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12287

October 27, 1999

Hand Delivered

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

99 OCT 27 PM 12:07

OIL CONSERVATION DIV.

Dear Florene:

Enclosed 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. This matter was faxed to you yesterday, so please set the case for the November 18, 1999 Examiner hearing. Thank you.

Very truly yours,



James Bruce

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

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 12287

59 OCT 27 PM 12:07

OIL CONSERVATION DIV.

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 W $\frac{1}{4}$ of Section 7, Township 22 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the W $\frac{1}{4}$ of said Section 7, and has the right to drill a well thereon.

2. Applicant proposes to drill its White Tip "7" Fed. Well No. 2, at an orthodox gas well location 1500 feet from the south line and 1980 feet from the west line of Section 7, and seeks to dedicate the following acreage to the well:

(a) The W $\frac{1}{4}$ of Section 7 for all pools or formations developed on 320-acre spacing, including the Undesignated Hackberry Hills-Canyon Gas Pool, Undesignated Happy Valley-Strawn Gas Pool, Undesignated Hackberry Hills-Atoka Gas Pool, and Happy Valley-Morrow Gas Pool;

(b) The SW $\frac{1}{4}$ of Section 7 for all pools or formations developed on 160-acre spacing; and

(c) The NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 7 for all pools or formations developed on 40-acre spacing, including the Undesignated Filaree Dome-Delaware Pool and Undesignated Happy Valley-Bone Spring 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 W½ of Section 7 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 W½ of Section 7, pursuant to NMSA 1978 §70-2-17 (1996).

6. The pooling of all mineral interests underlying the W½ of Section 7, 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 W½ of Section 7, from the surface to the base of the Morrow formation, for the well units described above;

B. Designating Nearburg Producing Company as operator of the well;

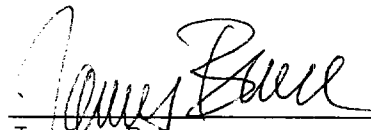
C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;

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 dark ink, 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

Case 12287 : 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 base of the Morrow formation underlying the following described acreage in Section 7, Township 22 South, Range 26 East, NMPM, and in the following manner: The W $\frac{1}{4}$ to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Hackberry Hills-Canyon Gas Pool, Undesignated Happy Valley-Strawn Gas Pool, Undesignated Hackberry Hills-Atoka Gas Pool, and Happy Valley-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 that vertical extent; and the NE $\frac{1}{4}$ 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 that vertical extent, including the Undesignated Filaree Dome-Delaware Pool and Undesignated Happy Valley-Bone Spring Pool. The units are to be dedicated to applicant's White Tip "7" Fed. Well No. 2, to be located 1500 feet from the south line and 1980 feet from the east line (Unit K) of Section 7. Also to be considered will be the cost of drilling and completing the 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. The units are located approximately 6.5 miles west-southwest of Carlsbad, New Mexico.

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IL CONSERVATION DIV.