

Ac 11521 / 11533

**ARTESIA PROSPECT
EDDY COUNTY, NEW MEXICO**

NORTH HALF (N/2) OF SECTION 4, TOWNSHIP-18-SOUTH, RANGE-28-EAST

SPACING UNIT FOR HUMMER STATE "4" COM #1 WELL
(1650' FEL & 1310' FNL) RIGHTS BELOW 5000'

MORROW 320 ACRE UNIT

AS OF JUNE 1, 1996

*N/2
State Lease*

<p>① FINA 75% WI 46% NRI NEARBURG 12.5% WI 7.8% NRI BRUNO & MARSHAL 12.5% WI 7.8% NRI</p>	<p>② Arco 100% WI 87.50% NRI</p>	<p>③ Mewbourne Oil 100% WI 75% NRI Nearburg location</p>	<p>④ OXY 100% WI 82.50% NRI</p>
<p>⑥ Mewbourne Location 990' FNL NEC 100% WI 75% NRI 1650' FNL</p>	<p>⑤ Mewbourne Oil</p>	<p>100.00% WI 62.50% NRI</p>	<p>④</p>

Division of Interest for the N/2 of Section 4-18/28

Nearburg Exploration Company	.1406250
Mewbourne Oil Company	.3750000
Arco Permian Corporation	.1250000
Oxy U. S. A.	.2500000
Fina Oil and Chemicals	.0937500
Earl R. Bruno, Jr.	.0078125
Robert H. Marshall	.0078125
	1.0000000

*90-day commencement
30-day election period
200% with
overhead cost
the
Mewbourne*

*Nearburg worth the 2nd
opportunity
30-day election period*

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
Nearburg EXHIBIT NO. 1
CASE NO. 11521

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 28, 1996

Mr. Robert H. Marshall
P. O. Box 1422
Midland, Texas 79702

Re: Well Proposal; Hummer State "4" Com. No. 1 Well
1310' FNL and 1650' FEL of Section 4, T-18-S,
Range 28 East, Eddy County, New Mexico
Artesia Prospect

Dear Mr. Marshall:

Enclosed herewith please find an AFE prepared by Nearburg Producing Company for the Hummer State "4" Com No. 1 well at a proposed location of 1310' FNL and 1650' FEL of Section 4, T-18-S, R-28-E, Eddy County, New Mexico. Nearburg Exploration Company, L.L.C. (Nearburg) proposes the drilling of this well to a depth of 10,900' to test the Morrow formation. This well is a proposed on a 320-acre proration unit consisting of the N/2 of Section 4, T-18-S, R-28-E, Eddy County, New Mexico. Nearburg owns a 14.0625% working interest in this acreage and you own 0.78125%.

Nearburg would like to drill this well as soon as possible and pursuant thereto, we have enclosed an Operating Agreement dated March 27, 1996 covering the proration unit for the well, limited in depth as reflected on Exhibit "A" attached to the Operating Agreement. We invite you to participate in the drilling of this well.

Our record checks reflect what we believe to be expired Operating Agreements covering a portion of the tracts included in the proration unit for this well proposal. If it is determined that any of said Operating Agreements are currently effective for the proration unit for the well, this well proposal is made pursuant to the terms thereof.

In the alternative, if you decline to participate in the drilling of the well, Nearburg would like to acquire your interest under the terms of a two-year term assignment at \$350 per net acre.

We would appreciate your response as soon as possible to avoid a compulsory pooling.

Thank you for your cooperation. If you have any questions, please feel free to contact the undersigned.

Yours very truly,

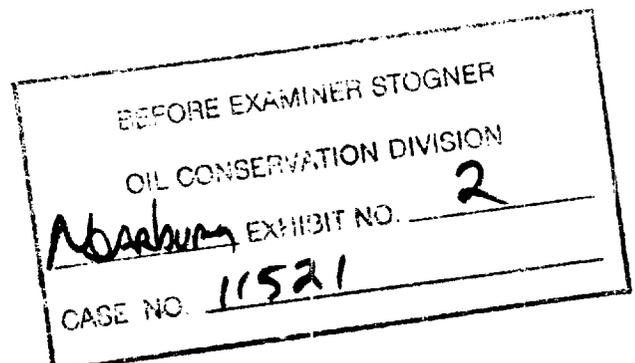


Bob Shelton
Land Manager

BS:kg

Enclosure

word\msoffice\winword\bs-2\artesia-marshall.ltr



AUTHORITY FOR EXPENDITURE

WELL NAME: Hummer State "4" Com WELL NUMBER: 1 PROPOSED TOTAL DEPTH: 10,900'
 LOCATION: 1310' FNL and 1650' FEL of Section 4, T-18-S, R-28-E, Eddy County, New Mexico
 FIELD Undesignated Morrow PROSPECT: Artesia EXPLORATORY DEVELOPMENT, WO: E
 DESCRIPTION OF WORK: Drill and complete as a Morrow gas producer

