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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. 11393
ORDER NO. R-10506

**APPLICATION OF NEARBURG PRODUCING COMPANY
FOR AN UNORTHODOX GAS WELL LOCATION, LEA
COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 5, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 31st day of October, 1995 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 Producing Company ("Nearburg"), seeks approval to drill its Minis "1" Federal Well No. 2 at an unorthodox gas well location in the Hat Mesa-Morrow Gas Pool 1980 feet from the South line and 660 feet from the West line (Unit T) of irregular Section 1, Township 21 South, Range 32 East, NMPM, Lea County, New Mexico, said well to be dedicated to a standard 320-acre gas spacing and proration unit consisting of the S/2 of said Section 1.

(3) The Hat Mesa-Morrow Gas Pool is subject to the Division's Statewide Rules and Regulations which require 320-acre spacing and proration units with wells to be located no closer than 660 feet to the nearest side (long) boundary of the dedicated tract nor closer than 1980 feet from the nearest end (short) boundary nor closer than 330 feet from any quarter-quarter section or subdivision inner boundary.

(4) The S/2 of said Section 1 was dedicated to the Kimball Production Company Federal "One" Well No. 1, located at a standard gas well location 660 feet from the South line and 1980 feet from the West line (Unit V) of said Section 1, from 1973 until 1988 when it was plugged and abandoned. During this time it produced a total of 458,134 MCF of gas and 8,522 barrels of condensate from the Hat Mesa-Morrow Gas Pool.

(5) In said Section 1 there is only one well currently producing from the Hat Mesa-Morrow Gas Pool, the Nearburg Producing Company Minis Federal Com Well No. 1, located at a standard gas well location 3300 feet from the North line and 1650 feet from the East line (Lot 10/Unit J) of said irregular Section 1, in which is dedicated a 317.54-acre gas spacing and proration unit comprising Lots 1, 2, 7, 8, 9, 10, 15, and 16.

(6) The geological evidence presented by the applicant indicates that a well drilled at the proposed location should encounter a greater amount of gross sand thickness in the Middle Morrow Sandstone than a well drilled at a standard Morrow gas well location to the east in the S 2 of said Section 1, thereby increasing the likelihood of obtaining commercial gas production from the Morrow formation. Further, a standard location would move the proposed well towards the old depleted Kimball well in Unit "V".

(7) The proposed location for the applicant's Minis "1" Federal Well No. 2 is standard for a "stand-up" 320-acre standard gas spacing and proration unit comprising Lots 11, 12, 13, and 14 and the SE/4 of said irregular Section 1, however such acreage dedication would create two isolated 160-acre tracts in said Section 1 (Lots 3, 4, 5, and 6 and the SW/4) which could not be joined to create a standard 320-acre unit in Section 1 or non-standard units would have to be formed with acreage from the adjacent Sections. Such development could lead to waste, the drilling of unnecessary wells, and the violation of correlative rights.

(8) No offset operator or interest owner appeared at the hearing in opposition to the proposed unorthodox location.

(9) Approval of this application is in the best interest of conservation, will serve to protect correlative rights of offsetting interest owners and will afford the applicant the opportunity to produce its just and equitable share of the gas in subject formations and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Nearburg Producing Company, is hereby authorized to drill

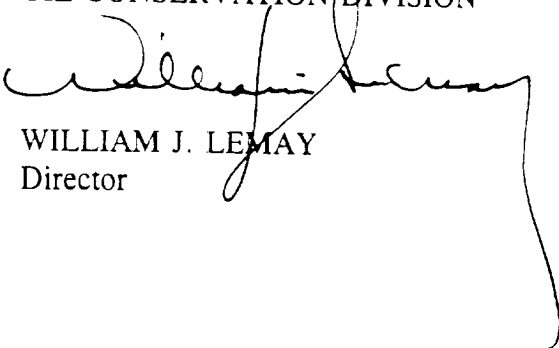
its Minis "1" Federal Well No. 2 at an unorthodox gas well location in the Hat Mesa-Morrow Gas Pool 1980 feet from the South line and 660 feet from the West line (Unit T) of irregular Section 1, Township 21 South, Range 32 East, NMPM, Lea County, New Mexico.

(2) Applicant is further authorized to dedicate to said pool a standard 320-acre gas spacing and proration unit comprising the S/2 of said Section 1.

(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 designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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