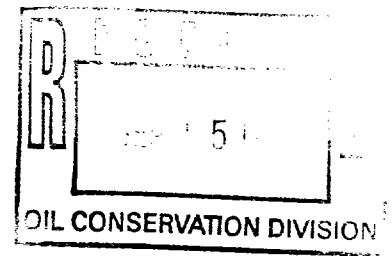


BEFORE THE
OIL CONSERVATION DIVISION



NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

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

CASE NO. 118261

APPLICATION

NEARBURG EXPLORATION COMPANY, L.L.C. ("Nearburg"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat.Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations developed on 160-acre spacing in the NE/4 of Section 19, including the North Shoe Bar-Wolfcamp Pool, and in all formations developed on 40-acre spacing in the NE/4 NE/4 of Section 19, all in Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Nearburg is a working interest owner in the NE/4 of Section 19 and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced spacing or proration unit to its Gandy 19 Well No. 1 to be drilled to a standard location 810 feet from the North line and 660 feet from the East line of said Section 19, to a depth sufficient to test any and all formations to the base of the Strawn formation.

3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from Chesapeake Operating, Inc., Post Office Box 18496, Oklahoma City, Oklahoma 73154-0496 and Chalfant Properties, c/o Bill Chalfant, Post Office Box 2123, Midland, TX 79702 working interest owners in the subject spacing unit.


4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Nearburg Producing Company, L.L.C. should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before an Examiner of the Oil Conservation Division on October 9, 1997 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well.

Respectfully submitted,

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