

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 12206

APPLICATION

Nearburg Exploration Company, L.L.C. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E½ of Section 24, Township 19 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the E½ of said Section 24, and has the right to drill a well thereon.

2. Applicant proposes to drill its Sagebrush 24 Fed. Com. Well No. 1, located at an unorthodox gas well location¹ 660 feet from the North line and 990 feet from the East line of Section 24, and seeks to dedicate the following acreage to the well:

(a) The E½ of Section 24 for all pools or formations developed on 320-acre spacing, including the Undesignated East Gem-Morrow Gas Pool;

(b) The NE¼ of Section 24 for all pools or formations developed on 160-acre spacing; and

(c) The NE¼NE¼ of Section 24 for all pools or formations developed on 40-acre spacing, including the Undesignated East Gem-Delaware Pool, Undesignated East Gem-Bone Spring Pool, and Undesignated East Gem-Strawn Pool.

¹Applicant has applied for administrative approval of the well location.

3. Applicant requests that Nearburg Producing Company be named operator of the well.

4. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E½ of Section 24 for the purposes set forth herein.

5. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½ of Section 24, pursuant to NMSA 1978 §70-2-17 (1996).

6. The pooling of all mineral interests underlying the E½ of Section 24, as set forth above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

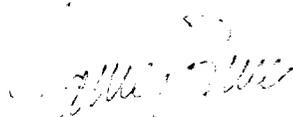
- A. Pooling all mineral interests in the E½ of Section 24, from the surface to the base of the Morrow formation;
- B. Designating Nearburg Producing Company as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates as

provided in the COPAS accounting procedure;

E. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well; and

F. Granting such further relief as the Division deems proper.

Respectfully submitted,



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