

**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:

APPLICATION OF NEARBURG PRODUCING
COMPANY, FOR AN UNORTHODOX GAS
WELL LOCATION, EDDY COUNTY, NEW MEXICO.

CASE NO. 11683

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by NEARBURG PRODUCING COMPANY, as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

ATTORNEY

Nearburg Producing Company
3300 North "A" Street
Midland, Texas 79705
(915) 686-8235
attn: Mike Gray

W. Thomas Kellahin
KELLAHIN & KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF CASE

Nearburg is the proposed operator of the Chevron "32" State Com Well No. 1 to be located 990 feet from the east line and 1090 north line (Unit A) of Section 32, T17S, R27E, Eddy County, New Mexico. Nearburg proposes to drill this well to a depth sufficient to test for gas production from the Morrow formation and shallower formations.

The well location is within one mile of the current boundary of the Logan Draw-Morrow Gas Pool which is subject to the Division's general rules and regulations which include: Rule: 104.C(2) "...shall be located no closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1650 feet to the nearest end boundary..."

Nearburg proposes to dedicate the N/2 of Section 32 to the well if it is capable of gas production from the top of the Wolfcamp to the base of the Morrow formation.

This proposed location is the optimum location in the N/2 of said Section 32 at which to drill to test for Morrow gas production.

PROPOSED EVIDENCE

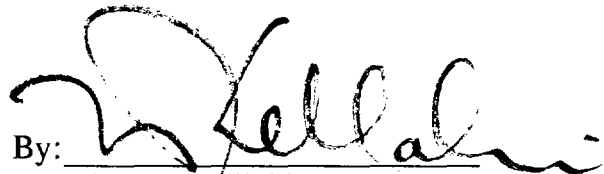
APPLICANT:

WITNESSES	EST. TIME	EXHIBITS
Mike Gray (landman)	10 min.	@ 3 exhibits
Jerry Elger (geologist)	20 Min.	@ 2 exhibits

PROCEDURAL MATTERS

None anticipated at this time.

KELLAHIN AND KELLAHIN

By: 

W. Thomas Kellahin
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(505) 982-4285

DOCKET: EXAMINER HEARING - THURSDAY - JANUARY 9, 1997

8:15 AM - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 3-97 and 4-97 are tentatively set for January 23, 1997 and February 6, 1997. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 11683: Application of Nearburg Producing Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its proposed Chevron "32" State Com Well No. 1 at a point 1090 feet from the North line and 990 feet from the East line (Unit A) of Section 32, Township 17 South, Range 27 East, to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Logan Draw-Morrow Gas Pool, Logan Draw-Cisco Canyon Gas Pool, Scoggin Draw-Morrow Gas Pool, Chalk Bluff-Wolfcamp Pool, or Red Lake-Pennsylvanian Gas Pool, and, if productive, to be dedicated to a 320-acre gas spacing unit consisting of the N/2 of said Section 32. Said location is approximately 7 miles southeast of Artesia, New Mexico.

CASE 11684: Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 4, Township 18 South, Range 28 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the South Empire-Morrow Gas Pool, the North Empire-Atoka Gas Pool, and the South Empire-Wolfcamp Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the NE/4 of said Section 4 for any and all formations/pools developed on 160-acre gas spacing, and forming a 40-acre spacing unit underlying the SE/4 NE/4 of said Section 4 for any and all formations and/or pools spaced on 40-acre spacing. Said unit is to be dedicated to its Hummer "4" State Com Well No. 1 to be drilled and completed at a standard well location in Unit H of said Section 4. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in said well. Said unit is located approximately 14 miles southeast of Artesia, New Mexico.

CASE 11638: (Continued from November 7, 1996, Examiner Hearing.)

Application of Citation Oil & Gas Corp. for two unorthodox gas well locations and for simultaneous dedication, Lea County, New Mexico. Applicant seeks approval of two unorthodox gas well locations in the Eumont Gas Pool for its existing: (i) Devonian State Well No. 2 (API No. 30-025-04729), located 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 20, Township 21 South, Range 36 East; and, (ii) Devonian State Well No. 3 (API No. 30-025-04730), located 660 feet from the North and East lines (Unit A) of said Section 20. Applicant also seeks approval for Eumont gas production from both wells to be simultaneously dedicated to the existing 320-acre non-standard gas spacing and proration unit comprising the E/2 of said Section 20 (established by Division Administrative Order NSP-488, dated May 11, 1959), which is currently dedicated to its Devonian State Com Well No. 1 (API No. 30-025-04728), located at a standard gas well location 1980 feet from the North and East lines (Unit G) of said Section 20. Further, the applicant at the time of the hearing shall review the status of all other Eumont production, both oil and gas, within the E/2 of said Section 20 and the status and/or effect of Division Administrative Order NSL-3646(SD), dated April 3, 1996, with respect to this application. Said unit is located approximately 2.5 miles south-southeast of Oil Center, New Mexico.

CASE 11685: Application of Burlington Resources Oil & Gas Company for the establishment of a downhole commingling reference case for its Canyon Largo Unit pursuant to Division Rule 303.E and the adoption of special administrative rules therefor, Rio Arriba County, New Mexico. Applicant, in accordance with Division Rule 303.E, seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notification rules on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde, Fruitland Coal, Chacra, Gallup and Pictured Cliffs gas production in the wellbores of existing or future wells drilled anywhere within the Canyon Largo Unit located in Townships 24 and 25 North, Ranges 6 and 7 West. The center of said area is located approximately 9 miles northwest of the El Paso Natural Gas Plant-Lindreth Station on New Mexico State Highway 403.

