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JASON KELLAHIN (RETIRED 1991)

August 21, 1997

HAND DELIVERED

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

RECEIVED
AUG 25 1997
Oil Conservation Division
Case 11852

**Re: Lynch "16" State Com Well No. 1
Application of Nearburg Exploration Company, L.L.C.
for Compulsory Pooling and an Unorthodox Gas Well Location
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 September 18, 1997. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Nearburg Exploration Company
Attn: Duke Roush

CASE ¹¹⁸⁵² : Application of Nearburg Exploration Company, L.L.C. for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 16, T20S, R34E, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the West Lynch-Morrow Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the SE/4 of said Section 16 for any and all formations/pools developed on 160-acre gas spacing. Said unit is to be dedicated to its Lynch "16" State Com Well No. 1 to be drilled and completed at an unorthodox gas well location 660 feet from the East line and 990 feet from the South line (Unit P) 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 8 miles east-northeast from the intersection of State Highway 176/FAS 1217 and U. S. Highway 180 (Laguna Gatuna Area), New Mexico.

RECEIVED
MAY 21 1997
REGISTRATION DIVISION

**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 AN
UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO.

RECEIVED
10 21 1997
Oil Conservation Division

CASE NO. 11852

APPLICATION

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 Morrow formation underlying the E/2 of Section 16, T20S, R34E, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the West Lynch-Morrow Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the SE/4 of said Section 16 for any and all formations/pools developed on 160-acre gas spacing. Said unit is to be dedicated to its Lynch "16" State Com Well No. 1 to be drilled and completed at an unorthodox gas well location 660 feet from the East line and 990 feet from the South line (Unit P) 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.

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 E/2 of Section 16, T20S, R34E, NMPM, Lea County, New Mexico.

2. The subject tract is located within one-mile of the current boundaries of the West Lynch-Morrow Gas Pool.

3. The subject well is to be drilled at an unorthodox gas well location 990 feet from the South and 660 feet from the East line (Unit P) of Section 16 to test any and all formations in the pooled interval from the surface to the base of the Morrow formation and to be dedicated to the appropriate sized spacing unit for the appropriate pool.

4. Nearburg has proposed the subject well and its appropriate spacing unit to the working interest owners in the spacing unit.

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

6. The unorthodox location is necessary for geologic reasons. This location encroaches towards Section 21 and the NW/4 of Section 22 which is operated/owned by the party listed on Exhibit "B".

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 offset operator towards whom the well encroaches has shown 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 September 18, 1997.

WHEREFORE, Nearburg, as applicant, requests that this application be set for hearing on September 18, 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 spacing unit for the drilling of the subject well at an unorthodox 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', written over a horizontal line.

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

EXHIBIT "A"

Texaco Exploration & Production, Inc.
P. O. Box 46513
Denver, Colorado 80201

EXHIBIT "B"

Section 21:

Lee M. Bass, Inc.
Perry R. Bass, Inc.
Sid R. Bass, Inc.
Thru Line, Inc.
Keystone, Inc.
 c/o Bass Enterprises Production Company
 201 Main Street
 Fort Worth, Texas 76102-3105

Randall Capps
 dba Xeric Oil & Gas Company
 P. O. Box 51311
 Midland, Texas 79711

Eunice Well Servicing, Inc.
1901 Main
Eunice, NM 88231

Southwestern Petroleum Inc.
200 W 1st Street
Roswell, New Mexico 88201-4668

N/2 & SW/4 Section 20:

Penwell Energy, Inc.
600 N. Marienfeld #1100
Midland, Texas 79701

Robert & Bonnie Goza
P. O. Box 1313
Monahans, Texas 79756

Roy D. Henson
902 S. Ike
Monahans, Texas 79756

James H. Yates
214 W. Texas, Ste 709
Midland, Texas 79701

James A. Davidson
P. O. Box 494
Midland, Texas 79702

Devon Energy Corp.
20 N. Broadway, Ste 1500
Oklahoma City, OK 73102

Harvard & LeMay Exploration, Ltd.
P. O. Box 936
Roswell, NM 88202

Southwestern Resources Co.
P. O. Box 1756
Roswell, NM 88202

Carl Engwall, Trustee of the
Carl & Ruth Engwall Living Trust UTA DTD 1-6-82
P. O. Box 1782
Roswell, NM 88202

Atlantic Richfield Company
P. O. Box 600
Dallas, Texas 75221