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April 12, 2012

Ms. Jami Bailey, Director
NM Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87501

Hand-Delivered

Re: **NMOCD Case No. 14836: Application of Nearburg Producing Company for Designation of a Non-Standard Oil Spacing and Proration Unit, an Unorthodox Surface Location, and Compulsory Pooling, Eddy County, New Mexico**

Dear Ms. Bailey:

On behalf of Nearburg Producing Company, enclosed for filing is an original and one copy of an Application in the above-referenced case. Please set this matter for hearing on the May 24, 2012 examiner docket. Also enclosed is a proposed advertisement for the case.

Very truly yours,

J. Scott Hall

JSH:kw
Enclosures

367627

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

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IN THE MATTER OF THE APPLICATION OF
NEARBURG PRODUCING COMPANY FOR
DESIGNATION OF A NON-STANDARD OIL
SPACING AND PRORATION UNIT, A
NON-STANDARD PROJECT AREA, AN
UNORTHODOX SURFACE LOCATION AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO

CASE NO. 14836

APPLICATION

Nearburg Producing Company, by its undersigned attorneys, Montgomery and Andrews, P.A. (J. Scott Hall), hereby makes application pursuant to *inter alia* Rule 19.15.16.14 and 19.15.16.15 NMAC of the Division's Rules and Regulations and NMSA 1978 Section 70-2-17 (1995) for an order providing as follows:

A. Consolidating each of the 40-acre spacing units within the S/2 SW/4 & the SW/4 SE/4 of Section 34, Township 19 South, Range 25 East, NMPM and designating the consolidated units as a 120-acre± non-standard oil spacing and proration unit in the Glorieta-^{N.} Yeso formation, ~~Glorieta~~ ^{Glorieta} ✓ North Seven Rivers-Yeso Pool (97565), for Applicant's non-standard horizontal drilling project area; and

B. Pooling all interests in the Glorieta-Yeso formation underlying the S/2 SW/4 & the SW/4 SE/4 of Section 34.

In support, Applicant states:

1. Applicant owns certain working interests in and under the proposed project area in Section 34, and has the right to drill thereon.

(NO WELL FILE)

2. Applicant proposes to dedicate the above-referenced pooled unit to its Irami 34 MO Fed Com No. 1-H Well to be drilled horizontally from an unorthodox surface location 330' from the South line and 165' from the West line, to a standard bottom hole location 330' from the South line and 1650' from the East line of Section 34, Township 19 South, Range 25 East to a depth sufficient to test the Glorieta-Yeso formation underlying the proposed project area. The Completed Interval of the well will be located within the Producing Area of the proposed Project Area.

3. Applicant does not have leases or a voluntary agreement for pooling or farmout from certain other interest owners in the above-referenced formation underlying the proposed non-standard unit.

4. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and Applicant should be designated operator of the well.

5. The pooling of interests and approval of the non-standard unit will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the spacing unit, will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on May 24, 2012, and that after notice and hearing as required by law, the Division enter its Order approving the non-standard spacing unit, the non-standard project area and pooling the lands, designating Applicant as operator including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges and

providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as maybe proper in the premises.

Respectfully submitted,

MONTGOMERY & ANDREWS, P. A.

By: 

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Attorneys for Nearburg Producing Company

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Case No. 14836; Application of Nearburg Producing Company for Designation of a Non-standard Spacing Unit, a Non-standard Project Area an Unorthodox Surface Location and Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order consolidating the 40-acre spacing units within the S/2 SW/4 & SW/4 SE/4 of Section 34, Township 19 South Range 25 East, NMPM and designating the consolidated units as a 120-acre± non-standard oil spacing and proration unit in the Glorieta-Yeso formation, North Seven Rivers-Yeso pool (97565), for Applicant's non-standard horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Glorieta-Yeso formation underlying the S/2 SW/4 & SW/4 SE/4 of Section 34 to be dedicated to its Irami MO Fed Com No. 1-H Well to be drilled horizontally from a surface location 330' from the South line and 165' from the West line to a standard bottom hole location 330' from the South line and 1650' from the East line of Section 34, to a depth sufficient to test the Glorieta-Yeso formation. The Completed Interval of the well will be located within the Producing Area of the proposed Project Area. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as operator and a charge for risk involved in drilling the well. The proposed well and lands are located approximately one mile northwest of Seven Rivers, New Mexico.

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