

**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,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12791

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

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 31, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated North Quail Ridge-Morrow Gas Pool, and the Undesignated West La Rica Morrow Gas Pool; the SE/4 for all formations and/or pools developed on 160-acre spacing; the N/2 SE/4 for all formations and/or pools developed on 80-acre spacing which includes but is not necessarily limited to the Undesignated EK-Bone Springs Pool, and the NE/4 SE/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated EK-Delaware Pool, and in support of its application states:

1. Nearburg is a working interest owner in the E/2 of Section 31 and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced spacing and proration units to its Wapiti "31" State Com Well No. 1 to be drilled at a standard location 1650 feet from the South line and 660 feet from the East line of said Section 31, to an approximate depth of 13,700 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 all formations and pools.

3. Applicant has sought and been unable to obtain voluntary agreement for the development of these spacing and proration units with those interest owners identified on Exhibit A to this application.

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.

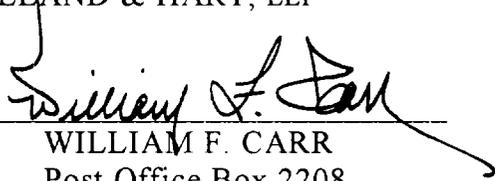
WHEREFORE, Nearburg Exploration Company, L.L.C. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 10, 2002, and, after notice and hearing as required by law, the Division enter its order:

- 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 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. providing for subsequent operations on the pooled acreage in accordance with the operating agreement between the parties, and
- G. imposing a 200% penalty for the risk assumed by Nearburg in drilling and completing the well against any working interest owner who does not voluntarily participate in the well.

Respectfully submitted,

HOLLAND & HART, LLP

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ATTORNEYS FOR NEARBURG EXPLORATION
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EXHIBIT A

APPLICATION OF NEARBURG EXPLORATION COMPANY, L.L.C.
FOR COMPULSORY POOLING,
E/2 SECTION 31, TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
LEA COUNTY, NEW MEXICO.

NOTIFICATION LIST

Kaiser-Francis oil Co.
6733 South Yale
Tulsa, Oklahoma 74136

HOG Partnership, L.P.
5950 Cedar Springs Road, Suite 200
Dallas, Texas 75235-6803

Kudo Petroleum L.L.C.
Post Office Box 600490
Dallas, Texas 75360-0490

Mexco Energy Corp., fka
Miller Oil Co.
Post Office Box 10502
Midland, Texas 79702

Mika Petroleum L.L.C.
Loretta D. Lowe
c/o Larry K. Lowe
2313 Broadway
Lubbock, Texas 79401

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2313 Broadway
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Larry K Lowe
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c/o Larry K. Lowe
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Dallas, Texas 75205

McElvain Oil Co.
14828 Bellbrook
Addison, Texas 75240

CASE 12791: Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea 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 31, Township 18 South, Range 34 East as follows: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated North Quail Ridge-Morrow Gas Pool, the Undesignated West La Rica-Morrow Gas Pool; the SE/4 for all formations and/or pools developed on 160-acre; the ___/2 SE/4 for all formations and/or pools developed on 80-acre spacing which includes but is not necessarily limited to the Undesignated EK-Bone Springs Pool, and the NE/4 SE/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated EK-Delaware Pool. Said unit is to be dedicated to its Wapiti "31" State Com Well No. 1 to be drilled at a standard location 1650 feet from the South line and 660 feet from the East line of said Section 31 to a depth sufficient to test all formations from the surface to the base of the Morrow formation. 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, provisions governing subsequent operations on the pooled units, 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 12 miles northeast of Halfway, New Mexico.