DATE PREPARED: 3/27/96 EST. SPUD DATE: EST. COMPLETION DATE:
 ACCOUNTING WELL NUMBER: 06/01/96 07/15/96
 COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 10,900 Ft @ 19.00 \$/Ft	1514 101	207,100	NA		207,100
Drilling Daywork D/C/\$/day 3 2 4500	1514 105	13,500	1515 105	9,000	22,500
Drilling Turnkey	1514 110		1515 110		0
Rig Mobilization and Demobilization	1514 115		1515 115		0
Road & Location Expense	1514 120	15,000	1515 123	1,500	16,500
Damages	1514 125	3,000	1515 125		3,000
Directional Drilling - Tools and Service	1514 130		1515 130		0
Drilling Fluids	1514 135	25,000	NA		25,000
Fuel, Power, and Water	1514 140	10,000	1515 140	2,000	12,000
Supplies - Bits	1514 145		1515 145	500	500
Supplies - Casing Equipment	1514 150	2,500	1515 150	7,000	9,500
Supplies - Liner Equipment	1514 155		1515 155		0
Supplies - Miscellaneous	1514 160	1,500	1515 160	500	2,000
Cement and Cmt. Services - Surface Csg	1514 165	4,000	NA		4,000
Cement and Cmt. Services - Int. Csg	1514 170	10,000	NA		10,000
Cement and Cmt. Services - Prod. Csg	NA		1515 172	25,000	25,000
Cement and Cmt. Services - Other	1514 175		1515 175		0
Rental - Drilling Tools and Equipment	1514 180	5,000	1515 180		5,000
Rental - Miscellaneous	1514 185	500	1515 185	2,500	3,000
Testing - Drill Stem / Production	1514 195	6,000	1515 195	1,500	7,500
Open Hole Logging	1514 200	25,000	NA		25,000
Mudlogging Services	1514 210	10,000	NA		10,000
Special Services	1514 190		1515 190		0
Plug and Abandon	1514 215	12,000	1515 215	(12,000)	0
Pulling and/or Swabbing Unit	NA		1515 217	7,500	7,500
Reverse Equipment	NA		1515 219	1,000	1,000
Wireline Services	1514 205		1515 205	10,000	10,000
Stimulation	NA		1515 221	10,000	10,000
Pump / Vacuum Truck Services	1514 220	500	1515 220	1,500	2,000
Transportation	1514 225	1,500	1515 225	2,500	4,000
Tubular Goods - Inspection & Testing	1514 230		1515 230	7,500	7,500
Unclassified	1514 245		1515 245		0
Telephone and Radio Expense	1514 240	1,000	1515 240	250	1,250
Engineer / Geologist / Landman	1514 250	5,000	1515 250	1,800	6,800
Company Labor - Field Supervision	1514 255	12,000	1515 255	4,500	16,500
Contract Labor / Roustabout	1514 265	2,000	1515 265	2,500	4,500
Legal and Professional Services	1514 270	2,500	1515 270	500	3,000
Insurance	1514 275	9,500	1515 275		9,500
Overhead	1514 280	6,000	1515 280	1,250	7,250
SUBTOTAL		390,100		88,300	478,400
Contingencies (10%)		39,010		8,830	47,840
ESTIMATED TOTAL INTANGIBLES		429,110		97,130	526,240

BEFORE EXAMINER STOGNER
 OIL CONSERVATION DIVISION
Nearburg EXHIBIT NO. 3
 CASE NO. 11521

Nearburg Producing Company

Exploration and Production
Dallas, Texas

AUTHORITY FOR EXPENDITURE

WELL NAME: Hummer State "4" Com WELL NUMBER: 1 PROPOSED TOTAL DEPTH: 10,900'
 LOCATION: 1310' FNL and 1650' FEL of Section 4, T-18-S, R-28-E, Eddy County, New Mexico
 FIELD: Undesignated Morrow PROSPECT: Artesia EXPLORATORY, DEVELOPMENT, WO: E
 DESCRIPTION OF WORK: Drill and complete as a Morrow gas producer

