

4-20-05 DATE IN	5-10-05 SUSPENSE	Stagner ENGINEER	4-22-05 LOGGED IN	NSP TYPE	Psemos/1246237 APP NO
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] **[NSP-Non-Standard Proration Unit]** **[SD-Simultaneous Dedication]**
[DHC-Downhole Commingling] **[CTB-Lease Commingling]** **[PLC-Pool/Lease Commingling]**
[PC-Pool Commingling] **[OLS - Off-Lease Storage]** **[OLM-Off-Lease Measurement]**
[WFX-Waterflood Expansion] **[PMX-Pressure Maintenance Expansion]**
[SWD-Salt Water Disposal] **[IPI-Injection Pressure Increase]**
[EOR-Qualified Enhanced Oil Recovery Certification] **[PPR-Positive Production Response]**

2005 APR 20 PM 3 31

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☒ NSP ☐ SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☒ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached

- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

- [4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

WILLIAM F. CARR
Print or Type Name

William F. Carr
Signature

ANALYST
Title

4/20/05
Date

wcarr@hollandhart.com
e-mail Address



April 20, 2005

HAND-DELIVERED

Mark Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Nearburg Exploration Company, L.L.C. for administrative approval of a 280-acre non-standard gas spacing unit for its McKittrick 24 Federal Well No. 3 Section 24, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico.

Dear Mr. Fesmire:

Nearburg Exploration Company, L.L.C., pursuant to the provisions of Division Rule 104 D (2)(b) and (c) adopted on January 18, 1996, hereby seeks administrative approval of a 280-acre non-standard gas spacing and proration for the McKittrick 24 Federal Well No. 3 to be directionally drilled to test the Cisco Canyon formation from a surface location 3360 feet from the ~~North~~ ^{South} line and 1480 feet from the East line to at a standard bottomhole location 1980 feet from the South line and 660 feet from the East line in the SE/4 of Section 24, Township 22 South, Range 24 East, N.M.P.M., Eddy County, New Mexico. A standard 320-acre spacing unit comprised of the S/2 of said Section 24 was originally proposed for this well. However, the SE/4 SE/4 of this section is federal land that the Bureau of Land Management has refused to lease. Nearburg therefore seeks approval of a non-standard 280-acre non-standard unit applicable to all formations from the top of the Wolfcamp formation to the base of the Morrow formation, Undesignated McIver Ranch-Morrow Gas Pool, for the McKittrick 24 Federal Well No. 3.

This non-standard gas spacing and proration unit is necessary because the BLM has refused to lease the SE/4 SE/4 of the Section because it has determined that this acreage is located in the McKittrick Hill Special Recreation Management

HOLLAND & HART^{LLP}

Area. A copy of the BLM's determination and decision not to lease is attached hereto as Exhibit A. This is the second time Nearburg has had to request a non-standard spacing unit because the Bureau of Land Management has withheld a portion of the spacing unit due to its inclusion in the McKittrick Hill Special Recreation Management Area. (See Administrative Order NSP-1872 dated May 10, 2004 attached hereto as Exhibit B.

Attached as Exhibit C is a plat that shows the subject spacing unit and all adjoining spacing units or leases. The Federal Government is the only owner being excluded from the proposed unit, and on or before the date on which this application was filed with the Division, a copy of this application with all attachments thereto was mailed to by Certified Mail--Return Receipt Requested, to the Bureau of Land Management. The BLM was advised that if it has an objection to the proposed non-standard spacing or proration unit it must be filed in writing with the Division's Santa Fe office within twenty days from the date notice was sent. It was also advised that if no objections are received by the Division within twenty days, the Division Director could approve the application.

Your attention to this application is appreciated.

Very truly yours,

William F. Carr

Attorney for Nearburg Exploration Company, L.L.C.

cc: Mr. Duke Roush
Nearburg Exploration Company, L.L.C.

NOTIFICATION LIST

Application of Nearburg Exploration Company, L.L.C.
administrative approval of
a 280-acre non-standard spacing or proration unit
McKittrick 24 Federal Well No. 3
Section 24, Township 22 South, Range 24 East, NMPM
Eddy County, New Mexico.

