

Correspondence

Denoue

Case No. 12622

Sept. 11th - 20th 2002

KELLAHIN & KELLAHIN
ATTORNEY AT LAW

W. THOMAS KELLAHIN
NEW MEXICO BOARD OF LEGAL
SPECIALIZATION RECOGNIZED SPECIALIST
IN THE AREA OF NATURAL RESOURCES-
OIL AND GAS LAW

P.O. BOX 2265
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SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285
FACSIMILE 505-982-2047
TKELLAHIN@AOL.COM

September 18, 2002

HAND DELIVERED

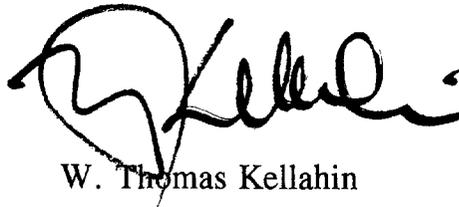
Ms. Lori Wortenbery, Chair
Oil Conservation Commission
1220 South Saint Francis Drive
Santa Fe, NM 87505

Re: **NMOCD CASE 12622 (DeNovo)**
Nearburg Exploration Company, L.L.C.
Application for Approval of Two Non-Standard 160-acre
Gas Proration and Spacing Units
NE/4 and SE/4, Section 34, T21S, R34E, NMPM,
East Grama Ridge-Morrow Gas Pool, Lea County, New Mexico

Dear Ms. Wortenbery:

Enclosed please enclosed Redrock Operating Ltd. Co.'s Objections to the Subpoena Duces Tecum served on Redrock Operating Ltd, Co. ("Redrock") which was issued by the Oil Conservation Division at the request of Nearburg Exploration Company, L.L.C. ("Nearburg") on September 13, 2002 requiring production at 8:15 am on September 19, 2002 at the Division.

Very truly yours,



W. Thomas Kellahin

Hand Delivered:

cc: Steve Ross, Esq.
Oil Conservation Commission
William F. Carr, Esq.
Attorney for Nearburg
Redrock Operating Ltd. Co
Attn: Tim Cashon
J. Scott Hall, Esq.
Attorney for Raptor Pipeline

SEP 19 11 00 AM '02

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

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

APPLICATION OF NEARBURG EXPLORATION
COMPANY, L.L.C. FOR TWO NON-STANDARD
GAS SPACING AND PRORATION UNITS;
LEA COUNTY, NEW MEXICO

CASE NO. 12622 (De Novo)

CASE NO. 12908-A

APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING AND
EXTENDING CERTAIN POOLS,
LEA COUNTY, NEW MEXICO

(Severed and Reopened)

REDROCK OPERATING LTD, CO'S
OBJECTIONS TO
NEARBURG EXPLORATION COMPANY L.L.C.
SUBPOENA DATED SEPTEMBER 13, 2002

Comes now Redrock Operating Ltd, Co. ("Redrock") and responds as follows to the Subpoena Duces Tecum to Redrock ("Nearburg's Subpoena") which was issued by the Division at the request of Nearburg Exploration Company, L.L.C. ("Nearburg") on September 13, 2002:

(1) Redrock objects to Nearburg's "instructions" to the extent that they attempt to impose obligations that are beyond those imposed by the New Mexico Rules of Civil Procedure, impose an undue burden, or seek discovery in violation of the work product, attorney/client and other applicable privileges.

(2) THE WELLS:

(a) Redrock objects to Nearburg's request for information on the following wells located in Section 34, T21S, R34E, Lea County, New Mexico"

(i) Nearburg's Grama Ridge East 14 Well No. 1, Unit H

(ii) Nearburg's Llano 34 State Well No. 1, Unit I

(iii) Grama Ridge Unit Well No. 2 Unit L

(b) Redrock has a 10% overriding royalty interest in the S/2 of Section 34. Redrock does not operate these wells and has no working interest. Redrock states that it has no responsive material other than documents supplied by Nearburg, EOG, or documents which are public records from the office of the Oil Conservation Division

(c) Redrock has a mudlog for the EOR's Llano "34" State Well No. 1 located in Unit I of Section 34. Redrock objects to producing this mudlog but is willing to exchange to for Nearburg's mudlog on its Grama Ridge "34" State Well No. 1 located in Unit H of Section 34 which Nearburg refuses to produce.

(3) ADDITIONAL DATA

(a) Item #1: Redrock objects to Nearburg's request for Item #1 on the grounds that Nearburg has conceded that Redrock is a 10% ORR interest in the SE/4 of Section 34 (See testimony of Bob Shelton, TR 25, line 10, Examiner transcript case 12662); and the requested information is not likely to lead to the discovery of admissible evidence; and that if Nearburg now contests Redrock's interest, the Commission has no jurisdiction over that issue.

(b) Items #2 through #7: With regard to Items #2 through #7, to the extent that data exists, Redrock has no other data except for the exhibits and data provided by Nearburg; the Redrock exhibits already provided to Nearburg on September 4, 2002; and any other data which is in the public record.

(c) Items #8 through #11: Redrock has already provided Nearburg with copies of Redrock's petroleum engineering exhibits. Redrock, in response to Nearburg's petroleum engineering exhibits, reserves the right to generate rebuttal exhibits and present them at the time of the hearing. Redrock's petroleum engineering exhibits are based upon data obtained by Nearburg from publicly available documents.

(d) Item#12: Redrock has already provided Nearburg with Redrock's geologic exhibits. Redrock's geologic exhibits are based up data/exhibits obtained from Nearburg or from publicly available documents. Redrock reserves the right to generate rebuttal exhibits and to present them at the time of the hearing.

(4) **SEISMIC DATA:** Redrock is a ORR interest owner and does not have any seismic data. The seismic data being used is that provided by Nearburg's Exhibit 7. Redrock as retained a consulting geophysicist to review Nearburg's seismic exhibits. If Redrock decides to submit additional seismic data, Redrock will have such data available to Nearburg is the same extent that Nearburg did.

(5) CORRESPONDENCE/COMMUNICATIONS/ACCOUNTING/LAND:

(a) Redrock objections to Nearburg's requests for "correspondence/communications/ accounting/land files" to the extent that they attempt to impose obligations that are beyond those imposed by the New Mexico Rules of Civil Procedure, impose an undue burden, or seek discovery in violation of the work product, attorney/client and other applicable privileges.

(b) Redrock objections that the Commission has no jurisdiction over Redrock's 10% ORR interest and such documents are not relevant.

(c) To the extent that the requested data is relevant, it is a matter of public record or already in Nearburg's possession.

(d) Redrock has no duty or obligation to do Nearburg's home work.

(e) These requests are overly broad and unduly burdensome and not likely to lead to the discovery of admissible evidence.

(f) Nearburg has admitted that it have acquired EOG interest in the SE/4 of Section 34, but still seeks production of "all documents between Redrock and EOR Resources, Inc. See Nearburg Subpoena page 6, "correspondence, #5. Without waiving its objection to the relevancy of the documents to this Commission case, Redrock is producing the relevant documents by separate letter dated September 18, 2002.

(6) HEARING EXHIBITS: With respect to Nearburg's request for Redrock's hearing exhibits:

(a) they have been produced to Nearburg except for any Nearburg exhibits which are already in the possession of Nearburg and except for revised exhibits, if any, which will be produced as soon as they are ready for submittal to the Commission and except for any rebuttal evidence.

(b) With respect to Nearburg's request for "data for supporting all of the Hearing Exhibits," this request is overly broad and unduly burdensome.

Respectfully submitted,



W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285 (Telephone)
(505) 982-2047 (Facsimile)
Attorneys for Redrock Operating, Ltd.

