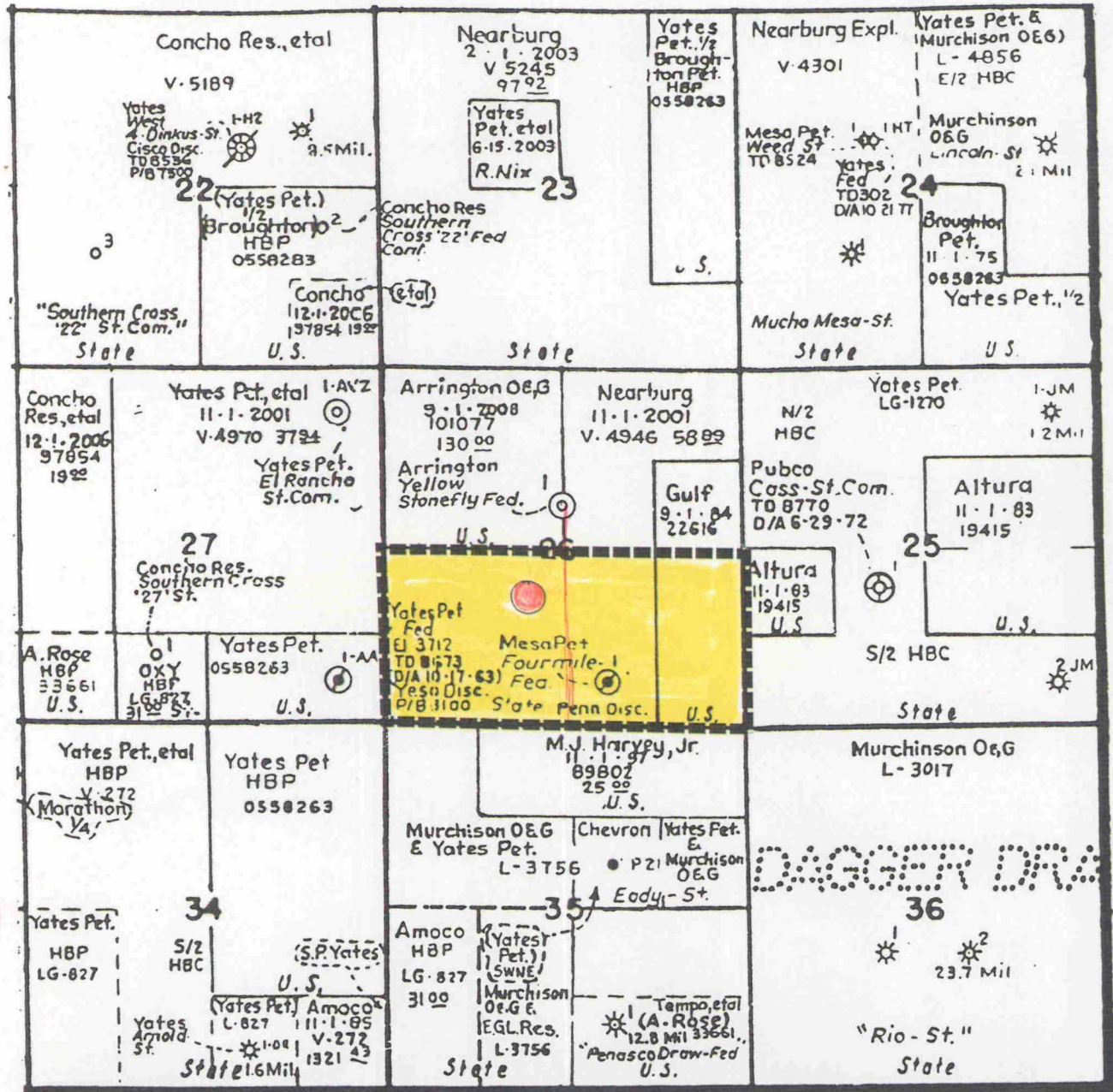
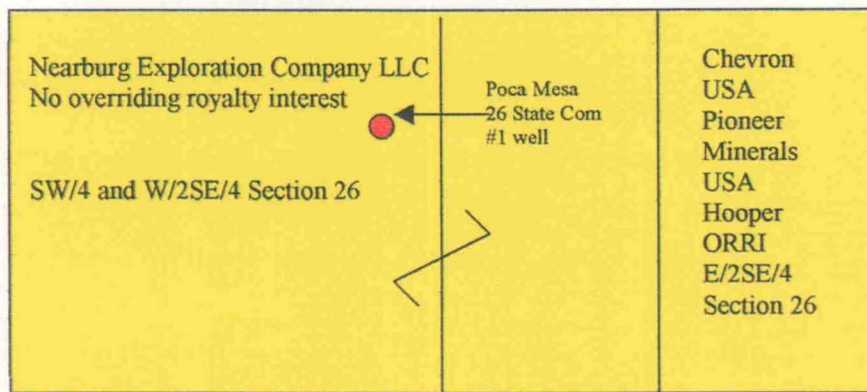


Exhibit "D"  
Poco Mesa "26" State Com. #1  
1980' FSL, 2400' FWL  
S/2 section 26 T-18-S, R-24-S  
Eddy County, New Mexico



## Exhibit "C"

**Poca Mesa 26 State Com #1 well  
2,400' FWL and 1,980' FSL of Section 26  
T-18-S, R-24-E, Eddy County, New Mexico**



**E/2SE/4 Surface to 5,000' and below 6,673' to all depths**  
 Chevron USA, Inc. - 100%  
 No Override

**E/2SE/4 From 5,000' to 6,673'**  
 Chevron USA, Inc. - 50%  
 Pioneer Natural Resources, USA, Inc. - 50%  
 Edward and Darlene Hooper (ORRI) - 2.5%  
 Gailen and Shirley Hooper (ORRI) - 2.5%

*surface*

*75% committed currently*

*Narrow Primary  
zone of interests  
no secondary*

**Nearburg Exploration Company, L.L.C.**

*Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
915/686-8235  
Fax 915/686-7806*

February 7, 2001

Chevron USA, Inc.  
P. O. Box 1150  
Midland, Texas 79702

ATTN: Ray Vaden

RE: T-18-S, R-24-E  
Section 26: E/2 SE/4  
Lea County, New Mexico  
Poco Mesa Prospect

Gentlemen:

Pursuant to my telephone conversation of this date with Marsha Barabash, Nearburg Exploration Company, L.L.C. (NEC) would like to acquire a two (2) year term assignment of all of Chevron USA, Inc.'s (Chevron) interest in the captioned acreage on the following terms and conditions.

- 1) NEC will pay \$200.00 per net leasehold acre assigned.
- 2) Chevron shall retain an overriding royalty equal to the difference between existing burdens and 22%.
- 3) The parties agree to enter into a mutually acceptable form of term assignment to enable the conveyance of this interest.
- 4) NEC would be allowed to have access to Chevron's in house files to verify that there are no preferential rights to purchase or restrictions on assignments affecting said acreage.
- 5) This offer shall expire on its own terms unless accepted by Chevron prior to 5:00 CST on February 21, 2001.

Should you agree to the proposal as set forth above, please signify your acceptance of this offer by signing in the space provided below and return one (1) copy to the attention of the undersigned.

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12662 Exhibit No. 3  
Submitted by:  
Nearburg Exploration Company, L.L.C.  
Hearing Date: May 17, 2001

Mr. Ray Vaden  
Chevron USA, Inc.  
February 7, 2001  
Page Two

If we can be of further assistance, please advise.

Yours truly,



Duke Roush  
Senior Landman

DR/dw

AGREED THIS \_\_\_\_ day of \_\_\_\_\_, 2001.

