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and
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TELEPHONE (505) 988-4421
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January 8, 2001

HAND-DELIVERED

Lori Wrottenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: *Application of Nearburg Exploration Company, L. L. C. for Administrative Approval of Two Non-Standard 160 Acre Gas Well Spacing Units in the E/2 of Section 34, Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico*

Dear Ms. Wrottenbery:

Nearburg Exploration Company, L. L. C. hereby seeks administrative approval pursuant to the provisions of Division Rule 104.D(2)(b) to form:

Two non-standard 160 acre gas spacing and proration units in the East Grama Ridge-Morrow Gas Pool comprised of the NE/4 and the SE/4 of Section 34, Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

The following attachments are provided with this application:

Attachment A is a plat showing the Morrow ownership in said Section 34 and demonstrating that the proposed NE/4 and SE/4 gas spacing and proration units are comprised of contiguous quarter sections that lie wholly within a single governmental half section.

Attachment B is a waiver letter from EOG Resources, Inc., the only party affected by this application.

Attachment C is a 1979 amended Well Location and Acreage Dedication Plat showing that the W/2 of said Section 34 is devoted to the Grama Ridge Morrow Unit Well No. 2 and therefore not affected by this application.

Since state leases are involved, attachment D is a certified letter to the New Mexico State Land Office advising them of this application.

Two Morrow gas pools are located in said Section 34: The W/2 of Section 34 is part of the Grama Ridge-Morrow Gas Pool and the E/2 of Section 34 is part of the East Grama Ridge-Morrow Gas Pool. The existence of two pools in said Section 34 is the result of the Division's finding that the Grama Ridge-Morrow Gas Pool is located "within an upthrust fault block bounded to the west by a northeast - southwest trending fault and on the east by a north-south trending fault." See Division Order No. R-5995 (entered May 2, 1979) (said order is also referenced at the bottom of Attachment C).

In January of 1999, the New Mexico State Land Office cancelled Lease No. K-3592 for the N/2 of said Section 34 for non-payment of rental. The State subsequently leased the N/2 of Section 34 to Nearburg under Lease No. V-5683. On February 28, 2000, the Division approved a drilling permit which dedicated the N/2 of Section 34 to Nearburg's East Grama Ridge Morrow State 34 No. 1 Well located in the NE/4 of Section 34. See Attachment E.

After Nearburg drilled and completed this well, the Division's Hobbs office informed Nearburg that a change in the acreage dedicated to Nearburg's well is necessary because (a) there are separate Morrow pools in the W/2 and E/2 of Section 34, (b) the W/2 of Section 34 is already devoted to the Grama Ridge Morrow Unit Well No. 2, and (c) the E/2 of Section 34 is presently devoted to the Llano 34 State Com #1 Well, located in the SE/4 of Section 34 (Unit I). The Llano 34 State Com #1 Well was drilled in 1979 under a communitization agreement with the state and is presently shut-in. EOG Resources, Inc. is the successor operator to this well.

As a result of these events, the respective acreage positions of Nearburg and EOG Resources, and their right to produce gas from the E/2 of Section 34, is in question. The operators in the E/2 of Section 34 desire to resolve these issues and protect their correlative rights. The creation of two non-standard gas spacing and proration units in Section 34 will clarify their respective acreage positions and right to produce gas from the East Grama Ridge-Morrow Gas Pool underlying the E/2 of Section 34 from their respective wells.

The granting of this application under this unique set of circumstances will protect the correlative rights of all interest owners in Section 34, will not cause waste, will avoid litigation and administrative hearings over the rights of the interest owners to develop the reserves under the E/2 of Section 34, accommodate the Divisions' desire to re-dedicate acreage to Nearburg's well in the NE/4 of Section 34, and provide EOG the opportunity to produce their well in the SE/4 of said Section 34 in the Morrow formation.

Lori Wrotenbery
January 8, 2001
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Since all of the interest owners in the E/2 of Section 34 support this application, there are no affected parties to whom notice of this application needs to be provided.

A proposed form of order is also enclosed.

