

HOLLAND & HART LLP



**Ocean Munds-Dry
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January 31, 2006

VIA HAND DELIVERY

Mark E. Fesmire, P.E.
Director - Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Call 13655

2006 JAN 31 PM 4 35

**Re: Application of Nearburg Exploration Company, L.L.C. for Compulsory
Pooling, Eddy County, New Mexico.**

Dear Mr. Fesmire:

Enclosed in triplicate is an application for Nearburg Exploration Company, L.L.C., as well as copies of the docket advertisement. Nearburg requests that these matters be placed on the docket for the March 2, 2006 Examiner hearings.

Sincerely,

Ocean Munds-Dry

Ocean Munds-Dry

OMD

Enclosures

cc: Duke Roush
Nearburg Petroleum Corp.

Holland & Hart LLP

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**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,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 13655

2006 JAN 31 PM 4 35

APPLICATION

Nearburg Exploration Company, L.L.C. ("Nearburg"), through its undersigned attorneys, hereby makes application for an order pooling all uncommitted mineral interests in all formations from the surface to the base of the Delaware formation underlying the E/2 SE/4 of Section 10, Township 25 South, Range 28 East, NMPM, Eddy County, New Mexico, to form a standard 80-acre spacing and proration unit for all formations spaced on 80 acres within this vertical extent; and the SE/4 SE/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Southwest Willow Lake-Delaware Pool, the Undesignated San Lorenzo-Bone Spring Pool and the Undesignated North San Lorenzo-Bone Spring Pool. In support of its application Nearburg states:

1. Nearburg is a working interest owner in the SE/4 of Section 10 and has the right to drill thereon.
2. Nearburg proposes to dedicate the above-referenced spacing or proration units to its Salt Draw 10 State Well No. 2 to be drilled as a horizontal test well from a surface location 2590 feet from the South line and 660 feet from the East line and

terminating in the Delaware formation 330 feet from the South line and 330 feet from the East line.

3. Nearburg has attempted but has been unable to reach agreement with certain interest owners in the SE/4 of Section 10 identified on Exhibit A to this application.

4. Approval of this application will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

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

WHEREFORE, Nearburg requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 2, 2006, and that after notice and hearing as required by law the Division enter its order:

- A. pooling all uncommitted mineral interests in the subject spacing and proration unit;
- B. designating Nearburg as operator of the unit and the proposed well;
- C. authorizing Nearburg to recover its costs of drilling, equipping and completing this well;
- D. approving the actual operating charges and costs of supervision while drilling and after completion of this well, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

- E. imposing the 200% risk penalty provided by Division Rule 19.15.1.35 against any working interest owner who does not voluntarily participate in this project.

Respectfully submitted,

HOLLAND & HART, LLP

By: Ocean Munds-Dry
William F. Carr
Ocean Munds-Dry
P.O. Box 2208
Santa Fe, NM 87504
Telephone: (505) 988-4421

ATTORNEYS FOR NEARBURG
EXPLORATION CO.

EXHIBIT A

**IN THE MATTER OF THE APPLICATION
OF NEARBURG EXPLORATION CO., LLC FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.
(Salt Draw 10 State Well No. 2)**

Southwestern Energy Production Co.
c/o Mr. Chuck Cornish
2350 Sam Houston Parkway East, Suite 300
Houston, Texas 77032

CASE 3655: **In The Matter Of The Application Of Nearburg Exploration Company, L.L.C. For Compulsory Pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Delaware formation in the E/2 SE/4 of Section 10, Township 25 South, Range 28 East, NMPM, Eddy County, New Mexico, in order to form a standard 80-acre spacing and proration unit for all formations or pools spaced on 80 acres within this vertical extent; and the SE/4 SE/4 in order to form to form a standard 40-acre spacing and proration unit for all formations or pools spaced on 40 acres which includes but is not necessarily limited to the Southwest Willow Lake Delaware Pool, the Undesignated San Lorenzo-Bone Spring Pool and the Undesignated North San Lorenzo-Bone Spring Pool. This spacing and proration unit is to be dedicated to the Salt Draw 10 State Well No. 2 to be drilled as a horizontal test well from a surface location 2590 feet from the South line and 660 feet from the East line and terminating in the Delaware formation 330 feet from the South line and 330 feet from the East line. Also to be considered will be the cost of drilling and completion of said well and the allocation of the cost thereof, the actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 3 miles south of Loving, New Mexico.



February 2, 2006

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: AFFECTED INTEREST OWNERS

Re: Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy 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 an order pooling all mineral interests from the surface to the base of the Delaware formation in certain spacing and proration units in the SE/4 of Section 10, Township 25 South, Range 28 East, N.M.P.M., Eddy County, New Mexico. Said pooled units are to be dedicated to Nearburg's Salt Draw 10 State Well No. 2 to be drilled as a horizontal test well from a surface location 2590 feet from the South line and 660 feet from the East line and terminating in the Delaware formation 330 from the South line and 330 feet from the East line.

This application has been set for hearing before a Division Examiner on March 2, 2006. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. 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 Pre-hearing Statement at least four business days in advance of a scheduled hearing, but in no event later than 5:00 pm MST, on the Thursday preceding the scheduled hearing date. This statement must be filed at the Division's Santa Fe office at the above specified address and should 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,

Ocean Munds-Dry
ATTORNEY FOR NEARBURG EXPLORATION
CO., LLC