

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
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. _____

12470

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OIL CONSERVATION DIV.

APPLICATION

NEARBURG EXPLORATION COMPANY, L.L.C. ("Nearburg"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat.Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations developed on 40-acre spacing in the NE/4 SE/4 of Section 13, Township 19 South, Range 33 East, N.M.P.M., Lea County, New Mexico which includes but is not limited to the Undesignated Tonto (Seven Rivers) Pool, the Undesignated Tonto Wolfcamp Pool, the Undesignated East Gem-Bone Spring Pool and the Undesignated East Gem-Delaware Pool, and in support thereof states:

1. Nearburg is a working interest owner in the NE/4 SE/4 of Section 13 and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced spacing or proration units to its Panama "13" Well No. 2 to be drilled at a standard location 1650 feet from the South line and 990 feet from the East line of said Section 13, to an approximate depth of 9,900 feet to test any and all formations from the surface to the base of the Bone Spring formation.

3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from those interest owners in the subject spacing unit identified on Exhibit A to this application.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Nearburg Producing Company should be designated the operator of the well to be drilled.

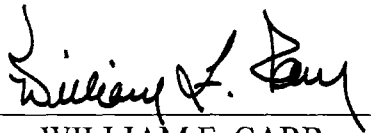
WHEREFORE, Nearburg Exploration Company, L.L.C. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 10, 2000, and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration unit,
- B. designating Nearburg Producing Company operator of the unit and the well to be drilled thereon,
- C. authorizing Nearburg to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a penalty for the risk assumed by the Applicant in drilling and completing the well against any working interest owner who does not

voluntarily participate in the drilling of the well.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

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ATTORNEYS FOR NEARBURG EXPLORATION
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EXHIBIT A

**APPLICATION OF
NEARBURG EXPLORATION COMPANY, L.L.C.
FOR COMPULSORY POOLING
NE/4 SE/4 OF SECTION 13, TOWNSHIP 19 SOUTH, RANGE 33 EAST,
N.M.P.M. LEA COUNTY, NEW MEXICO**

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CASE 2470 : Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in all formations developed on 40-acre spacing in the NE/4 SE/4 of Section 13, Township 19 South, Range 33 East, NMPM, which includes but is not necessarily limited to the Undesignated Tonto (Seven Rivers) Pool, the Undesignated Tonto Wolfcamp Pool, the Undesignated East Gem-Bone Spring Pool and the Undesignated East Gem-Delaware Pool. Said unit is to be dedicated to the Panama "13" Well No. 2 to be drilled at a standard location 1650 feet from the South line and 990 feet from the East line of said Section 13 to a depth sufficient to test all formations from the surface to the base of the Bone Spring formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 11 miles northeast of Halfway, New Mexico.