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing pleading was transmitted by facsimile or hand delivered this 17th day of September, 2002, as follows:

William F. Carr, Esq.
P. O. Box 2208
Santa Fe, New Mexico 87504
Fax: 505-983-6043
Attorney for Nearburg Exploration Company, L.L.C.

J. Scott Hall, Esq.
Miller, Stratvert & Torgerson, P.A.
P. O. Box 1986
Santa Fe, New Mexico 87504
phone 505-989-9614
Fax: 505-989-985
Attorneys for Raptor Natural Gas Pipeline, LLC.

Steve Ross, Esq.
Oil Conservation Commission
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505
Fax: 505-476-3462
Attorney for the Commission



W. Thomas Kellahin

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ATTORNEY AT LAW

W. THOMAS KELLAHIN
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SEP 18 2002
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September 18, 2002

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William F. Carr, Esq.
Holland & Hart
107 Guadalupe
Santa Fe, New Mexico 87501

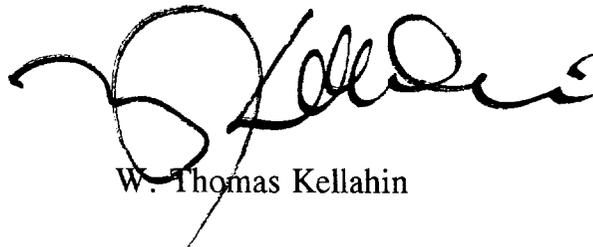
Re: NMOCD CASE 12622 (DeNovo)
Nearburg Exploration Company, L.L.C.
Application for Approval of Two Non-Standard 160-acre
Gas Proration and Spacing Units
NE/4 and SE/4, Section 34, T21S, R34E, NMPM,
East Grama Ridge-Morrow Gas Pool, Lea County, New Mexico

Dear Mr. Carr:

Enclosed please find documents which are responsive to the Subpoena Duces Tecum served on Redrock Operating Ltd, Co. ("Redrock") which was issued by the Oil Conservation Division at the request of Nearburg Exploration Company, L.L.C. on September 13, 2002 requiring production at 8:15 am on September 19, 2002 at the Division.

Also enclosed is a copy of Redrock's Objections to this Subpoena.

Very truly yours,



W. Thomas Kellahin

cfx: Steve Ross, Esq.
Oil Conservation Commission
Redrock Operating Ltd. Co.
Attn: Tim Cashon
J. Scott Hall, Esq.
Attorney for Raptor Pipeline

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

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W. THOMAS KELLAHIN

NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

April 27, 2001

**Via Federal Express and Facsimile
(915) 686-3773**

EOG Resources Inc.
4000 N. Big Springs, Suite 500
Midland, Texas 79705

Re: **NMOCD CASE 12622**

Nearburg Exploration Company, L.L.C.

*Application for Approval of Two Non-Standard 160-acre
Gas Proration and Spacing Units*

NE/4 and SE/4, Section 34, T21S, R34E, NMPM,

East Grama Ridge-Morrow Gas Pool, Lea County, New Mexico

Dear Mr. Smith:

I represent Redrock Operating Ltd. Co ("Redrock") who owns a 10% overriding royalty in New Mexico State Oil & Gas Lease E-9659 covering the S/2 of Section 34, T21S, R34E, Lea County, New Mexico. On October 19, 1979, the SE/4 of this lease was communitized with another State of New Mexico lease covering the NE/4 of this section to form a 320-acre gas proration and spacing unit consisting of the E/2 of this section ("EOG spacing unit") and dedicated to the Llano "34" State Com Well No. 1 ("the EOG well") located in Unit I for production from the Morrow formation (East Grama Ridge Morrow Gas Pool.) It is our understanding that EOG Resources, Inc. ("EOG") is the current operator of this unit, this lease and this spacing unit including the EOG well which has been shut-in and is not currently producing.

On June 9, 2000, Nearburg Producing Company ("Nearburg") completed its Grama Ridge East 34 State Well No. 1 ("the Nearburg well") in the NE/4 of this section (Unit H). However, instead of dedicating this well as an infill well as required by New Mexico Oil Conservation Division Rule 104, to the existing EOG spacing unit and sharing that production with the owners in this unit, Nearburg is attempting to exclude the owners in the SE/4 by petitioning the Division to approve the formation of a 160-acre non-standard gas proration and spacing unit consisting of the NE/4 of this section. This case is currently pending hearing on May 17, 2001.

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April 27, 2001

-Page 2-

In pursuit of its objective, Nearburg, by letter dated December 15, 2000, requested a waiver of objection to Nearburg's petition from EOG which EOG signed and returned to Nearburg. In doing so, EOG has violated the correlative rights of Redrock, breached the implied covenant to use reasonable care in conducting all operations affecting my client's overriding royalty interest, breached the implied covenant to protect the SE/4 from drainage. For example, see *Cook v. El Paso Natural Gas Co*, 560 F.2d 978 (10th Cir. 1977).

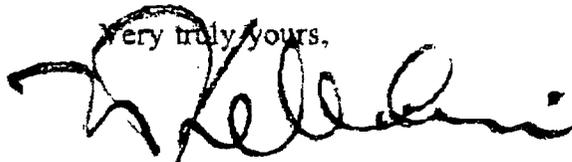
It makes no sense for the owners in the NE/4 of this spacing unit to exclude the owners in the SE/4 from sharing in production from the Nearburg well when, in accordance with Division rules, the SE/4 owners have already shared with the NE/4 owners the production from the EOG well in the SE/4.

Accordingly, Redrock hereby demands that EOG:

- (a) immediately rescind its waiver of objection given to Nearburg;
- (b) commence appropriate action to have Nearburg pay to Redrock a 5% overriding royalty on all production from the Nearburg well from date of first production;
- (c) maintain and properly develop the existing 320-acre gas spacing and proration unit consisting of the E/2 of this section;
- (e) insure that State of New Mexico oil & gas Lease E-9659 continues to remain in full force and effect and is not canceled or surrendered for cancellation;
- (f) appear in Division Case 12622 in opposition to Nearburg and protect Redrock's correlative rights; and
- (g) remedy its breach of the implied covenants described above.

Because of the pending Division hearing, time is of the essence in this matter. Therefore, if EOG fails to commence action to protect Redrock not later than May 2, 2001, we will have no alternative but to seek appropriate judicial relief.

Very truly yours,



W. Thomas Kellahin

cc: Redrock Operating Ltd. Co.

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KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

FACSIMILE COVER SHEET

DATE: August 29, 2001
TIME: 10:00 AM

NUMBER OF PAGES: -5-

TO: Tim Cashon
FAX NO: 214-382-3402

RE: Nearburg Grama Ridge
NMOCD Case 12622

Dear Tim:

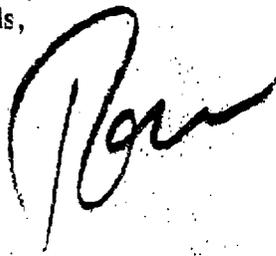
On August 24th I transmitted the attached letters to EOG, Bruce and Carr and to you. I am sorry that you did not receive your copy. I have against faxing a set to you.

I have had a phone call from Mr. Carr saying he forwarded by letter to Nearburg. I called Bruce and left a message. Neither has responded.

Attached are proposed letters to EOG and to Carr concerning any possible agreement between EOG and Nearburg.

Please call me when you are ready to discuss.

Regards,



This information contained in this Facsimile Message and Transmission is ATTORNEY PRIVILEGED AND CONFIDENTIAL information intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, or the employee or agent responsible to deliver it to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this Facsimile in error, please immediately notify us by telephone and return the original message to us at the above address via the U.S. Postal Service. Thank you.

