



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

March 18, 1998

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Nearburg Exploration Company, L.L.C.
c/o Campbell, Carr, Berge & Sheridan, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208
Attention: William F. Carr

Administrative Order NSL-3979

Dear Mr. Carr:

Reference is made to your application dated February 26, 1998 on behalf of the operator, Nearburg Exploration Company, L.L.C. ("Nearburg"), for an unorthodox gas well location in the South Carlsbad-Morrow Gas Pool for its proposed Dark Canyon "22" Com. Well No. 1. Said well is to be drilled 990 feet from the North line and 1650 feet from the West line (Unit C) of Section 22, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico.

The N/2 of said Section 22 being a standard 320-acre gas spacing and proration unit for said pool is to be dedicated to said well.

Rules, regulations, and policies currently governing the South Carlsbad-Morrow Gas Pool include, but are not necessarily limited to, the following:

- (i) Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division");
- (ii) the "*General Rules 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 includes provisions for 320-acre spacing and requirements for well locations to be no closer than 660 feet to the side boundary nor 1980 feet from the end boundary of the proration unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary;
- (iii) Division Order No. R-10328, issued by the New Mexico Oil Conservation Commission in Case 11211 on March 27, 1995, which order suspended gas prorationing in the South Carlsbad-Morrow Gas Pool; and,

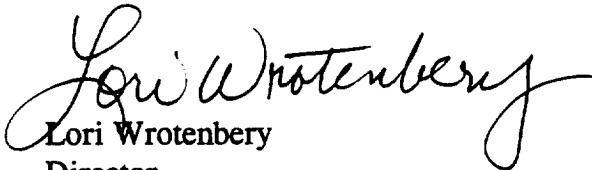
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- (vi) Division General Rule 104.D(3), which limits the number of wells in a single spacing unit in non-prorated pools to one.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard for the South Carlsbad-Morrow Gas Pool in the NW/4 of said Section 22.

By the authority granted me under the provisions of RULE 2(d) of the "*General Rules 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, and Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia /
Case No. 11951