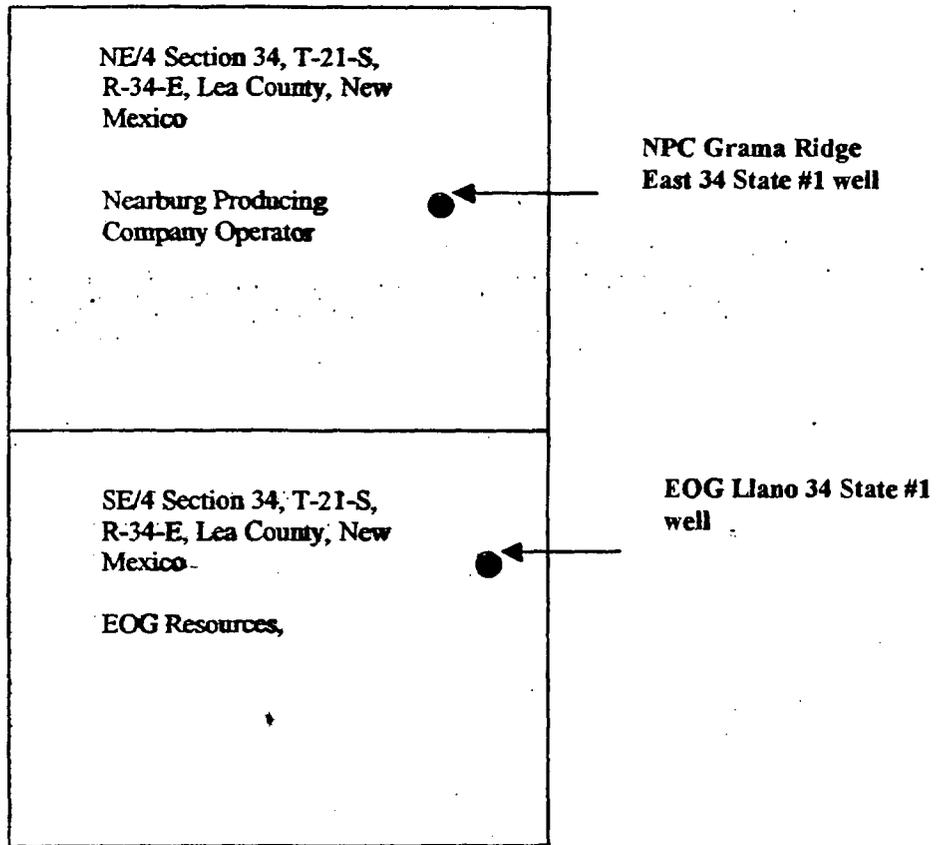
Very truly yours,

A handwritten signature in black ink, appearing to read "Michael H. Feldewert". The signature is fluid and cursive, with a large initial "M" and "F".

Michael H. Feldewert

MHF/ras
Enclosure

**E/2 of Section 34, T-21-S, R-34-E
Lea County, New Mexico**



CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL G. CAMPBELL
WILLIAM F. CARR
BRADFORD G. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
ROBERT J. BUTPHIN, JR.

JACK M. CAMPBELL
1918-1998

JEFFERSON PLACE
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SANTA FE, NEW MEXICO 87504-2208
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E-MAIL: law@westofpcos.com

December 15, 2000

Mr. Steve Smith
EOG Resources, Inc.
4000 N. Big Spring, Suite 500
Midland, Texas 79705

Re: *Application of Nearburg Exploration Company, L. L. C. for Administrative Approval of Two Non-Standard 160 Acre Gas Well Spacing Units In The E/2 of Section 34, Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico.*

Dear Mr. Smith:

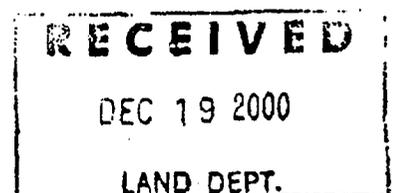
Nearburg Exploration Company, L.L.C. intends to file the attached administrative application and proposed order with the Santa Fe office of the New Mexico Oil Conservation Division pursuant to the provisions of Division Rule 104.D(2)(b) seeking approval to form:

Two non-standard 160 acre gas spacing and proration units in the East Grama Ridge-Morrow Gas Pool comprised of the NE/4 and the SE/4 of Section 34, Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

I understand that you have been in contact with Bob Shelton, head of Nearburg's land department, about this application.

As the interest owner in the SE/4 of the said Section 34, please indicate your support for these non-standard gas spacing and proration units by signing below and returning a signed copy of this letter to this office in the self-addressed stamped envelope so that it may be included with Nearburg's application.

ATTACHMENT B



Mr. Steve Smith
EOG Resources, Inc.
December 15, 2000
Page 2

Your prompt attention to this matter is appreciated.

Very truly yours,



Michael H. Feldcwert

WFC/ras

EOG Resources, Inc. hereby waives objection to creation of the two non-standard gas spacing and proration units identified above.

