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May 19, 2011

Ms. Florene Davidson
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Hand Delivered

**Re: NMOCD Case No. 14665: Application of Nearburg Producing Company
for Designation of a Non-Standard Oil Spacing and Proration Unit and
Compulsory Pooling, Eddy County, New Mexico**

Dear Ms. Davidson

On behalf of Nearburg Producing Company, enclosed is an original and one copy of an Application in the above-referenced case. Please set this matter for hearing on the June 23, 2011 examiner docket.

Also enclosed is a proposed advertisement for the case.

Very truly yours,

J. Scott Hall

JSH:kw
Enclosure

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REPLY TO:

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**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

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2011 MAY 19 P 4: 05

**IN THE MATTER OF THE APPLICATION OF
NEARBURG PRODUCING COMPANY FOR
DESIGNATION OF A NON-STANDARD OIL
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO**

CASE NO. 14665

APPLICATION

Nearburg Producing Company, by its undersigned attorneys, Montgomery and Andrews, P.A. (J. Scott Hall), hereby makes application pursuant to *inter alia* Rule 19.15.16.14 NMAC of the Division's Rules and Regulations and NMSA 1978 Section 70-2-17 (1995) for an order providing as follows:

A. Consolidating each of the 40-acre spacing units within the E/2 E/2 of Section 26, Township 19 South, Range 25 East, NMPM and designating the consolidated units as a 160-acre± non-standard oil spacing and proration unit in the Glorieta-Yeso formation, Seven Rivers-Yeso pool (55670), for Applicant's horizontal drilling project area; and

B. Pooling all interests in the Glorieta-Yeso formation underlying the E/2 E/2 of said Section 26.

In support, Applicant states:

1. Applicant owns certain working interests in and under the proposed project area in Section 25, and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled unit to its Morris-Boyd 26 No. 1-H Well to be drilled horizontally from a standard surface location 330' from the South line and 660' from the East line to a standard bottom hole location 330' from the North

line and 330' from the East line of Section 26, Township 19 South, Range 25 East to a depth sufficient to test the Glorieta-Yeso formation underlying the proposed project area.

3. Applicant does not have leases or a voluntary agreement for pooling or farmout from certain other interest owners in the above-referenced formation underlying the proposed non-standard unit.

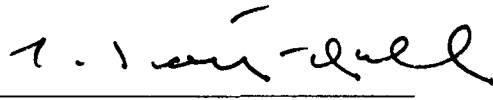
4. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and Applicant should be designated operator of the well.

5. The pooling of interests and approval of the non-standard unit will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the spacing unit, will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on June 23, 2011, and that after notice and hearing as required by law, the Division enter its Order approving the non-standard spacing unit and pooling the lands, designating Applicant as operator including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as maybe proper in the premises.

Respectfully submitted,

MONTGOMERY & ANDREWS, P. A.

By: 
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Attorneys for Nearburg Producing Company

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Case No. 14665; Application of Nearburg Producing Company for Designation of a Non-standard Spacing Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order consolidating the 40-acre spacing units within the E/2 E/2 of Section 26, Township 19 South Range 25 East, NMPM and designating the consolidated units as a 160-acre± non-standard oil spacing and proration unit in the Glorieta-Yeso formation, Seven Rivers-Yeso pool (55670), for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Glorieta-Yeso formation underlying the E/2 E/2 of Section 26 to be dedicated to its Morris-Boyd 26 No. 1-H Well to be drilled horizontally from a standard surface location 330' from the South line and 660' from the East line to a standard bottom hole location 330' from the North line and 660' from the East line of Section 26, to a depth sufficient to test the Glorieta-Yeso formation. 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 Nearburg Producing Company as operator and a charge for risk involved in drilling the well. The proposed well and lands are located approximately 4 miles west of Lakewood, New Mexico.

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