

GRIMES BUILDING
710 NORTH COLORADO
SUITE 100

DAVID N. GRIMES OIL CONSERVATION DIVISION
P. O. BOX 2342
MIDLAND, TEXAS 79702
(915) 684-6985
RECEIVED

'91 JUL 22 AM 11 28

July 19, 1991

Robert Stovall
State of New Mexico
Energy, Minerals and Natural Resources Dept.
Oil Conservation Division
P.O. Box 2088
State Land Office Bldg.
Santa Fe, New Mexico 87504

Case 10355

Re: Case No. _____ (no information), Application of Nearburg
Producing Company for Compulsory Pooling and a Non-
Standard Spacing Unit, Lea County, New Mexico, hearing
set for July 25, 1991

Dear Mr. Stovall:

Pursuant to your recommendation of July 18, 1991, I am
forwarding this letter to the Oil Conservation Division
rather than a Pre-Hearing Statement.

I am representing my wife, Sarah L. Grimes, and am
responding on her behalf with respect to the referenced
proceedings which are set for hearing before a Division
Examiner on July 25, 1991. For the reasons set forth below,
I am requesting a two-week continuance of these proceedings
so that we might fully evaluate whether she should lease her
mineral interest under the terms proposed by Nearburg or
participate with her interest in the proposed drilling
operations.

Sarah L. Grimes owns an undivided 1/12 mineral interest
in the NW/4 NE/4 of Section 30, Township 19 South, Range 36
East, N.M.P.M., Lea County, New Mexico. Mr. Randy V. Watts
formally requested to lease this interest on behalf of
Nearburg for its Morrow test in Section 30 by letter dated
June 21, 1991 and postmarked June 24, 1991. I responded by
letter dated June 25, 1991, that Mrs. Grimes might be
interested in joining as a non-operating working interest
partner and requested a copy of Nearburg's AFE, Operating
Agreement, plans for the well, information on the proposed
location and a schedule of events. I noted that pending our
examination of this material, she would make her decision to
lease or participate "as quickly as possible". Mr. Watts
forwarded a copy of Nearburg's AFE only, by letter dated July
3, 1991 (received July 5, 1991). This letter advised "as a
matter of information" that a force pool hearing had been
scheduled in Santa Fe for July 25. Mrs. Grimes also received
on July 5, 1991 a letter dated July 2, 1991 from William F.

Carr, attorney for Nearburg, providing notice of the referenced hearing. Scheduling of the referenced force pool hearing had occurred on or before July 2, 1991, which is prior to the time we received Nearburg's AFE. Nearburg made no attempt to discuss Mrs. Grimes' joining in its operations, but rather simply initiated force pooling proceedings. I called and left messages for Mr. Watts on July 5 and July 8, requesting the additional information. We received the Operating Agreement on July 10, 1991 by letter dated July 9, 1991 from Mr. Watts.

A review of the Operating Agreement proved it to be incomplete. For example, no lease form was attached as Exhibit "B" thereto. This lease exhibit is very important for our evaluation of whether to participate, as we need to be in agreement on what Mrs. Grimes' royalty and lease terms would be should she go non-consent on any subsequent operations. We have executed a lease in favor of Nearburg on an adjacent unrelated tract, the form of which we would propose be attached to the Operating Agreement, but my attempts to discuss this matter or secure any additional information from both Mr. Watts and Mr. Carr were unsuccessful. Without discussing this matter with Nearburg or without reviewing complete information requested, we simply cannot make an informed decision whether to participate or lease.

Keeping in mind that the force pooling proceedings were filed even before we were given any information on joining, it appears that Nearburg is not making an effort to discuss Mrs. Grimes' attempts to join and is attempting to bully her into leasing without giving her reasonable time to make an informed decision. The time frame of events has also prevented us from making an independent analysis of the geology of this prospect.

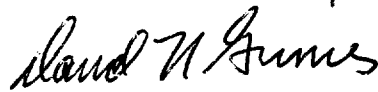
For the foregoing reasons I request a two-week continuance which will be adequate time for us to evaluate the prospect and make a determination whether to participate or lease. A continuance will also provide Nearburg with time to present us with that information necessary to make the informed decision.

Mrs. Grimes has participated with her mineral interests in deals similar to this in the past and she wants to see this well drilled. She also wants to have a good working relationship with Nearburg and we are requesting this continuance in good faith and believe the request is reasonable under the circumstances. It is Mrs. Grimes' intent to join in the operations if an evaluation of the requested information proves this desirable. To this date, Mrs. Grimes has not "not agreed to pool her interest". To be force pooled without even getting the chance to make an informed decision on the matter is patently unfair and I believe the

force pooling statutes could not have been designed to achieve this result.

Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in cursive script, reading "David N. Grimes".

David N. Grimes

DNG/jb

Copies Sent:

Fax and Mail on 7-19-91

Robert Stovall, Conservation Division, Sante Fe.
Nearburg Producing Company, Midland.
William F. Carr, Attorney, Santa Fe.