**CHEVRON USA, INC.**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Nearburg Exploration Company, L.L.C.

Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
915/686-8235  
Fax 915/686-7806

CO TRM  
Kathie  
DAD

March 12, 2001

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

Chevron USA, Inc.  
P. O. Box 1150  
Midland, Texas 79702

ATTN: Ray Vaden

RE: Poco Mesa "26" State Com. #1  
1,980' FSL and 2,400' FWL  
S/2 Section 26, T-18-S, R-24-E  
Eddy County, New Mexico  
Poco Mesa 26 (01) Prospect

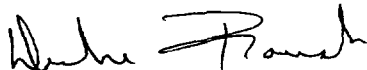
Gentlemen:

Nearburg Exploration Company, L.L.C. (NEC) hereby proposes the drilling of the Poco Mesa "26" State Com. #1 well at the captioned location to a depth of 8,700' or to a depth to adequately test the Morrow formation. NEC shall designate the S/2 of Section 26 as the 320 acre proration unit. We have enclosed herewith an AFE setting forth our estimated cost to drill and complete said well. Should you wish to participate in the drilling of this well, we ask that you please execute both copies of the AFE and return one copy to the undersigned.

If you do not wish to participate, we ask that you consider granting NEC a term assignment or farmout of your interest in the E/2 SE/4 of Section 26 on mutually agreeable terms.

If we can be of further assistance, please advise.

Yours truly,




Duke Roush  
Senior Landman

DR/dw  
Encl.



U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)

7000 0520 0021 3171 8043

Postage \$		Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage		
		
Recipient's	Chevron USA, Inc.	by mailer)
	P. O. Box 1150	
Street, Apt. No.	Midland, Texas 79702	
City, State, ZIP+		
PS Form 3800, February 2000 See Reverse for Instructions		

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to: *Chevron MA 200 Box 1150 Midland, TX 79702*

4a. Article Number: *7000 0520 0021 3171 8043*

4b. Service Type

<input type="checkbox"/> Registered	<input checked="" type="checkbox"/> Certified
<input type="checkbox"/> Express Mail	<input type="checkbox"/> Insured
<input type="checkbox"/> Return Receipt for Merchandise	<input type="checkbox"/> COD

7. Date of Delivery: **MAR 13 2001**

5. Received By: (Print Name) *Bob Bell*

6. Signature: (Addressee or Agent) *Bob Bell*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 Domestic Return Receipt


Is your RETURN ADDRESS completed on the reverse side?

Thank you for using Return Receipt Service.

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

  
Chevron USA, Inc.  
P. O. Box 1150  
Midland, Texas 79702

2. Article Number (Copy from service label)

*7000 0520 0021 3171 8043 - Poco Mesa 26 St. Com. #1*

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

*X*

☐ Agent

☐ Addressee

D. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

**Nearburg Producing Company**Exploration and Production  
Dallas, Texas

Page 1 of 2

**AUTHORITY FOR EXPENDITURE**

LEASE: Poca Mesa "26" State Com

WELL NUMBER: 1

PBTD: 8,700'

LOCATION: 1,980' FSL &amp; 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico

FIELD: Morrow Gas

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

DATE PREPARED: 3/6/01

EST. START DATE: 5/1/01

EST. COMPLETION DATE: 6/15/01

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

<b>INTANGIBLE COSTS:</b>	<b>CODE</b>	<b>TO CSG PT</b>	<b>CODE</b>	<b>COMPLETION</b>	<b>TOTAL WELL</b>
Drilling Footage 8,700 Ft @ 0.00 \$/Ft	1512301	0	NA	0	0
Drilling Daywork 25 2 9,500 \$/day	1512405	251,750	1512405	20,140	271,890
Drilling Turnkey	1512410	0	1512410	0	0
Rig Mobilization and Demobilization	1512415	31,800	1512415	0	31,800
Road & Location Expense	1512420	28,355	1512420	2,120	30,475
Damages	1512425	5,000	1512425	0	5,000
Directional Drilling - Tools and Service	1512430	0	1512430	0	0
Drilling Fluids	1512435	21,200	1512435	0	21,200
Fuel, Power, and Water	1512440	42,400	1512440	0	42,400
Supplies - Bits	1512445	29,945	1512445	1,060	31,005
Supplies - Casing Equipment	1512450	2,120	1512450	4,770	6,890
Supplies - Liner Equipment	1512455	0	1512455	0	0
Supplies - Miscellaneous	1512460	0	1512460	0	0
Cement and Cmt. Services - Surface Csg	1512465	5,300	NA	0	5,300
Cement and Cmt. Services - Int. Csg	1512470	12,720	NA	0	12,720
Cement and Cmt. Services - Prod. Csg	NA	0	1512475	21,200	21,200
Cement and Cmt. Services - Other	1512475	0	1512475	0	0
Rental - Drilling Tools and Equipment	1512480	11,130	1512480	0	11,130
Rental - Misc.	1512485	24,751	1512485	3,180	27,931
Testing - Drill Stem / Production	1512490	4,770	1512490	2,650	7,420
Open Hole Logging	1512500	29,680	NA	0	29,680
Mudlogging Services	1512510	13,250	NA	0	13,250
Special Services	1512520	0	1512520	0	0
Plug and Abandon	1512525	12,000	1512525	(12,000)	0
Pulling and/or Swabbing Unit	NA	0	1512530	23,850	23,850
Reverse Equipment	NA	0	1512535	5,300	5,300
Wireline Services	1512540	0	1512540	19,080	19,080
Stimulation	NA	0	1512545	12,720	12,720
Pump / Vacuum Truck Services	1512550	0	1512550	6,646	6,646
Transportation	1512555	3,710	1512555	2,650	6,360
Tubular Goods - Inspection & Testing	1512560	1,590	1512560	5,300	6,890
Unclassified	1512565	530	1512565	0	530
Telephone and Radio Expense	1512570	954	1512570	318	1,272
Engineer / Geologist / Landman	1512575	15,000	1512575	3,000	18,000
Company Labor - Field Supervision	1512580	15,900	1512580	6,500	22,400
Contract Labor / Roustabout	1512585	4,770	1512585	10,335	15,105
Legal and Professional Service	1512590	5,000	1512590	0	5,000
Insurance	1512595	5,533	1512595	0	5,533
Overhead	1512600	7,000	1512600	3,500	10,500
<b>SUBTOTAL</b>		<b>586,158</b>		<b>142,319</b>	<b>728,476</b>
Contingencies (10%)		58,616		14,232	72,848
<b>ESTIMATED TOTAL INTANGIBLES</b>		<b>644,774</b>		<b>156,551</b>	<b>801,324</b>

**Nearburg Producing Company**Exploration and Production  
Dallas, Texas

Page 2 of 2

**AUTHORITY FOR EXPENDITURE**

LEASE: Poca Mesa "26" State Com

WELL NUMBER: 1

PBSD: 8,700'

LOCATION: 1,980' FSL &amp; 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico

FIELD: Morrow Gas

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

0

DATE PREPARED: 3/6/01

EST. START DATE: 5/1/01

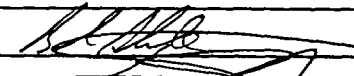

EST. COMPLETION DATE: 6/15/01

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

<b>TANGIBLE COSTS:</b>			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	0 Ft @	0.00 \$/Ft	1520-305	0	NA	0	0
Surface Csg	350 Ft @	24.00 \$/Ft	1520-310	8,400	NA	0	8,400
Intermediate Csg	1,200 Ft @	14.00 \$/Ft	1520-315	16,800	NA	0	16,800
Protection Csg	0 Ft @	0.00 \$/Ft	1520-320	0	NA	0	0
Production Csg	8,700 Ft @	8.00 \$/Ft	NA	0	1522-200	69,600	69,600
Protection Liner	0 Ft @	0.00 \$/Ft	1520-330	0	NA	0	0
Production Liner	0 Ft @	0.00 \$/Ft	NA	0	1522-200	0	0
Tubing	8,500 Ft @	3.38 \$/Ft	NA	0	1522-200	28,730	28,730
Rods	0 Ft @	0.00 \$/Ft	NA	0	1522-200	0	0
Artificial Lift Equipment			NA	0	1522-200	0	0
Tank Battery			NA	0	1522-200	10,600	10,600
Separators/Heater Treater/Gas Units/FWKO			NA	0	1522-200	12,720	12,720
* Well Head Equipment & Christmas Tree			1520-335	5,500	1522-200	11,500	17,000
Subsurface Well Equipment			NA	0	1522-200	6,148	6,148
Flow Lines			NA	0	1522-200	13,250	13,250
Saltwater Disposal Pump			NA	0	1522-200	0	0
Gas Meter			NA	0	1522-200	1,484	1,484
Lact Unit			NA	0	1522-200	0	0
Vapor Recovery Unit			NA	0	1522-200	0	0
Other Well Equipment			NA	0	1522-200	0	0
ROW and Damages			NA	0	1522-200	0	0
Surface Equipment Installation Costs			NA	0	1522-200	9,540	9,540
Elect. Installation			NA	0	1522-200	0	0
<b>ESTIMATED TOTAL TANGIBLES</b>				30,700		163,572	194,272
<b>ESTIMATED TOTAL WELL COSTS</b>				675,474		320,123	995,596