United States Department of the Interior
Bureau of Land Management
New Mexico State Office
Post Office Box 27115
Santa Fe, New Mexico 87502-0115

**United States Department of the Interior****BUREAU OF LAND MANAGEMENT**

New Mexico State Office
1474 Rodeo Road
P.O. Box 27115
Santa Fe, New Mexico 87502-0115
www.nm.blm.gov



In Reply Refer To:
3120 (92100-gsb)

March 28, 2005

**Duke Roush
3300 N A St.
Bldg 2 Ste 120
Midland, TX 79705**

Dear Mr. Roush:

Per our telephone conversation, the lands you were interested in leasing are not available for the following reason:

The lands are located in the McKittirck Hill Special Recreation Management Area and is not open to leasing as per the 1997 Carlsbad RMP Amendment for Oil and Gas.

**T 22 S. - R 24 E,
Sec. 24: SESE
Eddy County, NM**

If you have any questions, please call me at (505) 438-7566.

Sincerely,

**Gloria S. Baca
Land Law Examiner
Fluids Adjudication Team**

EXHIBIT A



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

May 10, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

Nearburg Exploration Company, L.L.C.
c/o **Holland & Hart LLP**
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

Administrative Order NSP-1872

Dear Mr. Carr:

Reference is made to the following: (i) your application dated April 16, 2004 (*administrative application reference No. pMES0-412139757*) on behalf of the operator, Nearburg Exploration Company, L.L.C. ("Nearburg"); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Nearburg's request for the formation of the following described non-standard 160-acre deep gas spacing unit to be applicable to any and all formations and/or pools from the top of the Wolfcamp to the base of the Morrow formation that are:

- (1) developed on 320-acre spacing; and
- (2) governed under the provisions of Division Rule 104.C (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, which presently includes but is not necessarily limited to the Undesignated McKittrick Hills-Upper Pennsylvanian Gas Pool (81160), Undesignated McKittrick Hills-Strawn Gas Pool (81200), Undesignated McKittrick Hills-Atoka Gas Pool (81120), and Undesignated McIver Ranch-Morrow Gas Pool (81070):

EDDY COUNTY, NEW MEXICO
TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM
Section 13: SE/4.

This unit is to be dedicated to Nearburg's proposed U. S. Federal "13" Well No. 2, to be drilled at a standard gas well location thereon and pursuant to Division Rule 104.C (2) (a), as revised.

This application has been duly filed under the provisions of Division Rule 104.D (2), as revised.

EXHIBIT B

Nearburg Exploration Company, L.L.C.

Division Administrative Order NSP-1872

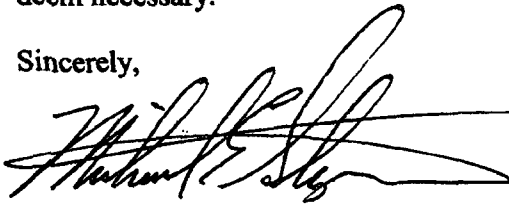
May 10, 2004

Page 2

By the authority granted me under the provisions of Division Rule 104.D (2) (b), as revised, the above-described 160-acre non-standard deep gas spacing unit for any and all formations from the top of the Wolfcamp formation to the base of the Morrow formation for Nearburg's proposed U. S. Federal "13" Well No. 2.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal line extending to the right.

Michael E. Stogner
Engineer/Hearing Officer

MS/ms

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management, Carlsbad Resource Area - Carlsbad
U. S. Bureau of Land Management, New Mexico State Office - Santa Fe

McKittrick 24 Federal #3
 SHL 330' FNL, 1480' FEL
 BHL1980', FSL 660' FEL
 Section 24, T-22-S, R-24-E
 Eddy County, New Mexico

