

**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:**

**APPLICATION OF NEARBURG EXPLORATION
COMPANY, L.L.C. FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

Case No. 14,549

VERIFIED STATEMENT OF RUSSELL WICKMAN

Russell Wickman, being duly sworn upon his oath, deposes and states:

1. I am a landman for Nearburg Exploration Company, L.L.C., and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule NMAC 19.15.4.12.A(1), the following information is submitted in support of the compulsory pooling application filed herein:

(a) No opposition is expected because the mineral interest owners being pooled have been contacted regarding the proposed well, and have simply not decided whether to join in the well or lease their interests.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Permo Penn formation underlying the N/2NE/4 of Section 12, Township 12 South, Range 32 East, NMPM, and in the following manner: The N/2NE/4 to form a standard 80-acre oil spacing and proration unit for all pools or formations developed on 80-acre spacing within that vertical extent; and the NW/4NE/4 to form a standard 40-acre oil spacing and proration unit for all pools or formations developed on 40-acre spacing within that vertical extent.

The units are to be dedicated to the Rocking 12 Well No. 1, to be drilled at an orthodox location in the NW/4NE/4 of Section 12.

(c) The parties being pooled, their working interests in the well unit, and their addresses, are as follows:

Mariner Energy, Inc.
Edge Petroleum Exploration Company
Suite 2000
2000 West Sam Houston Parkway South
Houston, Texas 77042

6.6406%

Oil Conservation Division
Case No. _____
Exhibit No. 1

Pure Energy Group, Inc. 3.3203%
Suite 218
22610 U.S. Highway 281 North
San Antonio, Texas 78258

Chisos, Ltd. 3.3203%
670 Dona Ana Road SW
Deming, New Mexico 88030

The above addresses are current and correct.

(d) Copies of the proposal letters sent to the uncommitted mineral interest owners are attached hereto as Exhibit B. We have also had several telephone discussions and exchanged e-mails with the parties, but have been unable to reach agreement with them.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against any non-consenting mineral interest owner.

(f) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in Lea County.

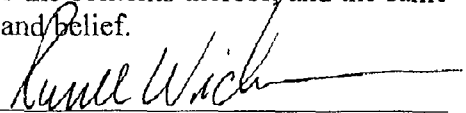
(g) Overhead charges of \$6,000/month for a drilling well, and \$600/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant requests that the order contain a provision adjusting the rates pursuant to the COPAS accounting procedure.

(h) Applicant requests that Nearburg Producing Company be designated operator of the well.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Russell Wickman, being duly sworn upon his oath, deposes and states that: He is a landman for Nearburg Exploration Company, L.L.C.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.



Russell Wickman

SUBSCRIBED AND SWORN TO before me this 29th day of September, 2010 by
Russell Wickman.

My Commission Expires: 9-30-2012



Notary Public



NEARBURG PRODUCING COMPANY
ROCKING 12

○ 1

T
12
S

12

R 32 E

PETRA 9/29/2010 2:51:08 PM

EXHIBIT A

Nearburg Producing Company

*Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX: 432/686-7806*

July 9, 2010

VIA CERTIFIED MAIL

Edge Petroleum Exploration
c/o Mariner Energy
1301 Travis, Suite 2000
Houston, TX 77002
Attention: Bill Michalak

*Re: Bagley Prospect
Lea County, New Mexico
**Proposal to Drill Rocking 12 #1 Well
and to form a working interest unit
660' FNL & 1,650' FEL
Section 12, T-12-S, R-32-E, N.M.P.M.
Lea County, New Mexico***

Gentlemen:

According to the records of Lea County, New Mexico you own a 6.25% mineral interest in the N/2NW/4 & S/2NE/4, and a 6.64% mineral interest in the S/2NW/4 & N/2NE/4, all in Section 12, T-12-S, R-32-E, N.M.P.M, Lea County, New Mexico. Nearburg Exploration Company, L.L.C. has acquired oil and gas leases from other mineral owners representing the majority of the mineral interest in such land, and is interested in drilling the above referenced well. It is our understanding that you would like to consider the option to participate in drilling prior to discussing an oil and gas lease covering your interest. Accordingly, Nearburg hereby proposes the drilling of the Rocking 12 No. 1 well to test the Permo Penn formation at a location of approximately 660' FNL and 1,650' FEL of the lands described above, with the N/2NE/4 as the spacing unit for such well. I have attached for your review an AFE for the drilling of this well.

