CERTIFICATION<br>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.<br><br><br>Signature<br>E Scott Kimbrough<br>Printed Name<br>Manager of Drilg & Prod<br>Title<br>10/4/96<br>Date  |  |
|                   | <sup>18</sup> SURVEYOR CERTIFICATION<br>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.<br><br>JUNE 13, 1996<br>Date of Survey<br><br>Signature and Seal of Professional Surveyer:<br>Certificate Number<br>NM PE&PS NO. 5412 |  |
|                   |   |  |
|                   |   |  |

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-9265

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)

TELEPHONE (505) 982-2265  
TELEFAX (505) 982-2047

AUG 19 1996

**FACSIMILE COVER SHEET**

DATE: August 13, 1996

NUMBER OF PAGES: 5  
(including cover sheet)

TIME: 10:55 AM (Santa Fe)

\*\*\*

TO: BOB SHELTON  
OF: Nearburg Producing Company  
FAX NO: (915) 686-780FROM: W. THOMAS KELLAHIN, Esq.REF: NMOCD Case 11564  
Black River "3" Federal Well No. 1  
Unorthodox Well Location**MESSAGE:**

Dear Bob:

Attached is a copy of Order R-10640 issued this morning approving the well location for the Black River "3" Federal Well No 1 with the stipulated penalty.

However, despite our efforts to have the production penalty limited only to the Morrow, Catanach failed to do so and the order apparently would apply to all of the deep gas pools.

Let me know if you want me to try and correct that problem.

Regards,

|                   |      |                  |                     |
|-------------------|------|------------------|---------------------|
| Post-it® Fax Note | 7671 | Date <u>10-3</u> | # of pages <u>5</u> |
| To <u>SCOTT</u>   |      | From <u>Van</u>  |                     |
| Co/Dept           |      | Co.              |                     |
| Phone #           |      | Phone #          |                     |
| Fax #             |      | Fax #            |                     |

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

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

CASE NO. 11564  
Order No. R-10640

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 25, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 13th day of August, 1996, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Nearburg Exploration Company, seeks authority to drill its Black River "3" Federal Well No. 1 at an unorthodox gas well location 1330 feet from the South line and 1650 feet from the West line (Unit K) of Section 3, Township 24 South, Range 26 East, NMPM, to test the Morrow formation, South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico.

(3) The applicant proposes to dedicate the W/2 of Section 3 to the proposed Black River "3" Federal Well No. 1 thereby forming a standard 320-acre gas spacing and proration unit for said pool.

(4) The subject well is located within the South Carlsbad-Morrow Gas Pool which is currently governed by the General Rules and Regulations for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the South Carlsbad-Morrow Gas Pool as promulgated by Division Order No. R-8170, as amended, which require standard 320-acre gas spacing and proration units with wells to be located no closer than 1980 feet from the end boundary nor closer than 660 feet from the side boundary of the

Case No. 11564

Order No. R-10640

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proration unit, nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary.

(5) Although currently classified as a "Prorated Gas Pool", gas proration was suspended in the South Carlsbad-Morrow Gas Pool by Oil Conservation Commission Order No. R-10328, issued in Case No. 11211 on March 27, 1995, due to the fact that there are currently no "prorated wells" in the pool.

(6) Mallon Oil Company, an affected offset operator in Section 10, Township 24 South, Range 26 East, appeared through legal counsel at the hearing.

(7) The geologic evidence and testimony presented by the applicant in support of its proposed unorthodox gas well location indicates that:

a) the primary and secondary objectives within the Black River "3" Federal Well No. 1 are the Early Middle Morrow and Late Middle Morrow intervals, respectively;

b) a well drilled at the proposed unorthodox gas well location should encounter a greater amount of net sand in both the Early and Late Middle Morrow sand intervals than a well drilled at a standard gas well location thereon, thereby increasing the likelihood of obtaining commercial gas production; and,

c) a well drilled at a standard gas well location within the SW/4 of Section 3 will be located in close proximity to the gas-water contact within the Early Middle Morrow interval, thereby increasing the risk of encountering water production in this reservoir.

(8) Based upon the geologic evidence and testimony presented, the applicant should be authorized to drill its Black River "3" Federal Well No. 1 at the proposed unorthodox location.

(9) The applicant and Mallon Oil Company presented as evidence in this case a stipulated penalty agreement which states that Mallon Oil Company will withdraw any protest to the proposed unorthodox gas well location provided the Black River "3" Federal Well No. 1 is assessed a production penalty of 20.6 percent (79.4 percent allowable).