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KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

August 24, 2001

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

Facsimile 915-686-3773

James Bruce, Esq.
P. O. Box
Santa Fe, New Mexico 87504

facsimile 505-982-2151

Re: **NMOCD CASE 12622**
Nearburg Exploration Company, L.L.C.
Application for Approval of Two Non-Standard 160-acre
Gas Proration and Spacing Units
NE/4 and SE/4, Section 34, T21S, R34E, NMPM,
East Grama Ridge-Morrow Gas Pool, Lea County, New Mexico

Dear Gentlemen:

On April 23, 2001, on behalf of Redrock Operating Ltd ("Redrock") I talk to Mr. Steve Smith concerning the waiver of objection EOG Resources Inc. ("EOG") signed and returned to Nearburg Exploration Company, L.L.C. ("Nearburg") by letter dated December 15, 2000. He advised me that it was his understanding that EOG received no consideration from Nearburg in exchange for this waiver.

On April 27, 2001, I wrote to EOG on behalf of Redrock demanding that EOG take necessary action to protect Redrock's rights pertaining to Nearburg's non-standard unit application. Thereafter, Mr. Bruce informed me that he was representing EOG and he would be responding to my letter. Unfortunately, as of today, I have not received any response.

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EOG Resources/James Bruce

August 24, 2001

-Page 2-

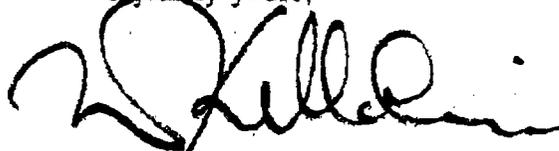
On June 28, 2001, the New Mexico Oil Conservation Division held a hearing of the referenced case and on July 26, 2001 ordered the Nearburg well shut-in pending an order in this case.

Therefore, in addition to responding to my April 23, 2001 letter, please advise me of the following:

- (a) What were the reasons EOG granted the waiver to Nearburg?
- (b) What individuals for EOG and Nearburg were involved?
- (c) Did EOG receive any consideration from Nearburg in exchange for the waiver? If so, please explain. If not, please explain why not.
- (d) Are there any oral agreements between Nearburg and EOG concerning unitization, the Nearburg application, future actions by either party and/or EOG waiver? If so, please provide supportive documentation.
- (e) Since Redrock believes EOG has failed their fiduciary duty in protecting Redrock's rights, what is EOG prepared to now do to protect and support Redrock's interest?

I look forward to a timely response from EOG regarding these issues.

Very truly yours,



W. Thomas Kellahin

cc: Redrock Operating Ltd. Co.

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KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

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SANTA FE, NEW MEXICO 87504-2265

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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

August 24, 2001

Via Facsimile
505-983-6043

William F. Carr, Esq.
P. O. Box 2208
Santa Fe, New Mexico 87504

Re: **NMOCD CASE 12622**
Nearburg Exploration Company, L.L.C.
Application for Approval of Two Non-Standard 160-acre
Gas Proration and Spacing Units
NE/4 and SE/4, Section 34, T21S, R34E, NMPM,
East Grama Ridge-Morrow Gas Pool, Lea County, New Mexico

Dear Mr. Carr:

As you know, Nearburg Exploration Company, L.L.C. ("Nearburg") and Redrock Operating Ltd. (Redrock") met on August 14, 2001, to discuss a possible settlement of this matter. Also, you may know Redrock has asserted claims against EOG Resources Inc. ("EOG") for its failure to protect Redrock's interest in this matter. As you know, by letter dated December 15, 2000, your client, Nearburg Exploration Company, L.L.C. ("Nearburg") requested a waiver of objection from EOG Resources Inc. ("EOG") to the referenced case.

I am interested to know if your client, Nearburg, and EOG have any agreements or "understandings" between them concerning either the Nearburg application or Redrock's claims against Nearburg and EOG.

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William F. Carr, Esq.

August 24, 2001

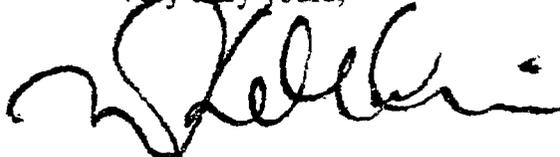
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Please advise me of the following:

- (a) What were the reasons EOG granted the waiver to Nearburg?
- (b) What individuals for EOG and Nearburg were involved?
- (c) Did Nearburg give any consideration to EOG in exchange for the waiver, If so, please explain. If not, please explain.
- (d) Are there any oral or written agreements between Nearburg and EOG concerning unitization, the Nearburg application, future actions by either party and/or the EOG waiver? IF so, please provide supportive documentation.
- (e) Are there any documents concerning this matter which Nearburg claims to be confidential or privileged? If so list and explain.

I would appreciate your response as soon as possible.

Very truly yours,



W. Thomas Kellahin

cc: Redrock Operating Ltd. Co.

000007



EOG Resources, Inc.
P.O. Box 2267
Midland, TX 79702
(915) 688-3600

May 1, 2002

Ms. Terri McGuire Watson
Attorney at Law
106 Springbrook Court
Southlake, Texas 76092

Re: Nearburg Grama Ridge East 34 State #1 Well
NE/4 Section 34, T-21-S, R-34-E, Lea County, New Mexico

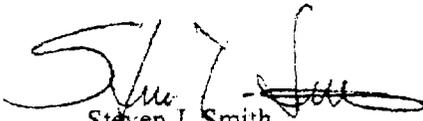
Dear Ms. Watson:

We are in receipt of your letter of April 19, 2002, concerning the captioned. In response to your question, EOG Resources, Inc. granted the waiver because we believe, based upon the same geological information presented by Nearburg Exploration Company, L.L.C. at the NMOCD hearing, that the perforated interval in the Morrow formation from which the subject well produced (identified on the logs for the well as being the GRE sand between 13,134 feet and 13,156 feet) is not present in and therefore can not be produced from the SE/4 of Section 34, T21-S, R-34-E, Lea County, New Mexico.

Should you need a copy of the materials presented at the NMOCD hearing, or have any further questions concerning this matter, please contact Mr. Robert Shelton with Nearburg Exploration Company, L.L.C.

Sincerely,

EOG RESOURCES, INC.


Steven J. Smith
Project Landman

cc: Mr. Robert Shelton/Nearburg Exploration Company, L.L.C.

TERRI MCGUIRE WATSON
Attorney at Law
106 Springbrook Court
Southlake, Texas 76092
(817) 251-3613

VIA OVERNIGHT MAIL

April 19, 2002

Mr. Steve Smith
EOG Resources, Inc.
4000 N. Big Springs, Suite 500
Midland, TX 79702

Re: Nearburg Grama Ridge East 34 State #1 Well
NE/4 Section 34-21S-34E, Lea County, New Mexico

Dear Mr. Smith:

I am in receipt of your letter dated March 21, 2002. Thank you for the information regarding EOG Resources, Inc.'s ("EOG") assignment of the State of New Mexico Oil and Gas Lease, No. E-9659, dated December 20, 1955, covering the S/2 Section 34-21S-34E, Lea County, New Mexico (the "Lease") to Nearburg Producing Company ("Nearburg"). Please be advised, however, that Redrock Operating Ltd. Co. ("Redrock") still requests certain information from EOG as set forth in my previous letter.

Because the assignment was executed after the date of Redrock's initial letter to EOG and after the date of the initial OCD hearing, this assignment is clearly another attempt by EOG and Nearburg to avoid potential liability to the overriding royalty interest owner.