In addition to the drilling proposal set out above, Nearburg proposes the formation of a working interest unit covering the North One-Half (N/2) of Section 12, subject to a mutually acceptable operating agreement naming Nearburg Producing Company as Operator.

Please note that should you prefer, Nearburg would be interested in acquiring an oil and gas lease covering your interest in the N/2 of Section 12, and additionally Nearburg is interested in acquiring a term assignment covering your leasehold interest in the SE/4, S/2SW/4 and NE/4SW/4 of Section 1, T-11-S, R-32-E. Please feel free to contact me at any time to discuss this option.

EXHIBIT

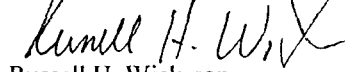
B

Drilling and Proposal
Bagley Prospect – Rocking 12 #1
July 9, 2010
Page 2

Thank you for your time and attention to this matter and please feel free to call if you have any questions.

Very truly yours,

Nearburg Producing Company

A handwritten signature in black ink, appearing to read "Russell H. Wickman". The signature is written in a cursive style with a large, sweeping initial "R".

Russell H. Wickman
Senior Landman

attachment

Nearburg Producing Company

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX: 432/686-7806

July 9, 2010

VIA CERTIFIED MAIL

Pure Energy Group, Inc.
153 Treeline Park, Suite 220
San Antonio, TX 78209
Attention: Larry Risley
210-226-6700

Re: *Bagley Prospect*
Lea County, New Mexico
Proposal to Drill Rocking 12 #1 Well
and to form a working interest unit
660' FNL & 1,650' FEL
Section 12, T-12-S, R-32-E, N.M.P.M.
Lea County, New Mexico

Gentlemen:

According to the records of Lea County, New Mexico you own a 3.125% mineral interest in the N/2NW/4 & S/2NE/4, and a 3.32% mineral interest in the S/2NW/4 & N/2NE/4, all in Section 12, T-12-S, R-32-E, N.M.P.M, Lea County, New Mexico. Nearburg Exploration Company, L.L.C. has acquired oil and gas leases from other mineral owners representing the majority of the mineral interest in such land, and is interested in drilling the above referenced well. It is our understanding that you would like to consider the option to participate in drilling prior to discussing an oil and gas lease covering your interest. Accordingly, Nearburg hereby proposes the drilling of the Rocking 12 No. 1 well to test the Permo Penn formation at a location of approximately 660' FNL and 1,650' FEL of the lands described above, with the N/2NE/4 as the spacing unit for such well. I have attached for your review an AFE for the drilling of this well.

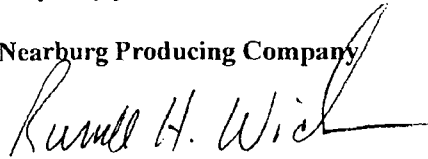
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Drilling and Proposal
Bagley Prospect – Rocking 12 #1
July 9, 2010
Page 2

Thank you for your time and attention to this matter and please feel free to call if you have any questions.
Very truly yours,

Nearburg Producing Company

A handwritten signature in black ink, appearing to read "Russell H. Wickman", with a long horizontal flourish extending to the right.

