

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

**IN THE MATTER OF THE APPLICATION OF
NEARBURG EXPLORATION COMPANY, SRO2 LLC
AND SRO3 LLC FOR AN ACCOUNTING AND LIMITATION
ON RECOVERY OF WELL COSTS, AND FOR
CANCELLATION OF APPLICATION FOR PERMIT
TO DRILL, EDDY COUNTY, NEW MEXICO**

CASE NO. 15441

PRE-HEARING STATEMENT

NEARBURG EXPLORATION COMPANY, SRO2 LLC AND SRO3 LLC ("NEX"),
provide this Pre-Hearing Statement as required by the rules of the Division.

APPEARANCES

NEARBURG EXPLORATION
COMPANY, SRO2 LLC AND SRO3
LLC

NEARBURG EXPLORATION COMPANY,
SRO2 LLC AND SRO3 LLC's ATTORNEYS

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COG OPERATING LLC

COG OPERATING LLC's ATTORNEYS
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STATEMENT OF THE CASE

Applicants seek an order determining that COG Operating LLC ("COG") did not have the right to drill two two-mile long lateral wells that COG drilled and completed in the Bone Spring formation from surface locations in Section 17 onto unconsolidated and unpooled lease acreage owned by Nearburg Exploration Company in the W/2 of Section 20, Township 26 South, Range 28 East, N.M.P.M., in Eddy County, New Mexico. The wells are the SRO State Com 043H (API 30-015-41141) located in the W/2 W/2 of Sections 17 and 20 ("043H") and the SRO State Com 044H (API 30-015-41142) located in the E/2 W/2 of Sections 17 and 20 ("044H"). Both wells were drilled to and completed in the 2nd Bone Spring Sand, Hay Hollow Bone Spring Pool (30215). Applicants further seek an order requiring COG to account and pay to Applicants the amounts of production proceeds they are entitled in the absence of pooling, without recovery of well costs or expenses. Applicants also seek cancellation of the application for permit to drill the

COG SRO State Com 069H Well (API 30-015-43093) projected to be drilled to the 3rd Bone Spring formation in the E/2 W/2 of Sections 17 and 20, T-26-S, R-28-E. Applicants may also seek the removal of COG and designation of Nearburg Producing Company as the operator of the SRO State 016H well (API 30-015-38071) located in the W/2 W/2 of Section 20, T-26-S, R-28-E.

PROPOSED EVIDENCE

<u>APPLICANT'S WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Randy Howard, Landman	2 ½ hrs.	32
Michael Griffin, Petroleum Engineer	20 min.	5

PROCEDURAL MATTERS

COG has filed a Motion to Dismiss Application and Quash Subpoena. NEX will provide a written response prior to the hearing.

Respectfully submitted,



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**ATTORNEYS FOR NEARBURG
EXPLORATION COMPANY, L.L.C.,
SRO2 LLC and SRO3 LLC**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail on January 28, 2016:

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