

OIL CONSERVATION DIV.
BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF NEARBURG EXPLORATION
COMPANY, L.L.C. FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

99 MAY 27 AM 9:07

No. 12205

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 Section 3, Township 20 South, Range 33 East, N.M.P.M., Lea 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 seeks to dedicate the following acreage to the Viper 3 Fed. Well No. 2, located at an orthodox well location 1650 feet from the South line and 1980 feet from the East line of Section 3:

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

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

(c) The NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3 for all pools or formations developed on 40-acre spacing, including the Undesignated Teas Yates-Seven Rivers Pool.

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 S½ 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, 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. 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 that reads "James Bruce". The signature is written in black ink and is positioned above a horizontal line.

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

PROPOSED ADVERTISEMENT

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Case 12205 : 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 3, Township 20 South, Range 33 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 East Gem-Morrow Gas Pool; the SE $\frac{1}{4}$ 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 NW $\frac{1}{4}$ SE $\frac{1}{4}$ 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, including the Undesignated Teas Yates-Seven Rivers Pool. Said units are to be dedicated to applicant's Viper 3 Fed. Well No. 2, located 1650 feet from the South line and 1980 feet from the East line (Unit J) 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 4.5 miles northeast of Loco Hills, New Mexico.