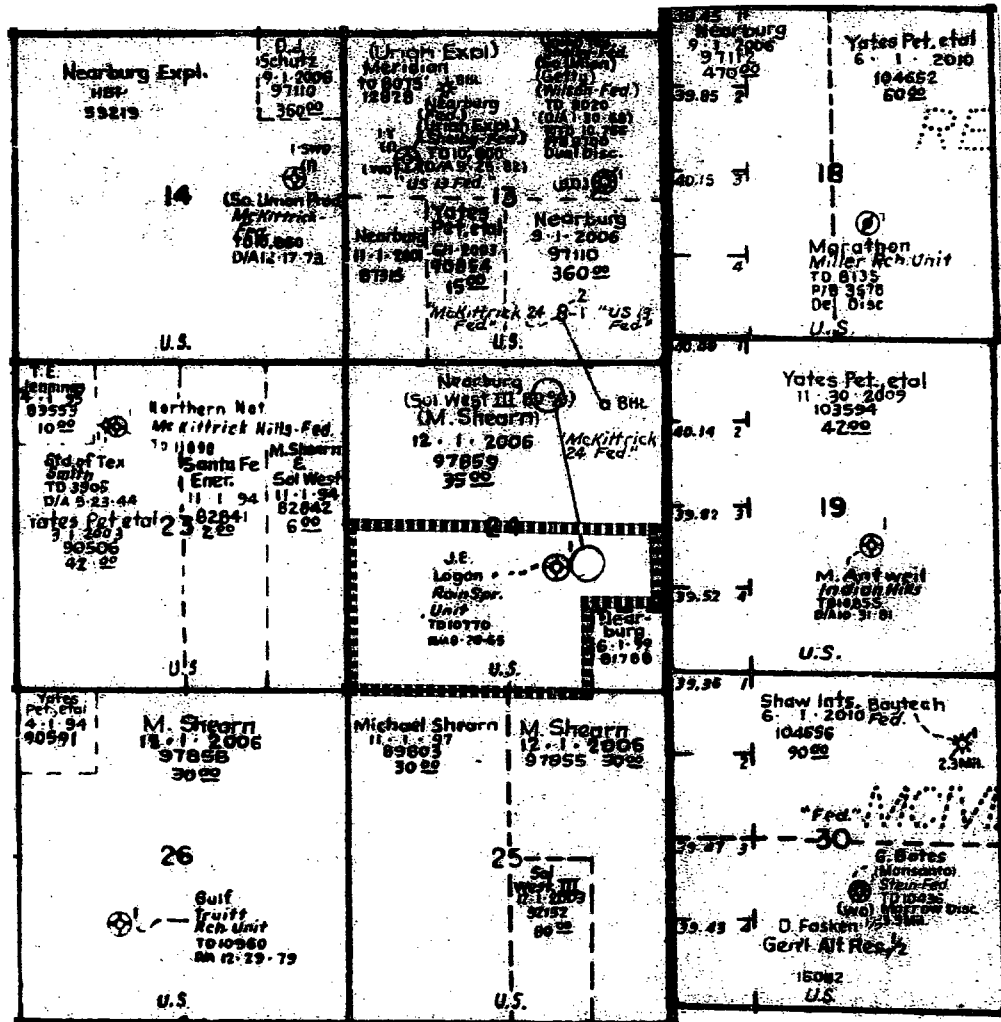


EXHIBIT C

2'
 8360' FNL
 - 2640

 720
 2640
 720

 3360



April 20, 2005

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

United States Department of the Interior
Bureau of Land Management
New Mexico State Office
Post Office Box 27115
Santa Fe, New Mexico 87502-00115

Re: Application of Nearburg Exploration Company, L.L.C. for administrative approval of a 280-acre non-standard gas spacing unit for its McKittrick 24 Federal Well No. 3, Section 24, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application and attached plat which was filed with the New Mexico Oil Conservation Division on this date by Nearburg Exploration Company, L.L.C. for administrative approval of a non-standard spacing unit for its McKittrick 24 Federal Well No. 3, to be directionally drilled in to a standard bottomhole location in the SE/4 Section 24, Township 22 South, Range 24 East, N.M.P.M., Eddy County, New Mexico.

As an owner of an interest which may be affected by the proposed well, you may object to this application. Objections must be filed in writing at the Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505 within twenty days from this date. If no objection is received within this twenty-day period, this application for unorthodox well location may be approved.

Very truly yours,

William F. Carr
Attorney for Nearburg Exploration Company, L.L.C.

cc: Mr. Duke Roush