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

<b>NPC APPROVAL</b>		<b>DATE</b>
PREPARED BY: <b>HRW</b>		03/12/01
REVIEWED BY:		
APPROVED BY: 		
APPROVED BY: 		3/12/01

WI APPROVAL:

COMPANY

Chevron USA, Inc.

BY

TITLE

DATE



Nearburg Exploration Company, L.L.C.

Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
915/686-8235  
Fax 915/686-7806

cc: TRM  
DAD  
K.C.

March 27, 2001

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

Pioneer Natural Resources USA, Inc.  
P. O. Box 3178  
Midland, Texas 79702

RE: Poco Mesa "26" State Com. #1  
1,980' FSL and 2,400' FWL  
S/2 Section 26, T-18-S, R-24-E  
Eddy County, New Mexico  
Poco Mesa 26 (01) Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (NEC) hereby proposes the drilling of the Poco Mesa "26" State Com. #1 well at the captioned location to a depth of 8,700' or to a depth to adequately test the Morrow formation. NEC shall designate the S/2 of Section 26 as the 320 acre proration unit. We have enclosed herewith an AFE setting forth our estimated cost to drill and complete said well. Should you wish to participate in the drilling of this well, we ask that you please execute both copies of the AFE and return one copy to the undersigned.

If you do not wish to participate, we ask that you consider granting NEC a term assignment or farmout of your interest in the E/2 SE/4 of Section 26 on mutually agreeable terms.

If we can be of further assistance, please advise.

Yours truly,

*Duke Roush*

Duke Roush  
Senior Landman

DR/dw  
Encl.

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only: No Insurance Coverage Provided)

**Poco Mesa 26 St. Com. #1**

Postage \$  
Certified Fee  
Return Receipt Fee (Endorsement Required)  
Restricted Delivery Fee (Endorsement Required)  
Total

Postmark Here

Rec'd Pioneer Natural Resources USA, Inc.  
P. O. Box 3178  
Midland, Texas 79702

PS Form 3800, February 2000 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<p>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>Print your name and address on the reverse so that we can return the card to you.</p> <p>Attach this card to the back of the mailpiece, or on the front if space permits.</p> <p>Article Addressed to:</p> <p>7000 0520 0021 3169 2886 Pioneer Natural Resources USA, Inc. P. O. Box 3178 Midland, Texas 79702</p>	<p>A. Received by (Please Print Clearly) <b>James Stevens</b> B. Date of Delivery <b>MAR 28 2001</b></p> <p>C. Signature <i>James Stevens</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p> <p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>

Article Number (Copy from service label)  
7000 0520 0021 3169 2886 Poco Mesa 26 St. Com. #1

S Form 3811, July 1999 Domestic Return Receipt #1 102595-99-M-1789

**Nearburg Producing Company**

Exploration and Production  
Dallas, Texas

Page 1 of 2

**AUTHORITY FOR EXPENDITURE**

LEASE: Poca Mes: "26" State Com

WELL NUMBER: 1

PBTD: 8,700'

LOCATION: 1,980' FSL &amp; 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico

FIELD: Morrow Gas

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

DATE PREPARED: 3/6/01

EST. START DATE: 5/1/01

EST. COMPLETION DATE: 6/15/01

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

<b>INTANGIBLE COSTS:</b>				TO CSG PT	COMPLETION	TOTAL WELL
Drilling Footage	8,700 Ft @	0.00 \$/Ft		0	0	0
Drilling Daywork	25	2	9,500 \$/day	251,750	20,140	271,890
Drilling Turnkey				0	0	0
Rig Mobilization and Demobilization				31,800	0	31,800
Road & Location Expense				28,355	2,120	30,475
Damages				5,000	0	5,000
Directional Drilling - Tools and Service				0	0	0
Drilling Fluids				21,200	0	21,200
Fuel, Power, and Water				42,400	0	42,400
Supplies - Bits				29,945	1,060	31,005
Supplies - Casing Equipment				2,120	4,770	6,890
Supplies - Liner Equipment				0	0	0
Supplies - Miscellaneous				0	0	0
Cement and Cmt. Services - Surface Csg				5,300	0	5,300
Cement and Cmt. Services - Int. Csg				12,720	0	12,720
Cement and Cmt. Services - Prod. Csg				0	21,200	21,200
Cement and Cmt. Services - Other				0	0	0
Rental - Drilling Tools and Equipment				11,130	0	11,130
Rental - Misc.				24,751	3,180	27,931
Testing - Drill Stem / Production				4,770	2,650	7,420
Open Hole Logging				29,680	0	29,680
Mudlogging Services				13,250	0	13,250
Special Services				0	0	0
Plug and Abandon				12,000	(12,000)	0
Pulling and/or Swabbing Unit				0	23,850	23,850
Reverse Equipment				0	5,300	5,300
Wireline Services				0	19,080	19,080
Stimulation				0	12,720	12,720
Pump / Vacuum Truck Services				0	6,646	6,646
Transportation				3,710	2,650	6,360
Tubular Goods - Inspection & Testing				1,590	5,300	6,890
Unclassified				530	0	530
Telephone and Radio Expense				954	318	1,272
Engineer / Geologist / Landman				15,000	3,000	18,000
Company Labor - Field Supervision				15,900	6,500	22,400
Contract Labor / Roustabout				4,770	10,335	15,105
Legal and Professional Service				5,000	0	5,000
Insurance				5,533	0	5,533
Overhead				7,000	3,500	10,500
<b>SUBTOTAL</b>				586,158	142,319	728,476
Contingencies (10%)				58,616	14,232	72,848
<b>ESTIMATED TOTAL INTANGIBLES</b>				644,774	156,551	801,324

**Nearburg Producing Company**Exploration and Production  
Dallas, Texas

Page 2 of 2

**AUTHORITY FOR EXPENDITURE**

LEASE: Poca Mesa "26" State Com

WELL NUMBER: 1

PBTD: 8,700'

LOCATION: 1,980' FSL &amp; 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico

