

**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. 11535
Order No. R-10607**

**APPLICATION OF NEARBURG EXPLORATION
COMPANY FOR AN UNORTHODOX GAS WELL
LOCATION AND NON-STANDARD GAS PRORA-
TION UNIT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 16, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 4th day of June, 1996, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Nearburg Exploration Company, seeks approval to drill its Minis "1" Federal Com Well No. 3 at an unorthodox gas well location 3300 feet from the South line and 1310 feet from the West line (Unit M) of Irregular Section 1, Township 21 South, Range 32 East, NMPM, Lea County, New Mexico, to test the Undesignated Hat Mesa-Morrow Gas Pool. Lots 3, 4, 5, 6, 11, 12, 13 and 14 of Irregular Section 1 are to be dedicated to the subject well forming a non-standard 317.66-acre gas spacing and proration unit for the aforesaid pool.

(3) At the time of the hearing the applicant requested that the portion of its application requesting approval of a non-standard 317.66-acre gas spacing and proration unit be dismissed inasmuch as the proposed unit qualifies, under the Division's General Rules and Regulations, for District Office approval.

(4) The evidence and testimony presented indicates that Irregular Section 1 contains sufficient acreage so as to allow the formation of three "standard" 320-acre gas spacing and proration units.

(5) The proposed well is located within the proration unit situated within the northwest portion of Section 1.

(6) The Hat Mesa-Morrow Gas Pool is currently governed by Rule No. 104.B. of the Division Rules and Regulations which requires wells to be located no closer than 1650 feet from the end boundary nor closer than 660 feet from the side boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary.

(7) The subject well is located 660 feet from the end boundary of the proposed proration unit, and as such, encroaches towards the proration unit situated in the southern portion of Section 1.

(8) The geologic evidence and testimony presented by the applicant indicates that:

- a) the Minis "1" Federal Com Well No. 3 will be drilled to test two sands within the Middle Morrow interval ("Early" and "Late"), and one sand within the Upper Morrow interval (1st Sand);
- b) all three sand intervals traverse the proposed proration unit in a northeast to southwest direction;
- c) maximizing sand thickness is the primary consideration in determining the best geologic well location within the proposed proration unit; and,
- d) a well drilled at the proposed unorthodox gas well location should encounter a greater amount of net sand within the "Early" and "Late" Middle Morrow sand intervals than a well drilled at a standard location within the proposed proration unit, thereby increasing the likelihood of obtaining commercial gas production in these intervals.

(9) Nearburg Producing Company currently operates the remaining two gas proration units within Section 1. Both of these gas proration units are currently dedicated to gas wells producing from the Hat Mesa-Morrow Gas Pool.

(10) Although both operated by the applicant, the interest ownership within the proposed proration unit and the affected offset proration unit is not common.

(11) According to applicant's testimony, there is a single interest owner who does not have an interest in both the proposed proration unit and the affected offset proration unit. The applicant provided notice of its application to this affected interest owner, and, such owner did not appear at the hearing in opposition to the application.

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

(13) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Nearburg Exploration Company, is hereby authorized to drill its Minis "1" Federal Com Well No. 3 at an unorthodox gas well location 3300 feet from the South line and 1310 feet from the West line (Unit M) of Irregular Section 1, Township 21 South, Range 32 East, NMPM, Lea County, New Mexico, to test the Undesignated Hat Mesa-Morrow Gas Pool.

(2) Lots 3, 4, 5, 6, 11, 12, 13 and 14 of Irregular Section 1 shall be dedicated to the subject well forming a 317.66-acre gas spacing and proration unit for the aforesaid pool.

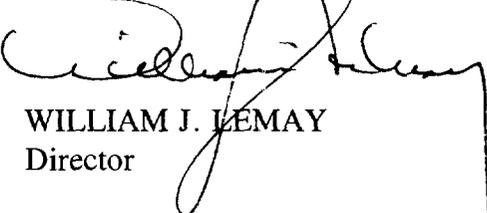
(3) The portion of the application requesting approval of a non-standard 317.66-acre gas spacing and proration unit comprising Lots 3, 4, 5, 6, 11, 12, 13 and 14 of Irregular Section 1, Township 21 South, Range 32 East, NMPM, is hereby dismissed.

(4) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

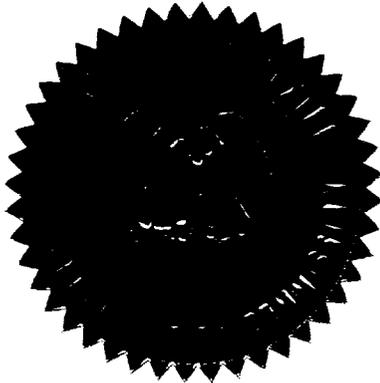
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director



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