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May 27, 1999

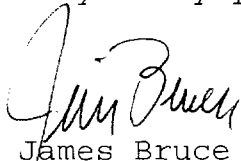
Hand Delivered

Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing are an original and two copies of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Nearburg Exploration Company, L.L.C. Please set this matter for the June 24th Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Nearburg
Exploration Company, L.L.C.

OIL CONSERVATION DIV.
99 MAY 27 AM 9:05

13202

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF NEARBURG EXPLORATION
COMPANY, L.L.C. FOR COMPULSORY POOLING
AND AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

No. 12202

APPLICATION

Nearburg Exploration Company, L.L.C. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S $\frac{1}{2}$ of irregular Section 3, Township 16 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the S $\frac{1}{2}$ of said Section 3, and has the right to drill a well thereon.

2. Applicant proposes to drill its Crow Flats 3 Fed. Well No. 1, at an unorthodox gas well location 960 feet from the South line and 760 feet from the West line of Section 3, and seeks to dedicate the following acreage to the well:

(a) The S $\frac{1}{2}$ of Section 3 for all pools or formations developed on 320-acre spacing, including the Undesignated Crow Flats-Morrow Gas Pool;

(b) The SW $\frac{1}{4}$ of Section 3 for all pools or formations developed on 160-acre spacing; and

(c) The SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 3 for all pools or formations developed on 40-acre spacing.

3. Applicant requests that Nearburg Producing Company be named operator of the well.

4. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S $\frac{1}{2}$ of

Section 3 for the purposes set forth herein.

5. Although applicant 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, applicant seeks an order pooling all mineral interest owners in the S½ of Section 3, pursuant to NMSA 1978 §70-2-17 (1996).

6. The pooling of all mineral interests underlying the S½ of Section 3, as set forth above, and approval of the unorthodox gas well location, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

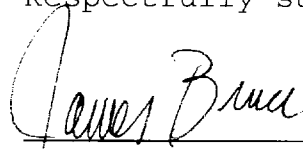
WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the S½ of Section 3, from the surface to the base of the Morrow formation;
- B. Approving the unorthodox gas well location;
- C. Designating Nearburg Producing Company as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates as provided in the COPAS accounting procedure;

F. 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

G. Granting such further relief as the Division deems proper.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
Post Office Box 1056
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(505) 982-2043

Attorney for Nearburg Exploration
Company, L.L.C.

PROPOSED ADVERTISEMENT

OIL CONSERVATION DIV.

99 MAY 27 AM 9:05

Case 12207 : Application of Nearburg Exploration Company, L.L.C. for compulsory pooling and an unorthodox gas well location, Eddy 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 irregular Section 3, Township 16 South, Range 28 East, NMPM, and in the following manner: The S $\frac{1}{2}$ to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Crow Flats-Morrow Gas Pool; the SW $\frac{1}{4}$ to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within said vertical extent; and the SW $\frac{1}{4}$ SW $\frac{1}{4}$ to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within said vertical extent. Said units are to be dedicated to applicant's Crow Flats 3 Fed. Well No. 1, located 960 feet from the South line and 760 feet from the West line (Unit M) of said Section 3. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost 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 and completing the well. Said unit is located approximately 15.5 miles northeast of Artesia, New Mexico.