

**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. 12470
ORDER NO. R-11438**

**APPLICATION OF NEARBURG EXPLORATION COMPANY, L.L.C. FOR
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 10, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 23rd day of August, 2000, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) The applicant, Nearburg Exploration Company, L.L.C. ("Nearburg"), seeks an order pooling all uncommitted mineral interests from the surface to the base of the Bone Spring formation underlying the NE/4 SE/4 of Section 13, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico thereby forming a standard 40-acre oil spacing and proration unit for formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated East Gem-Delaware Pool.
- (3) The subject spacing and proration unit is to be dedicated to the applicant's proposed Panama "13" Well No. 2 to be drilled and completed at a standard location 1650 feet from the South line and 990 feet from the East line of Section 13.
- (4) The applicant is a working interest owner within the subject unit and therefore has the right to drill for and develop the minerals underlying this unit.
- (5) There are interest owners in the subject unit that have not agreed to pool their

(15) If the operator of the pooled unit fails to commence drilling the well to which the unit is dedicated on or before November 20, 2000, or if all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order should become of no effect.

(16) The operator of the well and unit should notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Nearburg Exploration Company, L.L.C., all uncommitted mineral interests from the surface to the base of the Bone Spring formation underlying the NE/4 SE/4 of Section 13, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico are hereby pooled to form a standard 40-acre oil spacing and proration unit for formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated East Gem-Delaware Pool.

(2) The subject spacing and proration unit is to be dedicated to the applicant's proposed Panama "13" Well No. 2 to be drilled and completed at a standard location 1650 feet from the South line and 990 feet from the East line of Section 13.

(3) The operator of the unit shall commence drilling the well on or before November 20, 2000, and shall thereafter continue drilling the well with due diligence to a depth sufficient to test the Morrow formation.

(4) In the event the operator does not commence drilling the well on or before November 20, 2000, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause shown.

(5) Should the well not be drilled to completion or abandoned within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.

(6) Nearburg Exploration Company, L.L.C. is hereby designated the operator of the subject well and unit.

(7) After pooling, uncommitted working interest owners are referred to as "non-consenting working interest owners." After the effective date of this order and within 90

\$4,741.00 per month while drilling and \$598.00 per month while producing. The operator shall be authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(14) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8)-royalty interest for the purpose of allocating costs and charges under this order.

(15) Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(16) All proceeds from production from the well that are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.

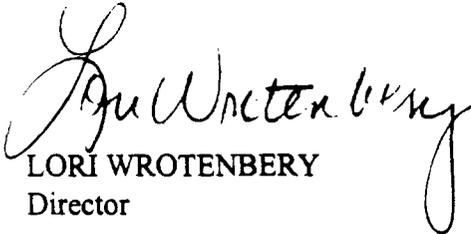
(17) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(18) The operator of the well and unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(19) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

SEAL