Russell H. Wickman
Senior Landman

attachment

Nearburg Producing Company

*Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX: 432/686-7806*

July 9, 2010

VIA CERTIFIED MAIL

Chisos, Ltd.
670 Dona Ana Road SW
Deming, NM 88030
Attention: Sue Ann Craddock

*Re: Bagley Prospect
Leay County, New Mexico*
**Proposal to Drill Rocking 12 #1 Well
and to form a working interest unit
660' FNL & 1,650' FEL
Section 12, T-12-S, R-32-E, N.M.P.M.
Lea County, New Mexico**

Gentlemen:

According to the records of Lea County, New Mexico you own a 3.125% mineral interest in the N/2NW/4 & S/2NE/4, and a 3.32% mineral interest in the S/2NW/4 & N/2NE/4, all in Section 12, T-12-S, R-32-E, N.M.P.M, Lea County, New Mexico. Nearburg Exploration Company, L.L.C. has acquired oil and gas leases from other mineral owners representing the majority of the mineral interest in such land, and is interested in drilling the above referenced well. It is our understanding that you would like to consider the option to participate in drilling prior to discussing an oil and gas lease covering your interest. Accordingly, Nearburg hereby proposes the drilling of the Rocking 12 No. 1 well to test the Permo Penn formation at a location of approximately 660' FNL and 1,650' FEL of the lands described above, with the N/2NE/4 as the spacing unit for such well. I have attached for your review an AFE for the drilling of this well.

In addition to the drilling proposal set out above, Nearburg proposes the formation of a working interest unit covering the North One-Half (N/2) of Section 12, subject to a mutually acceptable operating agreement naming Nearburg Producing Company as Operator.

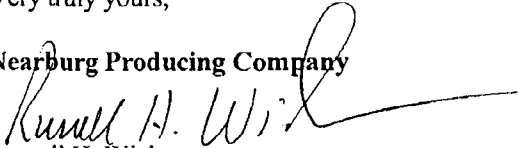
Please note that should you prefer, Nearburg would be interested in acquiring an oil and gas lease covering your interest in the N/2 of Section 12, and additionally Nearburg is interested in acquiring a term assignment covering your leasehold interest in the SE/4, S/2SW/4 and NE/4SW/4 of Section 1, T-11-S, R-32-E. Please feel free to contact me at any time to discuss this option.

Drilling and Proposal
Bagley Prospect – Rocking 12 #1
July 9, 2010
Page 2

Thank you for your time and attention to this matter and please feel free to call if you have any questions.

Very truly yours,

Nearburg Producing Company


Russell H. Wickman
Senior Landman

attachment

SHAW INTERESTS, INC.

OIL & GAS PROPERTIES

310 W. WALL, SUITE 305

MIDLAND, TX 79701

(432) 685-1404

Chisos, Ltd

Attn: Sue Ann Craddock

670 Dona Ana Rd. SW

Deming, NM 88030

Phone: 575-546-8802

Email: sueanncraddock@zianet.com

Letter dated January 12, 2010

Letter dated March 26, 2010

Left several voice messages, when speaking with Ms. Craddock on one occasion a verbal proposal for an Oil & Gas Lease was made at \$150.00 per net mineral acre bonus consideration, ¼ royalty with a 3 year primary term, in another conversation a verbal Term Assignment proposal was made with terms of 2 years and the difference between existing burdens and a 75% net revenue. I was asked that Chisos, Ltd. be sent an AFE and because of the existing burdens would possibly participate.

Mariner Energy, Inc.

Attn: Bill Michalak

1301 Travis, Suite 2000

Houston, TX 77002

Phone: 713-654-8960

Email: bmichalak@mariner.com

Letter dated January 12, 2010

Letter dated March 26, 2010

Left several voice messages, when speaking with Mr. Michalak on one occasion a verbal proposal for an Oil & Gas Lease was made at \$150.00 per net mineral acre bonus consideration, ¼ royalty with a 3 year primary term, in another conversation a verbal Term Assignment proposal was made with terms of 2 years and the difference between existing burdens and a 75% net revenue. I was asked that Mariner Energy, Inc. be sent an AFE and because of the existing burdens would possibly participate.

