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October 14, 1997

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505


11876

**Re: Eagle Creek "11" Well No. 1
E/2 Section 11, T17S, R25E, NMPM
Application of Nearburg Exploration Company, L.L.C.
for compulsory pooling and an unorthodox subsurface
location for a directional wellbore
Eddy County, New Mexico**

Dear Mr. LeMay:

On behalf of Nearburg Exploration Company, L.L.C., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for November 6, 1997. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Nearburg Exploration Company, L.L.C.
Attn: Bob Shelton

PROPOSED ADVERTISEMENT FOR NMOCD DOCKET

CASE 11876: Application of Nearburg Exploration Company, L.L.C. for compulsory pooling and an unorthodox subsurface location for a directional wellbore, Eddy County, New Mexico. Applicant seeks an order pooling certain owners of mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 11, T17S, R25E and for approval of an unorthodox surface location 1200 feet FEL and 660 feet FNL and an unorthodox subsurface location for its proposed Eagle Creek "11" Well No. 1 which is to be a directional wellbore whose bottom hole location will be approximately 1980 feet FEL and 660 feet FNL and with a Producing Interval not closer than 660 feet to the north line within a Project Area consisting of the E/2 Section 11, T17S, R25E, NMPM, forming a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre gas spacing within said vertical extent, including but not limited to the Eagle Creek-Atoka/Morrow Gas Pool and for the NE/4 of said Section 11 forming a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre gas spacing within said vertical extent, and the NW/4NE/4 of said Section 11 forming a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre oil spacing within said vertical extent. 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 operator of the well and a charge for the risk involved in drilling said well. Said well is located approximately 1/4 mile east of the Artesia airport, New Mexico.

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

**IN THE MATTER OF THE APPLICATION OF
NEARBURG EXPLORATION COMPANY, L.L.C.
FOR COMPULSORY POOLING AND AN UNORTHODOX
SUBSURFACE LOCATION FOR A DIRECTIONAL WELLBORE,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 11876

APPLICATION

Comes now NEARBURG EXPLORATION COMPANY, L.L.C., 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 certain owners of mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 11, T17S, R25E and for approval of an unorthodox surface location 1200 feet FEL and 660 feet FNL and a subsurface location for its proposed Eagle Creek "11" Well No. 1 which is to be a directional wellbore whose bottom hole location will be approximately 1980 feet FEL and 660 feet FNL and with a Producing Interval not closer than 660 feet to the north line within a Project Area consisting of the E/2 Section 11, T17S, R25E, NMPM, forming a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre gas spacing within said vertical extent, including but not limited to the Eagle Creek-Atoka/Morrow Gas Pool, and the NE/4 of said Section 11 forming a standard 16-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre gas spacing within said vertical extent and the NW/4NE/4 of said Section 11 forming a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre oil spacing within said vertical extent. 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 operator of the well and a charge for the risk involved in drilling said well.

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

NMOCD Application

Nearburg Exploration Company, L.L.C.

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1. Nearburg Exploration Company, L.L.C., ("Nearburg") is a working interest owner and Nearburg Producing Company is the proposed operator for a directional wellbore in the E/2 of Section 11, T17S, R25E, NMPM, Eddy County, New Mexico.

2. Nearburg has attempted to consolidate on a voluntary basis all of the oil and gas working interests ("operating rights") within a 320-acre gas spacing unit consisting of the E/2 of said Section 11 as a possible 320-acre spacing unit on which Nearburg Producing Company, as operator, intends to locate and drill the Eagle Creek "11" Well No. 1 a directional wellbore whose surface location will be 1200 feet from the East line and 660 feet from the North line of said Section 11 and as illustrated on Exhibit "A" attached.

3. Despite its good faith efforts, Nearburg has not been able to obtain the voluntary agreement of certain mineral owners as indicated on Exhibit "C".