FIELD: Morrow Gas

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

0

DATE PREPARED: 3/6/01

EST. START DATE: 5/1/01

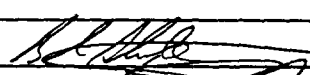

EST. COMPLETION DATE: 6/15/01

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	0 Ft @	0.00 \$/Ft	1520.310	0	NA	0	0
Surface Csg	350 Ft @	24.00 \$/Ft	1520.310	8,400	NA	0	8,400
Intermediate Csg	1,200 Ft @	14.00 \$/Ft	1520.315	16,800	NA	0	16,800
Protection Csg	0 Ft @	0.00 \$/Ft	1520.320	0	NA	0	0
Production Csg	8,700 Ft @	8.00 \$/Ft	NA	0	1522.20	69,600	69,600
Protection Liner	0 Ft @	0.00 \$/Ft	1520.330	0	NA	0	0
Production Liner	0 Ft @	0.00 \$/Ft	NA	0	1522.20	0	0
Tubing	8,500 Ft @	3.38 \$/Ft	NA	0	1522.20	28,730	28,730
Rods	0 Ft @	0.00 \$/Ft	NA	0	1522.20	0	0
Artificial Lift Equipment			NA	0	1522.20	0	0
Tank Battery			NA	0	1522.20	10,600	10,600
Separators/Heater Treater/Gas Units/FWKO			NA	0	1522.20	12,720	12,720
* Well Head Equipment & Christmas Tree			1520.340	5,500	1522.20	11,500	17,000
Subsurface Well Equipment			NA	0	1522.20	6,148	6,148
Flow Lines			NA	0	1522.20	13,250	13,250
Saltwater Disposal Pump			NA	0	1522.20	0	0
Gas Meter			NA	0	1522.20	1,484	1,484
Lact Unit			NA	0	1522.20	0	0
Vapor Recovery Unit			NA	0	1522.20	0	0
Other Well Equipment			NA	0	1522.20	0	0
ROW and Damages			NA	0	1522.20	0	0
Surface Equipment Installation Costs			NA	0	1522.20	9,540	9,540
Elect. Installation			NA	0	1522.20	0	0
ESTIMATED TOTAL TANGIBLES				30,700		163,572	194,272
ESTIMATED TOTAL WELL COSTS				675,474		320,123	995,596

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

NPC APPROVAL	DATE
PREPARED BY: HRW	03/12/01
REVIEWED BY:	
APPROVED BY: 	
APPROVED BY: 	3/12/01

WI APPROVAL:

COMPANY

Pioneer Natural Resources USA, Inc.

BY

TITLE

DATE

Nearburg Exploration Company, L.L.C.

Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
915/686-8235  
Fax 915/686-7806

cc: TRM  
DAD  
KC.

March 27, 2001

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

Chevron USA, Inc.  
P. O. Box 1635  
Houston, Texas 77251

RE: Poco Mesa "26" State Com. #1  
1,980' FSL and 2,400' FWL  
S/2 Section 26, T-18-S, R-24-E  
Eddy County, New Mexico  
Poco Mesa 26 (01) Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (NEC) hereby proposes the drilling of the Poco Mesa "26" State Com. #1 well at the captioned location to a depth of 8,700' or to a depth to adequately test the Morrow formation. NEC shall designate the S/2 of Section 26 as the 320 acre proration unit. We have enclosed herewith an AFE setting forth our estimated cost to drill and complete said well. Should you wish to participate in the drilling of this well, we ask that you please execute both copies of the AFE and return one copy to the undersigned.

If you do not wish to participate, we ask that you consider granting NEC a term assignment or farmout of your interest in the E/2 SE/4 of Section 26 on mutually agreeable terms.

If we can be of further assistance, please advise.

Yours truly,

*Duke Roush*

Duke Roush  
Senior Landman

DR/dw  
Encl.

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)

7000 0520 0021 3169 2879

Poco Mesa 26 St. Com. #1

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery (Endorsement)	
Total Postage	

Postmark Here

Chevron USA, Inc.  
P. O. Box 1635  
Houston, Texas 77251

Recipient's  
Street, Apt. #  
City, State, ZIP+ 4

PS Form 3800, February 2000 See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chevron USA, Inc.  
P. O. Box 1635  
Houston, Texas 77251

**COMPLETE THIS SECTION ON DELIVERY**

- A. Received by (Please Print Clearly) B. Date of Delivery  
MAR 30 2001
- C. Signature  
X *Javier Chapa*
- D. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☐ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.
4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Copy from service label)

7000 0520 0021 3169 2879

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

**Nearburg Producing Company**

Exploration and Production  
Dallas, Texas

Page 1 of 2

**AUTHORITY FOR EXPENDITURE**

LEASE: Poca Mes: "26" State Com

WELL NUMBER: 1

PBTD: 8,700'

LOCATION: 1,980' FSL &amp; 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico

FIELD: Morrow Gas

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

DATE PREPARED: 3/6/01

EST. START DATE: 5/1/01

EST. COMPLETION DATE: 6/15/01

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

<b>INTANGIBLE COSTS:</b>	<b>TO CSG PT</b>	<b>COMPLETION</b>	<b>TOTAL WELL</b>
Drilling Footage 8,700 Ft @ 0.00 \$/Ft	0	0	0
Drilling Daywork 25 2 9,500 \$/day	251,750	20,140	271,890
Drilling Turnkey	0	0	0
Rig Mobilization and Demobilization	31,800	0	31,800
Road & Location Expense	28,355	2,120	30,475
Damages	5,000	0	5,000
Directional Drilling - Tools and Service	0	0	0
Drilling Fluids	21,200	0	21,200
Fuel, Power, and Water	42,400	0	42,400
Supplies - Bits	29,945	1,060	31,005
Supplies - Casing Equipment	2,120	4,770	6,890
Supplies - Liner Equipment	0	0	0
Supplies - Miscellaneous	0	0	0
Cement and Cmt. Services - Surface Csg	5,300	0	5,300
Cement and Cmt. Services - Int. Csg	12,720	0	12,720
Cement and Cmt. Services - Prod. Csg	0	21,200	21,200
Cement and Cmt. Services - Other	0	0	0
Rental - Drilling Tools and Equipment	11,130	0	11,130
Rental - Misc.	24,751	3,180	27,931
Testing - Drill Stem / Production	4,770	2,650	7,420
Open Hole Logging	29,680	0	29,680
Mudlogging Services	13,250	0	13,250
Special Services	0	0	0
Plug and Abandon	12,000	(12,000)	0
Pulling and/or Swabbing Unit	0	23,850	23,850
Reverse Equipment	0	5,300	5,300
Wireline Services	0	19,080	19,080
Stimulation	0	12,720	12,720
Pump / Vacuum Truck Services	0	6,646	6,646
Transportation	3,710	2,650	6,360
Tubular Goods - Inspection & Testing	1,590	5,300	6,890
Unclassified	530	0	530
Telephone and Radio Expense	954	318	1,272
Engineer / Geologist / Landman	15,000	3,000	18,000
Company Labor - Field Supervision	15,900	6,500	22,400
Contract Labor / Roustabout	4,770	10,335	15,105
Legal and Professional Service	5,000	0	5,000
Insurance	5,533	0	5,533
Overhead	7,000	3,500	10,500
<b>SUBTOTAL</b>	<b>586,158</b>	<b>142,319</b>	<b>728,476</b>
Contingencies (10%)	58,616	14,232	72,848
<b>ESTIMATED TOTAL INTANGIBLES</b>	<b>644,774</b>	<b>156,551</b>	<b>801,324</b>

**Nearburg Producing Company**Exploration and Production  
Dallas, Texas

Page 2 of 2

**AUTHORITY FOR EXPENDITURE**

LEASE: Poca Mesa "26" State Com

WELL NUMBER: 1

PBTD: 8,700'

LOCATION: 1,980' FSL &amp; 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico

FIELD: Morrow Gas

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

0

DATE PREPARED: 3/6/01

EST. START DATE: 5/1/01



EST. COMPLETION DATE: 6/15/01

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

<b>TANGIBLE COSTS:</b>			TO CSG PT	COMPLETION	TOTAL WELL
Conductor Casing	0 Ft @	0.00 \$/Ft	0	0	0
Surface Csg	350 Ft @	24.00 \$/Ft	8,400	0	8,400
Intermediate Csg	1,200 Ft @	14.00 \$/Ft	16,800	0	16,800
Protection Csg	0 Ft @	0.00 \$/Ft	0	0	0
Production Csg	8,700 Ft @	8.00 \$/Ft	0	69,600	69,600
Protection Liner	0 Ft @	0.00 \$/Ft	0	0	0
Production Liner	0 Ft @	0.00 \$/Ft	0	0	0
Tubing	8,500 Ft @	3.38 \$/Ft	0	28,730	28,730
Rods	0 Ft @	0.00 \$/Ft	0	0	0
Artificial Lift Equipment			0	0	0
Tank Battery			0	10,600	10,600
Separators/Heater Treater/Gas Units/FWKO			0	12,720	12,720
* Well Head Equipment & Christmas Tree			5,500	11,500	17,000
Subsurface Well Equipment			0	6,148	6,148
Flow Lines			0	13,250	13,250
Saltwater Disposal Pump			0	0	0
Gas Meter			0	1,484	1,484
Lact Unit			0	0	0
Vapor Recovery Unit			0	0	0
Other Well Equipment			0	0	0
ROW and Damages			0	0	0
Surface Equipment Installation Costs			0	9,540	9,540
Elect. Installation			0	0	0
<b>ESTIMATED TOTAL TANGIBLES</b>			<b>30,700</b>	<b>163,572</b>	<b>194,272</b>
<b>ESTIMATED TOTAL WELL COSTS</b>			<b>675,474</b>	<b>320,123</b>	<b>995,596</b>