William R. Thomas (name)
William R. Thomas, Sr. Vice-President (title)


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WELL LOCATION AND ACREAGE DEDICATION PLAT

SEE INSTRUCTIONS FOR COMPLETING THIS FORM ON THE REVERSE SIDE

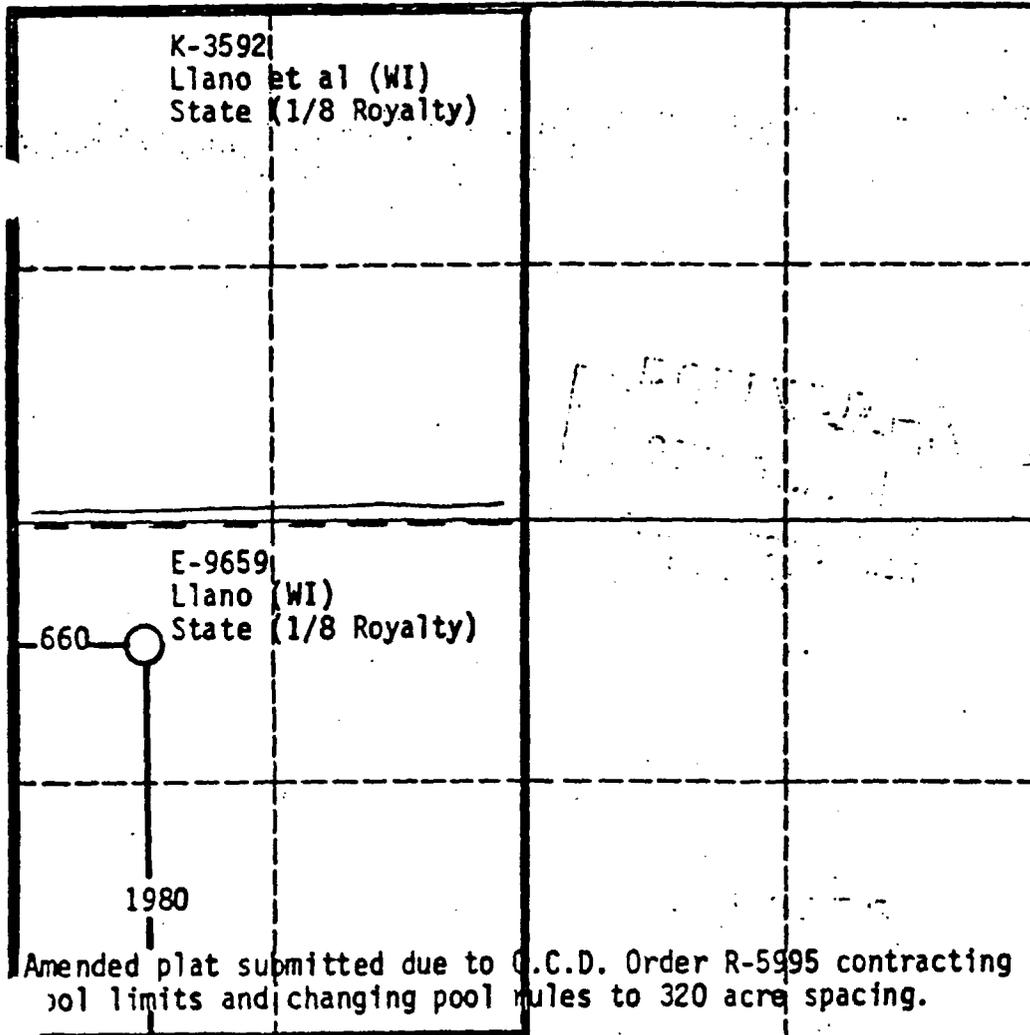
SECTION A

Operator Llano, Inc.		Lease Gramma Ridge Morrow Unit		Well No. 2
Unit Letter L	Section 34	Township 21 South	Range 34 East	County Lea
Actual Footage Location of Well: 1980 feet from the South line and 660 feet from the West line				
Ground Level Elev. 3641	Producing Formation Morrow		Pool Gramma Ridge Morrow (Gas)	Dedicated Acreage: 320 Acres

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below? YES _____ NO X. ("Owner" means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another. (65-3-29 (e) NMSA 1935 Comp.)
2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? YES X NO _____. If answer is "yes," Type of Consolidation Unit Agreement
3. If the answer to question two is "no," list all the owners and their respective interests below:

Owner	Land Description

SECTION B



Amended plat submitted due to O.C.D. Order R-5995 contracting pool limits and changing pool rules to 320 acre spacing.

