



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

February 15, 2001

Lori Wrotenberg

Director

Oil Conservation Division

Nearburg Exploration Company, L.L.C.

c/o Holland & Hart LLP and Campbell & Carr

P. O. Box 2208

Santa Fe, New Mexico 87504-2208

Attention: Michael H. Feldewert

Re: Administrative application initially filed with the New Mexico Oil Conservation Division in Santa Fe on January 8, 2001 for an exception to the spacing provisions of Division Rule 104C (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, to create two non-standard 160-acre gas spacing and proration units within the East Grama Ridge-morrow Gas Pool comprising: (i) the NE/4 of Section 34, Township 21 South, Range 34 East, NMPM, Eddy County, New Mexico, to be dedicated to a well to be operated by Nearburg Producing Company; and (ii) the SE/4 of Section 34 to be dedicated to a well to be operated by EOG Resources, Inc.

Dear Mr. Feldewert:

On Wednesday, February 14, 2001 I received the following: (i) a letter of opposition from Redrock Operating Ltd. Co. of Coppell, Texas dated February 12, 2001 to your application (see attached); (ii) your voice mail message left at 11:40 a.m.; and (iii) a faxed letter from Mr. W. Thomas Kellahin who represents Redrock Operating Ltd. Co. (also attached). This application will therefore be set for hearing before a Division Hearing Examiner on the next available docket scheduled for March 22, 2001. I prepared the following advertisement in this matter:

"Application of Nearburg Exploration Company, L.L.C. for two non-standard gas spacing and proration units, Lea County, New Mexico. Applicant seeks an exception to the spacing provisions of Division Rule 104.C (2) to create two non-standard 160-acre gas spacing and proration units within the East Grama Ridge-Morrow Gas Pool comprising: (i) the NE/4 of Section 34, Township 21 South, Range 34 East, NMPM, Eddy County, New Mexico, to be dedicated to the Nearburg Producing Company's existing Grama Ridge East "34" State Well No. 1 (API No. 30-025-34948), located at a standard gas well location 1548 feet from the North line and 990 feet from the East line (Unit H) of Section 34; and (ii) the SE/4 of Section 34 to be dedicated to the EOG Resources, Inc. operated Llano "34" State Well No. 1 (API No. 30-025-26318), located at a standard gas well location 1650 feet from the South line and 660 feet from the East line (Unit I) of Section 34. These two wells are located approximately 17 miles west of Eunice, New Mexico.

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CAMPBELL, CARR, et. al.

cc: New Mexico Oil Conservation Division - Hobbs
Jeff Albers, Engineer - New Mexico State Land Office - Santa Fe
W. Thomas Kellahin, Legal Counsel for Redrock Operating Ltd. Co.

Sincerely,

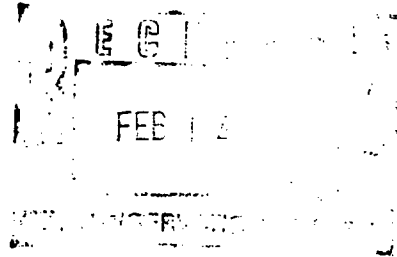
Michael E. Stogner
Chief Hearing Officer/Engineer

Redrock Operating Ltd. Co.

122 Allencrest
Coppell, TX 75019
(972)-393-6945

February 12, 2001

Mr. Mike Stogner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505



Re: Application of Nearburg Exploration, L.L.C. for
Administrative Approval of Two Non-Standard 160-acre Gas
Well Spacing Units in the E/2 of Section 34, Township 21 South, Range 34 East,
N.M.P.M. , Lea County, New Mexico

Dear Mr. Stogner,

On or about January 29, 2001, Redrock Operating Ltd. Co. ("Redrock") received notice of the above referenced application from Nearburg Exploration Co. ("Nearburg"). Please be advised that Redrock intends to oppose this application and consequently the creation of two separate units in the E/2 of Section 34, Township 21 South, Range 34 East. Redrock owns an Overriding Royalty Interest in the SE/4 of Section 34, that would be adversely impacted by a change in the current unit configuration.

Contrary to Nearburg's assertion that their application will protect the correlative rights of all interested parties, Redrock would be precluded from participating in production from the NE/4 of Section 34. The working interest owners and other interests in the NE/4 shared in the opportunity to develop the production established by the Llano 34 State Com #1 well located in the SE/4. Therefore, interests in the SE/4 should be afforded the same opportunity to share in the production from the Nearburg - Grama East 34 well in the NE/4.

The existing unit and the OCD's past practices of providing for alternative unit wells will prevent waste and will protect the correlative rights of all parties. Past OCD practices have provided for infill drilling by methods other than reconfiguring existing units. Redrock sees no reason to make an exception to these past practices in this particular case.

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

February 14, 2001

Via Facsimile

Oil Conservation Division
1220 South St. Francis
Santa Fe, New Mexico 87504
Attn: Mr. Michael E. Stogner

Re: **NOTICE OF OBJECTION:**
Nearburg Exploration Company, L.L.C.
Administrative Application to NMOCD
for Approval of Two Non-Standard 160-acre
Gas Proration and Spacing Units
NE/4 and SE/4, Section 34, T21S, R34E, NMPM,
East Grama Ridge-Morrow Gas Pool, Lea County, New Mexico

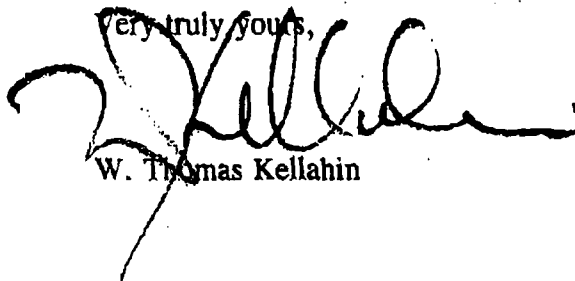
Dear Mr. Stogner:

By letter dated January 8, 2001, Nearburg Exploration Company, L.L.C. filed the referenced administrative application with the Division and by letter dated January 29, 2001 sent notification to Redrock Operating Ltd. Co. of the referenced request.

On behalf of Redrock Operating Ltd Co., an affected overriding royalty interest owner in the SE/4 of this section, we hereby object to the referenced application as described in its administrative application to the Division.

We request that this matter be set for hearing and that I on behalf of Redrock Operating Inc. be provided notification of the hearing in accordance with Division notice rules.

Very truly yours,



W. Thomas Kellahin

cfx: William F. Carr, Esq.

Attorney for Nearburg Exploration, L.L.C.
Commissioner of Public Lands State of New Mexico

Attn: Jeff Alpers
Redrock Operating Ltd. Co.
Attn: Mark L. Stanger
Tim Cashion