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

<b>NPC APPROVAL</b>	<b>DATE</b>
PREPARED BY: HRW	03/12/01
REVIEWED BY:	
APPROVED BY: 	
APPROVED BY: 	3/12/01

NI APPROVAL:

COMPANY

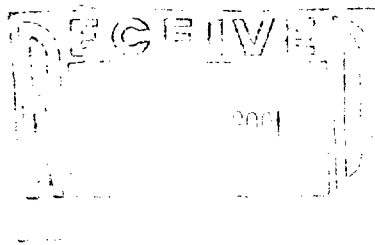
Chevron USA, Inc.

BY

TITLE

DATE





File



April 25, 2001

**Chevron U.S.A. Production Company**  
P.O. Box 1150, Midland, TX 79702  
15 Smith Road, Midland, TX 79705  
Phone 915 687 7745  
Fax 915 687 7448  
E-Mail rvad@chevron.com

**R. M. Vaden**  
Senior Land Representative  
Permian Basin Land Division

Nearburg Exploration Company, L.L.C.  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
Attention: Mr. Duke Roush

Re: Term Assignment Request Request  
Dagger Draw Area  
Poco Mesa "26" Fed Com. #1  
Township 18 South, Range 24East  
Section: 26: S/2  
Eddy County, New Mexico  
Federal lse # NM-22616 / Chevron Lse # 312847 / Control # 2114

Dear Duke:

Your letter of January March 27, 2001, requested Cheveon's joinder to the AFE for the captioned well for a Morrow formation test. Our geologist recently completed a review of your request, and I have been informed that Chevron does not, at this time, desire to join in drilling this well. I realize that we previously also turned down your request for a term assignment, sale, or farmout of the Chevron acreage in this proposed proration unit.

I discussed the proposed well with our geologist, and in the event you elect to force pool Chevron's interest under this well, Chevron will then decide to either farmout, join or accept the non-consent penalty for this well. I will also continue efforts to clarify title concerning the Mesa Fourmile Federal Com well and Chevron's current interest in the proration unit of your proposed well.

Thank you for your interest. We will keep your letter on file for future reference. If you have any questions concerning the above, please call me at (915) 687-7745.

Sincerely,

Ray M. Vaden, CPL, ESA

cc: James Baca – NOJV, Houston

BEFORE THE OIL CONSERVATION DIVISION  
NEW MEXICO ENERGY, MINERALS AND  
NATURAL RESOURCES DEPARTMENT

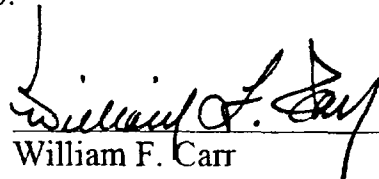
APPLICATION OF NEARBURG EXPLORATION  
COMPANY, L.L.C. FOR COMPULSORY POOLING S/2  
OF SECTION 26, TOWNSHIP 18 SOUTH, RANGE 24  
EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO

CASE NO. 12662

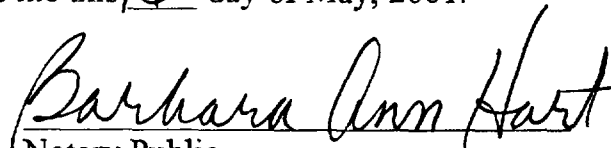
AFFIDAVIT

STATE OF NEW MEXICO       )  
                                  ) ss.  
COUNTY OF SANTA FE )

William F. Carr, attorney in fact and authorized representative of Nearburg Exploration Company, L.L.C., the Applicant herein, being first duly sworn, upon oath, states that notice has been given to all interested persons entitled to receive notice of this application under Oil Conservation Division rules, and that notice has been given at the addresses shown on Exhibit "A" attached hereto.

  
William F. Carr

SUBSCRIBED AND SWORN to before me this 16<sup>th</sup> day of May, 2001.

  
Notary Public

My Commission Expires:

March 28, 2001

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12662       Exhibit No. 4  
Submitted by:  
Nearburg Exploration Company, L.L.C.  
Hearing Date: May 17, 2001

EXHIBIT A

APPLICATION OF NEARBURG EXPLORATION COMPANY, L.L.C.  
FOR COMPULSORY POOLING  
S/2 OF SECTION 26, TOWNSHIP 18 SOUTH, RANGE 24 EAST, N.M.P.M.  
EDDY COUNTY, NEW MEXICO

Chevron U.S.A., Inc.  
Post Office Box 1150  
Midland, Texas 79702  
Attn: Ray Vaden

Pioneer Natural Resources, U.S.A.  
Post Office Box 3178  
Midland, Texas 79702

HOLLAND & HART <sup>LLP</sup>  
AND  
CAMPBELL & CARR  
ATTORNEYS AT LAW

DENVER • ASPEN  
BOULDER • COLORADO SPRINGS  
DENVER TECH CENTER  
BILLINGS • BOISE  
CHEYENNE • JACKSON HOLE  
SALT LAKE CITY • SANTA FE  
WASHINGTON, D.C.

SUITE 1  
110 NORTH GUADALUPE  
SANTA FE, NEW MEXICO 87501-6525  
MAILING ADDRESS  
P.O. BOX 2206  
SANTA FE, NEW MEXICO 87504-2206

TELEPHONE (505) 988-4421  
FACSIMILE (505) 983-6043  
[www.hollandhart.com](http://www.hollandhart.com)

April 26, 2001

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**TO: AFFECTED INTEREST OWNERS**

**Re: Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico.**

Ladies and Gentlemen:

This letter is to advise you that Nearburg Exploration Company, L.L.C. has filed the enclosed application with the New Mexico Oil Conservation Division. This application has been set for hearing before a Division Examiner on May 17, 2001. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Prehearing Statement three days in advance of a scheduled hearing. This statement must include: the name of the party and its attorney; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,



Michael H. Feldewert  
ATTORNEY FOR NEARBURG  
EXPLORATION COMPANY, L.L.C.

Enc.

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
 (Domestic Mail Only; No Insurance Coverage Provided)

Postage \$ .55  
 Certified Fee \$ 1.50  
 Return Receipt Fee (Endorsement Required)  
 Restricted Delivery Fee (Endorsement Required)  
 Total Postage & Fees \$ 2.05

Postmark Here  
 SANTA FE NM  
 APR 26 2001  
 USPS 87501

Recipient  
 Pioneer Natural Resources, U.S.A.  
 Post Office Box 3178  
 Midland, Texas 79702

PS Form 3811, July 1999

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Pioneer Natural Resources, U.S.A.  
 Post Office Box 3178  
 Midland, Texas 79702

2. Article Number (Copy from service label)

7000 0600 0024 3127 8617

PS Form 3811, July 1999

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) B. Date of Delivery

James Stevens APR 30 2001

C. Signature

X James Stevens

☐ Agent  
☐ Address

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) B. Date of Delivery

APR 30 2001

C. Signature

X Ray Vaden

☐ Agent  
☐ Address

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chevron U.S.A., Inc.  
 Post Office Box 1150  
 Midland, Texas 79702  
 Attn: Ray Vaden

2. Article Number (Copy from service label)

7000 0600 0024 3127 8624

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-171

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
 (Domestic Mail Only; No Insurance Coverage Provided)

Postage \$ .55  
 Certified Fee \$ 1.50  
 Return Receipt Fee (Endorsement Required)  
 Restricted Delivery Fee (Endorsement Required)  
 Total Postage & Fees \$ 2.05

Postmark Here  
 SANTA FE NM  
 APR 26 2001  
 USPS 87501

Recipient  
 Chevron U.S.A., Inc.  
 Post Office Box 1150  
 Midland, Texas 79702  
 Attn: Ray Vaden

PS Form 3811, July 1999

HOLLAND & HART<sup>LLP</sup>  
and  
CAMPBELL & CARR  
ATTORNEYS AT LAW

DENVER • ASPEN  
BOULDER • COLORADO SPRINGS  
DENVER TECH CENTER  
BILLINGS • BOISE • CASPER  
CHEYENNE • JACKSON HOLE  
SALT LAKE CITY • SANTA FE  
WASHINGTON, D.C.

