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JASON KELLAHIN (RETIRED 1991)

June 3, 1997

HAND DELIVERED

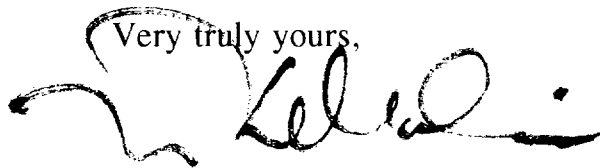
Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

**Re: McElvain "31" Federal Well No. 1
Application of Nearburg Exploration Company, L.L.C.
for Compulsory Pooling and a non-standard proration
and spacing unit, Lea County, New Mexico**

Dear Mr. LeMay:

On behalf of Nearburg Exploration Company, L.L.C., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for June 26, 1997. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a circular stamp.

W. Thomas Kellahin

cc: Nearburg Exploration Company
Attn: Mike Gray

CASE _____: Application of Nearburg Exploration Company, L.L.C. for compulsory pooling and a non-standard oil proration and spacing unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Bone Springs formation underlying Lots 4 and SE/4SW/4 (S/2SW/4 equivalent) of Irregular Section 31, T18S, R34E, NMPM, Lea County, New Mexico, forming a non-standard 78.09-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the EK-Bone Springs Pool, and forming a non-standard 38.09-acre oil spacing and proration unit underlying Lot 4 (SW/4SW/4 equivalent) of said Section 31 for any and all formations/pools developed on 40-acre oil spacing. Said unit(s) is to be dedicated to its McElvain "31" Federal Well No. 1 to be drilled and completed at a standard well location in Unit M of said Section 31. 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 southeast from Maljamar, 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, L.L.C.
FOR COMPULSORY POOLING AND A NON-STANDARD OIL
PRORATION AND SPACING UNIT,
LEA COUNTY, NEW MEXICO.

CASE NO.

A P P L I C A T I O N

Comes now NEARBURG EXPLORATION COMPANY, L.L.C. 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 Bone Springs formation underlying Lots 4 and SE/4SW/4 (S/2SW/4 equivalent) of Irregular Section 31, T18S, R34E, NMPM, Lea County, New Mexico, forming a non-standard 78.09-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the EK-Bone Springs Pool, and forming a non-standard 38.09-acre oil spacing and proration unit underlying Lot 4 (SW/4SW/4 equivalent) of said Section 31 for any and all formations/pools developed on 40-acre oil spacing. Said unit(s) is to be dedicated to its McElvain "31" Federal Well No. 1 to be drilled and completed at a standard well location in Unit M of said Section 31. 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.

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

1. Nearburg has a working interest ownership in the oil and gas minerals from the surface to the base of the Bone Springs formation underlying Lot 4 and the SE/4SW/4 of Section 31, T18S, R34E, NMPM, Lea County, New Mexico.

2. The subject tract is located within the current boundaries of the EK-Bone Springs Pool.

3. The subject well is to be drilled at a standard well location 660 feet from the west and south lines (Unit M) of Section 31 to test any and all formations in the pooled interval from the surface to the base of the Bone Springs formation and to be dedicated to the appropriate sized spacing unit for the appropriate pool.

4. As a result of governmental survey, Lots 4 and SE/4SW/4 (S/2SW/4 equivalent) of Irregular Section 31, T18S, R34E, NMPM, Lea County, New Mexico, form a non-standard 78.09-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the EK-Bone Springs Pool, and form a non-standard 38.09-acre oil spacing and proration unit underlying Lot 4 (SW/4SW/4 equivalent) of said Section 31 for any and all formations/pools developed on 40-acre oil spacing.

5. Nearburg has proposed the subject well and its appropriate spacing unit to the working interest owners in the 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" and to the offsetting operators as listed on Exhibit "B" 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 June 26, 1997.

WHEREFORE, Nearburg, as applicant, requests that this application be set for hearing on June 26, 1997 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 the appropriate non-standard oil proration 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) 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
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Santa Fe, New Mexico 87501
(505) 982-4285

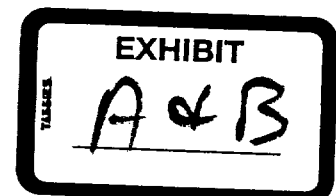
Bethol Corporation
c/o TOSCO Corporation
Attn: Mr. Wilkes McClave
72 Cummings Point Road
Stamford Connecticut 06902

Bethol Corporation
2415 First National Bank Building
Dallas, Texas 75202A

Atlantic Richfield Company
Attn: Lee Scarborough
P. O. Box 1810
Midland, Texas 79702

McElvain Oil Company
P. O. Box 801888
Dallas, Texas 75380

Offset owners
Kaiser Francis Oil Company
P O Box 21468
Tulsa OK 74121



Pronghorn Operating Company

PO Box 1772

Hobbs, NM 88241

Bovina LLC

PO Box 1772

Hobbs, NM 88241

Mewbourne Oil Company

500 W. Texas

Midland, Texas 79701

Union Oil Company of California

P. O. Box 3100

Midland, Tx 79702

Elliot Industries

P. O. Box 1355

Roswell, NM 88202-1355

Elliot Hall Company

PO Box 1231

Ogden, Utah 84402