

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

OIL CONSERVATION DIV.

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APPLICATION OF NEARBURG EXPLORATION
COMPANY, L.L.C. FOR COMPULSORY POOLING,
AND AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

Case No. 12240

APPLICATION

Nearburg Exploration Company, L.L.C. applies for an order pooling all mineral interests from the base of the Cisco/Canyon formation to the base of the Morrow formation underlying Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$, and the NE $\frac{1}{4}$ (N $\frac{1}{2}$ equivalent) of Section 31, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the N $\frac{1}{2}$ of Section 31, and has the right to drill a well thereon.

2. Applicant proposes to deepen its existing Dagger Draw "31" Fed. Well No. 6, at an unorthodox location 660 feet from the north line and 660 feet from the east line of Section 31,¹ to a depth sufficient to test the Morrow formation, and seeks to dedicate the N $\frac{1}{2}$ of Section 31 (comprising 322.60 acres) to the well for all pools or formations developed on 320 acre spacing, including the Undesignated Dagger Draw-Strawn Gas Pool, North Cemetery-Atoka Gas Pool, and Undesignated Cemetery-Morrow Gas Pool.

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 N $\frac{1}{2}$ of

¹The location was approved, as to the Morrow formation, by Division Administrative Order NSL-4337.

Section 31 for the purposes set forth herein.

5. Although applicant has attempted to obtain voluntary agreements from all mineral interest owners to participate in the deepening 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 N½ of Section 31, pursuant to NMSA 1978 §70-2-17 (1996).

6. The pooling of all mineral interests underlying the N½ of Section 31 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 N½ of Section 31, from the base of the Cisco/Canyon formation to the base of the Morrow formation;

B. Designating Nearburg Producing Company as operator of the well;

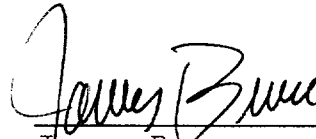
C. Considering the cost of deepening and completing the well, and allocating the cost thereof among the well's working interest owners;

D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates as provided in the COPAS accounting procedure; and

E. Setting a penalty for the risk involved in deepening and completing the well in the event a working interest owner

elects not to participate in the well.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
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Attorney for Nearburg Exploration
Company, L.L.C.