Redrock, once again, demands an explanation from EOG, as the lease owner of record at the time, regarding its reason for agreeing to execute the waiver to objection. Redrock has been unable to determine the reason for EOG's waiver since no information has been forthcoming from EOG. Redrock has a right to receive this information regarding lease operations from the lease owner of record, which was EOG at the time, despite the effective date of the assignment.

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Mr. Steve Smith
April 3, 2002
-Page 2-

Redrock continues to maintain its claims of breach of implied covenants against EOG. In the event that EOG fails to provide an explanation to Redrock for its actions relating to the waiver of objection by April 29, 2002, Redrock will be forced to pursue all legal and equitable remedies available against EOG.

Sincerely,

A handwritten signature in cursive script that reads "Terri McGuire Watson". The signature is written in black ink and is positioned above the printed name.

Terri McGuire Watson

cc: Redrock Operating Ltd. Co.

000010



EOG Resources, Inc.
P.O. Box 2267
Midland, TX 79702
(915) 836-5600

March 21, 2002

Ms. Terri McGuire Watson
Attorney at Law
106 Springbrook Court
Southlake, Texas 76092

Re: Nearburg Grama Ridge East 34 State #1 Well (the "Well")
NE/4 Section 34, T21-S, R-34-E, Lea County, New Mexico

Dear Ms. Watson:

We are in receipt of your letter of March 18, 2002, concerning the captioned. Please be advised that EOG Resources, Inc. (EOG) ceased to own an interest in State of New Mexico lease No. 9659 effective April 1, 1999. Enclosed for your file is a copy of the recorded Assignment and Bill of Sale whereby EOG conveyed all of its right, title and interest in this lease to Nearburg Exploration Company, L.L.C., et al.

Please direct any further questions or correspondence concerning this matter to Nearburg Exploration Company, L.L.C., attention Mr. Robert Shelton, at the address shown on enclosed assignment.

Sincerely,

EOG RESOURCES, INC.

Steven J. Smith
Project Landman

Enclosure

cc: Mr. Robert Shelton/Nearburg Exploration Company, L.L.C.

energy opportunity growth

000011

TERRI MCGUIRE WATSON

**Attorney at Law
106 Springbrook Court
Southlake, Texas 76092
(817) 251-3613**

VIA OVERNIGHT MAIL

March 18, 2002

Mr. James Bruce
Attorney at Law
3304 Camino Lisa
Hyde Park Estates
Santa Fe, New Mexico 87504

Re: Nearburg Grama Ridge East 34 State #1 Well (the "Well")
NE/4 Section 34-21S-34E, Lea County, New Mexico

Dear Mr. Bruce:

I am writing on behalf of my client, Redrock Operating Ltd. Co. ("Redrock"), to reiterate Redrock's position on Nearburg Producing Company's ("Nearburg") request for non-standard units in connection with the Well and to notify your client, EOG Resources Inc. ("EOG"), of Redrock's disagreement with EOG's consent to Nearburg's request. By letter dated April 27, 2001 to Mr. Steve Smith of EOG (the "Kellahin Letter"), Mr. W. Thomas Kellahin set forth Redrock's position with regard to (1) Nearburg's request for non-standard units and (2) EOG's failure to protect Redrock's interests as an overriding royalty interest owner.

In review, Redrock owns a 10% overriding royalty interest (the "ORRI") in the State of New Mexico Oil and Gas Lease, No. E-9659, dated December 20, 1955, covering the S/2 Section 34-21S-34E, Lea County, New Mexico (the "Lease"), of which EOG is the lease owner of record. The Lease is part of a field covering the E/2 Section 34-21S-34E (the "Grama Ridge East Field").

By application for permit to drill, dated February 23, 2000, Nearburg received approval from the Oil Conservation Division of the State of New Mexico (the "OCD") to drill the Well. The Well, as approved, had a production unit comprised of the N/2 of Section 34-21S-34E. In June 2000, Nearburg began producing the Well. In July 2000, the OCD informed Nearburg that the N/2 unit would not be allowed because it overlapped two, existing fields. The Grama Ridge East Field is described above, and the W/2 of Section 34 is included in the Grama Ridge Morrow Field. Nearburg, however, continued to produce the Well on an unapproved unit basis.

000012

Mr. James Bruce
March 18, 2002
-Page 2-

In an attempt to exclude the SE/4 interest owners from sharing in the Well, Nearburg subsequently sought approval from the OCD of two non-standard 160 acre gas proration and spacing units (the "Application") in the NE/4 and SE/4 of Section 34-21S-34E (OCD Case 12622). For reasons unknown to Redrock, EOG, in a letter dated December 15, 2000, waived objection to Nearburg's Application.

On June 28, 2001, Redrock appeared at the OCD hearing of this matter to contest the validity and necessity of this action. Nearburg's Application is not consistent with OCD's historical unit configurations given the existence of the two fields and is an apparent attempt by Nearburg to exclude the owners in the SE/4. The Application remains under advisement with the OCD, and the Well has been shut-in since that time.

Redrock questions why EOG would refuse to pursue an E/2 unit and a potential 50% working interest in a risk-free well which had favorable economics. At the time EOG executed the Letter, the Well had produced approximately 0.7 Bcf of gas and 9600 Bbls of oil. Furthermore, Nearburg's own geological and reservoir interpretations cannot conclusively show the limits of the Well's production. Therefore, it appears that EOG has breached the implied covenant to use reasonable care in conducting operations which affect the ORRI, as well as the implied covenant to protect against drainage in the SE/4 of Section 34.

Redrock has received no communication from EOG relating to this matter, other than a letter from you, dated May 2, 2001, requesting an extension of time. This lack of response is unacceptable to Redrock and again shows EOG's failure to uphold its duties to the overriding royalty interest owner.

Redrock's demands, as set forth in the Kellahin Letter, remain unchanged. Redrock demands that EOG:

- 1.) rescind its waiver of objection to the non-standard units;
- 2.) maintain and properly develop the Grama Ridge East Field, including the establishment of an E/2 unit resulting in Redrock receiving a 5% overriding royalty on all production;
- 3.) commence appropriate action to assure that Redrock receives a 5% overriding royalty interest on all production from the Well from the date of first production;
- 4.) insure that the Lease continues to remain in full force and effect and is not canceled or surrendered for cancellation; and
- 5.) participate in OCD Case 12622, as necessary, to oppose Nearburg and protect Redrock's interests.

000013

Mr. James Bruce
March 18, 2002
-Page 3-

In the event that EOG fails to respond to these demands by no later than March 27, 2002, Redrock will be forced to pursue all legal and equitable remedies available to protect its ORRI.

Sincerely,



Terri McGuire Watson

cc: Redrock Operating Ltd. Co.

Mr. William R. Thomas, Sr. Vice President
EOG Resources, Inc.
4000 N. Big Springs, Suite 500
Midland, TX 79702

000014

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1066
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
HYDE PARK ESTATES
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

May 2, 2001

Via Fax and U.S. Mail

W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504

Re: Redrock Operating, Ltd. ("Redrock")
S34-21S-34E
Lea County, New Mexico

Dear Mr. Kellahin:

I represent EOG Resources, Inc. ("EOG"). I have reviewed your letter of April 27, 2001, addressed to EOG. The letter requested EOG to respond by May 2, 2001. There is a pending case before the Oil Conservation Division filed by Redrock (No. 12622), which has been continued to May 17th, and may well be continued beyond that date. As a result, on behalf of EOG I request a like extension of time to consider and respond to your letter.

Very truly yours,


James Bruce.

