

# David F. Alderks

4404 Pasadena Drive  
Midland, Texas 79703-6920

(915) 697-6793  
fax (915) 689-3283

November 15, 2001

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Department of Energy  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

RE: Oil Conservation Division Case No. 12622. Application of  
Nearburg Exploration Company, L.L.C. for two non-standard  
gas spacing and proration units, Lea County, New Mexico

Dear Ms. Wrotenbery:

I am the owner of a 0.2% overriding royalty interest in State of New Mexico Oil and Gas Lease No. V-5683, which covers the north half of section 34, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico. I am the geologist who generated this prospect, sold the idea to Great Western Drilling Company and retained a small overriding royalty interest in this lease. After Great Western successfully acquired the lease at a state lease sale, they sold a portion to Nearburg Exploration Company, L.L.C. Nearburg drilled the Grama Ridge "34" State Well No. 1 on this lease in April 2000. The north half of section 34 was dedicated to this well. I understood that the Oil Conservation Division approved a N/2 unit for this well. The well was completed in the Morrow as a good well and I received royalty payments from Nearburg until the well was shut-in in July 2001.

As an independent geologist I earn my living by generating oil and gas prospects and getting wells drilled on these ideas. The order shutting-in this well is preventing me from earning my business income. Additionally, if the Division requires Nearburg to form a 320-acre standup unit for the Grama Ridge "34" State #1 that includes the SE/4 of Section 34, *my interest will be cut in half and I may suffer a significant decrease in the royalty I receive.* This seems unfair to me for several reasons. First, my geological work does not indicate that the southeast of Section 34 contributes reserves to this well. Second, the OCD originally approved a N/2 proration unit for this well.

Nearburg has advised me that they are requesting that the well be returned to production pending a decision to allow either a 320-acre N/2 proration unit or a 160-acre NE/4 proration unit for this well. I desire to join in this request. I am also concerned about drainage from the offsetting BTA well while the Grama Ridge "34" State #1 is shut in as well as potential formation damage caused by a loss of permeability in the Morrow sands due to settling of clays in the pore spaces.

As I have interests in this well, along with other royalty interest owners, Nearburg and Great Western, I request that this well be allowed to produce so I can receive my overriding royalty share of production while the underlying issues between Nearburg, the OCD and others are resolved. It seems right and proper that either a N/2 or NE/4 proration unit be dedicated to this well.

Sincerely,



David F. Alderks

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OIL CONSERVATION