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June 20, 1995

HAND DELIVERED

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

*Re: Sandy Crossing 29 Well No. 1
S/2 Section 29, T17S, R27E, 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 July 13, 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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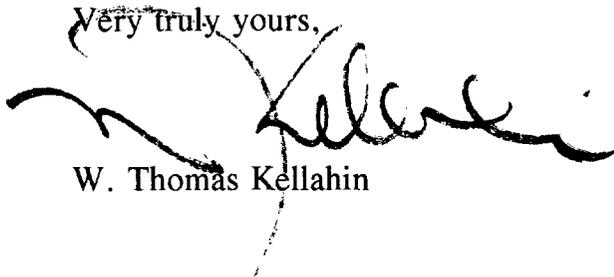
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Oil Conservation Division

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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, July 7, 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 faint circular stamp or watermark.

W. Thomas Kellahin

Enclosure

cc: Nearburg Producing Company

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

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JUN 20 1995

Oil Conservation Division

CASE 11337: 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 Morrow formation underlying the S/2 of Section 29, T17S, R27E, 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 may include but is not necessarily limited to the Undesignated Scoggin Draw-Morrow Gas Pool, the Logan Draw-Morrow Gas Pool, the Logan Draw-Wolfcamp Gas Pool, the Red Lake-Pennsylvanian Gas Pool, the Chalk Bluff-Wolfcamp Gas Pool or the Logan Draw-Cisco/Canyon Gas Pool; or in the alternative, 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 may include but is not necessarily limited to the Undesignated Red Lake-Queen Gas Pool, or the Red Lake Greyburg Gas Pool said unit consisting of the SE/4 of said Section 29. Said unit is to be dedicated to its Sandy Crossing 29 Well No. 1 to be drilled and completed at a standard well location in Unit O of said Section 29. 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 southeast from Artesia, New Mexico.

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

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JUN 20 1995

Oil Conservation Division

IN THE MATTER OF THE APPLICATION
OF NEARBURG EXPLORATION COMPANY
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11337

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 Morrow formation underlying the S/2 of Section 29, T17S, R27E, 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 may include but is not necessarily limited to the Undesignated Scoggin Draw-Morrow Gas Pool, the Logan Draw-Morrow Gas Pool, the Logan Draw-Wolfcamp Gas Pool, the Red Lake-Pennsylvanian Gas Pool, the Chalk Bluff-Wolfcamp Gas Pool or the Logan Draw-Cisco/Canyon Gas Pool; or in the alternative, 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 may include but is not necessarily limited to the Undesignated Red Lake-Queen Gas Pool, or the Red Lake Greyburg Gas Pool to be dedicated to the SE/4 of said Section 29. Said unit is to be dedicated to its Sandy Crossing 29 Well No. 1 to be drilled and completed at a standard well location in Unit O of said Section 29. 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.

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 surface to the base of the Morrow formation underlying the S/2 of Section 29, T17S, R27E, NMPM, Eddy County, New Mexico.

2. The subject tract is located within one-mile of the current boundaries of the following pools:

| <u>Pool Name</u> | <u>Spacing</u> |
|----------------------------------|----------------|
| Scoggin Draw-Morrow Gas Pool | 320 acres |
| Logan Draw-Morrow Gas Pool | 320 acres |
| Logan Draw-Wolfcamp Gas Pool | 320 acres |
| Red Lake-Pennsylvanian Gas Pool | 320 acres |
| Chalk Bluff-Wolfcamp Gas Pool | 320 acres |
| Logan Draw-Cisco/Canyon Gas Pool | 320 acres |
| Red Lake-Queen Gas Pool | 160 acres |
| Red Lake-Greyburg Gas Pool | 160 acres |

3. The subject well is to be drilled at a standard well location in Unit O of Section 29 to test any and all formations in the pooled interval from the surface to the base of the Morrow formation and to be dedicated to the appropriate sized spacing unit for the appropriate pool consisting of either the S/2 or the SE/4 of said Section 29 as the case may be.

4. Nearburg has the voluntary agreement of certain of the working interest ownership of the oil & gas minerals from the surface to the base of the Morrow formation underlying the S/2 of Section 29.

5. Nearburg has proposed the subject well and its appropriate spacing unit to the remaining working interest owners in the 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.

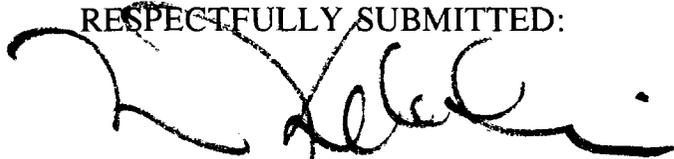
8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for July 13, 1995.

WHEREFORE, Nearburg, as applicant, requests that this application be set for hearing on July 13, 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 the appropriate 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
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