

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF NEARBURG EXPLORATION COMPANY,
L.L.C. FOR COMPULSORY POOLING AND
AN UNORTHODOX OIL WELL LOCATION,
EDDY COUNTY, NEW MEXICO.**

CASE NO.

12455

OIL CONSERVATION DIV.
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APPLICATION

NEARBURG EXPLORATION COMPANY, L.L.C. ("Nearburg"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat.Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations in the following described spacing and proration units located in Section 7, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico: the W/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Happy Valley-Morrow Gas Pool, the Undesignated Revelation-Morrow Gas Pool and the Undesignated Hackberry Hills-Atoka Gas Pool; the SW/4 for all formations and/or pools developed on 160-acre spacing; and the NE/4 SW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated Happy Valley-Bone Spring Pool, and in support of its application states:

1. Nearburg is a working interest owner in the W/2 of Section 7 and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced spacing or proration units to its White Tip "7" Federal Com Well No. 2 to be drilled at a standard location 1592 feet from the South line and 1389 feet from the West line of said Section 7, to an approximate depth of 11,700 feet to test any and all formations from the surface to the base of the Morrow formation. This well is at a standard location for wells on 320-acre or 160-acre spacing but unorthodox for 40-acre oil wells because the General Rules of the Oil Conservation Division provide that wells shall be no closer than 330 feet to the outer boundary of the dedicated 40-acre oil spacing unit.

3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from Exxon-Mobil, U.S.A., Post Office Box 4697, Houston, Texas 77210-4697, Attn: Paul Keffer.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Nearburg Producing Company should be designated the operator of the well to be drilled.

WHEREFORE, Nearburg Exploration Company, L.L.C. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 13, 2000, and, after notice and hearing as required by law, the Division enter its order:

A. pooling all mineral interests in the subject spacing and proration units,

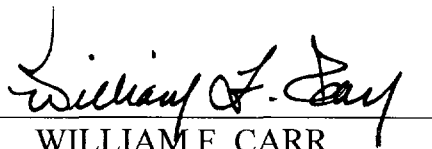
B. designating Nearburg Producing Company operator of these units and the well

to be drilled thereon,

- C. authorizing Nearburg to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures,
- E. Approving a 40-acre unorthodox oil well location, and
- F. imposing a penalty for the risk assumed by the Applicant in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

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ATTORNEYS FOR NEARBURG EXPLORATION
COMPANY, L.L.C.

CASE 12455:

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling and an unorthodox oil well location, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in the following described spacing and proration units in Section 7, Township 22 South, Range 26 East as follows: the W/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Happy Valley-Morrow Gas Pool, the Undesignated Revelation-Morrow Gas Pool, and the Undesignated Hackberry Hills-Atoka Gas Pool; the SW/4 for all formations and/or pools developed on 160-acre spacing; and the NE/4 SW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated Happy Valley Bone Spring Pool. Said unit is to be dedicated to its White Tip "7" Federal Com Well No. 2 to be drilled at a location 1592 feet from the South line and 1389 feet from the West line of said Section 7 to a depth sufficient to test all formations from the surface to the base of the Morrow formation. The well location is standard in formations and pools developed on 320-acre or 160-acre spacing but unorthodox for 40-acre oil well spacing and proration units. 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 risk involved in drilling said well. Said area is located approximately 14 miles Southwest of Carlsbad, New Mexico.