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*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

May 23, 1995

HAND DELIVERED

RECEIVED

MAY 23 1995

Oil Conservation Division

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87504

11311

*Re: Arroyo "16" Well No. 1 (Unit M)
SE/4 Section 16, T19S, R25E, NMPM
Application of Nearburg Exploration
Company for Compulsory Pooling,
Eddy County, New Mexico*

Dear Mr. Stogner:

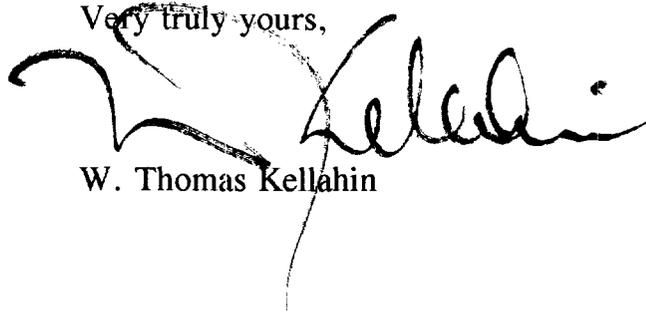
On behalf of Nearburg Exploration Company, please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for June 15, 1995. Also enclosed is our proposed notice of publication for this case.

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.

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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 9, 1995, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line. The signature is fluid and cursive.

W. Thomas Kellahin

Enclosure

cc: Nearburg Producing Company

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

CASE 11311: Application of Nearburg Exploration 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 SE/4 of Section 16, T19S, R25E, NMPM, Eddy County, New Mexico, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the North Dagger Draw-Upper Pennsylvanian Pool. Said unit is to be dedicated to its Arroyo "16" Well No. 1 to be drilled and completed at a standard well location in Unit M of said Section 16. 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 said well. Said unit is located approximately 7 miles west-northwest from Lakewood, New Mexico.

**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,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11311

A P P L I C A T I O N

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 surface to the base of the Cisco-Canyon formation underlying the SE/4 of Section 16, T19S, R25E, NMPM, Eddy County, New Mexico, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the North Dagger Draw-Upper Pennsylvanian Pool. Applicant proposes to dedicate this pooled unit to its "16" Well No. 1 to be drilled and completed at a standard well location (Unit M) said Section 16. 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:

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1. Nearburg has a working interest ownership in the oil and gas minerals from the surface to the base of the Cisco-Canyon formation underlying the SE/4 of Section 16, T19S, R25E, NMPM, Eddy County, New Mexico.

2. The subject tract is located within one-mile of the current boundaries of the North Dagger Draw-Upper Pennsylvanian Pool, said pool being spaced on 160-acre oil spacing and proration units pursuant to Division Order R-4691-D issued effective April 1, 1991.

3. Nearburg proposes to drill its Arroyo "16" Well No. 1 at a standard well location in Unit M of Section 16 to test any and all formations in the pooled interval from the surface to the base of the Cisco-Canyon formation.

4. Nearburg has the voluntary agreement of 37.5% of the working interest ownership of the oil & gas minerals from the surface to the base of the Cisco-Canyon formation underlying the SE/4 of Section 16.

5. 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."

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

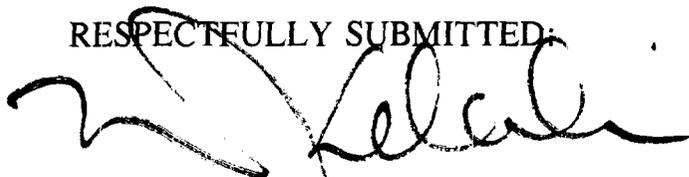
7. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Nearburg needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent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

8. 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 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 15, 1995.

WHEREFORE, Nearburg, as applicant, requests that this application be set for hearing on June 15, 1995 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 a standard well location upon terms and conditions which include:

- (1) Nearburg Producing Company be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) 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%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) Provisions pooling any non-participating royalty interests owners; and
- (6) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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

EXHIBIT "A"

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210

Abo Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Myco Industries Inc.
105 South Fourth Street
Artesia, New Mexico 88210

Unit Petroleum Company
P.O. Box 702500
Tulsa, Oklahoma 74133

Nautilus Ventures, II
a General Partnership
of which Coquina Oil
Corporation is General
Partner.
P.O. Drawer 2960
Midland, Texas 79701

Ernie Bello
3325 Ala Akulikul
Honolulu, Hawaii 96818

Mrs. Frances B. Bunn
2493 Makiki Heights
Honolulu, Hawaii 96822

EXHIBIT "A"

J. W. Gendron
2989 Eucalyptus Hill
Santa Barbara, California 93108

David Goodnow
230 Ridgefield Road
Wilton, Connecticut

Joseph R. Hodge
c/o V.H. Zoller
First City Center
Suite 910
Midland, Texas 79701

Sanford J. Hodge, III
c/o V.H. Zoller
First City Center
Suite 910
Midland, Texas 79701

E.G. Holden Testamentary
Trust
2524 Union Street
San Francisco, California 94123

Dr. Issac A. Kawasaki
1232 S. King Street
Honolulu, Hawaii 96814

Betsy H. Keller
2524 Union Street
San Francisco, California 94123

Charles Cline Moore
138 Harvard Avenue
Mill Valley, California 94941

EXHIBIT "A"

Estate of William Oliver
c/o Pat Fisher
P.O.Box 241
Dallas, Texas 75221

Adolph P. Schuman
2701 16th Street
San Francisco, California 94104

Space Building Corporation
250 Cape Highway
Route 44
East Taunton, Massachusetts 02718

Fredrick Van Uranken
665 5th Avenue, 10th Floor
New York, New York 10022

Yates Employees 87, Ltd.
105 South Fourth Street
Artesia, New Mexico 88210