

OIL CONSERVATION DIVISION
BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

99 AUG 23 AM 5:51

No. #12249

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 7, Township 22 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the E½ of said Section 7, and has the right to drill a well thereon.

2. Applicant proposes to drill its White Tip "7" Fed. Well No. 1, at an orthodox gas well location 1550 feet from the south line and 990 feet from the east line of Section 7, and seeks to dedicate the following acreage to the well:

(a) The E½ of Section 7 for all pools or formations developed on 320-acre spacing, including the Undesignated Hackberry Hills-Canyon Gas Pool, Undesignated Happy Valley-Strawn Gas Pool, Undesignated Hackberry Hills-Atoka Gas Pool, and Happy Valley-Morrow Gas Pool;

(b) The SE¼ of Section 7 for all pools or formations developed on 160-acre spacing; and

(c) The NE¼SE¼ of Section 7 for all pools or formations developed on 40-acre spacing, including the Undesignated Filaree Dome-Delaware Pool and Undesignated Happy Valley-Bone Spring 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 E½ of Section 7 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 7, pursuant to NMSA 1978 §70-2-17 (1996).

6. The pooling of all mineral interests underlying the E½ of Section 7, 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:

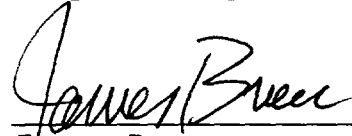
A. Pooling all mineral interests in the E½ of Section 7, from the surface to the base of the Morrow formation, for the well units described above;

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,

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

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

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