CERTIFICATION

I hereby certify that the information in SECTION A above is true and complete to the best of my knowledge and belief.

Al Klaar

Name
Al Klaar

Position
Mgr. Pet. & N.G. Engr.

Company
Llano, Inc.

Date
May 2, 1979

I hereby certify that the well location shown on the plat in SECTION B was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
9-30-65

Registered Professional Engineer and/or Land Surveyor

T. E. Chapman, Jr.

Certificate No.

HOLLAND & HART^{LLP}
and
CAMPBELL & CARR
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January 8, 2001

CERTIFIED MAIL/RETURN RECEIPT REQUESTED

Bruce Frederick
Associate Counsel
New Mexico State Land Office
Legal Division
Post Office Box 1148
Santa Fe, New Mexico 87504-1148

Re: *Application of Nearburg Exploration Company, L. L. C. for Administrative Approval of Two Non-Standard 160 Acre Gas Well Spacing Units In The E/2 of Section 34, Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico.*

Dear Mr. Frederick:

Enclosed please find the above referenced application filed with the New Mexico Oil Conservation Division. You are being notified because the application involves lands leased by the State of New Mexico.

Pursuant to Division Rule 104.D(2), if the State Land Office has an objection to this application, that objection must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the application upon receipt of waivers from all the notified persons, or if no person has filed an objection within the 20 day period.

Sincerely,



Michael H. Feldewert

MHF/ras
Enclosure

ATTACHMENT D

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address Nearburg Producing Company 3800 N A St., Bldg 2, Suite 120 Midland, TX 79705		GRID Number 015742
Property Code 25382		API Number 30-025-34948
Property Name Grama Ridge East 34 State		Well No. 1

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
H	34	21S	34E		1548	North	990	East	Lea

Proposed Bottom Hole Location if Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
Proposed Pool 1 Grama Ridge Morrow, East					Proposed Pool 2				

Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code S	Ground Level Elevation 3689
Multiple No	Proposed Depth 13700	Formation Morrow	Contractor Patterson	Spud Date 03-05-00

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2"	13-3/8"	48#	1300'	800 sxs	Circ to surface
12-1/4"	9-5/8"	24# & 32#	5700'	2000 sxs	Circ to surface
8-3/4"	5-1/2"	17# & 20#	13700'	1500 sxs	

* Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Propose to drill the well to sufficient depth to evaluate the Morrow formation. After reaching TD, logs will be run and casing set if the evaluation is positive. Perforate, test and stimulate as necessary to establish production.

Acresage dedication is 320 acres; N/2 of Section 34.

Permit Expires 1 Year From Approval
 Date Unless Drilling Underway

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.		OIL CONSERVATION DIVISION	
Signature: <i>Kim Stewart</i>	Approved By: [Signature]		
Printed name: Kim Stewart	Title: [Signature]		
Title: Regulatory Analyst	Approval Date: FEB 28 2000	Expiration Date:	
Fax: 02-23-00	Phone: 915/686-8235	Conditions of Approval: Attached: <input type="checkbox"/>	

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34948	Pool Code 77690	Pool Name Gramma Ridge Morrow, East
Property Code 25382	Property Name GRAMA RIDGE EAST 34 ST.	Well Number 1
OCED No. 15742	Operator Name NEARBURG PRODUCING COMPANY	Elevation 3689

Surface Location

UL or lot No.	Section	Township	Range	Lot Idm	Feet from the	North/South Line	Feet from the	East/West line	County
H	34	21 S	34 E		1548	NORTH	990	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idm	Feet from the	North/South Line	Feet from the	East/West line	County

Dedicated Acres 320	Joint or Infill N	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Kim Stewart</i> Signature</p> <p>Kim Stewart Printed Name</p> <p>Regulatory Analyst Title</p> <p>February 23, 2000 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual survey made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>FEBRUARY 21, 2000 Date</p> <p><i>D. E. EDSON</i> Signature</p> <p>D. E. EDSON Printed Name</p> <p>Professional Surveyor Title</p> <p>100-11-0258 No.</p>
	<p>NEW MEXICO</p> <p>PROFESSIONAL SURVEYORS</p> <p>100-11-0258</p>
	<p>County No. ROCKY MOUNTAIN 3230</p> <p>City EDSON 12841</p> <p>State NEW MEXICO 12185</p>