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| DATE IN | SUSPENSE | ENGINEER | LOGGED | TYPE |
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

OIL CONSERVATION DIV.
99 OCT 27 AM 12:14

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling

☒ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] and [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☒ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

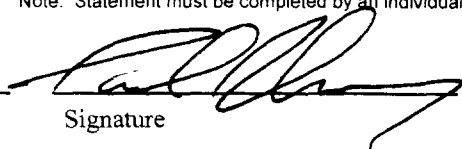
[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

Paul R Owen

Print or Type Name



Signature

Attorney

Title

10/26/99

Date

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

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October 26, 1999

HAND DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

OIL CONSERVATION DIV.
99 OCT 27 AM 12:14

Re: Application of Nearburg Producing Company, L.L.C. for Administrative Approval of an Unorthodox Well Location for its South Boyd 27 #10 Well, 510 feet from the North line and 990 feet from the East line of Section 27, Township 19 South, Range 25 East, Eddy County, New Mexico

Dear Ms. Wrotenbery:

Nearburg Producing Company hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2), of an unorthodox well location, Cemetery Morrow pool, for its South Boyd 27 #10 Well, which well is to be located 510 feet from the North line and 990 feet from the East line of Section 27, Township 19 South, Range 25 East, Eddy County, New Mexico. The N/2 of Section 27 will be dedicated to the well.

Nearburg requests approval of the unorthodox location because drilling the well at a standard location of 660 feet from the North line of Section 27 will place the well pad in the middle of the Dagger Draw, a topographical watershed feature which will cause the well pad to be washed out or damaged frequently. This location in the Morrow formation is unorthodox because it is governed by the Division's statewide rules which provide for wells on 320-acre spacing units to be located no closer than 660 feet to the nearest section line. Attached hereto as Exhibit A is a plat showing the subject spacing unit, the location of the South Boyd 27 #10 Well, and the diagonal and adjoining spacing units and wells.

Nearburg Producing Company is the designated operator of all of the immediately adjoining and diagonal spacing units in the Morrow formation toward which the unorthodox location encroaches. Accordingly, there are no affected parties to whom notification of this Application should be provided pursuant to Division Rule 1207(A)(2).

In support of this Application, I have enclosed the following:

- 1) A Locator Plat, showing the location of the proposed well in Eddy County, New Mexico;
- 2) A Lease Plat, showing the proposed spacing unit, the proposed unorthodox well location, and the adjoining spacing units and wells. The Lease Plat also shows the operatorship of the offsetting spacing units. As detailed above, all offsetting spacing units, which might be affected by the proposed unorthodox location, are operated by Nearburg Producing Company;
- 3) A Topographical Map, showing the location of the proposed well location in relation to the topographical watershed Dagger Draw. Also shown on the Topographical Map is the fact that a standard well location would be placed in the middle of the Dagger Draw; and,
- 4) A Morrow Lower "B" Gross Sand Isopach Map, showing that the moving of the well location from a standard to the requested unorthodox location, will not lead to waste or any impairment of correlative rights.

Also enclosed are paper and disk copies of a proposed order approving this application.

Your attention to this matter is greatly appreciated.