000015

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

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

CASE NO. 12622 (DE NOVO)

**APPLICATION OF NEARBURG EXPLORATION
COMPANY, L.L.C. FOR TWO NON-STANDARD
GAS SPACING AND PRORATION UNITS,
LEA COUNTY, NEW MEXICO**

CASE NO. 12980

**APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING AND
EXTENDING CERTAIN POOLS,
LEA COUNTY, NEW MEXICO**

OBJECTIONS TO SUBPOENA DUCES TECUM

Raptor Natural Pipeline LLC, f/k/a LG&E Natural Pipeline, LLC. ("Raptor"), hereby objects to the September 13, 2002 Subpoena Duces Tecum issued to Redrock Operating Ltd., Co. at the request of Nearburg Exploration Company, L.L.C.

Raptor objects to the subpoena to the extent it seeks the production of confidential or proprietary business information, material or other data belonging to it or LG&E Natural Pipeline, LLC. Raptor further objects to the extent the subpoena seeks information or materials protected by the attorney-client communication or attorney work-product privileges. Raptor asserts these objections and privileges for any information or materials that may be in the possession of any third party.

Respectfully submitted

T. J. W. Hall

J. Scott Hall, Esq.
Miller, Stratvert & Torgerson, P.A.
Post Office Box 1986
Santa Fe, New Mexico 87504
(505) 989-9614
(505) 989-9857 Fax Number
Attorneys for Raptor Natural Pipeline, L.L.C.

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing pleading was hand-delivered or faxed as indicated this 18th day of September 2002, as follows:

Steve Ross, Esq. (**Hand-Delivered**)
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505
Fax: 505-476-3462
Attorney for the Commission

William F. Carr, Esq. (**Faxed**)
Post Office Box 2208
Santa Fe, New Mexico 87504
Fax: 505-983-6043
Attorney for Nearburg Exploration Company, LLC

W. Thomas Kellahin, Esq. (**Faxed**)
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504-2265
Attorneys for Redrock Operating Ltd. Company

T. J. W. Hall

J. Scott Hall

HOLLAND & HART ^{LLP}
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208
110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

September 17, 2002

BY HAND DELIVERY

W. Thomas Kellahin, Esq.
Kellahin and Kellahin
117 North Guadalupe
Santa Fe, New Mexico 87501

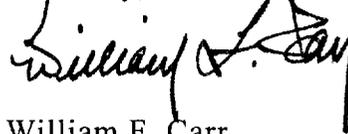
Re: **Case 12622 (De Novo):** Application of Nearburg Exploration Company, L.L.C. for two non-standard gas spacing and proration units, Lea County, New Mexico.

Case 12908-A (Severed and Reopened): In the Matter of the hearing called by the Oil Conservation Division for an order creating, re-designating and extending the vertical and horizontal limits of certain pools in Lea County, New Mexico.

Dear Mr. Kellahin:

Enclosed please find additional documents which are responsive to the Subpoena Duces Tecum issued by the Oil Conservation Division to Redrock Operating Co. Ltd. on September 5, 2002. If addition responsive documents are obtained by Nearburg, they will be promptly provided to you.

Sincerely,



William F. Carr

Enclosures

cc: Stephen C. Ross, Esq.
J. Scott Hall, Esq.
Brian Birkeland, Esq.
Robert Shelton

SEP 17 10 31 AM
MAIL ROOM

HOLLAND & HART LLP

The Law Out WestSM



Aspen
Billings

Boise
Boulder

Cheyenne
Colorado Springs

Denver
Denver Tech Center

Jackson Hole
Salt Lake City

Santa Fe
Washington, DC

110 North Guadalupe, Suite 1,
P.O. Box 2208, Santa Fe, New Mexico 87504-2208

Friday, September 13, 2002

To: Bob Shelton **Fax :** 915-686-7806
Nearburg Exploration Co., L.L.C. **Phone:**

To: Bryan C. Birkeland, Esq. **Fax :** 214-953-5822
Jackson Walker L.L.P. **Phone:**

To: J. Scott Hall **Fax :** 989-9857
Miller Stratvert & Torgerson, PA **Phone:**

To: Stephen Ross **Fax :** 476-3462
Oil Conservation Division **Phone:**

From: William F. Carr **Fax :** 505-983-6043
Phone: 505-988-4421

Message:

Please see attached letter and Subpoena served on Mr. Kellahin this afternoon.

No Confirmation Copy

Number of pages including cover sheet: 11

Note: If this fax is illegible or incomplete please call us. This fax may contain confidential information protected by the attorney-client privilege. If you are not the named recipient, you may not use, distribute or otherwise disclose this information without our consent. Instead, please call (505) 988-4421; we will arrange for its destruction or return.

Attorney Number: 5101 Client/Matter Number: 44505.0008 Time Deadline: _____
 Operator Initials: KEH Date Transmitted: 9.13.2002 Time: _____

HOLLAND & HART LLP
ATTORNEYS AT LAW

DENVER - ASPEN
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DENVER TECH CENTER
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CHEYENNE - JACKSON HOLE
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WASHINGTON, D.C.

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TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

September 13, 2002

BY HAND DELIVERY

W. Thomas Kellahin, Esq.
Kellahin and Kellahin
117 North Guadalupe
Santa Fe, New Mexico 87501

Re: Case 12622 (De Novo): Application of Nearburg Exploration Company, L.L.C. for two non-standard gas spacing and proration units, Lea County, New Mexico.

Case 12908-A (Severed and Reopened): In the Matter of the hearing called by the Oil Conservation Division for an order creating, re-designating and extending the vertical and horizontal limits of certain pools in Lea County, New Mexico.

Dear Mr. Kellahin:

On September 5, 2002, I provided you with Nearburg's seismic data (Exhibit No. 7). At the hearing on Redrock's Motion to Continue the September 10 Commission Hearing, I advised you that I had produced all of our seismic data. On September 9, 2002 I again advised you that all seismic data had been produced to you and that I was having Nearburg check its records to determine if there was any additional information not already produced to you which was responsive to any item in the September 5th subpoena. The only other document which in any way relates to Nearburg's seismic data is a licensing agreement. This agreement will be produced to Redrock with other non-seismic related documents as soon as it is received from Nearburg.

You seem to think that you have some right to demand an affidavit from Mr. Shelton concerning this matter. I disagree. If you have legal authority for your demand, please provide it to me for I have certain matters I would like Mr. Cashion to confirm by affidavit.

Since the Commission has continued the hearing on these cases to October 21 and 22, we have more time to prepare for the hearing. If we discover additional information during this time that is responsive to Redrock's subpoena, we will promptly produce it to you as we have in the past.

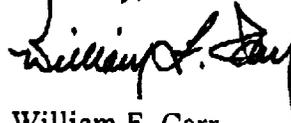
HOLLAND & HART LLP
ATTORNEYS AT LAW

September 13, 2002
Page 2

Also enclosed is a Subpoena Duces Tecum directed to Redrock. I expect Redrock to respond on September 19th and, to promptly supplement any of its responses if additional documents are obtained by Redrock prior to hearing. Please execute and return to me the Acceptance of Service.

To avoid further confusion, I request that all future communications between us concerning this case be in writing.

