

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF NEARBURG EXPLORATION COMPANY, L.L.C. AND E.G.L. RESOURCES, INC. TO REOPEN CASE NO. 12103 AND FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

Case No. 12103
Order No. R-11138

APPLICATION

Nearburg Exploration Company, L.L.C. and E.G.L Resources, Inc. apply for an order reopening Case No. 12103, and pooling all mineral interests from the surface to the base of the Bone Spring formation in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3, Township 20 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and in support thereof, state:

1. On February 15, 1999 the Division entered Order No. R-11138 in Case No. 12103, pooling all mineral interests from the surface to the base of the Delaware formation underlying the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3. The applicant in that case was Shackleford Oil Company ("Shackleford").
2. Applicants own 45% of the working interest in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3, and, by means of an operating agreement with Samson Resources Company, represent 75% of the working interest in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3.
3. Applicants entered their appearances in Case No. 12103, and received a copy of Order No. R-11138. The order was to expire on May 15, 1999 unless drilling had commenced by that date. However, the order's drilling deadline was extended to August 15, 1999 by the Division, at Shackleford's request. Applicants were not notified of Shackleford's extension request.

4. Applicants seek to amend Order No. R-11138 to require the drilling of a well at an orthodox oil well location in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3 to a depth sufficient to test the Bone Spring formation, and to name Nearburg Producing Company as operator of the well. Applicants propose to dedicate the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3 for all pools or formations spaced on 40 acres, including the Undesignated Teas Yates-Seven Rivers Pool.

5. Reopening Case No. 12103 is proper, for the following reasons:

(a) Drilling the well to the Bone Spring formation will prevent waste because only one well will be required, rather than drilling separate wells to test the Delaware and Bone Spring formations;

(b) Shackleford's authorization for expenditure is improper because it omits costs associated with the potash string (the proposed well is within the Oil-Potash Area defined by Division Order No. R-111-P). As a result, Shackleford's AFE is approximately \$150,000 too low;

(c) Applicant E.G.L. Resources, Inc. ("EGL") had an agreement with Shackleford under which EGL would be allowed to voluntarily join in the proposed well, but that agreement was later unilaterally revoked by Shackleford; and

(d) Applicants were not notified of the request to extend the well commencement deadline.

6. Applicants have in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the

SE¼SE¼ of Section 3 for the purposes set forth herein.

7. Although applicants have attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicants seek an order pooling all mineral interest owners in the SE¼SE¼ of Section 3, pursuant to NMSA §70-2-17 (1996).

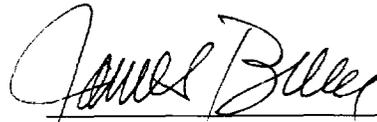
8. The pooling of all mineral interests underlying the SE¼SE¼ of Section 3, from the surface to the base of the Bone Spring formation, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicants request that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the SE¼SE¼ of Section 3, from the surface to the base of the Bone Spring formation;
- B. Designating Nearburg Producing Company as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates as provided in the COPAS accounting procedure;
- E. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner

elects not to participate in the well; and
F. Granting such further relief as the Division deems
proper.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce". The signature is written in black ink and is positioned above a horizontal line.

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