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RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

December 15, 1998

**HAND DELIVERED**

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, New Mexico 87505

12110

OIL CONSERVATION DIV  
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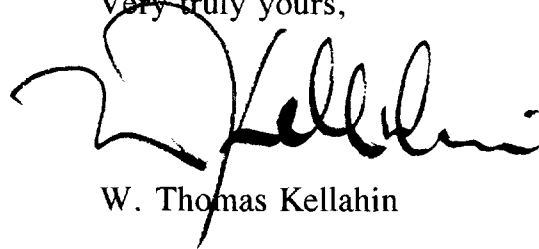
Re: Application of Nearburg Exploration Company, L.L.C.  
for approval of the Range State Unit, Lea County, New Mexico

Dear Ms. Wrotenbery:

On behalf of Nearburg Exploration Company, L.L.C., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for January 7, 1999.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Nearburg Exploration Company, L.L.C.  
Attn: Mike Gray

## PROPOSED ADVERTISEMENT

CASE 12110 Application of Nearburg Exploration Company, L.L.C. for approval of a unit agreement, Lea County, New Mexico. Applicant seeks approval of its proposed Range State Unit as an exploratory unit for an area comprising 640 acres, more or less, of state lands consisting of the S/2 of Section 21 and the N/2 of Section 28, T21S, R35E, NMPM. Said unit is located approximately 13 miles west from Eunice, 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 APPROVAL OF RANGE STATE UNIT,  
LEA COUNTY, NEW MEXICO**

62110  
CASE NO. 11270

**APPLICATION**

Comes now NEARBURG EXPLORATION COMPANY, L.L.C., by its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for an order approving its proposed Range State Unit, a voluntary exploratory for an area comprising 640.00 acres, more or less, of state oil and gas leases underlying the S/2 of Section 21 and the N/2 of Section 28, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico, and in support states:

(1) Nearburg Exploration Company, L.L.C. ("Nearburg"), is an oil and gas owner doing business in the State of New Mexico and is obtaining a portion of this acreage from Range Resources Corporation and from Collins & Ware, Inc. who are the lessees of the state oil and gas leases to be included in the proposed unit.

(2) Nearburg Producing Company is the proposed operator of a voluntary exploratory unit to be called the "Range State Unit."

(3) The proposed area for which application is made for unitized operations is known as the "Range State Unit Area" and consists of state fee oil & gas leases located in Lea County, New Mexico and comprises 640.00 acres, more or less, identified as being the following described area:

TOWNSHIP 21 SOUTH, RANGE 35 EAST, NMPM

Section 21: S/2  
Section 28: N/2

(4) Nearburg proposes to drill the initial unit well at a standard well location in Unit G of Section 28 to a depth sufficient to test the Morrow Formation.

(5) There is a reasonable geologic basis for the proposed unit boundary.

(6) Approval of this unit will provide for the unified development and operation of an entire potential geologic prospect and will afford the most efficient and economical means for the exploration, drilling and production.

(7) The proposed operator with approval of this voluntary unit will have effective and efficient control of this potential reservoir which should afford the opportunity to maximize recovery, prevent waste and protect correlative rights.

(8) The proposed unitization and adoption of the methods of operation embodied in the Unit Operating Agreement will benefit the working interest owners and royalty owners of the oil and gas rights within the Unit Area.

(9) Applicant will file to obtain preliminary approval from the Commissioner of Public Lands of New Mexico and anticipates having that agency approval prior to hearing.

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Nearburg Exploration Company, L.L.C.  
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(10) Nearburg is one of two working interest owners in the unit and has a sufficient percentage so that the unit operations will be orderly and efficient and therefore will avoid waste and protect correlative rights.

WHEREFORE, Nearburg Exploration Company, L.L.C. requests that this application be set for hearing on January 7, 1999 before the Division's Examiner and that the Division enter its order approving the Unit Agreement and Unit Operating Agreement and providing for the unitized management, operations and further development of all the formations within the Unit Area.

Respectfully submitted,

By   
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ATTORNEYS FOR APPLICANT