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RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

May 31, 1994

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
P. O. Box 2088
Santa Fe, New Mexico 87501

MAY 31 1994

Re: Fairchild East "18" Well No. 1
N/2 Section 18, T19S, R26E, NMPM
Application of Nearburg Exploration Company for
Compulsory Pooling and an Unorthodox Gas Well Location,
Eddy County, New Mexico

11012

Dear Mr. Stogner:

On behalf of Nearburg Exploration Company, please find enclosed our application for compulsory pooling and an unorthodox gas well location which we request be set for hearing on the Examiner's docket now scheduled for June 23, 1994. Also enclosed is our proposed notice of publication for this case.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

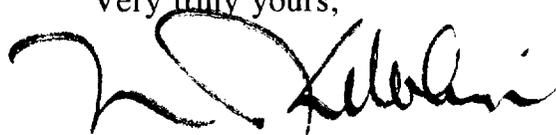
Oil Conservation Division

May 31, 1994

Page 2.

Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, June 17, 1994, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin

Enclosure

cc: Nearburg Producing Company

cc: BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED
to all parties listed in application

11012

CASE ___: Application of Nearburg Exploration Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the N/2 of Section 18, T19S, R26E, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Cemetery-Morrow Gas Pool. Said unit is to be dedicated to a well to be drilled and completed at an unorthodox gas well location 660 feet from the North and West lines (Unit D) of said Section 18. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 4 miles northwest from Lakewood, New Mexico.

MAY 1 1991

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

IN THE MATTER OF THE APPLICATION
OF NEARBURG EXPLORATION COMPANY
FOR COMPULSORY POOLING AND AN
UNORTHODOX GAS WELL LOCATION
EDDY COUNTY, NEW MEXICO.

MAY 11 1991

CASE NO. 11012

APPLICATION

Comes now NEARBURG EXPLORATION COMPANY, by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the N/2 of Section 18, T19S, R26E, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Cemetery-Morrow Gas Pool. Applicant proposes to dedicate this pooled unit to its Fairchild East "18" Well No. 1 to be drilled and completed at an unorthodox gas well location 660 feet from the North line and 660 feet from the West line (Unit D) of said Section 18. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling said well.

In support of its application, Nearburg Exploration Company, ("Nearburg") states:

1. Nearburg has a working interest ownership in the oil and gas minerals from the top of the Wolfcamp formation to the base of the Morrow formation underlying the N/2 of Section 18, T19S, R26E, NMPM, Eddy County, New Mexico.

2. The subject tract is located within one-mile of the current boundaries of the Cemetery-Morrow Gas Pool, said pool being spaced on 320-acre gas spacing and proration units pursuant to Division Order R-3194 issued effective February 15, 1967.

3. The subject well is to be drilled at an unorthodox gas well location 660 feet from the West line and 660 feet from the North line (Unit D) of Section 18 to test any and all formations in the pooled interval from the top of the Wolfcamp formation to the base of the Morrow formation.

4. The unorthodox location is based upon an effort to minimize the geologic risk involved in drilling this well and is at a location preferable to a standard location in the spacing unit.

5. The subject location moves towards the offsetting operators, or in the absence of an operator, the owners as listed on Exhibit "B."

6. Nearburg has the voluntary agreement of approximately 60% of the working interest ownership of the oil & gas minerals from the top of the Wolfcamp to the base of the Morrow formation underlying the N/2 of Section 18.

7. Nearburg has proposed the subject well and its spacing unit to the remaining working interest owners in this spacing unit as identified on Exhibit "A."

8. Despite its good faith efforts, Nearburg has been unable to obtain a written voluntary agreement from all of the parties listed on Exhibit "A."

9. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Nearburg needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

10. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed in this application and to those operators towards whom the subject location encroaches as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for June 23, 1994.