CASE 11686: Application of Louis Dreyfus Natural Gas Corp. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the W/2 of Section 29, Township 22 South, Range 26 East, forming a standard 320-acre gas spacing and proration unit underlying the W/2 of said Section 29 for any and all formations and/or pools spaced on 320-acre spacing, including but not limited to the Happy Valley-Morrow Gas Pool, Undesignated South Happy Valley-Atoka Gas Pool, Undesignated Sheep Draw-Strawn Gas Pool and Undesignated Southeast Carlsbad-Wolfcamp Gas Pool; and the NW/4 of said Section 29 for any and all pools or formations spaced on 160 acres. Said unit(s) is to be dedicated to its McKittrick "29" Well No. 1 to be drilled and completed at a standard well location in said Section 29. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well, and a charge for risk involved in drilling and completing said well. Said unit is located approximately 6 miles southwest of Carlsbad, New Mexico.

CASE 11638: Application of Citation Oil & Gas Corp. for two unorthodox gas well locations and for simultaneous dedication, Lea County, New Mexico. Applicant seeks approval of two unorthodox gas well locations in the Eumont Gas Pool for its existing: (i) Devonian State Well No. 2 (API No. 30-025-04729), located 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 20, Township 21 South, Range 36 East; and, (ii) Devonian State Well No. 3 (API No. 30-025-04730), located 660 feet from the North and East lines (Unit A) of said Section 20. Applicant also seeks approval for Eumont gas production from both wells to be simultaneously dedicated to the existing 320-acre non-standard gas spacing and proration unit comprising the E/2 of said Section 20 (established by Division Administrative Order NSP-488, dated May 11, 1959), which is currently dedicated to its Devonian State Com Well No. 1 (API No. 30-025-04728), located at a standard gas well location 1980 feet from the North and East lines (Unit G) of said Section 20. Further, the applicant at the time of the hearing shall review the status of all other Eumont production, both oil and gas, within the E/2 of said Section 20 and the status and/or effect of Division Administrative Order NSL-3646(SD), dated April 3, 1996, with respect to this application. Said unit is located approximately 2.5 miles south-southeast of Oil Center, New Mexico.

CASE 11688: Application of Manzano Oil Corporation for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 80-acre spacing underlying the S/2 SW/4, and in all formations developed on 40-acre spacing underlying the SW/4 SW/4 from the surface to the base of the Atoka formation of Section 11, Township 16 South, Range 36 East. Said unit is to be dedicated to its "SV" Chipshot Well No. 2 which will be drilled at an unorthodox well location 1000 feet from the South line and 467 feet from the West line (Unit M) of said Section 11. 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 applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 1 mile southeast of Lovington, New Mexico.

CASE 11689: Application of Nearburg Exploration Company, L.L.C., for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation, Hat-Mesa Morrow Gas Pool, underlying the E/2 of Section 12, Township 21 South, Range 32 East. Said unit is to be dedicated to its Minis 12 Federal Com Well No. 1 to be drilled to an unorthodox well location 990 feet from the North line and 660 feet from the East line (Unit A) of said Section 12. 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 applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 6 miles southeast of the Intersection of Highway 180 and 176.

CASE 11690: Application of Nearburg Producing Company, L.L.C. for an unorthodox bottomhole location and directional drilling, Eddy County, New Mexico. Applicant seeks authorization to directionally drill its McKittrick Federal 11 Well No. 1-Y from a surface location 2310 feet from the South line and 960 feet from the East line to an unorthodox bottomhole location 2550 feet from the North line and 400 feet from the East line (Unit H) of Section 11, Township 22 South, Range 24 East, in the Canyon formation, Undesignated Indian Basin-Upper Pennsylvanian Associated Pool. The N/2 of said Section 11 shall be the project area for this well which will be simultaneously dedicated to the new well and the existing Chama Federal Well No. 1 located 780 feet from the North line and 1350 feet from the East line (Unit B) of Section 11. Said area is located approximately 12 miles west of Carlsbad, New Mexico.

CASE 11649: (Continued from December 5, 1996, Examiner Hearing.)

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the N/2, in all formations developed on 160-acre spacing underlying the NE/4, in all formations developed on 80-acre spacing underlying the N/2 NE/4, and in all formations developed on 40-acre spacing underlying the NW/4 NE/4 from the surface to the base of the Morrow formation, Cemetery-Morrow Gas Pool, of Section 26, Township 19 South, Range 25 East. Said units are to be dedicated to its Morris 26B Well No.1 which will be drilled at a standard location 660 feet from the North line and 1650 feet from the East line (Unit B) of said Section 26. 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 applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 4 1/2 miles west of Lakewood, New Mexico.

CASE 11691: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the W/2 of Section 6, Township 18 South, Range 30 East. Applicant proposes to dedicate this pooled unit to its Cerros Locos AQM Federal Com Well No. 1 to be drilled at a standard location 2310 feet from the North line and 840 feet from the West line (Unit E) of said Section 6 to test any and all formations to the base of Morrow formation, Sand Tank Morrow Gas Pool. 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 applicant as the operator of the well and a charge for risk involved in said well. Said area is located approximately 4 miles southwest of Loco Hills, New Mexico.