P.O. BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
110 NORTH GUADALUPE, SUITE 1  
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421  
FACSIMILE (505) 983-8043

Michael H. Feldewert  
(505) 988-4421  
(505) 983-6043 Fax  
mfeldewert@hollandhart.com

March 27, 2001

HAND-DELIVERED

Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

OIL CONSERVATION DIV.  
01 MAR 27 PM 3:26

Re: *Application of Nearburg Exploration Company, L.L.C. for Administrative Approval of an Unorthodox Well Location for its Poco Mesa "26" State Com Well No. 1, located 1980 feet from the South line and 2400 feet from the West line of Section 26, Township 18 South, Range 24 East, N.M.P.M., Eddy County, New Mexico.*

Dear Ms. Wrotenbery:

Nearburg Exploration Company, L.L.C. ("Nearburg") seeks administrative approval pursuant to the provisions of Division Rule 104.F for an unorthodox well location for its Poco Mesa "26" State Com Well No. 1 to be drilled and completed in the Undesignated Penasco Draw-Morrow Gas Pool and/or the Undesignated Penasco Draw-Permo Pennsylvanian Gas Pool at an unorthodox location 1980 feet from the South line and 2400 feet from the West line (Unit K) of Section 26, Township 18 South, Range 24 East, N.M.P.M., Eddy County, New Mexico. A standard 320-acre spacing unit comprised of the S/2 of Section 26 is to be dedicated to this well. The Undesignated Penasco Draw-Morrow Gas Pool and the Undesignated Penasco Draw-Permo Pennsylvanian Gas Pool are governed by the Division's statewide rules that provide for gas wells to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located. See Division Rule 104.C(2). This unorthodox location is 240 feet off of the quarter section line and therefore encroaches on the SE/4 by 420 feet.

This unorthodox location is required by geologic conditions. The primary target for this well is the Morrow sands. Exhibit A is a Morrow Clastics Isochron Map and Exhibit B

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12662 Exhibit No. 5  
Submitted by:  
Nearburg Exploration Company, L.L.C.  
Hearing Date: May 17, 2001



HOLLAND & HART LLP  
ATTORNEYS AT LAW

Lori Wrotenbery  
March 27, 2001  
Page 2

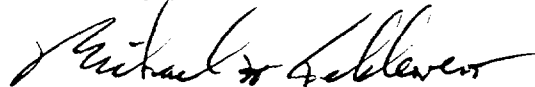
is Cisco 3D seismic anomaly map for this well.<sup>1</sup> These exhibits demonstrate that the proposed location is centered on a Morrow channel "thick" and within a .034 millisecond contour. In contrast, the Mesa Petroleum Fourmile State Morrow dry hole 1600 feet southeast of the proposed location is outside the .028 millisecond contour and in a Morrow "thin" area lacking pay sands. Nearburg's proposed location is centered on the Morrow isochron "thick" where there is the greatest possibility of a productive well.

Exhibit C is a plat showing the S/2 320-acre spacing unit, the unorthodox well location, and the ownership of the 320-acre spacing unit. The ownership in the SW/4 and the W/2 SE/4 is common. A copy of this application has been sent to the New Mexico State Land Office and the affected parties in the E/2 SE/4 by certified mail, return receipt requested, advising them that if they have an objection to this application it must be filed in writing within twenty days from the date the Division receives this application.

Exhibit D is a land locator map showing the 320- acre spacing unit and adjoining spacing units and wells.

Your attention to this application is appreciated.

Very truly yours,



Michael H. Feldewert

Enclosures

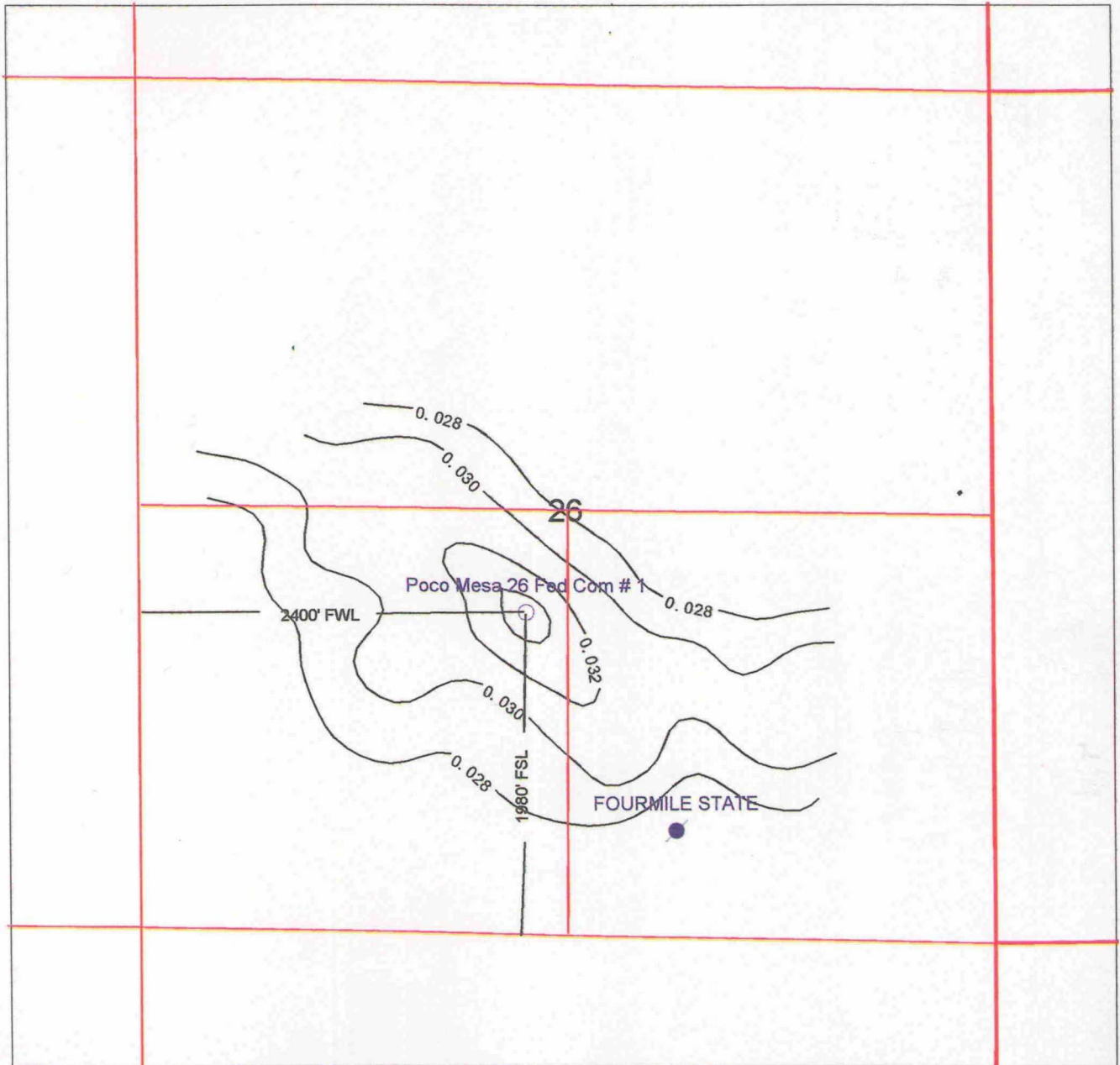
Cc: Mr. Robert Shelton, Nearburg Exploration Company, L.L.C.

