

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,
LEA COUNTY, NEW MEXICO.

CASE NO. 12067

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 following described acreage in Section 16, T16S, R32E, NMPM, Lea County, New Mexico and in the following manner: the E/2 to form 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 Anderson Ranch-Morrow Gas Pool; the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations/pools developed on 160-acre gas spacing. Said unit(s) is to be dedicated to its Rancho Bonito "15" State Com Well No. 1 to be drilled and completed at a standard gas well location in Unit H of this section. 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 4-1/2 miles north of Maljamar, New Mexico.

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 15, T16S, R32E, NMPM, Lea County, New Mexico.

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

3. The subject well is to be drilled at a standard gas well location within Unit H of Section 15 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. 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.

7. 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 October 22, 1998.

WHEREFORE, Nearburg, as applicant, requests that this application be set for hearing on October 22, 1998 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 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:



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