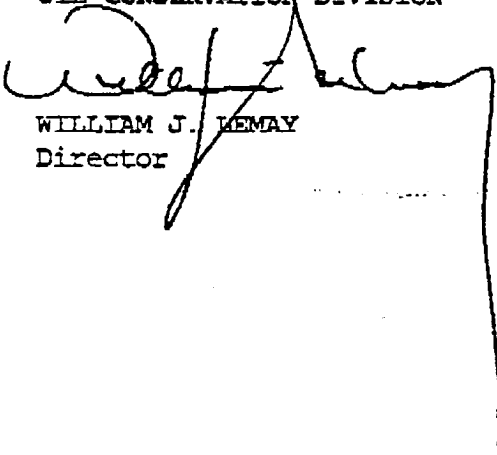
(10) The stipulated penalty agreement, executed by both parties, is necessary in order to protect the correlative rights of Mallon Oil Company

Case No. 11564  
Order No. R-10640

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

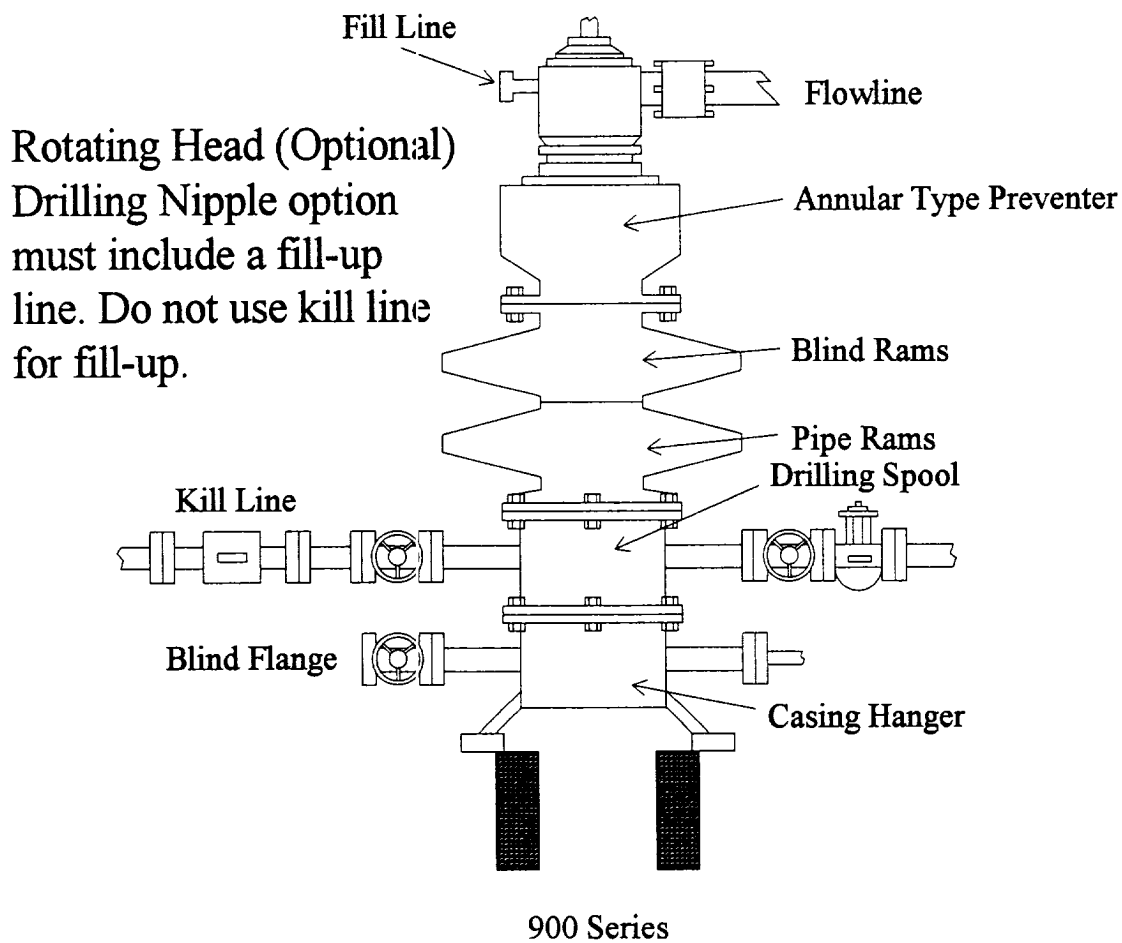
STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