---

<sup>1</sup> These two exhibits mistakenly refer to the proposed well as the Poco Mesa Federal Com #1.

# EXHIBIT "A"

XY:



Poco Mesa 26 Federal Com # 1

Nearburg Producing Company

Morrow Clastics Isochron Map  
scale 1:1000'

# EXHIBIT "B"

XY:



Poco Mesa 26 Federal Com # 1

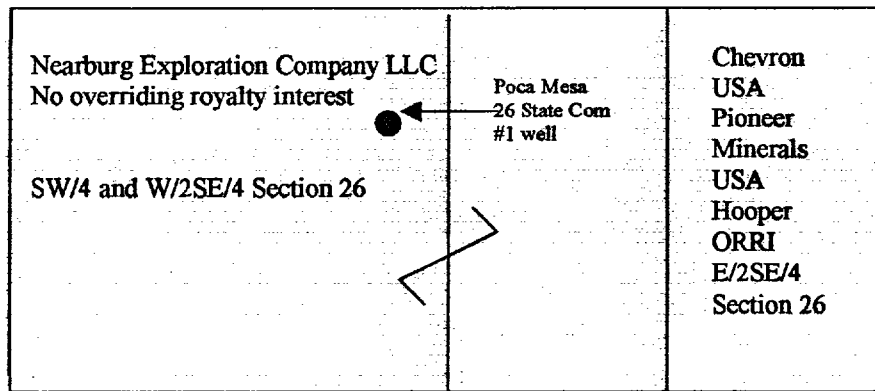
Nearburg Producing Company

Cisco 3D seismic anomaly map  
scale 1:1000'

03/26/01 14:23:18

## Exhibit "C"

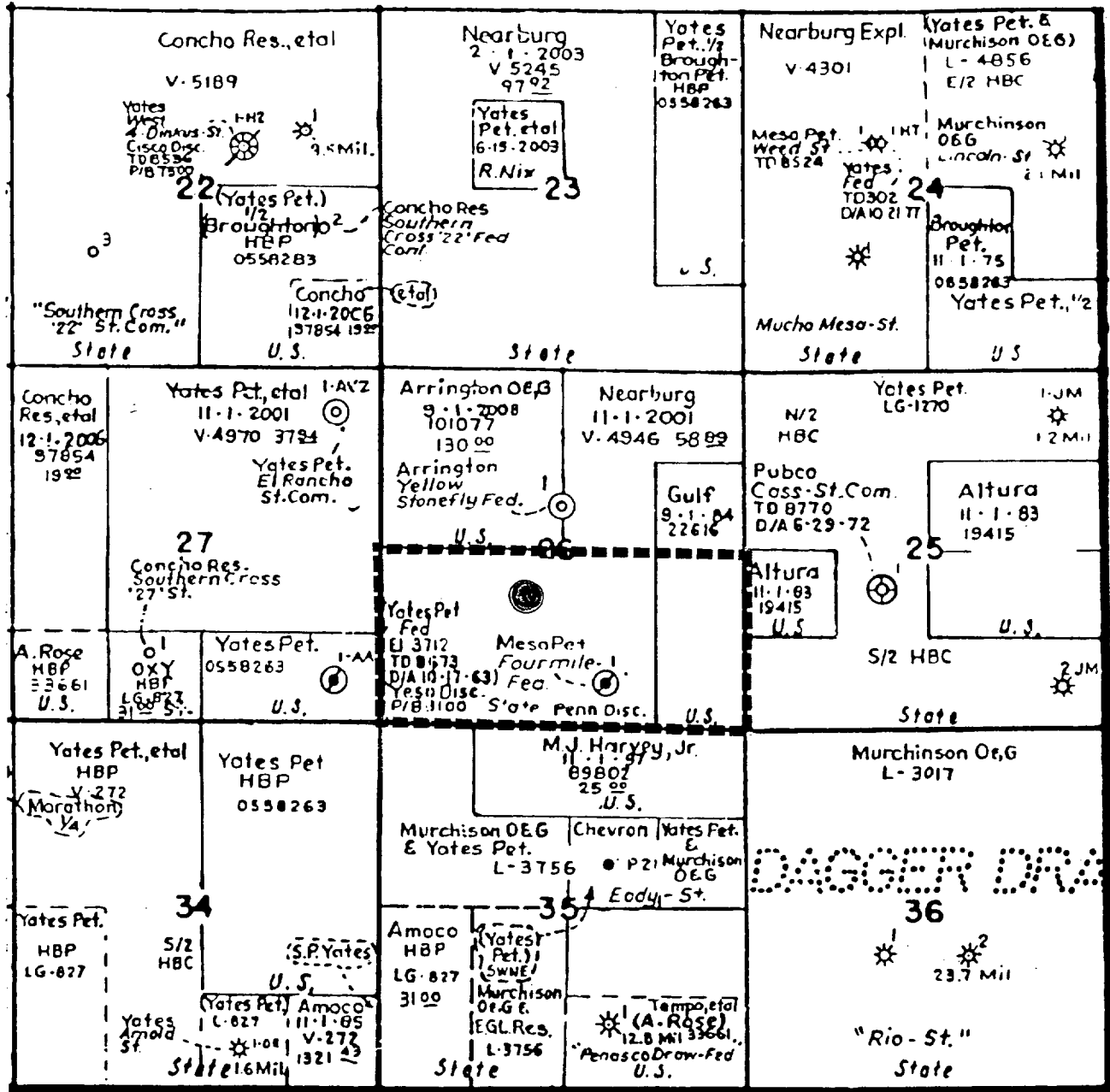
**Poca Mesa 26 State Com #1 well  
2,400' FWL and 1,980' FSL of Section 26  
T-18-S, R-24-E, Eddy County, New Mexico**



**E/2SE/4 Surface to 5,000' and below 6,673' to all depths**  
Chevron USA, Inc. - 100%  
No Override

**E/2SE/4 From 5,000' to 6,673'**  
Chevron USA, Inc. - 50%  
Pioneer Natural Resources, USA, Inc. - 50%  
Edward and Darlene Hooper (ORRI) - 2.5%  
Gailen and Shirley Hooper (ORRI) - 2.5%

Exhibit "D"  
Poco Mesa "26" State Com. #1  
1980' FSL, 2400' FWL  
S/2 section 26 T-18-S, R-24-S  
Eddy County, New Mexico



HOLLAND & HART<sup>LLP</sup>  
and  
CAMPBELL & CARR  
ATTORNEYS AT LAW

DENVER • ASPEN  
BOULDER • COLORADO SPRINGS  
DENVER TECH CENTER  
BILLINGS • EOISE • CASPER  
CHEYENNE • JACKSON HOLE  
SALT LAKE CITY • SANTA FE  
WASHINGTON, D.C.

P.O. BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
110 NORTH GUADALUPE, SUITE 1  
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421  
FACSIMILE (505) 983-6043

Michael H. Feldewert  
(505) 988-4421  
(505) 983-6043 Fax  
mfeldewert@hollandhart.com

March 27, 2001

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

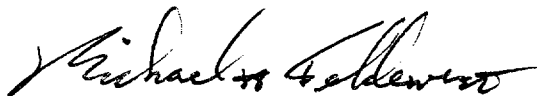
Chevron U.S.A., Inc.  
Post Office Box 1635  
Houston, TX 77251

Re: *Application of Nearburg Exploration Company, L.L.C. for  
Administrative Approval of an Unorthodox Well Location for its  
Poco Mesa "26" State Com Well No. 1, located 1980 feet from  
the South line and 2400 feet from the West line of Section 26,  
Township 18 South, Range 24 East, N.M.P.M., Eddy County,  
New Mexico.*

Dear Sir or Madame:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date by Nearburg Exploration Company, L.L.C. As the owner of an interest which will be affected by the proposed well, you may object to this application. Objections must be filed in writing at the Division's Santa Fe office within twenty days from the date this notice was sent to you. If no objection is received within twenty days after the Division Director receives this application, the unorthodox location may be approved.

