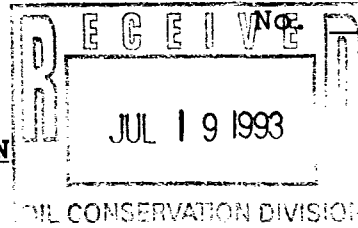


BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF NEARBURG PRODUCING  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

APPLICATION



Nearburg Producing Company hereby makes application for an order pooling all mineral interests from the surface to the base of the Cisco/Canyon formation underlying the E $\frac{1}{2}$  of Section 2, Township 22 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is an interest owner and has the right to drill a well in the E $\frac{1}{2}$  of said Section 2.

2. Applicant proposes to drill a well in the E $\frac{1}{2}$  of Section 2, at an orthodox location 1,650 feet from the South line and 1,980 feet from the East line of the Section, to a depth sufficient to test the Cisco/Canyon formation (approximately 8,000 feet), and seeks to dedicate the E $\frac{1}{2}$  of Section 2 for all pools or formations spaced on 320 acres, including the undesignated South Indian Basin-Upper Pennsylvanian Pool created in Division Case No. 10,748.

3. Applicant has in good faith sought to join all other mineral or leasehold interest owners in the E $\frac{1}{2}$  of Section 2 for the purposes set forth herein.

4. Although Applicant attempted to obtain voluntary agreements from all mineral or leasehold interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or

refused to join in dedicating their acreage. Therefore, Applicant seeks an order pooling all mineral and leasehold interest owners underlying the E½ of Section 2, as described above, pursuant to N.M. Stat. Ann. § 70-2-17 (1987 Repl.).

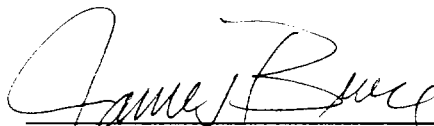
5. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty of 200% for the risk involved in drilling the well.

6. The pooling of all interests underlying the E½ of Section 2, as described above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD  
& HENSLEY

A handwritten signature in cursive script, appearing to read "James H. Bruce", is written over a horizontal line.

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Attorneys for Applicant

**PROPOSED ADVERTISEMENT**

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Application of Nearburg Producing Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco/Canyon formation underlying the E $\frac{1}{2}$  of Section 2, Township 22 South, Range 24 East, forming a standard 320-acre oil spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including the undesignated South Indian Basin-Upper Pennsylvanian Pool created in Division Case No. 10,748. Said unit is to be dedicated to a well to be drilled at an orthodox location within said E $\frac{1}{2}$  proration unit. 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 Applicant as operator of the well, and a charge for the risk involved in drilling said well. Said unit is located approximately

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