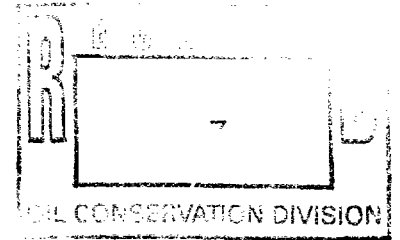


**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:



CASE 10997 (Reopened)

APPLICATION OF NEARBURG EXPLORATION
CORPORATION TO REOPEN CASE 10997
AND TO AMEND ORDER R-10150,
EDDY COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by NEARBURG
EXPLORATION CORPORATION, as required by the Oil Conservation
Division.

APPEARANCE OF PARTIES

APPLICANT

Nearburg Exploration Corporation
3300 North "A" Street
Midland, Texas 79705
(915) 686-8235
attn: Joe Fitzgerald

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

STATEMENT OF CASE

Nearburg has a 93.653% working interest ownership in the oil and gas minerals from the top of the Wolfcamp formation to the base of the Morrow formation underlying the N/2 of Section 30, T19S, R25E, NMPM, Eddy County, New Mexico.

In NMOCD Case 10997 heard on June 9, 1994, Nearburg sought an order pooling all non-participating royalty interests for any production from the surface to the base of the Morrow formation and all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the N/2 of Section 26, T19S, R25E, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Cemetery-Morrow Gas Pool, including the dedication of said unit is to its proposed Morris 26G Well No. 1 to be drilled and completed at an unorthodox gas well location 1450 feet from the North and East lines of said Section 26.

On July 14, 1994, the Division entered Order R-10150 which approved Nearburg's application in Case 10997.

Subsequently, Nearburg obtained new geologic data which was not available at the time of the original hearing of this matter which alters its geologic interpretation and is the basis for Nearburg seeking to amend the location for the Morris 26G Well No 1 (now to be called the Morris 26G Well No. 2) to a new unorthodox gas well location 2310 feet from the North and West Lines of said Section 26.

Accordingly, Nearburg seeks to reopen NMOCD Case 10150 and to amend Division Order R-10150 entered on July 14, 1994 for the purpose of substituting a new unorthodox gas well location at 2310 feet FNL and 2310 feet FEL of Section 26, Township 10 South, Range 25 East, NMPM, for the previously approved unorthodox gas well location at 1450 feet FEL and 1450 feet FNL of said Section 26 for Nearburg Producing Company's proposed Morris 26G Well No. 2 to be drilled in accordance with the referenced compulsory pooling order which pooled all non-participating royalty interests

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Nearburg Exploration Company
Prehearing Statement
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for any production from the surface to the base of the Morrow formation and all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the N/2 of Section 26, T19S, R25E, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Cemetery-Morrow Gas Pool.

Nearburg has proposed the subject well and its spacing unit to Anadarko Petroleum Corporation which owns the remaining 6.347% working interest. Subsequent to the entry of Order R-10150, Anadarko Petroleum Corporation elected to participate on a voluntary basis by joining in the drilling of the well at its original location. Nearburg will afford Anadarko Petroleum Corporation the opportunity to make a "new election" because of the change in well location. However, in the event Anadarko Petroleum Corporation either fails to elect or objects to the new location then Nearburg requests that Anadarko Petroleum Corporation's interest be subject to the pooling order, as amended.

In addition, there is a non-participating royalty interest which is entitled to a $\frac{152}{320}$ th of $\frac{1}{6}$ th of $\frac{1}{8}$ th royalty on any and all production obtained from any formation from the surface to the base of the Morrow formation. Nearburg believes that the potential owners of this non-participating royalty interest are R. T. Badger individually and as executor of the estate of Brandt Badger, deceased; Birdie I. Badger, wife of R. T. Badger; Bettie J. Badger, a widow, individually and as executrix of the estate of W. H. Badger, deceased; and Margaret Badger, widow of Brandt Badger, deceased.

Despite its good faith effort, Nearburg has been unable to locate any of these parties who may be entitled to this royalty interest and requests that the Division authorize the pooling of this interest.

Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Nearburg needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

PROPOSED EVIDENCE

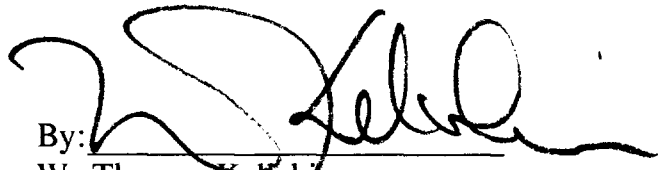
APPLICANT:

WITNESSES	EST. TIME	EXHIBITS
Joe Fitzgerald (landman)	20 min.	@ 6 exhibits
Jerry Elger (geologist)	20 Min.	@ 3 exhibits
Terry Durham (geophysicist)	20 Min.	@ 3 exhibits

PROCEDURAL MATTERS

None anticipated at this time.

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