Very truly yours,



Paul R. Owen

Attorney for Nearburg Producing Company

Enclosures

cc: Chip Barker
Nearburg Producing Company

Eddy County, New Mexico

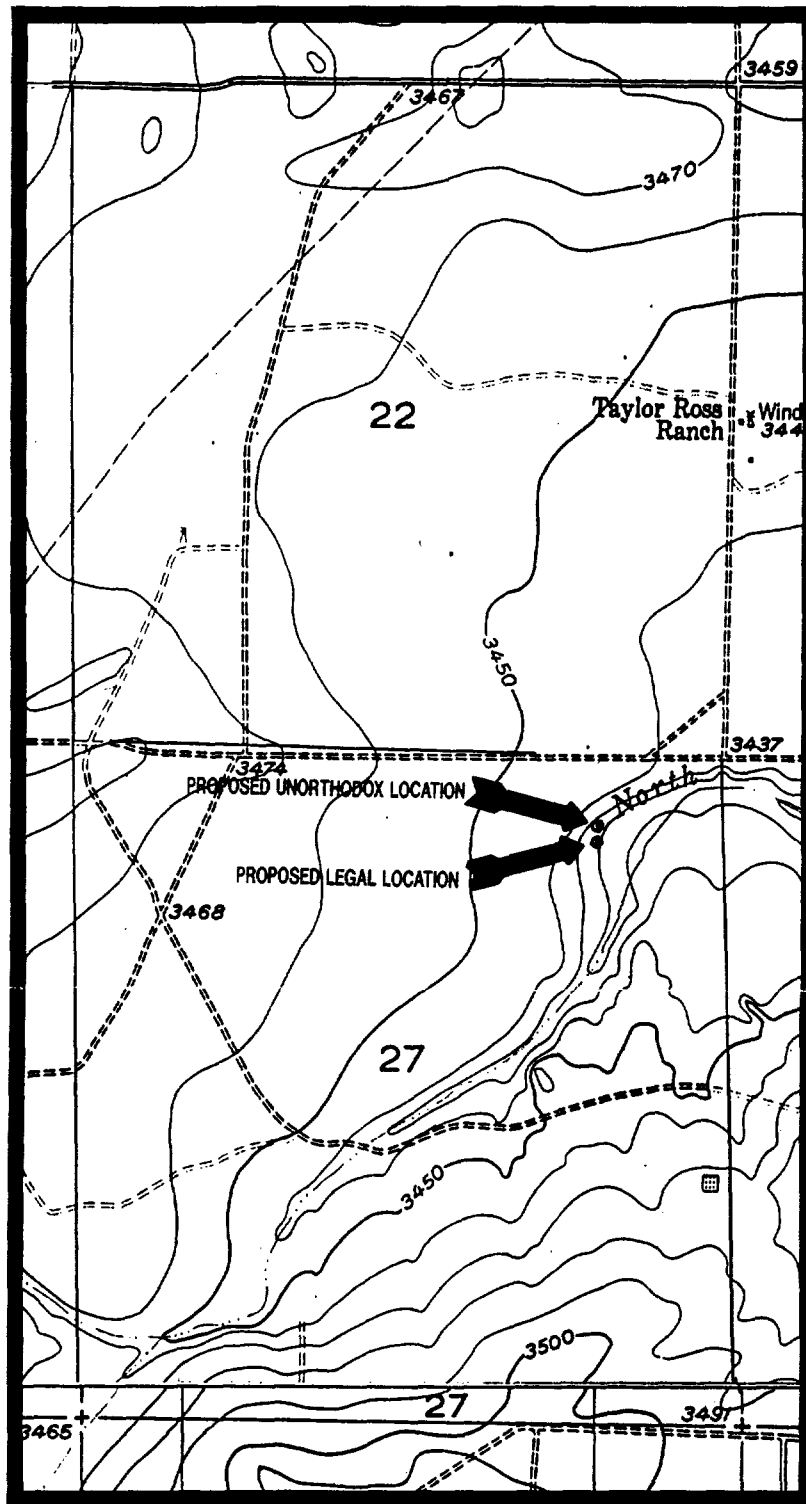


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Nearburg Proposed Unit



Nearburg Producing Unit



Nearburg Producing Company
Exploration and Production
Midland, Texas

SOUTH BOYD 27 #10
EDDY COUNTY , NEW MEXICO

TOPO MAP

| GEOLOGY BY | DATE | DRAWN BY | FILE NO. |
|-------------|-------|--------------|----------|
| J. B. ELGER | 10/99 | Ken Billings | |

Draft--October 26, 1999

(Date)

Nearburg Producing Company
c/o Campbell, Carr, Berge & Sheridan, P.A.
110 North Guadalupe
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

Re: Application of Nearburg Producing Company, L.L.C. for Administrative Approval of an Unorthodox Well Location for its South Boyd 27 #10 Well, 510 feet from the North line and 990 feet from the East line of Section 27, Township 19 South, Range 25 East, Eddy County, New Mexico

Dear Mr. Owen:

Reference is made to your application dated October 26, 1999 to drill Nearburg's proposed South Boyd 27 #10 Well at a non-standard location 510 feet from the North line and 990 feet from the East line of Section 27, Township 19 South, Range 25 East, Eddy County, New Mexico, to test the Morrow formation, Cemetery Morrow Pool.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

