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May 14, 2013

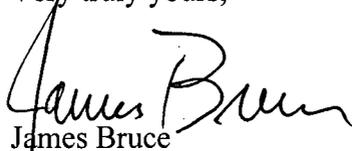
Case 14996

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

Dear Florene:

Enclosed for filing, on behalf of Nearburg Exploration Company, L.L.C., are an original and one copy of an application for compulsory pooling, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set the application for the June 13, 2013 Examiner hearing. Thank you.

Very truly yours,

  
James Bruce

Attorney for Nearburg Exploration Company, L.L.C.

Parties Being Pooled

Chevron U.S.A. Inc.  
15 Smith Road  
Midland, Texas 79705

Chesapeake Energy Corporation  
6100 North Western Avenue  
Oklahoma City, Oklahoma 73118

OXY USA WTP LP  
P.O. Box 4294  
Houston, Texas 77210

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF NEARBURG EXPLORATION COMPANY, L.L.C. FOR A NON-STANDARD OIL SPACING AND PRORATION UNIT, UNORTHODOX OIL WELL LOCATION, AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

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Case No. 14996

APPLICATION

Nearburg Exploration Company, L.L.C. applies for an order approving a non-standard oil spacing and proration unit comprised of the S $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 17, Township 17 South, Range 37 East, N.M.P.M., Lea County, New Mexico, approving an unorthodox oil well location, and pooling all mineral interests from the surface to the top 200 feet of Mississippian formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the S $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 17, and has the right to drill a well thereon.
2. Applicant proposes to drill the Sapient 17 Well No. 1 at an unorthodox surface hole location 1641 feet from the north line and 1225 feet from the east line, and an unorthodox bottom hole location 1691 feet from the north line and 1225 feet from the east line, of Section 17, to a depth sufficient to test the top 200 feet of the Mississippian formation, and will dedicate the S $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 17 to the well in all formations.
3. The target formations are developed on the Division's statewide rules, with 40 acre spacing and wells to be located no closer than 330 feet to a quarter-quarter section line.
4. One well will drain reserves underlying the S $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 17. Therefore, applicant requests that a non-standard spacing and proration unit comprised of the S $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 17 be dedicated to the well.

5. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S½NE¼ of Section 17 for the purposes set forth herein.

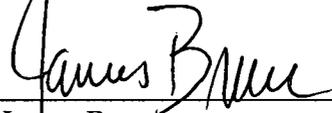
6. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling and completion of the well, or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners underlying the S½NE¼ of Section 17, pursuant to NMSA 1978 §§70-2-17, 18.

7. The granting of this application will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

**WHEREFORE**, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving an unorthodox oil well location;
- B. Approving a non-standard oil spacing and proration unit comprised of the S½NE¼ of Section 17;
- C. Pooling all mineral interests from the surface to the top 200 feet of Mississippian formation underlying the non-standard unit;
- D. Designating Nearburg Producing Company as operator of the well;
- E. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- F. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- G. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in black ink that reads "James Bruce". The signature is written in a cursive style with a large initial "J" and "B".

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James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Nearburg Exploration  
Company, L.L.C.

PROPOSED ADVERTISEMENT

Case No. 14996 :

*Application of Nearburg Exploration Company, L.L.C. for a nonstandard oil spacing and proration unit, unorthodox oil well location, and compulsory pooling, Lea County, New Mexico.* Applicant seeks an order approving a non-standard oil spacing and proration unit comprised of the S/2NE/4 of Section 17, Township 17 South, Range 37 East, N.M.P.M., Lea County, New Mexico, approving an unorthodox oil well location, and pooling all mineral interests from the surface to the top 200 feet of the Mississippian formation underlying the non-standard unit. Applicant proposes to drill the Sapient 17 Well No. 1 at an unorthodox surface location 1641 feet from the north line and 1225 feet from the east line, and a bottom hole location 1691 feet from the north line and 1225 from the east line, of Section 17, to a depth sufficient to test the top 200 feet of the Mississippian formation, and will dedicate the S/2NE/4 of Section 17 to the well. Also to be considered will be the cost of drilling and completing the 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 of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 4-1/2 miles northwest of Humble City, New Mexico.

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