

**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. 12286
ORDER NO. R-11295**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 2, 1999, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 16th day of December, 1999, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) The applicant, Nearburg Exploration Company, L.L.C. ("Nearburg"), seeks authority to drill its South Boyd "27" Well No. 10 at an unorthodox gas well location 510 feet from the North line and 990 feet from the East line (Unit A) of Section 27, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, to test the Morrow formation, Undesignated Cemetery-Morrow Gas Pool. The N/2 of Section 27 is to be dedicated to the well forming a standard 320-acre gas spacing and proration unit for that pool.
- (3) Nearburg originally sought administrative approval of this location; however, following discussions with the Division, the application was set for hearing to require Nearburg to present additional evidence concerning the proposed well location.
- (4) The South Boyd "27" Well No. 10 is located within one mile of the outer boundary of the Cemetery-Morrow Gas Pool.
- (5) The Cemetery-Morrow Gas Pool is currently spaced on 320-acre gas

spacing and proration units pursuant to Division Order No. R-3194, issued in Case No. 3526 and dated February 8, 1967, and Division Rule 104.C.(2), which require standard 320-acre gas spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(6) No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(7) The applicant presented evidence and testimony indicating that:

(a) the primary target within the South Boyd "27" Well No. 10 is the Lower Morrow formation, and secondary targets include the Cisco and Canyon formations;

(b) the target Lower Morrow formation is a channel sand traversing Section 27 in a north-south direction;

(c) if this well were drilled at a standard location 660 feet from the North and East lines of Section 27, it would be in the bottom of the Dagger Draw, a dry creek bed, which runs across the NE/4 of the section and has previously flooded and caused severe damage to another location in the section;

(d) the proposed unorthodox location is 14 feet higher than the nearest standard location, which should be sufficient to avoid environmental problems and/or damage to the well and location that could result from flooding by the Dagger Draw;

(e) there are no other acceptable orthodox well locations in the NE/4 of Section 27. Moving the well to the south would locate the well in the bottom of the Dagger Draw. To the west the well would encounter areas drained by other wells in the Upper Pennsylvanian formation, where reservoir quality has deteriorated in the Morrow formation, or where the Morrow channel does not exist; and

(f) Nearburg owns the affected offset acreage.

(8) Nearburg presented additional evidence establishing that directionally drilling this well from the proposed unorthodox surface location to a standard bottom

hole location would increase the cost of drilling the well by approximately \$150,000.00 and that, if this additional cost had to be incurred, Nearburg would not drill the well.

(9) Approval of the proposed unorthodox gas well location will afford the applicant the opportunity to produce its just and equitable share of the gas in the Cemetery-Morrow Gas Pool and will otherwise prevent waste and protect correlative rights.

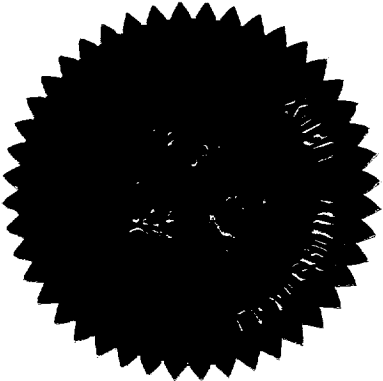
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Nearburg Exploration Company, L.L.C., is hereby authorized to drill its South Boyd "27" Well No. 10 at an unorthodox gas well location 510 feet from the North line and 990 feet from the East line (Unit A) of Section 27, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, to test the Morrow formation, Undesignated Cemetery-Morrow Gas Pool.

(2) The N/2 of Section 27 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for that pool.

(3) Jurisdiction is hereby 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

Lori Wrotenbery
LORI WROTENBERY
Director

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