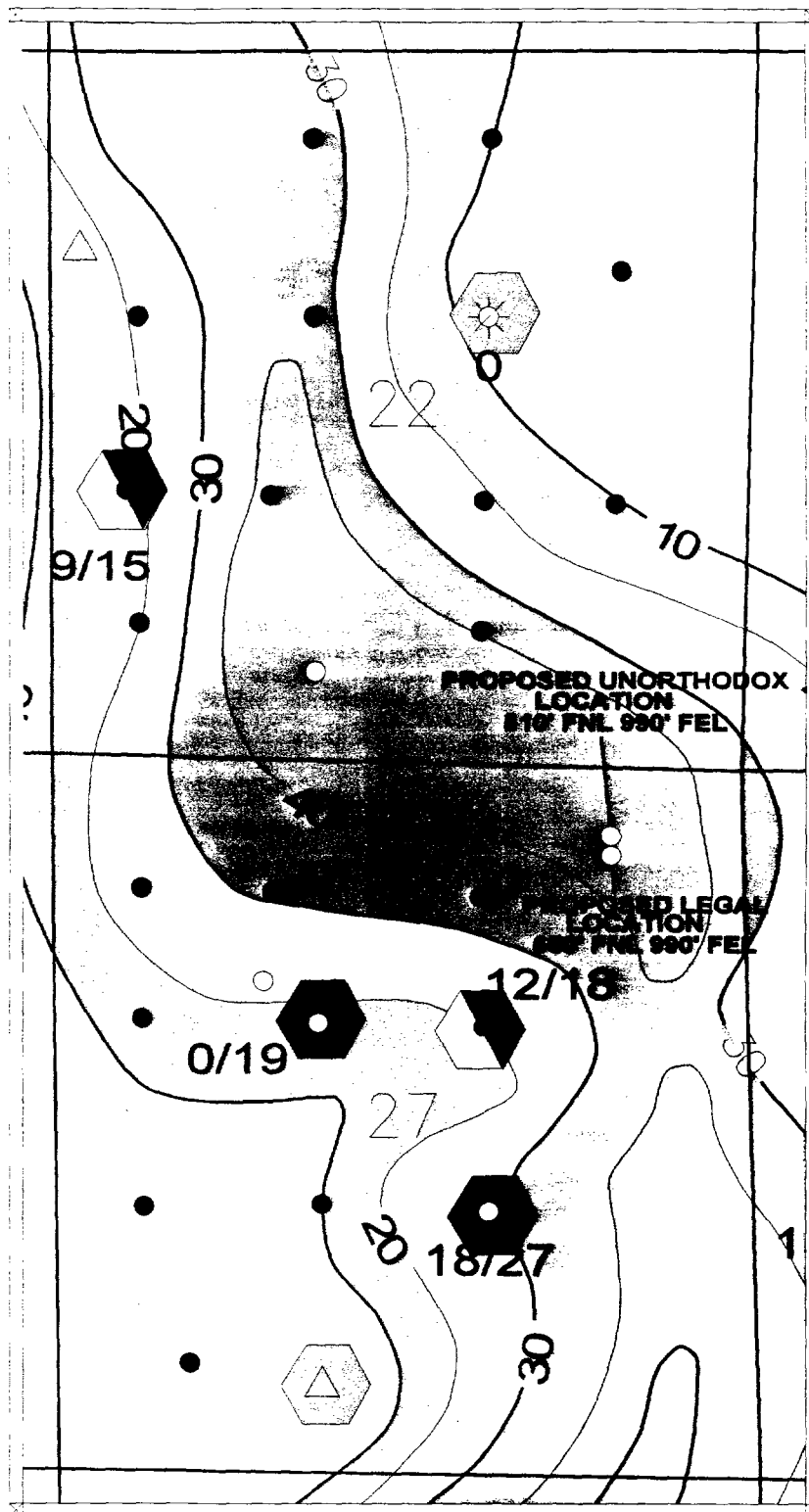
The topographic information submitted with this application indicates that the non-standard location is necessary to avoid placing the well pad in the Dagger Draw, a topographic watershed feature. The geologic information submitted with this application indicates that a well drilled at the non-standard location will not be in an inferior geologic position within the Morrow formation, compared with a well drilled at a location considered to be standard.

The N/2 of said Section 27 shall be dedicated to the well to form a standard 320-acre gas spacing and proration unit for the subject pool.




By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,

Lori Wrotenbery
Director



LEGEND

-  PRODUCTIVE FROM LOWER "B"
-  SAND PRESENT / TIGHT
-  SAND ABSENT



Neaburg Producing Company
 Exploration and Production
 Midland, Texas

**SOUTH BOYD "27" #10
 EDDY COUNTY, NEW MEXICO
 MORROW LOWER "B"
 GROSS SAND ISOPACH MAP**

| GEOLOGIST | DATE | DRAWN BY | FILE NO. |
|-------------|-------|----------|------------|
| J. B. ELGER | 10/88 | PLD | 1501MB GPF |