Sincerely,



William F. Carr

Enclosures

cc: Stephen C. Ross, Esq.
J. Scott Hall, Esq.
Brian Birkeland, Esq.
Robert Shelton

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

**APPLICATION NEARBURG EXPLORATION
COMPANY, L.L.C. FOR TWO NON-STANDARD
GAS SPACING AND PRORATION UNITS,
LEA COUNTY, NEW MEXICO.**

**CASE NO. 12662
(De Novo)**

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
AN ORDER CREATING, RE-DESIGNATING AND
EXTENDING THE VERTICAL AND HORIZONTAL
LIMITS OF CERTAIN POOLS IN LEA COUNTY,
NEW MEXICO.**

**CASE 12908-A
(Severed and Reopened)**

SUBPOENA DUCES TECUM

**TO: Redrock Operating Ltd., Co.
Tim Cashon and Mark Stanger
c/o W. Thomas Kellahin, Esq.
Kellahin and Kellahin
117 North Guadalupe
Santa Fe, New Mexico 87501**

**02 SEP 13 AM 10:41
OIL CONSERVATION DIV**

Pursuant to Section 70-2-8, NMSA (1978) and Rule 1211 of the New Mexico Oil Conservation Division's Rules of Procedure, you are hereby ORDERED to appear at 8:15 a.m., September 19, 2002, at the offices of the Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87504, and to produce the documents and items specified in attached Exhibit A and to make available to Nearburg Exploration Company, L.L.C., and their attorney, William F. Carr, for copying, all of said documents.

This subpoena is issued on application of Nearburg Exploration Company, L.L.C., through their attorneys, Holland & Hart LLC, Post Office Box 2208, Santa Fe, New Mexico 87504.

Dated this 13~~th~~ day of September, 2002

NEW MEXICO OIL CONSERVATION DIVISION

David K. Brooks, Assistant General Counsel

BY:

LORI WROTENBERY, DIRECTOR

EXHIBIT "A"**TO SUBPOENA DUCES TECUM
TO REDROCK OPERATING LTD. CO., TIM CASHON AND MARK STANGER
IN NEW MEXICO OIL CONSERVATION DIVISION
CASE 12622**

PURPOSE: The purpose of this subpoena is to provide all of the information necessary for Nearburg Exploration Company, L.L.C. to be able to prepare its for New Mexico Oil Conservation Division Case 12622.

PRODUCE THE FOLLOWING DOCUMENTS:

for each and all of the following wells in Section 34, Township 12 South, Range 34 East, NMPM, Lea County, New Mexico:

Nearburg Producing Company, L.L.C.'s Grama Ridge East "34" State Well No. 1 drilled in Unit H

Pecos River Operating, Inc. and/or EOG Resources, Inc.'s Llano "34" State Well No. 1 drilled in Unit I

Grama Ridge Morrow Unit Well No. 2 drilled in Unit L

Documents:

1. Electric log data
2. Drilling time data
3. Drill cutting of log cores
4. Mud logs
5. Completion data
6. Gas analysis
7. Water analysis
8. Fluid data
9. Reservoir performance
10. Geologic data
11. Well performance data
12. Permeability data
13. Porosity data
14. Reservoir thickness data
15. Pressure data
16. Gas content data

17. Pressure v. time plots
18. Production decline curves
19. Initial water/gas saturation data.

IF NOT ALREADY INCLUDED ABOVE, THE FOLLOWING ADDITIONAL DATA:

1. All documents between Redrock Operating Ltd. Co., Tim Cashon and/or Mark Stanger and your predecessors in interest concerning this acreage, the ownership thereof and the wells located thereon;
2. Openhole logs, including but not limited to density/neutron porosity, resistivity and sonic logs;
3. PVT data;
4. Reservoir pressure data by individual zone (perforation) including, but not limited to, bottom-hole surveys or pressures, surface pressure readings, daily tubing pressure and casing pressures, drill stem tests, build-up tests and interference tests, with relevant information as to shut-in time and production rates prior to shut-in;
5. All production data including, but not limited to, all well check records, including gauges/charts for each well on a daily basis from initial testing/completion to date showing actual production of oil, gas and water for said well per day and per month;
6. Chronological reports to include details of:
 - a. Perforating and perforation locations;
 - b. Stimulation fluids, volumes, rates, and pressures for each treated interval;
 - c. Swabbing, flowing and/or pumping results for each interval that was perforated and tested include Pre and Post stimulation results as applicable; and
 - d. Daily drilling and completion reports;
7. If you have conducted any reservoir simulation which includes any of the subject wells, then provide: model software description, model parameters and assumptions, model variables, model history matching data, model predictions, subsequent modification;
8. Any petroleum engineering data used or to be used by you to justify your position in NMOCD Case No. 12622 (De Novo) or NMOCD Case 12908-A

(Severed and Reopened) including all pressure data including, but not limited to, bottom hole pressure surveys, daily tubing pressure and casing pressure surveys, with relevant information as to shut-in time and production rate prior to shut-in;

9. Any and all reserve calculations including, but not limited to, estimates of ultimate recovery, production decline curves, pressure decline curves, material balance calculations (including reservoir parameters), volumetric calculation (including reservoir parameters);
10. Any and all reservoir studies including, but not limited to, drainage calculations, well interference studies, pressure studies or well communication studies;
11. Any and all documents and data concerning "workover" actually conducted, attempted or contemplated; and
12. Any geologic data including geologic maps, structure maps, isopachs, cross-sections, and/or logs being used by you to justify your position.

Seismic Data:

1. Any and all information concerning the acquisition, processing and interpretation of the 3-D seismic data;
2. Copies of the geophysical interpreter's report, including all maps and input data;
3. Predesign of the 3-D survey including the resolution, bin size, number of bins, number of pre and poststack tracs;
4. Identify and describe the seismic calculation (computer) program used;
5. Any and all seismic profiles and time sections;
6. List of all ties and mis-ties to well data;
7. Any velocity maps, including isochron or velocity converted depth maps;
8. Details on digitization of maps, including a detailed description of the software package for reduction of the digitized data;
9. Copies of any and all maps including initial and final isopach contour maps of structure and any "isometric displays" or presentations.

Correspondence/Communications/Accounting/Land Files:

1. Any and all contracts, communitization agreements, joint operating agreements, leases, assignments, correspondence, and farmout agreements that apply to any of the subject wells or the acreage dedicated thereto;
2. A detailed accounting of all production, expenses, revenues and payments for any of the subject wells;
3. All land files;
4. All documents between you and Office of Commissioner of Public Lands for New Mexico;
5. All documents between you and EOG Resources Inc.;
6. All documents between you and Oil Conservation Division located in Santa Fe, New Mexico;
7. All documents between you and Oil Conservation Division located in Hobbs, New Mexico;
8. All documents between you and LG&E Natural Gas Pipeline LLC;
9. All documents between you and Raptor Natural Pipeline, L.L.C., f/k/a LG&E Energy Corporation.

Hearing Exhibits:

1. Copies of all land exhibits and ownership data and exhibits to be used by you;
2. Copies of any geologic data and exhibits including geologic maps, structure maps, isopachs, cross-sections, and/or logs to be used by you;
3. Copies of any and all geophysical data/studies and exhibits to be used by you; and
4. Copies of any and all petroleum engineering data/studies and exhibits to be used by you.
5. If not already included above, all data and documents utilized by you for support of all exhibits you will present at hearing.

INSTRUCTIONS

This Subpoena Duces Tecum seeks all information available to you or in your possession, custody or control from any source, wherever situated, including but not limited to information from any files, records, computers documents, employees, former employees, consultants, counsel and former counsel. It is directed to each person to whom such information is a matter of personal knowledge.

When used herein, "you" or "your" refers to the persons and entity to whom this Subpoena Duces Tecum is addressed to including all of his or its attorneys, officers, agents, consultants, employees, directors, representatives, officials, departments, divisions, subdivisions, subsidiaries, or predecessors in interest.

