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\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

February 24, 1998

**HAND DELIVERED**

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

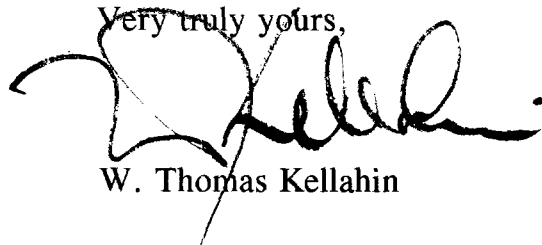
**Re: Gazelle "31" Well No. 1**  
**Application of Nearburg Exploration Company, L.L.C.**  
**for Compulsory Pooling, Lea County, New Mexico**

11952

Dear Ms. Wrotenbery:

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 March 19, 1998. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Nearburg Exploration Company  
Attn: Mike Gray

11952

**CASE \_\_\_\_:** Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 31, T18S, R33E, NMPM, Lea County, New Mexico and in the following manner: The N/2 of said Section 31 to form a standard 325.37-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the South Corbin-Morrow Gas Pool; the NE/4 of said Section 31 to form a standard 160-acre gas spacing and proration unit underlying the NE/4 of said Section 31 for any and all formations/pools developed on 160-acre gas spacing; and the SW/4NE/4 of said Section 31 to form a standard 40-acre spacing unit for any and all formations/pools developed on 40-acre spacing. Said unit is to be dedicated to its Gazelle "31" Well No. 1 to be drilled and completed at a standard gas well location 1,980 feet from the North line and 1,650 feet from the East line (Unit G) of said Section 31. 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 said well. Said unit is located approximately 12 miles southeast from Maljamar, 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  
LEA COUNTY, NEW MEXICO.

CASE NO. 11952

**A P P L I C A T I O N**

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 all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 31, T18S, R33E, NMPM, Lea County, New Mexico and in the following manner: The N/2 of said Section 31 to form a standard 325.37-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the South Corbin-Morrow Gas Pool; the NE/4 of said Section 31 to form a standard 160-acre gas spacing and proration unit underlying the NE/4 of said Section 31 for any and all formations/pools developed on 160-acre gas spacing; and the SW/4NE/4 of said Section 31 to form a standard 40-acre spacing unit for any and all formations/pools developed on 40-acre spacing. Said unit is to be dedicated to its Gazelle "31" Well No. 1 to be drilled and completed at a standard gas well location 1,980 feet from the North line and 1,650 feet from the East line (Unit G) of said Section 31. 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 said well.

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

1. Nearburg has a working interest ownership in the oil and gas minerals from the surface to the base of the Morrow formation underlying the N/2 of Section 31, T18S, R33E, NMPM, Lea County, New Mexico.
2. The subject tract is located within one-mile of the current boundaries of the South Corbin-Morrow Gas Pool.

3. The subject well is to be drilled at a standard gas well location 1,980 feet from the North and 1,650 feet from the East line (Unit G) of Section 31 to test any and all formations in the pooled interval from the surface to the base of the Morrow formation and to be dedicated to the appropriate sized spacing unit for the appropriate pool.

4. Nearburg has proposed the subject well and its appropriate spacing unit to the working interest owners in the spacing unit.

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

6. 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.

7. 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 March 19, 1998.

WHEREFORE, Nearburg, as applicant, requests that this application be set for hearing on March 18, 1998 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 the appropriate spacing unit for the drilling of 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 Kellahin', written over the printed name.

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

## **EXHIBIT "A"**

Edward R. Hudson Trust #1  
616 Texas Street  
Fort Worth, Texas 76102

Edward R. Hudson Trust #2  
616 Texas Street  
Fort Worth, Texas 76102

Edward R. Hudson Trust #3  
616 Texas Street  
Fort Worth, Texas 76102

Delmar Hudson Lewis  
6300 Ridglea Place, Suite 1005A  
Fort Worth, Texas 76116

Mrs. Hudson, Trustee of Lindy's Living Trust,  
created by Trust Agreement dated July 1, 1994  
6300 Ridglea Place, Suite 1005A  
Fort Worth, Texas 76116