

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:

APPLICATION OF NEARBURG EXPLORATION CASE NO. 14470  
COMPANY, LLC, FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

**ORIGINAL**

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Presiding Examiner  
TERRY G. WARNELL, Technical Examiner

June 10, 2010

Santa Fe, New Mexico

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This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Presiding Examiner, and TERRY G. WARNELL, Technical Examiner, on Thursday, June 10, 2010, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South St. Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91  
Paul Baca Professional Court Reporters  
500 Fourth Street, N.W., Suite 105  
Albuquerque, NM 87103 505-843-9241

A P P E A R A N C E S

FOR THE APPLICANT:

JAMES BRUCE, ATTORNEY AT LAW  
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(505) 982-42043

INDEX PAGE

EXHIBITS 1 AND 2 WERE ADMITTED	5
REPORTER'S CERTIFICATE	6

1 EXAMINER BROOKS: At this time, I would  
2 call Case Number 14470, which is the application of  
3 Nearburg Exploration Company, LLC, for compulsory  
4 pooling, Eddy County, New Mexico. Call for appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of  
6 Santa Fe, representing the applicant. I'm submitting  
7 this by affidavit.

8 Mr. Examiner, I've handed you two exhibits.  
9 The first is the verified statement of Russell Wickman, a  
10 landman for Nearburg Exploration, LLC. In this case,  
11 Nearburg seeks to force pool formations from the top of  
12 the Wolfcamp formation to the base of the Cisco/Canyon  
13 formation only for gas pools developed on 320-acre  
14 spacing.

15 The west half of Section 33, 18 South, 27  
16 East, is to be dedicated to the well. This is a vertical  
17 gas well. The well is the KL 33 Fed. Com. Number 1 Well,  
18 which is at an unorthodox location in the northwest  
19 quarter/southwest quarter of Section 33. The location  
20 was approved by Division Administrative Order NSL-6206.  
21 And for the record, the footages are 2,460 feet from the  
22 south line and 810 feet from the west line.

23 The parties being pooled are Chevron  
24 Midcontinent, LP, and OXY USA, Inc., who each own 11.25  
25 percent in the proposed well unit. The interest are

1 uniform in the Wolfcamp and the Cisco/Canyon formation.

2 Applicant requests that a 200 percent risk  
3 charge be assessed against nonconsenting interest owners,  
4 and they request overhead rates of \$3,500 per month for a  
5 drilling well and 600 a month for a producing well. And  
6 applicant requests that Nearburg Producing Company be  
7 designated operator of the well.

8 Attachment A is simply a land plat outlining  
9 the well unit. Exhibit B contains both a summary of  
10 contacts that Nearburg has had with Chevron and with OXY,  
11 as well as copies of proposal letters, emails, et cetera,  
12 and they have been negotiating with these parties since  
13 January of this year.

14 And Attachment C is the AFE for the well,  
15 which has a dry-hole cost of about \$931,000 and a  
16 completed well cost of about \$1,522,000.

17 Exhibit 2 is my affidavit of notice to both  
18 Chevron and OXY. I actually ended up sending out three  
19 separate notices because the well location changed, and  
20 so I amended the application. So OXY and Chevron have  
21 received actual notice of the application three times.  
22 Of course, they are locateable owners. So I would move  
23 the admission of Exhibits 1 and 2.

24 EXAMINER BROOKS: Okay. Exhibits 1 and 2  
25 are admitted.

1 You said everybody received actual notice?

2 (Exhibits 1 and 2 were admitted.)

3 MR. BRUCE: Absolutely.

4 EXAMINER BROOKS: Okay. You're pooling  
5 only in the target formation, although it's a somewhat  
6 broad formation here.

7 MR. BRUCE: Well, Wolfcamp and  
8 Cisco/Canyon.

9 EXAMINER BROOKS: The Cisco/Canyon would  
10 be the deeper --

11 MR. BRUCE: That's the primary zone.  
12 Correct.

13 EXAMINER BROOKS: Okay. If there's  
14 nothing further, then Case Number 14470 will be taken  
15 under advisement.

16 MR. BRUCE: It's been a long time since  
17 I've seen anybody just drill through the Cisco/Canyon  
18 formation.

19 EXAMINER BROOKS: That is unusual. They  
20 usually want to see the Morrow.

21 MR. BRUCE: That's it.

22 EXAMINER BROOKS: Thank you. We will  
23 stand in recess until 1:15.

24 I do hereby certify that the foregoing is  
25 \* \* a complete record of the proceedings in  
the Examiner hearing of Case No. 14470,  
heard by me on June 10, 2010.

*David K. Burt*, Examiner

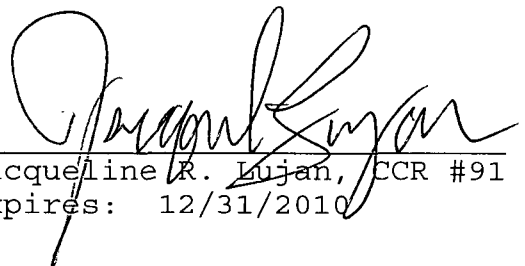
## REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO  
HEREBY CERTIFY that on June 10, 2010, proceedings in the  
above captioned case were taken before me and that I did  
report in stenographic shorthand the proceedings set  
forth herein, and the foregoing pages are a true and  
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by  
nor related to nor contracted with any of the parties or  
attorneys in this case and that I have no interest  
whatsoever in the final disposition of this case in any  
court.

WITNESS MY HAND this 23rd day of June, 2010.



Jacqueline R. Lujan, CCR #91  
Expires: 12/31/2010