DATE PREPARED: 3/27/96 EST. SPUD DATE: EST. COMPLETION DATE:
 ACCOUNTING WELL NUMBER: 06/01/96 07/15/96
 COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	1520 305		NA		0
Surface Csg 600 Ft @ 20.00 \$/Ft	1520 310	12,000	NA		12,000
Intermediate Csg 2,800 Ft @ 15.00 \$/Ft	1520 315	42,000	NA		42,000
Protection Csg	1520 320	0	NA		
Production Csg 10,900 Ft @ 12.00 \$/Ft	NA		1522 325	130,800	130,800
Protection Liner	1520 330		NA		
Production Liner	NA		1522 335		
Tubing 10,700 Ft @ 3.10 \$/Ft	NA		1522 340	33,170	33,170
Rods Ft @ \$/Ft	NA		1522 345	0	0
Artificial Lift Equipment	NA		1522 350		0
Tank Battery	NA		1522 355	10,000	10,000
Separators/Heater Treater/Gas Units/FWKO	NA		1522 360	12,000	12,000
Well Head Equipment & Christmas Tree	1520 365	1,500	1522 365	10,000	11,500
Subsurface Well Equipment	NA		1522 370	5,000	5,000
Flow Lines	NA		1522 375	5,000	5,000
Saltwater Disposal Pump	NA		1522 391		0
Gas Meter	NA		1522 385	2,500	2,500
Lact Unit	NA		1522 387		0
Vapor Recovery Unit	NA		1522 389		0
Other Well Equipment	NA		1522 390		
ROW and Damages	NA		1522 393	1,500	
Surface Equipment Installation Costs	NA		1522 395	5,000	5,000
Elect. Installation	NA		1522 397		0
ESTIMATED TOTAL TANGIBLES		55,500		214,970	270,470
ESTIMATED TOTAL WELL COSTS		484,610		312,100	796,710

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, OR LESS, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND. THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

NPC APPROVAL	DATE
PREPARED BY: TRM	3/27/96
REVIEWED BY:	
APPROVED BY:	

WI APPROVAL: COMPANY _____
 BY _____
 TITLE _____

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

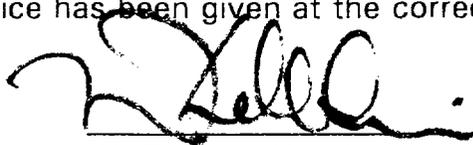
In the matter of the hearing called
by the Oil Conservation Division
for the purpose of considering:

CASE NO. 11521

Application of Nearburg Exploration
Company for Compulsory Pooling,
Hummer State "4" Com Well No. 1
Eddy County, New Mexico.

CERTIFICATE OF MAILING AND COMPLIANCE WITH ORDER R-8054

W. THOMAS KELLAHIN, attorney in fact and authorized representative of Nearburg Exploration Company, states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on the 23rd day of April, 1996 I caused to be sent, by certified mail return receipt requested, notice of this hearing and a copy of the application for the referenced case along with the cover letter, at least twenty days prior to the hearing set for June 13, 1996, to the parties shown in the application as evidenced by the attached copies of receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.



W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me on this 12th day of June 1996.

Notary Public

My Commission Expires: June 15th, 1998

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
Nearburg EXHIBIT NO. <u>4</u>
CASE NO. _____

Is your RETURN ADDRESS completed on the reverse side?

SENDER:
 ■ Complete items 1 and/or 2 for additional services.
 ■ Complete items 3, 4a, and 4b.
 ■ Print your name and address on the reverse of this form so that we can return this card to you.
 ■ Attach this form to the front of the mail piece.

Nearburg/Hummer05/24/96
 April 23, 1996

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 Mr. Robert H. Marshall
 PO Box 1422
 Midland, Texas 79702

4a. Article Number
 326 929 037

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 APR 23 1996

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)
 X [Signature]

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 Domestic Return Receipt

Thank you for using Return Receipt Service.

P 326 929 037

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)
 Sent to

Mr. Robert H. Marshall
 PO Box 1422
 Midland, Texas 79702

Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	

P 326 929 034

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)
 Sent to

Mewbourne Oil Company
 500 West Texas
 Ste. 1050
 Midland, Texas 79701
 Attn: Paul Haden

Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom & Date Delivered	

P 326 929 035

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)
 Sent to

OXY USA, Inc.
 Po Box 50250
 Midland, Texas 79702
 Attn: Kent Woolley

Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom & Date Delivered	
TOTAL Postage & Fees	\$

Nearburg/Hummer05/24/96
 April 23, 1996

Is your RETURN ADDRESS completed on the reverse side?

SENDER:
 ■ Complete items 1 and/or 2 for additional services.
 ■ Complete items 3, 4a, and 4b.
 ■ Print your name and address on the reverse of this form so that we can return this card to you.
 ■ Attach this form to the front of the mail piece.

Nearburg/Hummer05/24/96
 April 23, 1996

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 Mewbourne Oil Company
 500 West Texas
 Ste. 1050
 Midland, Texas 79701
 Attn: Paul Haden

4a. Article Number
 326 929 034

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 4-25-96

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)
 X [Signature]

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:
 ■ Complete items 1 and/or 2 for additional services.
 ■ Complete items 3, 4a, and 4b.
 ■ Print your name and address on the reverse of this form so that we can return this card to you.
 ■ Attach this form to the front of the mail piece.

Nearburg/Hummer05/24/96
 April 23, 1996

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 OXY USA, Inc.
 Po Box 50250
 Midland, Texas 79702
 Attn: Kent Woolley

4a. Article Number
 326 929 035

4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery
 APR 26 1996

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)
 X [Signature]

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 Domestic Return Receipt

Thank you for using Return Receipt Service.

PS