The term "document" as used herein means every writing and record of every type and description in the possession, your custody or control, whether prepared by you or otherwise, which is in your possession or control or known by you to exist, including but not limited to all drafts, papers, books, writings, records, letters, photographs, computer disks, tangible things, correspondence, communications, telegrams, cables, telex messages, memoranda, notes, notations, work papers, transcripts, minutes, reports and recordings of telephone or other conversations or of interviews, conferences, or meetings. It also includes diary entries, affidavits, statements, summaries, opinions, reports, studies, analyses, evaluations, contracts, agreements, jottings, agenda, bulletins, notices, announcements, plans, specifications, sketches, instructions charts, manuals, brochures, publications, schedules, price lists, client lists, journals, statistical records, desk calendars, appointment books, lists, tabulations sound recordings, computer printouts, books of accounts, checks, accounting records, vouchers, and invoices reflecting business operations, financial statements, and any notice or drafts relating to the foregoing, without regard to whether marked confidential or proprietary. It also includes duplicate copies if the original is unavailable or if the duplicate is different in any way, including marginal notations, from the original.

HOLLAND & HART^{LLP}
ATTORNEYS AT LAW

DENVER • ASPEN
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CHEYENNE • JACKSON HOLE
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110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

September 12, 2002

VIA FACSIMILE AND U. S. MAIL

FAX NO. (505) 476-3462

Stephen C. Ross, Esq.
Assistant General Counsel
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RECEIVED
SEP 12 11:04
OIL CONSERVATION DIVISION

Re: **Case 12622 (De Novo):** Application of Nearburg Exploration Company, L.L.C. for two non-standard gas spacing and proration units, Lea County, New Mexico.

Case 12908-A (Severed and Reopened): In the Matter of the hearing called by the Oil Conservation Division for an order creating, re-designating and extending the vertical and horizontal limits of certain pools in Lea County, New Mexico.

Dear Mr. Ross:

Pursuant to your letter dated September 10, 2002, I have contacted Nearburg Exploration Company, L.L.C. concerning a setting before the Oil Conservation Commission in the above-referenced cases on October 21 and 22, 2002. All of Nearburg's witnesses can be available on those dates and Nearburg requests that the cases be heard at that time.

As you are aware, the Commission hearing on Nearburg's de novo application has already been continued on two occasions. The first continuance was at the request of Raptor Natural Pipeline L.L.C. and the second was on the motion of Redrock Operating Ltd Co. While the case is pending the Grama Ridge "34" State Well No. 1 remains shut-in as it has for more than a year. Nearburg and other owners in this section are most anxious to go to hearing at the earliest possible date to get the issues surrounding this well resolved.

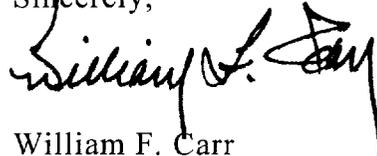
As I have advised, the Division has scheduled a special hearing in Case 12919 to consider a Revised Stage 2 Abatement Plan filed by Rice Operating Company. I represent Rice Operating in that case and if the Nearburg

HOLLAND & HART^{LLP}
ATTORNEYS AT LAW

Stephen C. Ross, Esq.
September 12, 2002
Page 2

Application is set on October 21st and 22nd, I will request that the Division hearing be rescheduled.

Sincerely,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is fluid and cursive, with a prominent initial "W" and a long, sweeping tail.

William F. Carr

cc: W. Thomas Kellahin, Esq.
J. Scott Hall, Esq.
Brian Birkeland, Esq.
Robert Shelton

KELLAHIN AND KELLAHIN
Attorney at Law

W. Thomas Kellahin

New Mexico Board of
Legal Specialization
Recognized Specialist in
the area of Natural
Resources-oil and gas
law

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501

Telephone 505-982-4285
Facsimile 505-982-2047
Kellahin@msn.com

September 12, 2002

VIA FACSIMILE

Steve Ross, Esq.
Oil Conservation Commission
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505

Re: **NMOCD Case 12908**
Division Nomenclature Case
August 1, 2002

NMOCD CASE 12622 (De Novo)
Nearburg Exploration Company, L.L.C.
Application for Approval of Two Non-Standard 160-acre
Gas Proration and Spacing Units
NE/4 and SE/4, Section 34, T21S, R34E, NMPM,
East Grama Ridge-Morrow Gas Pool, Lea County, New Mexico

Mr. Ross:

I am commenting on Mr. Carr letter to you dated September 12, 2002 in which he responded to you letter of September 10, 2002.

Mr. Carr urges the Commission to hold a hearing on October 21-22, 2002 and argues that the Nearburg well has be shut-in for more than a year. What he failed to tell you is that Nearburg has taken no action before the Commission to have the well turned on.

There are two critical issues in these cases:

- (a) the presence or absence of a fault in Section 34 which defines the separate between the Nearburg well and Raptor's gas storage unit, and independently
- (b) the distribution of the "GRE" sand in the E/2 of Section 34 as found in the Nearburg well in the NE/4 of Section 34 and in the Llano "34" State Com Well No 1 in the SE/4 of Section 34.

KELLAHIN AND KELLAHIN
Attorney at Law

W. Thomas Kellahin
New Mexico Board of
Legal Specialization
Recognized Specialist in
the area of Natural
Resources-oil and gas
law

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501
September 12, 2002

Telephone 505-982-4285
Facsimile 505-982-2047
Kellahin@msn.com

VIA FACSIMILE

Steve Ross, Esq.
Oil Conservation Commission
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505

Re: **NMOCD Case 12908**
Division Nomenclature Case
August 1, 2002

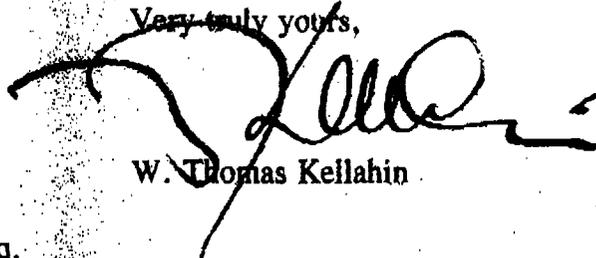
NMOCD CASE 12622 (De Novo)
Nearburg Exploration Company, L.L.C.
Application for Approval of Two Non-Standard 160-acre
Gas Proration and Spacing Units
NE/4 and SE/4, Section 34, T21S, R34E, NMPM,
East Grama Ridge-Morrow Gas Pool, Lea County, New Mexico

Ms. Ross:

On behalf of Redrock Operating Ltd. Co. ("Redrock") I am responding to your letter dated September 10, 2002 concerning availability for a hearing on October 21-22, 2002.

Three years ago, we planned a reunion in Charleston, South Carolina with the JAG Corp attorneys who served together in the Phillipines in 1968-1970. Lynda and I return at 8:56 PM on Monday October 21, 2002. I will not be available for a hearing on October 21-22, 2002. This is the first time in 30 years that I am not able to accommodate a proposed Commission hearing date.

