

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

July 31, 1995

RECEIVED

JUL 31 1995

Oil Conservation Division

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87504

11364

**Re: *Ross Ranch "22" Well No. 8 (Unit M)
SW/4 Section 22, T19S, R25E, NMPM
Application of Nearburg Exploration
Company for Compulsory Pooling,
Eddy County, New Mexico***

Dear Mr. Stogner:

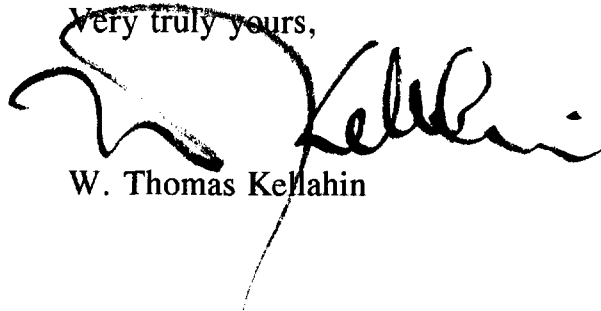
On behalf of Nearburg Exploration Company, please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for August 24, 1995. Also enclosed is our proposed notice of publication for this case.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Oil Conservation Division
July 31, 1995
Page 2.

Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, August 18, 1995, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a circular stamp or seal that is mostly obscured by the signature's loops.

W. Thomas Kellahin

Enclosure

cc: Nearburg Producing Company

cc: BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED
to all parties listed in application

CASE 11364: Application of Nearburg Exploration Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco-Canyon formation underlying the SW/4 of Section 22, T19S, R25E, NMPM, Eddy County, New Mexico, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the North Dagger Draw-Upper Pennsylvanian Pool. Said unit is to be dedicated to its Ross Ranch "22" Well No. 8 to be drilled and completed at a standard well location in Unit M of said Section 16. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and a charge for risk involved in said well. Said unit is located approximately 6-1/2 miles west-northwest from Lakewood, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF NEARBURG EXPLORATION COMPANY
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11364

APPLICATION

Comes now NEARBURG EXPLORATION COMPANY, by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Cisco-Canyon formation underlying the SW/4 of Section 22, T19S, R25E, NMPM, Eddy County, New Mexico, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the North Dagger Draw-Upper Pennsylvanian Pool. Applicant proposes to dedicate this pooled unit to its Ross Ranch "22" Well No. 8 to be drilled and completed at a standard well location (Unit M) said Section 22. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling said well.

In support of its application, Nearburg Exploration Company, ("Nearburg") states:

NMOCD Application
Nearburg Exploration Company
Page 2.

1. Nearburg has a working interest ownership in the oil and gas minerals from the surface to the base of the Cisco-Canyon formation underlying the SW/4 of Section 22, T19S, R25E, NMPM, Eddy County, New Mexico.

2. The subject tract is located within one-mile of the current boundaries of the North Dagger Draw-Upper Pennsylvanian Pool, said pool being spaced on 160-acre oil spacing and proration units pursuant to Division Order R-4691-D issued effective April 1, 1991.

3. Nearburg proposes to drill its Ross Ranch "22" Well No. 8 at a standard well location in Unit M of Section 22 to test any and all formations in the pooled interval from the surface to the base of the Cisco-Canyon formation.

4. Nearburg has the voluntary agreement of certain of the working interest ownership of the oil & gas minerals from the surface to the base of the Cisco-Canyon formation underlying the SW/4 of Section 22.

5. Nearburg has proposed the subject well and its spacing unit to the remaining working interest owners in this spacing unit as identified on Exhibit "A."

6. Despite its good faith efforts, Nearburg has been unable to obtain a written voluntary agreement from all of the parties listed on Exhibit "A."

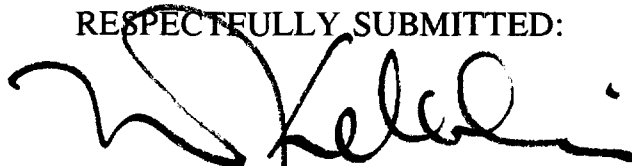
7. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Nearburg needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for August 24, 1995.

WHEREFORE, Nearburg, as applicant, requests that this application be set for hearing on August 24, 1995 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling of the subject well at a standard well location upon terms and conditions which include:

- (1) Nearburg Producing Company be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) Provisions pooling any non-participating royalty interests owners; and
- (6) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

EXHIBIT "A"
NEARBURG APPLICATION

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210

Abo Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Myco Industries, Inc.
Box 840
Artesia, New Mexico 88211

S. P. Yates and The Martin and Lillian
Yates Testamentary Trust
105 South Fourth Street
Artesia, New Mexico 88210

Kerr-McGee Corporation
P. O. Box 25861
Oklahoma City, Oklahoma 73125
Attn: Mr. John O'Brien

Panhandle Royalty Company
Suite 210 Grand Centre
5400 N. W. Grande Centre
Oklahoma City, Oklahoma 73112
Attn: Mr. Doug Peace

Mr. Roy G. Barton, Jr.
P. O. Box 978
Hobbs, New Mexico 88241

Mr. James T. Jennings
P. O. Box 1180
Roswell, New Mexico 88202

Tierra Oil Company
P. O. Box 700968
San Antonio, Texas 78270-0968
Attn: Mr. Chris Barnhill