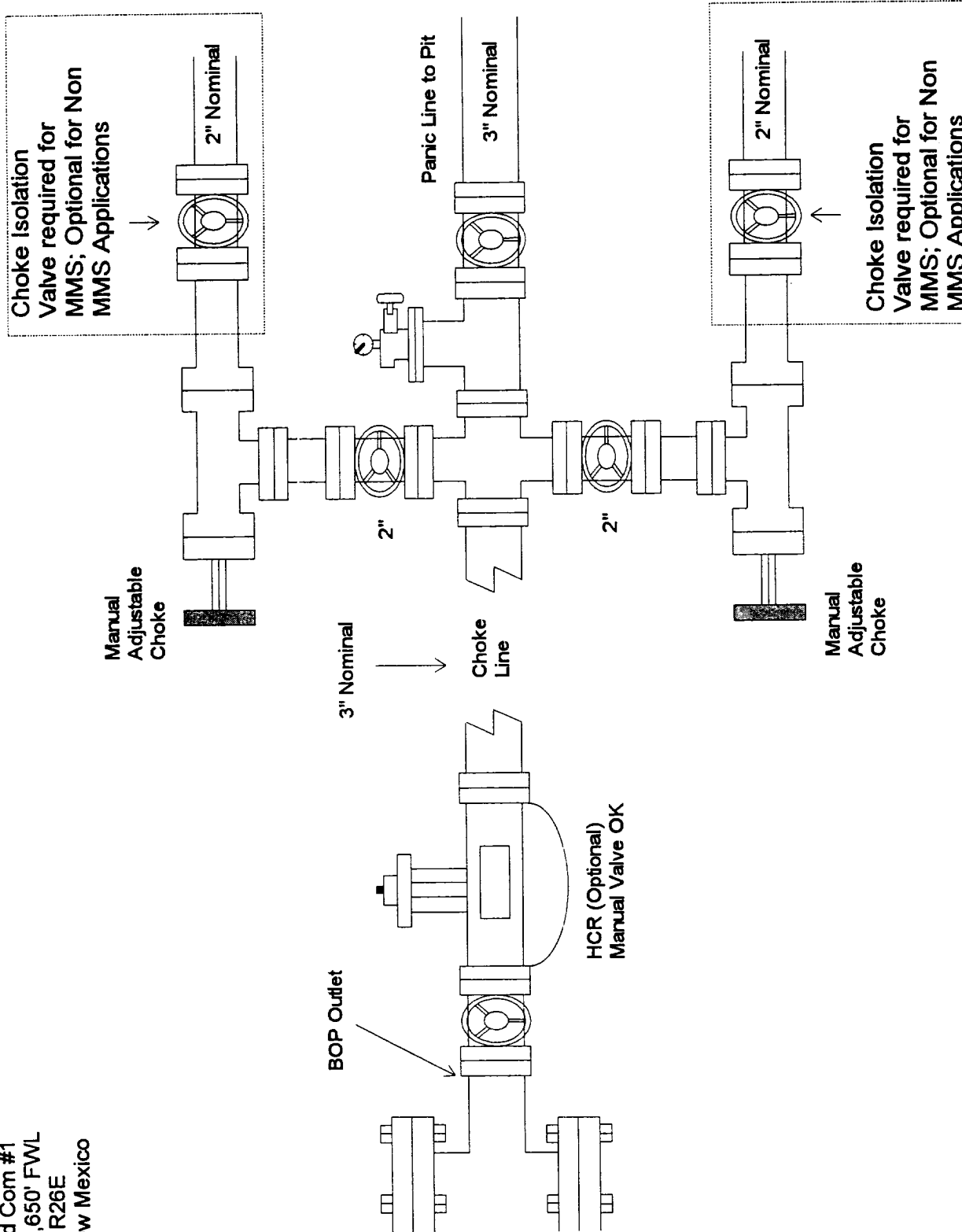
WILLIAM J. LEMAY  
Director

S E A L

Black River 3 Federal Com #1  
1,330' FSL and 1,650' FWL  
Section 3, T24S, R26E  
Eddy County, New Mexico



Black River 3 Fed Com #1  
 1,330' FSL and 1,650' FWL  
 Section 3, T24S, R26E  
 Eddy County, New Mexico





**Nearburg Producing Company**

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Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
915/686-8235  
Fax 915/686-7806

October 10, 1996

Mr. Barry Hunt  
U. S. Department of the Interior  
Bureau of Land Management  
P. O. Box 1778  
Carlsbad, New Mexico 88221-1778

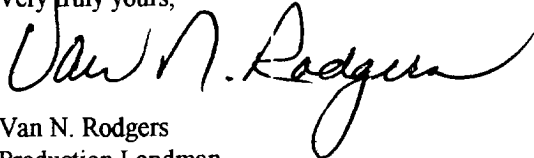
Re: Black River "3" Federal #1  
1330' FSL and 1650' FWL  
Section 3, T-24-S, R-26-E,  
NMPM, Eddy County,  
New Mexico

Dear Mr. Hunt:

With reference to the captioned, please be advised that all matters concerning the surface estate thereof have been negotiated to the satisfaction of the surface owner, Mr. Roy Moore of 110 Skinner Road, Carlsbad, New Mexico 88220, phone 505-885-6806.

Thank you for your assistance. Please feel free to call if you need additional information.

Very truly yours,



Van N. Rodgers  
Production Landman