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November 13, 2012

**VIA HAND DELIVERY**

Jami Bailey  
Oil Conservation Division  
New Mexico Department of Energy  
Minerals and Natural Resources  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

*Case 14940*

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**Re: Application of Nearburg Exploration Company, LLC for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico – Laguna 23 Fed Com No. 1H.**

Dear Ms. Bailey:

Enclosed please find the Application for Non-Standard Spacing and Proration Unit and Compulsory Pooling by Nearburg Exploration Company LLC, as well as a copy of the legal advertisement. Applicant requests that this matter be placed on the December 13, 2012 Examiner hearing docket.

Sincerely,

Adam G. Rankin  
**ATTORNEYS FOR**  
**NEARBURG EXPLORATION COMPANY, LLC**

AGR  
Enclosure

**Holland & Hart** <sup>LLP</sup>

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

**IN THE MATTER OF THE APPLICATION  
OF NEARBURG EXPLORATION COMPANY, LLC  
FOR A NON-STANDARD SPACING AND PRORATION  
UNIT AND COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.**

CASE NO. 14940

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**APPLICATION**

NEARBURG EXPLORATION COMPANY, LLC ("Nearburg") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the E/2 W/2 of Section 23, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests for all producing reservoirs in the Bone Spring formation underlying this acreage. In support of its application, Nearburg states:

1. Nearburg is a working interest owner in the E/2 W/2 of Section 23 and has the right to drill thereon.
2. Nearburg proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed Laguna 23 Fed Com No. 1H well, to be horizontally drilled from a surface location 330 feet from the South line and 1980 feet from the West line (Unit N) to a bottom hole location 330 feet from the North line and 1980 feet from the West line (Unit C) of Section 23.

3. Nearburg has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

4. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit Nearburg to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and Nearburg should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, Nearburg requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 13, 2012, and, after notice and hearing as required by law, the Division enter its order:

- A. Creating a non-standard spacing and proration unit in the Bone Spring formation comprised of the E/2 W/2 of Section 23, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico;
- B. Pooling all mineral interests in all producing reservoirs within the Bone Spring formation underlying this non-standard spacing and proration unit;
- C. Designating Nearburg operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing Nearburg to recover its costs of drilling, equipping and completing the well;

- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; 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 drilling of the well.

Respectfully submitted,

HOLLAND & HART, LLP

By:  \_\_\_\_\_

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**ATTORNEYS FOR  
NEARBURG EXPLORATION COMPANY, LLC**

CASE: 14940 Application of Nearburg Exploration Company, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the E/2 W/2 of Section 23, Township 20 South, Range 34 East, NMPM, and (2) pooling all mineral interests in all producing reservoirs within the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Laguna 23 Fed Com Well No. 1H, to be horizontally drilled from a surface location 330 feet from the South line and 1980 feet from the West line (Unit N) to a bottom hole location 330 feet from the North line and 1980 feet from the West line (Unit C) of Section 23. 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 Nearburg Exploration Company, LLC as operator of the well and unit and a 200% charge for risk involved in drilling said well. Said area is approximately 30 miles southwest of Hobbs, New Mexico.