

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

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SEP 15 1995

Oil Conservation Division

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF NEARBURG EXPLORATION CORPORATION FOR COMPULSORY POOLING,
AND APPROVAL OF A DIRECTIONAL WELLBORE
AND UNORTHODOX SUBSURFACE WELL LOCATION,
LEA COUNTY, NEW MEXICO. CASE NO. 11389

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by NEARBURG EXPLORATION CORPORATION, as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Nearburg Exploration Company
3300 North "A" Street
Midland, Texas 79705
(915) 686-8235
attn: Bob Shelton

ATTORNEY

W. Thomas Kellahin
KELLAHIN & KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF CASE

Nearburg Exploration Company has a working interest ownership in the oil and gas minerals from the surface to the base of the Strawn formation underlying the N/2NW/4 of Section 7, Township 17 South, Range 38 East, NMPM, Lea County, New Mexico.

Nearburg proposes to RE-ENTER the Stillings 7D Federal Well No. 1 which is located at a standard surface well location 660 feet FNL and 773 feet FWL (Unit D) of Section 7 and to kickoff at approximately 6500 feet (TVD) and drill directionally in a northeasterly direction to approximately 12,500 feet TVD and within 100 feet FWL (Unit C) of said Section 7 to test for production in the Strawn formation.

Based upon the economic savings realized by re-entering the existing well rather than drill a "new well" and the geologic considerations of attempting to maximize the opportunity to encounter the Strawn formation at its most favorable location in this spacing unit, Nearburg proposes to directionally drill this wellbore to the proposed unorthodox subsurface location.

Approval of a 100 foot radius "bottom hole" target will provide an economic savings to the cost bearing interest owners involved in this well.

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.

Nearburg requests an order pooling the mineral interest of described in this spacing unit for the drilling of the subject well at a standard well location upon terms and conditions which include:

- (1) Nearburg Producing Company be named operator;
- (2) The order make 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) A provision for overhead rates and a method for adjusting those rates in accordance with COPAS accounting procedures;

(5) For such other and further relief as may be proper.

PROPOSED EVIDENCE

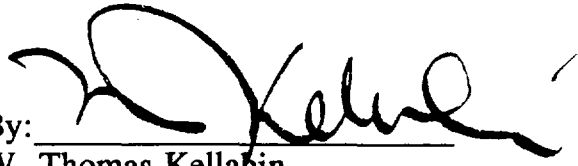
APPLICANT:

WITNESSES	EST. TIME	EXHIBITS
Mike Gray (landman)	20 min.	@ 6 exhibits
Jerry Elger (geologist)	20 Min.	@ 4 exhibits
Tim McDonald (engineer)	20 Min.	@ 4 exhibits

PROCEDURAL MATTERS

None anticipated at this time.

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By: 
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