

**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. 12286
ORDER NO. R- _____

99 DEC - 7 PM 4: 09

OIL CONSERVATION DIV

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

**NEARBURG EXPLORATION COMPANY, L.L.C.'S
PROPOSED ORDER OF THE DIVISION**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 2, 1999, at Santa Fe, New Mexico, before Examiner Mark Ashley.

NOW, on this ____ day of December, 1999, the Division Director, having considered the testimony, the record, and the recommendation 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 an exception to Division Rule 104. C. (2) to permit it to drill its proposed South Boyd "27" Well No. 10 at an unorthodox location 510 feet from the North line and 990 feet from the East line (Unit A) of Section 27, Township 19 South, Range 25 East, North Dagger Draw-Upper Pennsylvanian Pool and the Undesignated Cemetery-Morrow Gas Pool, Eddy County, New Mexico. The N/2 of Section 27 is to be dedicated to the well forming a standard 320-acre gas

spacing and proration unit in for said pools.

(3) The subject well is located in the Undesignated Cemetery-Morrow Gas Pool which is governed by Special Pool Rules and Regulations which provide for 320-acre gas well spacing (Order No. R-3526, February 15, 1967) and in the North Dagger Draw-Upper Pennsylvanian Pool which is also governed by special pool Rules and Regulations which provide for 160-acre spacing units (Order No. R-4691-A, February 3, 1976) and permit as many as four wells on each 160-acre unit to produce a depth bracket allowable of 700 barrels of oil per day (Order No. R-4691-D, March 21, 1991). Nearburg seeks an exception to Rule No. 104.C. of the Division Rules and Regulations which requires wells located on 320-acre well spacing and proration units and 160-acre well spacing and proration units to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located.

(4) Nearburg originally sought administrative approval of this location, however, following discussions with the Division the application was set for hearing to enable Nearburg to present additional evidence and respond to questions concerning the proposed well location.

(5) Notice of this application was provided to all affected working interest owners and no offset operator and/or interest owner appeared at the hearing in opposition to the application.

(6) Nearburg presented evidence which showed that if this well was drilled at a standard location 660 feet from the North and East lines of said Section 27 it would be in the bottom of the Dagger Draw, a dry creek bed, which runs across the NE/4 of this section and has previously flooded and has caused severe damage to another location in said section.

(7) The proposed unorthodox location is 14 feet higher than the nearest standard location and this should be sufficient to avoid the possibility of environmental problems damage to the well and location that could result from flooding in the Dagger Draw.

(8) There are no other acceptable unorthodox well locations in the NE/4 of Section 27 because moving the well to the south or southwest would result in being in the bottom of the Dagger Draw and moving it to the southwest or west would move it toward areas that have been drained by other wells in the Upper Pennsylvanian formation and where reservoir quality has deteriorated in the Morrow formation or where the Morrow channel which is a primary objective in this well does not exist.

(9) Nearburg presented evidence which established that directional drilling this well from the proposed unorthodox surface location to a standard bottom hole location would increase the cost of drilling the well by approximately \$115,000.00 and that if this additional cost had to be incurred, Nearburg would not be able to drill the well.

(10) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pools, will result in the recovery of hydrocarbons that would otherwise be left in the ground and wasted, and will otherwise be in the best interest of conservation and the protection of correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Nearburg Exploration Company, L.L.C. for an exception to Division Rule 104. C. (2) to permit it to drill its proposed South Boyd "27" Well No. 10 at an unorthodox location 510 feet from the North line and 990 feet from the East line (Unit A) of Section 27, Township 19 South, Range 25 East, NMPM, to the Undesignated Cemetery-Morrow Gas Pool and the North Dagger Draw-Upper Pennsylvanian Pool is hereby approved. The N/2 of Section 27 shall be dedicated to the well forming a standard 320-acre spacing and proration unit for the Undesignated Cemetery-Morrow Gas Pool and the NE/4 of Section 27 shall be dedicated to the well forming a standard 160-acre spacing and proration unit in the North Dagger Draw-Upper Pennsylvanian Gas Pool.

(2) Jurisdiction is hereby 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

LORI WROTENBERY
Director

SEAL