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April 13, 2010

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

*Case 14470*

Dear Florene:

Enclosed for filing, on behalf of Nearburg Exploration Company, L.L.C., are an original and one copy of an application for compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set the application for the May 13, 2010 Examiner hearing. Thank you.

Very truly yours,

  
James Bruce

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

Parties Being Pooled

Chevron Midcontinent LLP  
P.O. Box 36366  
Houston, Texas 77236

OXY USA Inc.  
Suite 110  
5 Greenway Plaza  
Houston, Texas 77046

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF NEARBURG EXPLORATION  
COMPANY, L.L.C. FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

2010 APR 14 A 7:44  
Case No. 14470

APPLICATION

Nearburg Exploration Company, L.L.C. applies for an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the W $\frac{1}{2}$  of Section 33, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the W $\frac{1}{2}$  of Section 33, and has the right to drill a well thereon.
2. Applicant proposes to drill the Kaiser Lake 33 Fed. Com. Well No. 1 in the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 33 to a depth sufficient to test the Morrow formation, and seeks to dedicate the W $\frac{1}{2}$  of Section 33 to the well to form a standard 320 acre gas and spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including the Undesignated East Red Lake-Upper Pennsylvanian Gas Pool and Undesignated Red Lake Atoka-Morrow Gas Pool.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$  of Section 33 for the purposes set forth herein.
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling and completion of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their

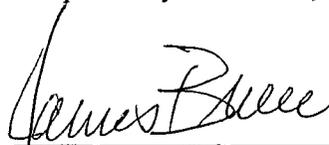
interests. Therefore, applicant seeks an order pooling all mineral interest owners in the W½ of Section 33, pursuant to NMSA 1978 §70-2-17.

5. The granting of this application will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

**WHEREFORE**, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the W½ of Section 33 from the top of the Wolfcamp formation to the base of the Morrow formation;
- B. Designating Nearburg Producing Company as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



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

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

PROPOSED ADVERTISEMENT

Case No. 14470 :

***Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico.*** Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the W/2 of Section 33, Township 18 South, Range 27 East, NMPM, to form a standard 320-acre gas spacing and proration unit for all pools or formations developed on 320-acre spacing within that vertical extent, including the Undesignated East Red Lake-Upper Pennsylvanian Gas Pool and Undesignated Red Lake Atoka-Morrow Gas Pool. The unit is to be dedicated to the Kaiser Lake 33 Fed. Com. Well No. 1, to be drilled at an orthodox gas well location in the NW/4SW/4 of Section 33. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 7 miles northeast of Lakewood, New Mexico.

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