WHEREFORE, Nearburg, as applicant, requests that this application be set for hearing on June 23, 1994 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling of the subject well at the proposed unorthodox gas well location upon terms and conditions which include:

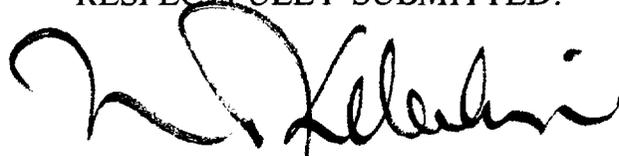
- (1) Nearburg Producing Company be named operator;
- (2) Approval of the unorthodox gas well location;
- (3) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (4) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;

(5) Provision for overhead rates of \$6,000 per month drilling and \$600 per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;

(6) Provisions pooling any non-participating royalty interests owners; and

(7) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

Exhibit "A"

Ms. Buena Barker
1013 North Canal, Apt. #3
Carlsbad, New Mexico 88220

Ms. Lucy A. Robinson
General Delivery
Carlsbad, New Mexico 88220

Mr. Ernest Koen
General Delivery
Carlsbad, New Mexico 88220

Estate of Martin Yates III
Estate of Lillie M. Yates
207 South 4th Street
Artesia, New Mexico 88210

Ms. Charlene M. Ward,
Trustee of E. H. Ward Testamentary Trust
101 South 4th Street
Artesia, New Mexico 88210

Richard and Michael Moore,
Individually and as
Executor of the estate of
Stephen Scott Moore, and
Michael Harrison Moore
310 West Wall, Suite 404
Midland, Texas 79701

Exhibit "B"

Estate of Martin Yates, III, deceased
c/o Frank W. Yates, Jr.
207 South 4th Street
Artesia, NM 88210

Elizabeth A. Webb
7877 East Mississippi, Apt. #503
Denver, CO 80231

Mary Milner Glass
517 South Adams
San Angelo, TX 76901

Mary Ann Glass Taylor
517 S. Adams Street
San Angelo, TX 76901

Lou Ann Langford
3721 North Hall, #401
Dallas, TX 75219

Jefferson Milner Langford
Rt. 2, Box 433
Santa Fe, NM 87505

Alison Claire Curry Saunders
P.O. Box 27391
Austin, TX 78755-2391

Gayle Glass Roche
P.O. Box 50248
Austin, TX 78763

Gayle Elizabeth Langford Turner
1211 Marshall Lane
Austin, TX 78703

Robert Glass Langford
Route 3, Box 49
Lockhart, TX 78644

Alfred Foy Curry IV
1016 Alto Loma Circle
San Angelo, TX 76901

Don Phillips
c/o Donald W. Newton
1416 Meeting House Lane
Knoxville, TN 37931

Quetico Superior Foundation
2400 First National Bank Building
Minneapolis, MN 55402

James W. Childress
P.O. Box 209
Roswell, NM 88202

Richard Landsheft, Jr.
2313 Jim Dent
El Paso, TX 79936

William Bryan Landsheft
P.O. Box 1
Route 6, 15880 S. Peoria
Bixby, OK 74008

Lynn E. Desper
P.O. Box 1371
Ruidoso, NM 88345

Charles E. Hinkle
c/o Spur Ranch
Lonoak Route, Box 4
King City, CA 93930

Kristin Hinkle
Route 3, Box 519
Carmel, CA 93923

Jenna Hinkle
Route 3, Box 519
Carmel, CA 93923

Shirley Childress
604 North Delaware #2
Roswell, NM 88201

Plains Radio Broadcasting
P.O. Box 9354
Amarillo, TX 79105

M. Craig Clark
310 W. Texas, Suite 822
Midland, TX 79701

Albert Bruggeman
Fricker Law Firm
7704 W. Burleight Street
Milwaukee, WI 53222

Joseph J. Carmody and his wife,
Phyllis R. Carmody
78 Eisenhower
York, PA 17402

Good Samaritan Home of Quincy
Attn: Reverend Robert Strong
2130 Harrison Street
Quincy, IL 62301

Barbara Ann Quail Malone
5413 Avenue B
Lubbock, TX 79408

Carol Sue Sanford Garrett
1608 South Madison
Amarillo, TX 79102

James T. Jennings and his wife,
Frances S. Jennings
111 S. Kentucky
Roswell, NM 88201

Plains Radio Broadcasting
P.O. Box 9354
Amarillo, TX 79105

Fred Bohannon
5242 S. Columbia
Tulsa, OK 74105

Mary Louise Hubbartt
Rural Rte. 2, Box 2517-B
Hartwill, GA 30643

Gail Bohannon
8883 Sonoma Valley Way
Sacramento, CA 95829

Mobil Producing Texas and New Mexico
12450 Greenspoint Drive, Suite 6
Houston, TX 77060

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

Myco Industries, Inc.
ABO Petroleum Company
Yates Drilling Company
150 South Fourth Street
Artesia, New Mexico 88210