4. In accordance with Division Rule 111, Nearburg has submitted to the Division's District Supervisor a request for approval to drill the subject directional wellbore subject to the following:

- (i) Project Area: 320-acre gas dedication (E/2 Section 11).
- (ii) Producing Area: being not closer than 660 feet to any side boundary or North end boundary of the 320-acre spacing unit.
- (iii) Bottom hole targets: not closer than 660 feet to any side boundary or North end boundary of the 320-acre spacing unit.

5. Nearburg has conducted a geologic study and has determined that the optimum location for a well in the E/2 of Section 11 will be at an unorthodox location 1980 feet FEL and 660 feet FNL of said Section 11. However, that surface location is closer to the Artesia airport runway than permitted by the City of Artesia. Accordingly Nearburg proposes to use a surface location 1200 feet from the East line and 660 feet from the North line of Section 11 and to directionally drill this wellbore to a subsurface location approximately 1980 feet FEL and 660 feet FNL of said Section 11.

6. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of production from the subject well and 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.

7. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties to be pooled as shown on Exhibit "B" and to all those offset parties towards whom this wellbore encroaches as shown on Exhibit "C".

8. Nearburg requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for November 6, 1997.

WHEREFORE, Nearburg, as applicant, requests that this application be set for hearing on November 6, 1997 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 interests described in this spacing unit for the drilling, completing and operating the subject well 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 per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS.
- (5) for such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahein', is written over the typed name and address.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504

DISTRIBUTION LIST - Eagle Creek "11" #1 Well

Yates Petroleum Corporation
ABO Petroleum Corporation
MYCO Industries, Inc.
S. P. Yates
John A. Yates
Estate of Peggy A. Yates
105 S. 4th St.
Artesia, NM 88210

Sharbro Oil Ltd. Co.
P.O. Box 840
Artesia, NM 88210

Republic Royalty Company,
3738 Oakdown, Ste. 300
Dallas, TX 75219

Eugenia Boteler
c/o David Boteler
906 Banegas Road
Las Cruces, NM 88005

Agnes Gibson

Oscar Samuel Moreno
4142 West Main Street
Artesia, New Mexico 88210

Arlene Faulk Fowler
903 Sears St.
Artesia, NM 88210

Jo Ann Faulk Bivins
1014 Pate
Carlsbad, NM 88220

Loretta Faulk Walker
3001 Mission Arch Dr.
Roswell, NM 88201

Charles M. Hammond and Legeta Hammond
P.O. Box 1786
Artesia, NM 88210

J.O. Hammond and Marquita Hammond
209 N. 42nd St.
Artesia, NM 88210

Antonio Rubio and Blandina C. Rubio
Post Office Box 1168
Artesia, NM 88210

C. H. (Tex) James and Edythe M. James
311 N. 42nd Street
Artesia, New Mexico 88210

Resolution Trust Corporation,
5080 Spectrum Drive, Ste. 1000E
Dallas, Texas 75248
Attn: Mr. Robert Radford



Fina Oil & Chemical
6 Desta Drive, Suite 4400
Midland, Texas 79705

Bonnie H. Morrison
P. O. Box 447
Roswell, New Mexico 88202

Scott Poage, aka Robert S. Poage, Jr.
North Star, Alaska (1994)
or
P. O. Box 72
Central, Alaska 99730 (1991)
(These are the only addresses we have found and their vintage)

John A. Yates, Individually and as Personal Representative of the Estate of Peggy A. Yates
Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
Myco Industries, Inc.
S. P. Yates and wife, Estille H. Yates
Estate of Lillie M. Yates
105 S. 4th Street
Artesia, New Mexico 88210

Sharbro Oil Ltd., Co.
P. O. Box 840
Artesia, New Mexico 88210

Richard Lyons Moore and Michael Harrison Moore, Individually and as Co-Trustees U/W/O Stephen Scott
Moore, Deceased
310 W. Wall, Suite 404
Midland, Texas 79701

Mumford & Company
c/o Charles Mumford
3424 N. McKinley St.
Hobbs, New Mexico 88240