Pure Energy Group, Inc.

Attn: Larry Risley

152 Treeline Park, Suite 220

San Antonio, TX 78209

Phone: 210-226-6700

Letter dated March 26, 2010

Letter dated January 12, 2010

Left several voice messages, when speaking with Mr. Risley on one occasion a verbal proposal for an Oil & Gas Lease was made at \$150.00 per net mineral acre bonus consideration, ¼ royalty with a 3 year primary term, in another conversation a verbal Term Assignment proposal was made with terms of 2 years and the difference between existing burdens and a 75% net revenue. I was asked that Pure Energy Group, Inc. be sent an AFE and because of the existing burdens would possibly participate.

SJ FINAL

AUTHORITY FOR EXPENDITURE

LEASE: Rocking 12

WELL NUMBER: 1

TD

10,500

LOCATION: 660 FNL and 1650 FEL, Section 12, T12S, R32E, Chaves County NM

FIELD: Bagley, Perma Penn, North

EXPLORATORY/DEVELOPMENT/WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as oil producer.

This AFE is set up with 3 strings of casing.

DATE PREPARED: 5/19/10

EST. START DATE: 2010

EST. COMPLETION DATE: 2010

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 10,500 Ft @ 40.00 \$/Ft	1514.101	445,200	NA	0	445,200
Drilling Daywork 1 1 12,000 \$/day	1514.105	12,720	1515.109	13,780	26,500
Drilling Turnkey	1514.100	0	1515.110	0	0
Rig Mobilization and Demobilization	1514.118	0	1515.113	0	0
Road & Location Expense	1514.120	264,682	1515.117	2,120	266,802
Damages	1514.128	5,000	1515.123	0	5,000
Directional Drilling - Tools and Service	1514.130	0	1515.130	0	0
Drilling Fluids	1514.135	53,000	1515.102	0	53,000
Fuel, Power, and Water	1514.140	26,500	1515.140	2,120	28,620
Supplies - Bits	1514.145	0	1515.148	1,855	1,855
Supplies - Casing Equipment	1514.150	2,544	1515.150	1,272	3,816
Supplies - Liner Equipment	1514.155	0	1515.155	0	0
Supplies - Miscellaneous	1514.160	0	1515.160	1,060	1,060
Cement and Cmt. Services - Surface Csg	1514.165	10,600	NA	0	10,600
Cement and Cmt. Services - Int. Csg	1514.170	26,500	NA	0	26,500
Cement and Cmt. Services - Prod. Csg	NA	0	1515.172	42,400	42,400
Cement and Cmt. Services - Other	1514.175	0	1515.175	0	0
Rental - Drilling Tools and Equipment	1514.180	0	1515.180	0	0
Rental - Misc.	1514.185	19,663	1515.185	13,250	32,913
Testing - Drill Stem / Production	1514.189	13,250	1515.195	5,300	18,550
Open Hole Logging	1514.200	26,500	NA	0	26,500
Mudlogging Services	1514.210	28,620	NA	0	28,620
Special Services	1514.190	0	1515.190	4,240	4,240
Plug and Abandon	1514.215	10,000	1515.215	(10,000)	0
Pulling and/or Swabbing Unit	NA	0	1515.217	63,600	63,600
Reverse Equipment	NA	0	1515.219	15,900	15,900
Wireline Services	1514.205	0	1515.205	33,920	33,920
Stimulation	NA	0	1515.221	53,000	53,000
Pump / Vacuum Truck Services	1514.220	0	1515.220	13,364	13,364
Transportation	1514.225	5,300	1515.225	6,360	11,660
Tubular Goods - Inspection & Testing	1514.230	2,650	1515.230	8,480	11,130
Unclassified	1514.245	0	1515.245	0	0
Telephone and Radio Expense	1514.240	3,180	1515.240	1,590	4,770
Engineer / Geologist / Landman	1514.250	16,500	1515.250	16,500	33,000
Company Labor - Field Supervision	1514.255	11,660	1515.255	16,500	28,160
Contract Labor / Roustabout	1514.265	53,000	1515.265	26,500	79,500
Legal and Professional Service	1514.270	5,000	1515.270	0	5,000
Insurance	1514.275	15,000	1515.275	0	15,000
Overhead	1514.280	7,000	1515.280	3,500	10,500
SUBTOTAL		1,064,069		336,611	1,400,680
Contingencies (10%)		106,407		33,661	140,068
ESTIMATED TOTAL INTANGIBLES		1,170,476		370,272	1,540,748