Mail 7-19-91

Randy V. Watts, Landman, Roswell.

GRIMES BUILDING
710 NORTH COLORADO
SUITE 100

DAVID N. GRIMES
P. O. BOX 2342
MIDLAND, TEXAS 79702
(915) 684-6985

M.S.

July 19, 1991

Case 10355

Robert Stovall
State of New Mexico
Energy, Minerals and Natural Resources Dept.
Oil Conservation Division
P.O. Box 2088
State Land Office Bldg.
Santa Fe, New Mexico 87504

Re: Case No. _____ (no information), Application of Nearburg
Producing Company for Compulsory Pooling and a Non-
Standard Spacing Unit, Lea County, New Mexico, hearing
set for July 25, 1991

Dear Mr. Stovall:

Pursuant to your recommendation of July 18, 1991, I am
forwarding this letter to the Oil Conservation Division
rather than a Pre-Hearing Statement.

I am representing my wife, Sarah L. Grimes, and am
responding on her behalf with respect to the referenced
proceedings which are set for hearing before a Division
Examiner on July 25, 1991. For the reasons set forth below,
I am requesting a two-week continuance of these proceedings
so that we might fully evaluate whether she should lease her
mineral interest under the terms proposed by Nearburg or
participate with her interest in the proposed drilling
operations.

Sarah L. Grimes owns an undivided 1/12 mineral interest
in the NW/4 NE/4 of Section 30, Township 19 South, Range 36
East, N.M.P.M., Lea County, New Mexico. Mr. Randy V. Watts
formally requested to lease this interest on behalf of
Nearburg for its Morrow test in Section 30 by letter dated
June 21, 1991 and postmarked June 24, 1991. I responded by
letter dated June 25, 1991, that Mrs. Grimes might be
interested in joining as a non-operating working interest
partner and requested a copy of Nearburg's AFE, Operating
Agreement, plans for the well, information on the proposed
location and a schedule of events. I noted that pending our
examination of this material, she would make her decision to
lease or participate "as quickly as possible". Mr. Watts
forwarded a copy of Nearburg's AFE only, by letter dated July
3, 1991 (received July 5, 1991). This letter advised "as a
matter of information" that a force pool hearing had been
scheduled in Santa Fe for July 25. Mrs. Grimes also received
on July 5, 1991 a letter dated July 2, 1991 from William F.

Carr, attorney for Nearburg, providing notice of the referenced hearing. Scheduling of the referenced force pool hearing had occurred on or before July 2, 1991, which is prior to the time we received Nearburg's AFE. Nearburg made no attempt to discuss Mrs. Grimes' joining in its operations, but rather simply initiated force pooling proceedings. I called and left messages for Mr. Watts on July 5 and July 8, requesting the additional information. We received the Operating Agreement on July 10, 1991 by letter dated July 9, 1991 from Mr. Watts.

A review of the Operating Agreement proved it to be incomplete. For example, no lease form was attached as Exhibit "B" thereto. This lease exhibit is very important for our evaluation of whether to participate, as we need to be in agreement on what Mrs. Grimes' royalty and lease terms would be should she go non-consent on any subsequent operations. We have executed a lease in favor of Nearburg on an adjacent unrelated tract, the form of which we would propose be attached to the Operating Agreement, but my attempts to discuss this matter or secure any additional information from both Mr. Watts and Mr. Carr were unsuccessful. Without discussing this matter with Nearburg or without reviewing complete information requested, we simply cannot make an informed decision whether to participate or lease.

Keeping in mind that the force pooling proceedings were filed even before we were given any information on joining, it appears that Nearburg is not making an effort to discuss Mrs. Grimes' attempts to join and is attempting to bully her into leasing without giving her reasonable time to make an informed decision. The time frame of events has also prevented us from making an independent analysis of the geology of this prospect.

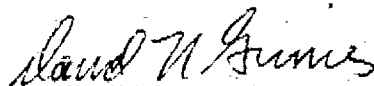
the foregoing reasons I request a two-week continuance which will be adequate time for us to evaluate the prospect and make a determination whether to participate or lease. A continuance will also provide Nearburg with time to present us with that information necessary to make the informed decision.

Mrs. Grimes has participated with her mineral interests in deals similar to this in the past and she wants to see this well drilled. She also wants to have a good working relationship with Nearburg and we are requesting this continuance in good faith and believe the request is reasonable under the circumstances. It is Mrs. Grimes' intent to join in the operations if an evaluation of the requested information proves this desirable. To this date, Mrs. Grimes has not "not agreed to pool her interest". To be force pooled without even getting the chance to make an informed decision on the matter is patently unfair and I believe the

force pooling statutes could not have been designed to achieve this result.

Thank you for your consideration in this matter.

Sincerely,



David N. Grimes

DNG/jf

Copies Sent:

-- Fax and Mail on 7-19-91

Robert Stovall, Conservation Division, Santa Fe
Nearburg Producing Company, Midland.
William F. Carr, Attorney, Santa Fe.

-- Mail 7-19-91

Randy V. Watts, Landman, Roswell.