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October 26, 1998

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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)

HAND DELIVERED

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

OIL CONSERVATION DIV
99 OCT 27 PM 4:52

Re: Viper "3" Federal Well No. 1
N/2 Section 3, T20S, R33E, NMPM
Application of Nearburg Exploration Company, L.L.C.
for Compulsory Pooling and an Unorthodox
Surface Location and Subsurface Drilling Window,
Lea County, New Mexico

12087

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 next available Examiner's docket now scheduled for November 19, 1998. Also enclosed is our proposed notice for the advertisement.

Very truly yours,



W. Thomas Kellahin

cc: Nearburg Producing Company
Attn: Duke Roush

Proposed notification/advertisement for OCD docket

Case 12087: 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 Section 3, T20S, R33E, NMPM, in the following manner: the N/2 to form a standard 320-acre gas proration and spacing unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the East Gem-Morrow Gas Pool; the NE/4 to form a standard 160-acre gas proration and spacing unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent; and the SW/4NE/4 to form a standard 40-acre oil proration and spacing unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent. The unit(s) is to be dedicated to the Viper "3" Federal Well No. 1 to be drilled in accordance with Division General Rule 111 (directional wellbore) from an unorthodox surface location to a standard subsurface location. Also to be considered will be the cost of drilling and completing this well and the allocation of the costs thereof, as well as actual operating costs and charges or supervision, designation of Nearburg Producing Company as operator of the well and a charge for risk involved in drilling and completing this well. This well is located at the approximately 4-1/2 miles northeast of the intersection of U.S. Highway 180 and New Mexico State Highway FAS 1217, 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: 12087

APPLICATION

Comes now NEARBURG EXPLORATION COMPANY, L.L.C., by its attorneys, KELLAHIN & KELLAHIN, and in accordance with Section 70-2-17(c) NMSA (1978) and General Rule 111, seeks an order of the New Mexico Oil Conservation Division pooling all mineral interests from the surface to the base of the Morrow formation underlying Section 3, T20S, R33E, NMPM, in the following manner: the N/2 to form a standard 320-acre gas proration and spacing unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the East Gem-Morrow Gas Pool; the NE/4 to form a standard 160-acre gas proration and spacing unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent; and the SW/4NE/4 to form a standard 40-acre oil proration and spacing unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent. The unit(s) is to be dedicated to the Viper "3" Federal Well No. 1 to be drilled in accordance with Division General Rule 111 (directional wellbore) from an unorthodox surface location to a standard subsurface location. Also to be considered will be the cost of drilling and completing this well and the allocation of the costs thereof, as well as actual operating costs and charges or supervision, designation of Nearburg Producing Company as operator of the well and a charge for risk involved in drilling and completing this well.

and in support states:

(1) Applicant, Nearburg Exploration Company, L.L.C. ("Nearburg") has a working interest ownership in the oil and gas minerals in the N/2 of Section 3, T20S, R33E, NMPM, Lea County, New Mexico.

(2) Nearburg Producing Company is the proposed operator of the Viper "3" Federal Well No. 1 to be directionally drilled from a surface location approximately 1600 feet FEL and 2200 feet FSL of this section to an estimated subsurface location at the Morrow formation of approximately 1650 feet FNL and 1650 feet FEL of this section and within a standard subsurface drilling window as provided by Division's Rule 111.

(3) The directional drilling is necessitated by potash, topographical and surface use limitations.

(4) Nearburg proposes to drill this well to a depth sufficient to test for gas or oil production from the surface to the base of the Morrow formation.

(5) The well location is within one mile from the current boundary of the East Gem-Morrow Gas Pool.

(6) Nearburg proposes to dedicate the N/2 of Section 3 to the well if it is capable of gas production from formations below the top of the Wolfcamp formation.

(7) Nearburg has proposed this well to all of the interest owners in the spacing unit. All reasonable efforts by Nearburg to form a voluntary agreement for this well has failed and it has been unable to obtain a voluntary agreement.

(8) Nearburg has been unable to obtain a written voluntary agreement from all of the parties listed on Exhibit "A"

(9) Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of the potential production underlying the above tract, Nearburg needs an order pooling the mineral interest involved in order to protect Nearburg's correlative rights and prevent waste.

(10) Pursuant to the Division notice requirements, Nearburg has notified all parties to be pooled as set forth on Exhibit "A" attached.

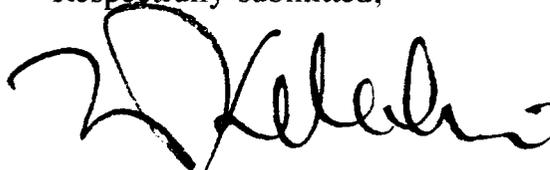
(11) Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas underlying this unit, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

WHEREFORE, Applicant prays that this application be set for hearing 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 herein.

Applicant further prays:

- (1) that Nearburg Producing Company be named operator of the well;
- (2) that the order make provisions for applicant and all working interest owners to participate in the costs of drilling, completing and equipping the well;
- (3) that in the event a working interest owners fails to elect to participate, then provision be made to recover, out of production, the costs of the drilling, completing and equipping of the well including a risk factor penalty to be determined by the Division; and
- (4) for such other and further relief as may be proper.

Respectfully submitted,



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EXHIBIT "A"

Merit Energy Company
12222 Merit Drive
Dallas, Texas 75251-2217

Samson Resources Company
Two W. Second Street
Tulsa, Oklahoma 74103