EXHIBIT

C

AUTHORITY FOR EXPENDITURE

LEASE: Rocking 12

WELL NUMBER: 1

TD

10500

LOCATION: 660 FNL and 1650 FEL, Section 12, T12S, R32E, Chaves County NM

FIELD: Bagley, Perma Penn, North

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as oil producer.

This AFE is set up with 3 strings of casing.

DATE PREPARED: 5/19/10

EST. START DATE: 2010

EST. COMPLETION DATE: 2010

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	0 Ft @	250.00 \$/Ft	1520.305	0	NA	0	0
Surface Csg	400 Ft @	35.00 \$/Ft	1520.310	14,000	NA	0	14,000
Intermediate Csg	4,200 Ft @	24.00 \$/Ft	1520.315	100,800	NA	0	100,800
Protection Csg	0 Ft @	0.00 \$/Ft	1520.320	0	NA	0	0
Production Csg	10,500 Ft @	11.00 \$/Ft	NA	0	1522.325	157,500	157,500
Protection Liner	0 Ft @	0.00 \$/Ft	1520.320	0	NA	0	0
Production Liner	0 Ft @	0.00 \$/Ft	NA	0	1522.335	0	0
Tubing	10,300 Ft @	6.00 \$/Ft	NA	0	1527.340	61,800	61,800
Rods	10,100 Ft @	3.00 \$/Ft	NA	0	1527.345	30,300	30,300
Artificial Lift Equipment			NA	0	1522.350	100,000	100,000
Tank Battery			NA	0	1527.355	47,700	47,700
Separators/Heater Treater/Gas Units/FWKO			NA	0	1522.360	16,960	16,960
* Well Head Equipment & Christmas Tree			1520.365	5,000	1522.365	12,500	17,500
Subsurface Well Equipment			NA	0	1522.370	9,328	9,328
Flow Lines			NA	0	1522.375	42,400	42,400
Saltwater Disposal Pump			NA	0	1522.381	0	0
Gas Meter			NA	0	1522.385	5,300	5,300
Lact Unit			NA	0	1522.387	0	0
Vapor Recovery Unit			NA	0	1522.388	0	0
Other Well Equipment			NA	0	1522.390	0	0
ROW and Damages			NA	0	1522.393	5,300	5,300
Surface Equipment Installation Costs			NA	0	1522.395	26,500	26,500
Elect. Installation			NA	0	1522.397	0	0
ESTIMATED TOTAL TANGIBLES				119,800		521,588	641,388
ESTIMATED TOTAL WELL COSTS				1,290,276		891,860	2,182,136

☐ By checking this box, Non-Operator hereby waives and rejects coverage under Operator's Extra Expense Indemnity Insurance and relies on the coverage provided by its own insurance, and shall within 15 days of approval of this AFE by Non-Operator, provide Operator with a certificate of insurance reflecting current coverage comparable to those provided by Operator. Failure to check this box shall be deemed an election to obtain coverage under Operator's Extra Expense Indemnity Insurance.

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

Nearburg Producing Company

By: _____ Date: _____

H. R. Willis, Drilling Manager

Geology: _____

Engineering: _____

By: _____ Date: _____

Terry Gant, Midland Manager

Land: _____

WI APPROVAL:

COMPANY

BY

TITLE

DATE