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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. 12581

APPLICATION

Nearburg Exploration Company, L.L.C. applies for an order pooling all mineral interests from the top of the Strawn formation to the base of the Morrow formation underlying the E½ of Section 32, Township 15 South, Range 32 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the E½ of Section 32, and has the right to drill a well thereon.

2. Applicant proposes to drill its Anderson Ranch "32" State Well No. 2, at an orthodox gas well location 1330 feet from the south line and 1980 feet from the east line of Section 32, to a depth sufficient to test the Morrow formation, and seeks to dedicate the E½ of Section 32 to the well for all pools or formations developed on 320 acre spacing, including the Anderson Ranch-Morrow Gas Pool.

3. Applicant requests that Nearburg Producing Company be named operator of the well.

4. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E½ of Section 32 for the purposes set forth herein.

5. Although applicant has attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the

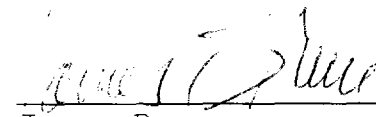
well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½ of Section 32, pursuant to NMSA 1978 §70-2-17.

6. The pooling of all mineral interests underlying the E½ of Section 32 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

**WHEREFORE**, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the E½ of Section 32, from the top of the Strawn formation to the base of the Morrow formation;
- B. Designating Nearburg Producing Company as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates as provided in the COPAS accounting procedure; and
- E. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James Bruce", is written over a horizontal line.

James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Nearburg Exploration  
Company, L.L.C.

PROPOSED ADVERTISEMENT

Case 12581: Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Strawn formation to the base of the Morrow formation underlying the E½ of Section 32, Township 15 South, Range 32 East, NMPM, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Anderson Ranch-Morrow Gas Pool. The unit is to be dedicated to the Anderson Ranch "32" State Well No. 2, to be drilled at an orthodox gas well location 1330 feet from the south line and 1980 feet from the east line of Section 32. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 8½ miles north-northeast of Maljamar, New Mexico.

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