

**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,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 12806

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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 32, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Shugart-Morrow Gas Pool; the NE/4 for all formations and/or pools developed on 160-acre spacing; and the SE/4 NE/4 for all formations developed on 40-acre spacing which includes but is not necessarily limited to the Shugart (Yates-Seven Rivers-Queen-Grayburg) Pool; and in support of its application states:

1. Nearburg is a working interest owner in the N/2 of Section 32 and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced spacing and proration units to its Red Cloud "32" State Com Well No. 2 to be drilled at a

standard location 1980 feet from the North line and 660 feet from the East line of said Section 32, to an approximate depth of 12,300 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.

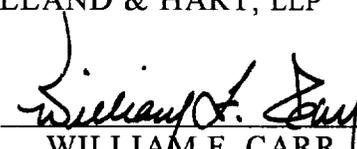
WHEREFORE, Nearburg Exploration Company, L.L.C. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 7, 2002, and, after notice and hearing as required by law, the Division enter its order:

- 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
- F. 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

By: 

WILLIAM F. CARR

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Santa Fe, New Mexico 87504

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

EXHIBIT A

APPLICATION OF NEARBURG EXPLORATION COMPANY, L.L.C.
FOR COMPULSORY POOLING,
N/2 SECTION 32, TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
EDDY COUNTY, NEW MEXICO.

NOTIFICATION LIST

Bellweather Exploration Co.
1221 Lamar Street, Suite 1600
Houston, Texas 77010

OXY USA, Inc.
Post Office Box 50250
Midland, Texas 79710
Attn: David Evans

Magnum Hunter Resources, Inc.
Post Office Box 140907
Irving, Texas 75014-0907

CASE 12806: Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, 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 32, Township 18 South, Range 31 East as follows: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Shugart-Morrow Gas Pool; the NE/4 for all formations and/or pools developed on 160-acre spacing; and the SE/4 NE/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Shugart (Yates-Seven Rivers-Queen-Grayburg) Pool. Said unit is to be dedicated to its Red Cloud "32" State Com Well No. 2 to be drilled at a standard location 1980 feet from the North line and 660 feet from the East line of said Section 32 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 10 miles southeast of Loco Hills, New Mexico.

HOLLAND & HART ^{LLP}
AND
CAMPBELL & CARR
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
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January 15, 2002

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO ALL AFFECTED PARTIES

Re: Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico.

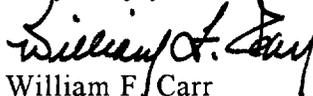
Ladies and Gentlemen:

This letter is to advise you that Nearburg Exploration Company, L.L.C. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests in all formations from the surface through the base of the Morrow formation in a standard gas spacing and proration unit comprised of the N/2 of Section 32, Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. Nearburg proposes to dedicate the referenced pooled unit to its Red Cloud "32" State Com Well No. 2 to be drilled at a standard location 1980 feet from the North line and 660 feet from the East line of said Section 32.

This application has been set for hearing before a Division Examiner on February 7, 2002. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Prehearing Statement three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,



William F. Carr
ATTORNEY FOR NEARBURG EXPLORATION
COMPANY, L.L.C.

WFC:keh
Enclosure

cc: Mr. Duke Roush
Nearburg Exploration Company, L.L.C