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April 9, 1996

11521

HAND DELIVERED

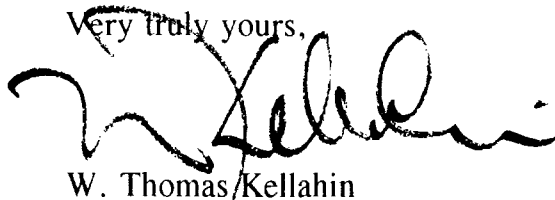
Mr. William J. LeMay, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87504

**Re: Hummer State "4" Com Well No. 1 (Unit B)  
N/2 Section 4, T18S, R28E, NMPM  
Application of Nearburg Exploration  
Company for Compulsory Pooling,  
Eddy County, New Mexico**

Dear Mr. LeMay:

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 May 2, 1996. Also enclosed is our proposed notice of publication for this case.

Very truly yours,



W. Thomas Kellahin

Enclosure

cc: Nearburg Producing Company  
Attn: Bob Shelton

**CASE 11921**: 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 Morrow formation underlying the N/2 of Section 4, T18S, R28E, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Illinois Camp-Morrow Gas Pool. Said unit is to be dedicated to its Hummer State "4" Com Well No. 1 to be drilled and completed at a standard well location in Unit B of said Section 4. 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 14 miles east-southeast from Artesia, 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. 11521

A P P L I C A T I O N

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 Morrow formation underlying the N/2 of Section 4, T18S, R28E, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Illinois Camp-Morrow Gas Pool. Applicant proposes to dedicate this pooled unit to its Hummer State "4" Com Well No. 1 to be drilled and completed at a standard well location (Unit B) within said Section 4. 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:

1. Nearburg has a working interest ownership in the oil and gas minerals from the surface to the base of the Morrow formation underlying the N/2 of Section 4, T18S, R28E, NMPM, Eddy County, New Mexico.

2. Nearburg proposes to drill its Hummer State "4" Com Well No. 1 at a standard well location in Unit B of Section 4 to test any and all formations in the pooled interval from the surface to the base of the Morrow formation.

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

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

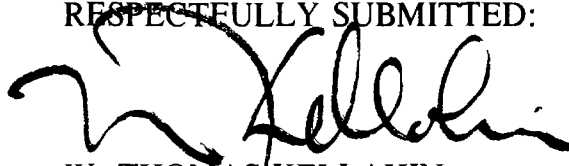
5. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Nearburg needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent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

6. 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 May 2, 1996.

WHEREFORE, Nearburg, as applicant, requests that this application be set for hearing on May 2, 1996 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:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and address.

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

EXHIBIT "A"  
NEARBURG APPLICATION

Mr. Earl R. Bruno, Jr.  
P. O. Box 590  
Midland, Texas 79702

Exxon Corporation  
P. O. Box 1600  
Midland, Texas 79702  
Attn: Doug Laufer

Fina Oil and Chemical Company  
P. O. Box 2990  
Midland, Texas 79720  
Attn: Eric Hanson

Mr. Robert H. Marshall  
P. O. Box 1422  
Midland, Texas 79702

Mewbourne Oil Company  
500 West Texas, Suite 1050  
Midland, Texas 79701  
Attn: Paul Haden

OXY USA, Inc.  
P. O. Box 50250  
Midland, Texas 79702  
Attn: Kent Woolley