

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

July 28, 1999

OIL CONSERVATION DIV.

99 JUN 28 PM 2:14

#12231

Hand Delivered

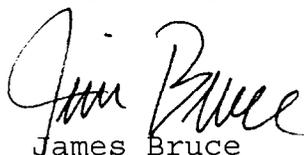
Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Case _____; Application of Nearburg Exploration
Company, L.L.C. for compulsory pooling, Eddy County, New
Mexico (W½ §15-19S-25E)

Dear Florene:

Enclosed for filing are an original and two copies of an amended
application in the above matter. I have spoken to Mike, and this
matter is still set for the August 19, 1999 Examiner hearing.

Very truly yours,


James Bruce

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

OIL CONSERVATION DIV.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

99 JUN 28 PM 2:14

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

Case No. 12231

AMENDED APPLICATION

Nearburg Exploration Company, L.L.C. applies for an order pooling all mineral interests from the surface to the top of the Cisco/Canyon formation, and from the base of the Cisco/Canyon formation to the base of the Morrow formation, underlying the W $\frac{1}{2}$ of Section 15, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and for an unorthodox gas well location, and in support thereof, states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$ of Section 15, and has the right to drill a well thereon.

2. Applicant proposes to deepen its existing Osage Boyd "15" Fed. Com. Well No. 2, located 1650 feet from the south line and 1980 feet from the west line of Section 15, to a depth sufficient to test the Morrow formation, and seeks to dedicate the W $\frac{1}{2}$ of Section 15 to the well for all pools or formations developed on 320 acre spacing, including the Undesignated Penasco Draw San Andres-Yeso Associated Pool and Undesignated Boyd-Morrow Gas Pool.

3. The well is at an unorthodox gas well location in the Penasco Draw San Andres-Yeso Associated Pool.

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

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

Section 15 for the purposes set forth herein.

6. Although applicant has 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 W½ of Section 15, pursuant to NMSA 1978 §70-2-17 (1996).

7. The pooling of all mineral interests underlying the W½ of Section 15 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 W½ of Section 15, from the surface to the top of the Cisco/Canyon formation, and from the base of the Cisco/Canyon formation to the base of the Morrow formation;
- B. Approving an unorthodox gas well location in the Penasco Draw San Andres-Yeso Associated Pool;
- c. Designating Nearburg Producing Company as operator of the well;
- D. Considering the cost of deepening 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 deepening 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 is 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
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

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

PROPOSED ADVERTISEMENT

OIL CONSERVATION DIV.

Case 12231 :

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Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the top of the Cisco/Canyon formation, and from the base of the Cisco/Canyon formation to the base of the Morrow formation underlying the W $\frac{1}{2}$ of Section 15, Township 19 South, Range 25 East, NMPM, 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 Boyd-Morrow Gas Pool. Said unit is to be dedicated to the Osage Boyd "15" Fed. Com. Well No. 2, to be deepened at an orthodox gas well location 1650 feet from the south line and 1980 feet from the west line of Section 15. Also to be considered will be the cost of deepening 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 deepening and completing the well. Said unit is located approximately 5 $\frac{1}{2}$ miles northwest of Seven Rivers, New Mexico.