

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



January 31, 2013

Read & Stevens, Inc.
Attn: Rory McMinn
400 Penn Plaza, Suite 1000
Roswell, NM 88201

Re: Case No. 14940; Application of Nearburg Exploration Company, LLC for Compulsory Pooling, etc.

Dear Mr. McMinn;

We received your letter dated January 29, protesting certain aspects of the referenced application.

Please be advised that this application went to hearing on January 24, and is currently under advisement. If you wish to be heard prior to the determination of this matter, you will need to file a motion to re-open. Any such motion should be copied to Mr. Feldewert.

Sincerely

A handwritten signature in cursive script that reads "David K. Brooks".

David K. Brooks
Legal Examiner

Cc: William Jones, Technical Examiner
Michael Feldewert, Attorney for Nearburg

READ & STEVENS, INC.

OIL PRODUCERS

Mailing address
P. O. Box 1518
Roswell, New Mexico 88202

400 Penn Plaza, Suite 1000
Roswell, New Mexico 88201

Phone: 575/622-3770
Fax: 575/622-8643

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January 29, 2013

VIA OVERNIGHT DELIVERY

Energy Minerals and Natural Resources Department
Oil Conservation Division
Attention: Mr William V. Jones, Hearing Examiner
1220 St. Francis Drive
Santa FE, NM 87501

Re: Nearburg Exploration Company, LLC application for Compulsory Pooling
Case No.: 14940

Dear Examiner Jones:

Read and Stevens, Inc., the operator of the N/2 of the W/2 of Section 23 of Township 20 South, Range 34 East, Lea County, New Mexico, wishes to protest certain portions of the above referenced application for Compulsory Pooling.

Our concerns are specifically, that the Nearburg Exploration Company, LLC Case No: 14826 and subsequent Order No: R-13628 are for the 3rd Bone Spring Sand only. The well location for the Case and Order is called the Laguna 23 Federal Com Well No. 2H (API No. 30-025-40697) referenced herein as "2H" and is in the easterly adjacent stand-up 160 acre spacing unit from Case 14940 (E/2W/2 of Section 23 T20S-R34E; Lea County, New Mexico). The Order for 2H allows Compulsory Pooling in the 3rd Bone Spring Sand section only. While the application for Case No. 14940 (Laguna 23 Federal Com Well No. 1H herein after referred to as "1H") is requesting Compulsory Pooling for the "total" Bone Spring section which includes multiple highly differentiated segments of sands and carbonates that is +/- 1,000 feet thick as opposed to the 208' thickness for the 3rd Bone Spring Sand presented in the 1H Case 14940.

Therefore, Read & Stevens, Inc. is requesting that the Compulsory Pooling Order for Case 14940 be approved for the 3rd Bone Spring Sand section only as was previously done in Order R-13628.

As an additional comment, Order No. R-13628 for 2H provided for the drilling of that well on or before October 2013. Nearburg sent out it's AFE for that well in November 2012 demanding full payment of the before casing point well costs by each working interest owner. When asked when they intended to drill the well, they responded that it would be drilled on or before October 2013. This is a burdensome issue with working interest owners in properties operated by someone other than themselves. In essence, Nearburg intended to hold our participation funds in a non-interest bearing account for up to 11 months. The cost to Read & Stevens as a company that drills and operates from our own cash-flow, as well as many other similarly situated small operators or investors, is tremendous and overly burdensome. We ask that the OCD consider this as an issue to

READ & STEVENS, INC.

all of the small interest owners who do desire to participate in these projects and request that Division Director Bailey consider implementing a rule that would cause Compulsory Pooling Orders to include language that only allows operators to collect pre-paid AFE amounts a maximum of 60 days prior to the spudding of the well.

I am available at 575/622-3770 extension 307 or by cellular at 575/626-7100 or by e-mail at rmcminn@read-stevens.com.

Yours Sincerely,
Read & Stevens, Inc.



Rory McMinn, President & Managing Director

cc: Jami Bailey, NM OCD Division Director
Jim Reedy, General Counsel & V.P. of Land, Read & Stevens, Inc.
Gary Larson, Hinkle, Hensley, Shanor & Martin
Michael Feldewart, Holland & Hart
Terrance Gant, Nearburg Exploration Company, LLC