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June 1, 2004

Hand Delivered

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing are an original and one copy of an application for an exception to Division Rule 104.C.(2)(c), together with a proposed advertisement, filed on behalf of Nearburg Exploration Company, L.L.C. Please set this matter for the June 24, 2004 Examiner hearing. Thank you.

The advertisement is also on the enclosed disk.

Very truly yours,



James Bruce

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

Case 13283

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JUN -1 2004

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

JUN - 1 2004

APPLICATION OF NEARBURG EXPLORATION
COMPANY, L.L.C. FOR AN EXCEPTION TO
DIVISION RULE 104.C.(2)(c), LEA
COUNTY, NEW MEXICO.

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Case No.

13283

APPLICATION

Nearburg Exploration Company, L.L.C. ("Nearburg") applies for an order granting an exception to Division Rule 104.C.(2)(c), to allow two operators in formations developed on 320 acre spacing in the N½ of Section 14, Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Nearburg is a working interest owner in the N½ of Section 14, and desires to drill the Nearburg Producing Company Outland South 14 State Well No. 1, at an orthodox gas well location in the NE¼NW¼ (Unit C) of Section 14, to a depth sufficient to test the Morrow formation (Wilson-Morrow Gas Pool).

2. The existing Corner Pocket 14 State Well No. 1, located at an orthodox gas well location in the NE¼NE¼ (Unit A) of Section 14, currently produces from the Atoka formation (Wilson-Atoka Gas Pool). A Form C-102 for the well is attached hereto as Exhibit A. The Corner Pocket 14 State Well No. 1 is operated by ConocoPhillips Company ("ConocoPhillips").

3. The Corner Pocket 14 State Well No. 1 and Outland South 14 State Well No. 1 will be simultaneously dedicated to the N½ of Section 14, forming a standard 320 acre gas spacing and proration unit.

4. The Corner Pocket 14 State Well No. 1 is subject to an Operating Agreement among ConocoPhillips and Southwestern Energy

Production Company ("Southwestern"), under which ConocoPhillips is operator. Nearburg has acquired the entire working interest of ConocoPhillips and Southwestern in the well unit, except for the wellbore of the Corner Pocket 14 State Well No. 1. Thus, ConocoPhillips will own no working interest in the proposed well.

5. Under the Operating Agreement, and Division policy, Nearburg will be allowed to drill the Outland South 14 State Well No. 1 to completion. However, Division Rule 104.C.(2)(c) requires the operator of an infill well on a 320 acre unit to be the same as the operator for the initial well. Therefore, Nearburg cannot operate and produce the Outland South 14 State Well No. 1 if it is completed as a well capable of production from the Atoka formation, and potentially other formations developed on 320 acre spacing.

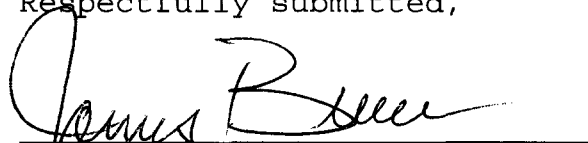
6. Because ConocoPhillips will own no working interest in the Outland South 14 State Well No. 1, and will pay no share of well costs, Nearburg desires to have Nearburg Producing Company, its operating arm, operate the well. ConocoPhillips does not object to Nearburg operating the well. However, ConocoPhillips does not desire to enter into a written agreement with Nearburg, under which Nearburg will be contract operator, and ConocoPhillips record operator, of the Outland South 14 State Well No. 1.

7. As a result, Nearburg requests an exception to Division Rule 104.C.(2)(c), to allow two operators in formations developed on 320 acre spacing in the N½ of Section 14.

8. The granting of this application will prevent waste and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing,
the Division enter its order granting the relief requested above.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", written over a horizontal line.

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

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

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. 1st Street, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

Form C-10
Revised March 17, 1991

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-35024	² Pool Code 97140	³ Pool Name WILSON; ATOKA (GAS)
⁴ Property Code 26675	⁵ Property Name CORNER POCKET "14"	⁶ Well Number 1
⁷ OGRID No. 017643	⁸ Operator Name PHILLIPS PETROLEUM COMPANY	⁹ Elevation 3669' GR

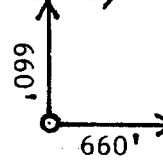
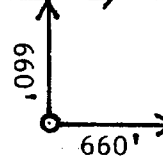
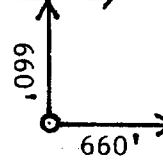
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South line	Feet from the	East/West line	Count
A	14	21-S	34-E		660	NORTH	660	EAST	LEA

¹¹ 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	Count
¹² Dedicated Acres 320	¹³ Joint or Infill N	¹⁴ Consolidation Code	¹⁵ Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR
NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true a complete to the best of my knowledge and belief.
	Signature L. M. SANDERS
	Printed Name SUPV., REGULATION/PRORATION
	Title 05/10/02
	Date
	¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat 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 belief.
	04/19/2000
	Date of Survey
	Signature and Seal of Professional Surveyor:
	Certificate Number



PROPOSED ADVERTISEMENT

Case 63283: Application of Nearburg Exploration Company, L.L.C. for an exception to Division Rule 104.C.(2)(c), Lea County, New Mexico. Applicant seeks an order granting an exception to Division Rule 104.C.(2)(c) to allow two operators in all formations developed on 320-acre spacing in the N $\frac{1}{2}$ of Section 14, Township 21 South, Range 34 East, NMPM, to form a standard 320-acre gas spacing and proration unit in the Wilson-Atoka Gas Pool and Wilson-Morrow Gas Pool. The unit will be simultaneously dedicated to the existing Corner Pocket 14 State Well No. 1, operated by ConocoPhillips Company, located in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 14, and the proposed Outland South 14 State Well No. 1, to be operated by applicant, located in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 1. The unit is located approximately 11 $\frac{1}{2}$ miles west of Oil Center, New Mexico.

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