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William F. Carr

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July 2, 2002

**HAND-DELIVERED**

Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 12900*

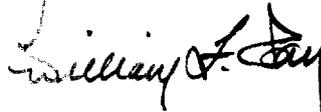
RECEIVED  
JUL 10 2002  
NEW MEXICO DEPARTMENT OF ENERGY  
MINERAL RESOURCES DIVISION

Re: Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, directional drilling and an unorthodox well location, Lea County, New Mexico

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Application of Nearburg Exploration Company, L.L.C. in the above-referenced case as well as a copy of the legal advertisement. Nearburg Exploration Company, L.L.C., requests that this matter be placed on the docket for the August 1, 2002 Examiner hearings.

Very truly yours,



William F. Carr

Enclosures

cc: Mr. Bob Shelton (w/enclosures)

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

**IN THE MATTER OF THE  
APPLICATION OF NEARBURG  
EXPLORATION COMPANY, L.L.C.  
FOR COMPULSORY POOLING,  
DIRECTIONAL DRILLING AND AN  
UNORTHODOX WELL LOCATION,  
LEA COUNTY, NEW MEXICO.**

CASE NO. 12900

RECEIVED  
OCT 10 2012  
OIL CONSERVATION DIVISION

**APPLICATION**

NEARBURG EXPLORATION COMPANY, L.L.C. ("Nearburg"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations from the surface to the base of the Strawn formation in the S/2 SW/4 of Section 10, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico for all formations and/or pools developed on 80-acre spacing which includes but is not necessarily limited to the Undesignated Humble City-Strawn Pool and the Undesignated Shipp-Strawn Pool, and in support of its application states:

1. Nearburg is a working interest owner in the S/2 SW/4 of Section 10 and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced spacing and proration unit to its Voyager (Shipp) # 1-4 well, a re-entry of the Hanley-Shipp #1 well, and directionally drill said well from a surface location 990 feet from the South line and 330 feet from the West line of said Section 10 to an unorthodox

bottomhole location 860 feet from the South line and 1400 feet from the West of said Section 10, to an approximate depth of 11,500 feet to test any and all formations from the surface to the base of the Strawn formation formation.

3. Applicant has sought and been unable to obtain voluntary agreement for the development of these spacing and proration units with those interest owners identified on Exhibit A to this application.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Nearburg Producing Company should be designated the operator of the well to be drilled.

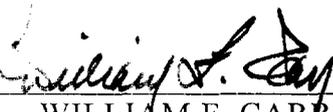
WHEREFORE, Nearburg Exploration Company, L.L.C. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 1, 2002, and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Nearburg Producing Company operator of these units and the well to be drilled thereon,
- C. authorizing Nearburg to recover its costs of drilling, equipping and completing the well,

- D. approving the operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures,
- E. providing for subsequent operations on the pooled acreage in accordance with the operating agreement between the parties,
- G. imposing a 200% penalty for the risk assumed by Nearburg in drilling and completing the well against any working interest owner who does not voluntarily participate in the well, and
- H. approving the directional drilling of the well and the proposed unorthodox bottomhole location for the well.

Respectfully submitted,

HOLLAND & HART, LLP

By:   
WILLIAM F. CARR  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR NEARBURG  
EXPLORATION COMPANY, L.L.C.

**EXHIBIT A**

**APPLICATION OF NEARBURG EXPLORATION COMPANY, L.L.C.**  
**FOR COMPULSORY POOLING, DIRECTIONAL DRILLING**  
**AND AN UNORTHODOX WELL LOCATION,**  
**S/2 SW/4 OF SECTION 10, TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM**  
**LEA COUNTY, NEW MEXICO.**

**NOTIFICATION LIST**

Chesapeake Exploration L.P.  
Post Office Box 18496  
Oklahoma City, Oklahoma 73154

Colin R. McMillan  
116 West 1st Street  
Roswell, New Mexico 88201

Conoco, Inc.  
10 Desta Drive, Suite 100W  
Midland, Texas 79705

David Petroleum Corporation  
116 West 1st Street  
Roswell, New Mexico 88201

Hanley Petroleum  
415 West Wall Street, Suite 1500  
Midland, Texas 79701

Petrovaugh, Inc.  
11910 Greenville Ave, Suite 302  
Dallas, Texas 75243

Republic Royalty Company  
3738 Oak lawn Ave, Suite 300  
Dallas, Texas 75219

CASE 12900 : Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, directional drilling and an unorthodox well location, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in all formations from the surface to the base of the Strawn formation in the S/2 SW/4 of Section 10, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico for all formations and/or pools developed on 80-acre spacing which includes but is not necessarily limited to the Undesignated Humble City-Strawn Pool and the Undesignated Shipp-Strawn Pool. Said unit is to be dedicated to its Voyager (Shipp #1-4 Well, a re-entry of the Hanley Shipp #1 Well, at a surface location 990 feet from the South line and 330 feet from the West line and directionally drilled to an unorthodox bottomhole location 860 feet from the South line and 1400 feet from the West line of said Section 10 to a depth sufficient to test all formations from the surface to the base of the Strawn formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, provisions governing subsequent operations on the pooled units, designation of Nearburg Producing Company as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 7 miles Southeast of Lovington, New Mexico.

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William F. Carr

wcarr@hollandhart.com

July 2, 2002

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**TO ALL AFFECTED PARTIES:**

Re: Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, directional drilling and an unorthodox well location, Lea County, New Mexico.

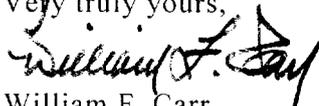
Ladies and Gentlemen:

This letter is to advise you that Nearburg Exploration Company, L.L.C. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests in all formations from the surface through the base of the Strawn formation in a standard gas spacing and proration unit comprised of the S/2 SW/4 of Section 10, Township 17 South, Range 37 East, N.M.P.M., Lea County, New Mexico. Nearburg proposes to dedicate the referenced pooled unit to its Voyager (Shipp) #1-4 Well, a re-entry of the Hanley Skipp #1 Well, at a surface location 990 feet from the South line and 330 feet from the West line of said section 10 and directionally drill said well to a bottomhole location 860 feet from the South line and 1400 feet from the West line of said Section 10.

This application has been set for hearing before a Division Examiner on August 1, 2002. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Prehearing Statement three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,



William F. Carr  
for Holland & Hart LLP  
ATTORNEYS FOR NEARBURG  
EXPLORATION COMPANY, L.L.C.

Enclosure

cc: Mr. Bob Shelton  
Nearburg Exploration Company L.L.C.