

**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. 14996
ORDER NO. R-13747**

**APPLICATION OF NEARBURG EXPLORATION
COMPANY, L.L.P. FOR A NON-STANDARD OIL
SPACING AND PRORATION UNIT, UNORTHODOX OIL
WELL LOCATION, AND COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 27, July 12 and August 8, 2013, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 13th day of September, 2013, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) Nearburg Exploration Company, L.L.P. ("Applicant") filed this application seeking establishment of an 80-acre non-standard oil spacing and proration unit ("the proposed unit") comprising the S/2 NE/4 of Section 17, Township 17 South, Range 37 East, NMPM, in Lea County, New Mexico, in the Strawn formation (undesignated South Midway-Strawn Pool [Pool Code 46340]) for its proposed Sapient 17 Well No. 1 (API No. 30-025-41073) ("the proposed well"), a directional well to be drilled from an unorthodox surface location 1641 feet from the North line and 1225 feet from the East line (Unit H) of Section 17, to an unorthodox bottomhole location 1691 feet from the North line and 1225 feet from the East line (Unit H) of Section 17. Applicant also sought compulsory pooling of the proposed unit and approval of the non-standard location of the proposed well.

(3) The only owner whose interest Applicant sought to pool by its request for compulsory pooling was OXY USA WTP, LP ("OXY"). During the pendency of this case, Applicant acquired OXY's interest in the proposed unit, and, accordingly, Applicant no longer seeks compulsory pooling in this case.

(4) At the hearings, Applicant appeared through counsel and presented geologic and engineering evidence as follows:

(a) Applicant is targeting a reservoir in the Strawn formation that consists of a pocket geologic feature, identified by seismic, approximately 30 to 45 acres in lateral extent, and more or less equally divided between the SE/4 NE/4 and the SW/4 NE/4 of Section 17.

(b) The proposed non-standard bottomhole location is in what Applicant judges to be the thickest portion of the Strawn formation within this geologic feature, and accordingly the optimal location to maximize production from the target reservoir.

(c) Production history and engineering calculations from Strawn wells within a two-mile radius of the proposed well indicate that such wells will drain 75 to 80 acres, or more.

(d) The Division has spaced other Strawn pools in this vicinity on 80 acres, thereby recognizing the extended drainage capacity that exists in the Strawn in this area.

(e) Since the target reservoir is expected to comprise not more than 45 acres, drilling of two wells in separate 40-acre units to drain this reservoir would constitute economic waste by drilling of unnecessary wells.

(f) Locating the proposed well close to the quarter-quarter section line, which coincides with the thickest portion of the Strawn reservoir, will maximize production of hydrocarbons from this particular geologic feature, thereby preventing waste.

(5) OXY appeared at the first two hearings in opposition to this Application, but subsequently withdrew its objection. No other party appeared at any of the hearings or communicated any objection to the granting of the application.

The Division concludes:

(6) Approval of Applicant's proposed 80-acre non-standard spacing and proration unit, and of the non-standard bottomhole location of the proposed well, will prevent waste and will not impair correlative rights. Accordingly this application should be granted.

IT IS THEREFORE ORDERED THAT:

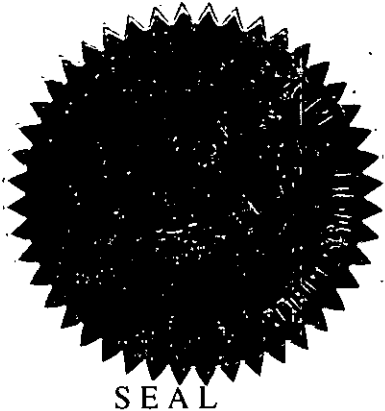
(1) Pursuant to the application of Nearburg Exploration Company, L.L.C., on behalf of Nearburg Producing Company, a non-standard 80-acre oil spacing and proration unit is hereby established comprising the S/2 NE/4 of Section 17, Township 17 South, Range 37 East, NMPM, in Lea County, New Mexico, in the Strawn formation (undesignated South Midway-Strawn Pool [Pool Code 46340]).

(2) This non-standard unit shall be dedicated to Applicant's Sapient 17 Well No. 1 (API No. 30-025-41073) ("the proposed well"), a directional well to be drilled from an unorthodox surface location 1641 feet from the North line and 1225 feet from the East line (Unit H) of Section 17, to an unorthodox bottomhole location 1691 feet from the North line and 1225 feet from the East line (Unit H) of Section 17.

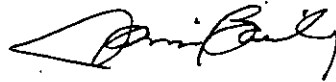
(3) The unorthodox location of the proposed well is hereby approved.

(4) Jurisdiction of this case is 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



JAMI BAILEY
Director