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

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 14549

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

ORIGINAL

\*\*\*\*\*  
REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING  
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BEFORE: MR. TERRY WARNELL, Technical Examiner  
MR. DAVID K. BROOKS, Legal Examiner

September 30, 2010  
Santa Fe, New Mexico

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This matter came on for hearing before the New Mexico Oil Conservation Division, TERRY WARNELL, Technical Examiner and DAVID K. BROOKS, Legal Examiner, on Thursday, September 30, 2010, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South St. Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jeannine K. Sims, RPR, NM CCR #12  
Paul Baca Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, New Mexico 87102

A P P E A R A N C E S

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FOR THE APPLICANT:

Mr. James Bruce  
ATTORNEY AT LAW  
369 Montezuma No. 213  
Santa Fe, New Mexico 87501  
505-982-2043  
jamesbruc@aol.com

WITNESSES:	PAGE
None.	
EXHIBITS 1 THROUGH 2 WERE ADMITTED	5
REPORTER'S CERTIFICATE	7

1 HEARING OFFICER BROOKS: Because we're  
2 considering someone may be appearing on 14548 who is not  
3 here yet, at this time we start by calling Case No.  
4 14549, which is the application of Nearburg Exploration  
5 Company, LLC for compulsory pooling, Eddy County, New  
6 Mexico.

7 MR. BRUCE: Mr. Examiner, Jim Bruce  
8 representing the applicant and submitting this case by  
9 affidavit.

10 HEARING OFFICER BROOKS: You may proceed,  
11 Mr. Bruce.

12 MR. BRUCE: Mr. Examiner, in this case  
13 Nearburg Exploration Company, LLC seeks the compulsory  
14 pooling of the north half, northeast quarter of Section  
15 12 South, Range 32 East. They seek to of course pool  
16 both the northwest quarter of the northeast quarter where  
17 the well is located and the north half northeast quarter  
18 of Section 12, which would be spaced on 80 acres, I  
19 believe it's the North Bagley Perma Penn pool on 80  
20 acres.

21 I have submitted to you as Exhibit 1 the  
22 verified statement of Russel Whitman, a landman for  
23 Nearburg. Nearburg seeks to force pool three entities;  
24 Edge Petroleum Exploration Company, Pure Energy Group,  
25 Inc., and Chisos Limited. Those interest owners and

1 their percentage interests in the well units are set  
2 forth in subparagraph 2(c).

3 This is fee land the north half northeast is  
4 a single fee tract and so the interests of the parties  
5 are uniform, whether it's 40 acres or 80 acres, and as to  
6 all depths. The well that's being drilled with the  
7 Rocking 12 Well No. 1, which be be drilled at an orthodox  
8 well location, and as I said, it will test the Permo Penn  
9 formation.

10 The landman's affidavit includes a land plat  
11 and the proposal letters which went out to the parties.  
12 Also attached as Attachment B to the landman's affidavit  
13 right toward the very end are some notes from Shaw  
14 Interests, Inc., which was a contract landman showing  
15 that they have had contacts with the three parties being  
16 pooled since January of this year.

17 These are unleased mineral interests and  
18 they first attempted to lease the mineral interests and  
19 when that didn't work they sent out a well proposal and  
20 they are still discussing the well proposal with these  
21 people and hope to get at least one or two of them to  
22 sign up.

23 Attachment C to the landman's affidavit is  
24 the AFE for the well. The dry hole costs are  
25 approximately \$1,170,000 and the total completed well

1 costs are \$1,540,000. Applicant does request the maximum  
2 200 charge -- 200 percent risk charge in the event  
3 somebody goes non-consent in the well and their overhead  
4 charges are \$6,000 a month for a drilling well and \$600 a  
5 month for a producing well.

6 HEARING OFFICER BROOKS: Okay. It looks  
7 like going through Page 2 is the total well costs are  
8 \$2,182,136.

9 MR. BRUCE: That's right. I'm looking at  
10 the wrong one. That is correct. This is a vertical  
11 well, which seems to be unusual these days.

12 HEARING OFFICER BROOKS: It is getting more  
13 so.

14 MR. BRUCE: Submitted as Exhibit 2 is my  
15 notice affidavit. All of the parties being pooled did  
16 receive actual notice. Additional notice -- or notice  
17 was sent to additional parties but since the date notice  
18 was given Elliott-Hall Company, Elliott Industries  
19 Limited Partnership and Shriners Hospital for Children  
20 have leased their interests. With that I move the  
21 admission of Exhibits 1 and 2.

22 HEARING OFFICER BROOKS: Okay. Exhibits 1  
23 and 2 will be admitted. I think you covered all my  
24 questions. Okay. Well, one thing I take it this Perma  
25 Penn is the primary objective?

1 MR. BRUCE: That is correct.

2 HEARING OFFICER BROOKS: Okay. And what's  
3 going to be the approximate depth? Do you have that  
4 information?

5 MR. BRUCE: I will e-mail that for you,  
6 Mr. Examiner. It's I believe it's somewhere in the order  
7 of -- of 8,000 feet or thereabouts.

8 HEARING OFFICER BROOKS: Okay. Very good.  
9 If there's nothing further then -- did you have any  
10 questions, Terry?

11 MR. WARNELL: No.

12 HEARING OFFICER BROOKS: If there's nothing  
13 further then Case 14549 will be taken under advisement.

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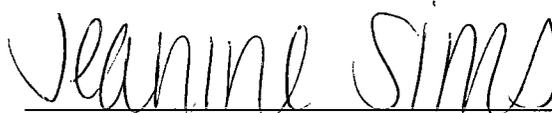
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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 14549  
heard by me on 9-30-2010  
*David K. Bush* Examiner  
Oil Conservation Division

1 THE STATE OF NEW MEXICO :  
2 COUNTY OF BERNALILLO :

3 BE IT KNOWN that the foregoing transcript of  
4 proceedings was taken by me; that I was then and there a  
5 Certified Court Reporter and Notary Public in and for the  
6 County of Bernalillo, State of New Mexico, and by virtue  
7 thereof, authorized to administer an oath; that the  
8 witness before testifying was duly sworn by me; that the  
9 foregoing 6 pages contain a true and accurate transcript  
10 of the proceedings, all to the best of my skill and  
11 ability.

12 I FURTHER CERTIFY that I am neither employed by  
13 nor related to nor contracted with (unless excepted by  
14 the Rules) any of the parties or attorneys in this case,  
15 and that I have no interest whatsoever in the final  
16 disposition of this case in any court.

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JEANNINE K. SIMS, CSR, RPR  
NM Certified Court Reporter #12  
License expires: 12/31/10  
Paul Baca Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, New Mexico 87102