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August 22, 1994

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Ross Ranch "22" Well No. 2
NW/4 Section 22, T19S, R25E, NMPM
Application of Nearburg Exploration
Company for Compulsory Pooling,
Eddy County, New Mexico

Dear Mr. Stogner:

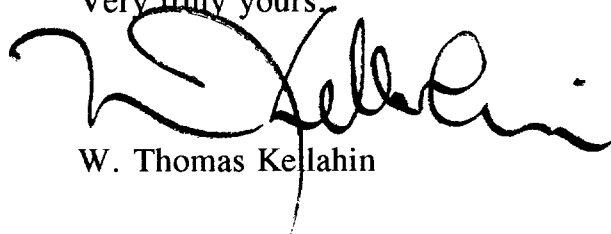
On behalf of Nearburg Exploration Company, please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for September 15, 1994. Also enclosed is our proposed notice of publication for this case.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

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Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, September 9, 1994, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name.

W. Thomas Kellahin

Enclosure

cc: Nearburg Producing Company

cc: BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED
to all parties listed in application

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CASE ____: Application of Nearburg Exploration Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco formation underlying the NW/4 of Section 22, T19S, R25E, NMPM, Eddy County, New Mexico, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the North Dagger Draw-Upper Pennsylvanian Pool. Said unit is to be dedicated to its Ross Ranch "22" Well No. 2 to be drilled and completed at a standard well location in Unit E of said Section 22. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 6.5 miles west from Lakewood, New Mexico.

11087

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

IN THE MATTER OF THE APPLICATION
OF NEARBURG EXPLORATION COMPANY
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

22 1994

CASE NO. 11087

A P P L I C A T I O N

Comes now NEARBURG EXPLORATION COMPANY, by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Cisco formation underlying the NW/4 of Section 22, T19S, R25E, NMPM, Eddy County, New Mexico, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the North Dagger Draw-Upper Pennsylvanian Pool. Applicant proposes to dedicate this pooled unit to its Ross Ranch "22" Well No. 2 to be drilled and completed at a standard well location (Unit E) said Section 22. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling said well.

In support of its application, Nearburg Exploration Company, ("Nearburg") states:

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Nearburg Exploration Company

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1. Nearburg has a working interest ownership in the oil and gas minerals from the surface to the base of the Cisco formation underlying the NW/4 of Section 22, T19S, R25E, NMPM, Eddy County, New Mexico.

2. The subject tract is located within one-mile of the current boundaries of the North Dagger Draw-Upper Pennsylvanian Pool, said pool being spaced on 160-acre oil spacing and proration units pursuant to Division Order R-4691-D issued effective April 1, 1991.

3. The subject well is to be drilled at a standard oil well location in Unit E of Section 22 to test any and all formations in the pooled interval from the surface to the base of the Cisco formation.

4. Nearburg has the voluntary agreement of approximately 81 % of the working interest ownership of the oil & gas minerals from the surface to the base of the Cisco formation underlying the NW/4 of Section 22.

5. Nearburg has proposed the subject well and its spacing unit to the remaining working interest owners in this spacing unit as identified on Exhibit "A."

6. Despite its good faith efforts, Nearburg has been unable to obtain a written voluntary agreement from all of the parties listed on Exhibit "A."

7. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Nearburg needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

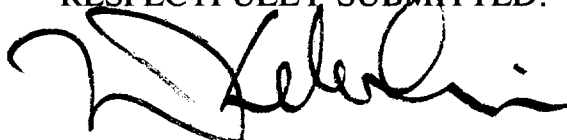
8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for September 15, 1994.

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WHEREFORE, Nearburg, as applicant, requests that this application be set for hearing on September 15, 1994 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling of the subject well at a standard gas well location upon terms and conditions which include:

- (1) Nearburg Producing Company be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates of \$6,000 per month drilling and \$600 per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) Provisions pooling any non-participating royalty interests owners; and
- (6) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

I. Identification of lands subject to agreement:

Northwest Quarter (NW/4) of Section 22, T-19-S, R-25-E, Eddy County,
New Mexico

II. Restrictions as to depths or formations:

This Operating Agreement is limited to the interval between
the surface of the earth and the base of the Cisco Canyon
formation.

III. Percentage of parties to agreement:

Nearburg Exploration Company	81.552080%
James T. Jennings	2.343750%
Tierra Oil Company	1.000000%
Panhandle Royalty Company	9.375000%
Kerr-McGee Corporation	3.125000%
Yates Petroleum Corporation	1.041668%
Yates Drilling Company	.520834%
Abo Petroleum Corporation	.520834%
Myco Industries, Inc.	.520834%

	100.000000%

IV. A. Oil & Gas Leases subject to agreement:

(to be added at a later date)

V. Addresses of parties to the agreement

Nearburg Exploration Company
3300 North "A" Street
Suite 8100
Midland, Texas 79705

Nearburg Producing Company
P.O. Box 823085
5447 Glen Lakes Drive
Dallas, TX 75382-3085

Mr. James T. Jennings
P. O. Box 1180
Roswell, New Mexico 88202

Tierra Oil Company
P. O. Box 1354
Roswell, New Mexico 88202

Panhandle Royalty Company
Suite 210 Grand Centre
5400 N. W. Grand Blvd.
Oklahoma City, Oklahoma 73112

Kerr-McGee Corporation
123 Robert S. Kerr Avenue
Oklahoma City, Oklahoma 73102

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
Myco Industries, Inc.
105 South Fourth Street
Artesia, New Mexico 80210