

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. 11669
ORDER NO. R-10753*

**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 cause came on for hearing at 8:15 a.m. on December 5, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th day of January, 1997 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, L.L.C. ("Nearburg"), seeks approval to drill its Osudo West "36" State Well No. 1 at an unorthodox gas well location 660 feet from the North and West lines (Unit D) of Section 36, Township 20 South, Range 35 East, NMPM, Lea County, New Mexico, to test both the Wolfcamp and Morrow formations for gas production.

(3) The applicant further requests to dedicate to said well the 320 acres comprising the W/2 of said Section 36.

(4) Directly off-setting the W/2 of said Section 36: (i) to the north in the W/2 of Section 25; (ii) to the west in the N/2 of Section 35; and, (iii) to the northwest in the E/2 of Section 26, all in Township 20 South, Range 35 East, NMPM, Lea County, New Mexico, is the West Osudo-Morrow Gas Pool, and to the east in the E/2 of said Section 36 is the Osudo-Morrow Gas Pool. Both of these Morrow gas pools are currently subject to Division

Statewide Rule 104, which require standard 320-acre gas spacing and proration units with wells to be located no closer than 1650 feet from the end boundaries nor closer than 660 feet from the side boundaries nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. The W/2 of said Section 36, being within one mile of these pools is therefore subject to said spacing and well location requirements [See Rules 104.A(2) and (3)].

(5) *The Southeast Lea-Wolfcamp Gas Pool currently comprises the SW/4 of Section 25, the E/2 of Section 26, and the NE/4 of Section 35, all in Township 20 South, Range 35 East, NMPM, Lea County, New Mexico. Division records indicate that this pool was originally created and defined in 1968 (see Division Order No. R-3438 issued in Case 3738, dated June 24, 1968, and made effective July 1, 1968). This pool, being a Wolfcamp gas pool, created and defined prior to November 1, 1975 [see Rules 104.C(2)(a) and (b)] is therefore developed on 160-acre spacing with wells to be located no closer than 660 feet to any outer boundary of such 160-acre tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. Wolfcamp gas production from the subject well will therefore be subject to these spacing and well location requirements [see Rules 104.A(2) and (3) and 104.C(2)(a) and (b)].*

FINDING: Geological evidence presented by the applicant at the time of the hearing indicates that the same geologic feature attributable to the Southeast Lea-Wolfcamp Gas Pool extends into the extreme northwest corner of said Section 36 and that the proposed location, being a standard Wolfcamp gas well in this instance, is situated on this structure to adequately develop and drain any potential Wolfcamp gas production that may be present in the NW/4 of said Section 36 (being a standard 160-acre gas spacing and proration unit). Further, that portion of this application requesting an unorthodox gas well location in the Wolfcamp formation should be dismissed at this time.

(6) Further, the geological evidence and testimony indicates that a well drilled to the Morrow formation at the proposed unorthodox gas well location will be at a more favorable geologic position than a well drilled at a location within the proposed 320-acre spacing and proration unit comprising the W/2 of said Section 36 that would be considered standard.

(7) No off-setting operator and/or interest owner appeared at the hearing in opposition to this application.

(8) Approval of this application for Nearburg to drill its proposed Osudo West "36" State Well No. 1 660 feet from the North and West lines (Unit D) of said Section 36 should serve to increase the likelihood of obtaining commercial gas production from both the Wolfcamp (Undesignated Southeast Lea-Wolfcamp Gas Pool) and Morrow

(Undesignated West Osudo-Morrow Gas Pool or Undesignated Osudo-Morrow Gas Pool) intervals, will afford the applicant the opportunity to produce its just and equitable share of the gas in both zones, 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.

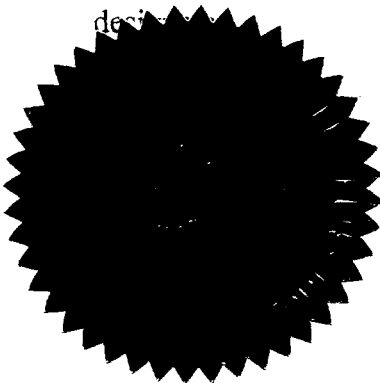
IT IS THEREFORE ORDERED THAT:

(1) The application of Nearburg Exploration Company, L.L.C. to drill its Osudo West "36" State Well No. 1 at an unorthodox gas well location within a standard 320-acre gas spacing and proration unit comprising the W/2 of Section 36, Township 20 South, Range 35 East, NMPM, Lea County, New Mexico, in order to test either the Undesignated West Osudo-Morrow Gas Pool or Undesignated Osudo-Morrow Gas Pool, 660 feet from the North and West lines (Unit D) of said Section 36, is hereby approved.

(2) That portion of this application requesting an unorthodox gas well location in the Wolfcamp formation shall be dismissed at this time.

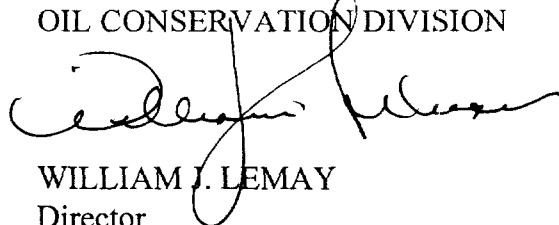
(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director