Very truly yours,



W. Thomas Kellahin

cfx:

J. Scott Hall, Esq.
Attorney for Raptor Natural Pipeline, LLC
William F. Carr, Esq.
Attorney for Nearburg Exploration Company, L.L.C.
Redrock Operating Ltd. Co.
Attn: Tim Cashon

TRANSACTION REPORT

P. 01

SEP-12-2002 THU 01:08 PM

FOR:

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DATE	START	SENDER	RX TIME	PAGES	TYPE	NOTE	M#	DP
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KELLAHIN AND KELLAHIN
Attorney at Law

W. Thomas Kellahin

New Mexico Board of
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law

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501
September 12, 2002

Telephone 505-982-4285
Facsimile 505-982-2047
Kellahin@msn.com

VIA FACSIMILE

Steve Ross, Esq.
Oil Conservation Commission
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505

Re: NMOCD Case 12903
Division Nomenclature Case
August 1, 2002

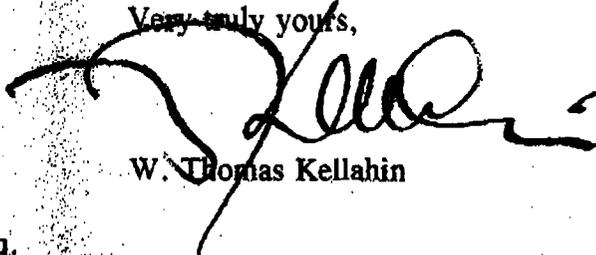
NMOCD CASE 12622 (Novo)
Nearburg Exploration Company, L.L.C.
Application for Approval of Two Non-Standard 160-acre
Gas Proration and Spacing Units
NE/4 and SE/4, Section 37, T21S, R34E, NMPM,
East Grama Ridge-Morrow Gas Pool, Lea County, New Mexico

Ms. Ross:

On behalf of Redrock Operating Ltd. Co. ("Redrock") I am responding to your letter dated September 10, 2002 concerning availability for a hearing on October 21-22, 2002.

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Attorney for Raptor Natural Pipeline, LLC
William F. Carr, Esq.
Attorney for Nearburg Exploration Company, L.L.C.
Redrock Operating Ltd. Co.
Attn: Tim Cashon

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ATTORNEY AT LAW**

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SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285
FACSIMILE 505-982-2047
TKELLAHIN@AOL.COM

September 13, 2002

Via Facsimile

William F. Carr, Esq.
Holland & Hart
107 Guadalupe
Santa Fe, New Mexico 87501

Re: ***NMOCD CASE 12622 (DeNovo)***
Nearburg Exploration Company, L.L.C.
Application for Approval of Two Non-Standard 160-acre
Gas Proration and Spacing Units
NE/4 and SE/4, Section 34, T21S, R34E, NMPM,
East Grama Ridge-Morris Gas Pool, Lea County, New Mexico

Dear Mr. Carr:

On September 5, 2002, you provided me with Nearburg's proposed Exhibits 7 which are conclusional exhibits which Redrock is unable to review until all of the underline data has been provided.

On September 5, 2001, I delivered to you a subpoena for Nearburg Exploration Company, LLC ("Nearburg") which included a request for all of Nearburg's seismic data. The subpoena required Nearburg to provide all its data to me at the Division office at 8:30 AM on Tuesday, September 10, 2002.

On September 9, 2002, I wrote to remind you that Redrock was unable to review Nearburg's seismic exhibits until Nearburg provide all of its seismic data to Redrock. I also confirmed that Redrock expected Nearburg is honor the subpoena an specifically stated the Nearburg data I was seeking.

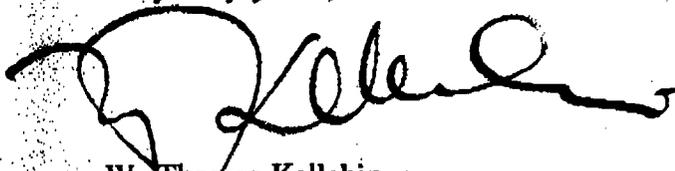
On Monday afternoon, September 9, 2002, you called to tell me that there was no point in me going to the Division on Tuesday because Nearburg has not yet sent you the subpoena data. You advised that Nearburg has agree to provide the data but you did not yet have it. You confirmed on behalf of Nearburg that you concurred that Nearburg has a continuing obligation to supplement the data submitted in compliance with the April 27, 2001 subpoena.

William F. Carr, Esq.
September 13, 2002
-Page 2-

I have not receive the data. It is essential that I receive all of Nearburg's seismic data not later than 9:00 Tuesday, September 17, 2002. If Nearburg desires to content that it has no seismic data other than the 3 pages contained in Exhibit 7, then please provide me with an affidavit to that effect signed by Mr. Robert Shelton on behalf of Nearburg.

If neither the seismic data or the affidavit is not delivered to my office by Tuesday, September 17, 2002, at 9:00 AM, then I will file a motion with the Commission to dismiss the Nearburg application for failure to comply with the subpoena.

Very truly yours,



W. Thomas Kellahin

cfx: Steve Ross, Esq.
Oil Conservation Commission
Redrock Operating Ltd. Co.
Attn: Tim Cashion
J. Scott Hall, Esq.
Attorney for Raptor Pipeline

Ross, Stephen

From: Wrotenbery, Lori
Sent: Thursday, September 12, 2002 2:22 PM
To: Ross, Stephen
Subject: RE: Application of Nearburg; Nos. 12622 and 12908-A

I'm sorry it won't work out for Tom, but I think we need to go forward on the 21st and 22nd.

-----Original Message-----

From: Ross, Stephen
Sent: Thursday, September 12, 2002 1:45 PM
To: Wrotenbery, Lori
Subject: Application of Nearburg; Nos. 12622 and 12908-A

Lori,

I have heard from all counsel in this matter concerning the proposed hearing dates of October 21 and 22. Scott Hall (Raptor) has no problem with these dates. Bill Carr (Nearburg) has no problem with the dates, and has written me specifically requesting that the case be set on those dates and reminding me of the two previous continuances and of the shut-in well.

That leaves Tom Kellahin (Redrock). He objects to the dates. He plans to attend a reunion of JAG attorneys who served in the Philippines between 1968 and 1970. The reunion has been scheduled for three years. He cannot therefore participate if the hearing is held on that date. When we last talked about this, we thought Tom's objection was based on workload, and we now know it is conflicts with the previously scheduled reunion.

Let me know if we should force this to hearing on October 21-22 under the circumstances.

Steve

Stephen C. Ross
Assistant General Counsel
Energy, Minerals & Natural Resources Dept.
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505
(505) 476-3451



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

September 12, 2002

Via facsimile and first class mail

William F. Carr, Esq.
Holland & Hart and Campbell & Carr
P.O. Box 2208
Santa Fe, New Mexico 87504

W. Thomas Kellahin, Esq.
P.O. Box 2265
Santa Fe, New Mexico 87504-2265

J. Scott Hall, Esq.
Miller, Stratvert & Torgerson, P.A.
P.O. Box 1986
Santa Fe, New Mexico 87504-1986

Re: Case No. 12622, Application of Nearburg Exploration Company L.L.C. for two non-standard gas spacing units, Lea County, New Mexico, *de novo*

Dear Counsel,

I have heard from each of you concerning the proposed hearing dates of October 21 and 22. Scott Hall (Raptor) has no problem with the dates. Bill Carr (Nearburg) has no problem with the dates, and has written me specifically requesting that the case be set on those dates and reminding me of the two previous continuances and of the shut-in well. Mr. Kellahin (Redrock) objects to the dates. He plans to attend a reunion of JAG attorneys who served in the Philippines between 1968 and 1970. The reunion has been scheduled for three years. He cannot therefore participate if the hearing is held on that date.

I have spoken to the Commission Chair concerning this issue. We are inclined to proceed to hearing on October 21 and 22 and at this point we plan to docket the case for those dates. A conflict exists with a previously-scheduled Division hearing, but that hearing will be vacated to accommodate the Commission hearing. The Chair is highly sympathetic to the scheduling difficulties of counsel, but the next available hearing date is not until mid-December and this matter has already been continued twice. There is some urgency to hear this matter as Nearburg's well remains shut-in by order of the Division, and the needs of the parties must necessarily outweigh the personal difficulties of counsel.

Counsel of Record, Case Nos. 12622 and 12908-A
September 12, 2002
Page 2

Please do not hesitate to give me a call if you have any questions or wish to discuss this further.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Ross', written over a horizontal line.

Stephen C. Ross
Assistant General Counsel

Cc: Florene Davidson, Commission Secretary