Very truly yours,



Michael H. Feldewert

enc.



HOLLAND & HART<sup>LLP</sup>  
and  
CAMPBELL & CARR  
ATTORNEYS AT LAW

DENVER • ASPEN  
BOULDER • COLORADO SPRINGS  
DENVER TECH CENTER  
BILLINGS • BOISE • CASPER  
CHEYENNE • JACKSON HOLE  
SALT LAKE CITY • SANTA FE  
WASHINGTON, D.C.

P.O. BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
110 NORTH GUADALUPE, SUITE 1  
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421  
FACSIMILE (505) 983-6043

Michael H. Feldewert  
(505) 988-4421  
(505) 983-6043 Fax  
mfeldewert@hollandhart.com

March 27, 2001

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**


Pioneer Natural Resources USA, Inc.  
Post Office Box 3178  
Midland, TX 79702

Re: *Application of Nearburg Exploration Company, L.L.C. for  
Administrative Approval of an Unorthodox Well Location for its  
Poco Mesa "26" State Com Well No. 1, located 1980 feet from  
the South line and 2400 feet from the West line of Section 26,  
Township 18 South, Range 24 East, N.M.P.M., Eddy County,  
New Mexico.*

Dear Sir or Madame:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date by Nearburg Exploration Company, L.L.C. As the owner of an interest which will be affected by the proposed well, you may object to this application. Objections must be filed in writing at the Division's Santa Fe office within twenty days from the date this notice was sent to you. If no objection is received within twenty days after the Division Director receives this application, the unorthodox location may be approved.

Very truly yours,



Michael H. Feldewert

enc.

HOLLAND & HART<sup>LLP</sup>  
and  
CAMPBELL & CARR

ATTORNEYS AT LAW

DENVER • ASPEN  
BOULDER • COLORADO SPRINGS  
DENVER TECH CENTER  
BILLINGS • BOISE • CASPER  
CHEYENNE • JACKSON HOLE  
SALT LAKE CITY • SANTA FE  
WASHINGTON, D.C.

P.O. BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
110 NORTH GUADALUPE, SUITE 1  
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421  
FACSIMILE (505) 983-6043

Michael H. Feldewert  
(505) 988-4421  
(505) 983-6043 Fax  
mfeldewert@hollandhart.com

March 27, 2001

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Edward and Darlene Hooper  
Gailen and Shirley Hooper  
2651 Camino Chueco  
Santa Fe, New Mexico 87501

Re: *Application of Nearburg Exploration Company, L.L.C. for  
Administrative Approval of an Unorthodox Well Location for its  
Poco Mesa "26" State Com Well No. 1, located 1980 feet from  
the South line and 2400 feet from the West line of Section 26,  
Township 18 South, Range 24 East, N.M.P.M., Eddy County,  
New Mexico.*

Dear Messrs. and Mmes. Hooper:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date by Nearburg Exploration Company, L.L.C. As the owner of an interest which will be affected by the proposed well, you may object to this application. Objections must be filed in writing at the Division's Santa Fe office within twenty days from the date this notice was sent to you. If no objection is received within twenty days after the Division Director receives this application, the unorthodox location may be approved.

Very truly yours,



Michael H. Feldewert

enc.

HOLLAND & HART<sup>LLP</sup>  
and  
CAMPBELL & CARR  
ATTORNEYS AT LAW

DENVER • ASPEN  
BOULDER • COLORADO SPRINGS  
DENVER TECH CENTER  
BILLINGS • BOISE • CASPER  
CHEYENNE • JACKSON HOLE  
SALT LAKE CITY • SANTA FE  
WASHINGTON, D.C.

P.O. BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
110 NORTH GUADALUPE, SUITE 1  
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421  
FACSIMILE (505) 983-6043

Michael H. Feldewert  
(505) 988-4421  
(505) 983-6043 Fax  
mfeldewert@hollandhart.com

March 27, 2001

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

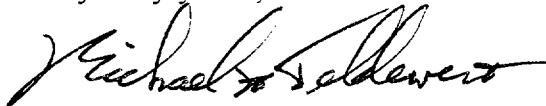
New Mexico Commissioner of Public Lands  
Ray Powell, Jr.  
Post Office Box 1148  
Santa Fe, New Mexico 87504-1148

Re: *Application of Nearburg Exploration Company, L.L.C. for  
Administrative Approval of an Unorthodox Well Location for its  
Poco Mesa "26" State Com Well No. 1, located 1980 feet from  
the South line and 2400 feet from the West line of Section 26,  
Township 18 South, Range 24 East, N.M.P.M., Eddy County,  
New Mexico.*

Dear Mr. Powell:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date by Nearburg Exploration Company, L.L.C. As the owner of an interest which will be affected by the proposed well, you may object to this application. Objections must be filed in writing at the Division's Santa Fe office within twenty days from the date this notice was sent to you. If no objection is received within twenty days after the Division Director receives this application, the unorthodox location may be approved.

Very truly yours,



Michael H. Feldewert

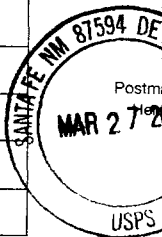
enc.

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
 (Domestic Mail Only; No Insurance Coverage Provided)

MHF 698

Postage	\$ 55
Certified Fee	1.90
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$3.95</b>

Edward & Darlene Hooper  
 Gailen & Shirley Hooper  
 2651 Camino Chueco  
 Santa Fe, N.M. 87501



**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

**1. Article Addressed to:**

Edward & Darlene Hooper  
 Gailen & Shirley Hooper  
 2651 Camino Chueco  
 Santa Fe, N.M. 87501

**2. Article Number (Copy from service label)**

7000 0600 0024 3129 7663

**A. Received by (Please Print Clearly)** **B. Date of Delivery**

**C. Signature**

*Shirley Hooper* ☒ Agent ☒ Addressee

**D. Is delivery address different from item 1?** ☐ Yes ☐ No  
 If YES, enter delivery address below:

**3. Service Type**

☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

**4. Restricted Delivery? (Extra Fee)** ☐ Yes

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
 (Domestic Mail Only; No Insurance Coverage Provided)

MHF-698

Postage	\$ .55
Certified Fee	1.90
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$3.95</b>

N.M. Comm. of Public Lands  
 Ray Powell, Jr.  
 Post Office Box 1148  
 Santa Fe, N.M. 87504-1148



**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

**1. Article Addressed to:**

N.M. Comm. of Public Lands  
 Ray Powell, Jr.  
 Post Office Box 1148  
 Santa Fe, N.M. 87504-1148

**2. Article Number (Copy from service label)**

7000 0600 0024 3129 7656

**A. Received by (Please Print Clearly)** **B. Date of Delivery**

**C. Signature**

*Ray Powell* ☐ Agent ☐ Address

**D. Is delivery address different from item 1?** ☐ Yes ☐ No  
 If YES, enter delivery address below:

**3. Service Type**

☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

**4. Restricted Delivery? (Extra Fee)** ☐ Yes

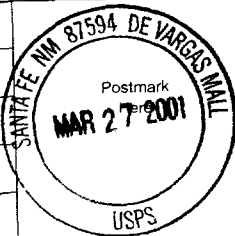
PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-178

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
 (Domestic Mail Only; No Insurance Coverage Provided)

Postage \$ 55  
 Certified Fee 1.90  
 Return Receipt Fee (Endorsement Required) 1.50  
 Restricted Delivery Fee (Endorsement Required)  
 Total Postage & Fees \$ 3.95



Chevron U.S.A., Inc.  
 Post Office Box 1635  
 Houston, Texas 77251

Reverse for Instructions

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
 (Domestic Mail Only; No Insurance Coverage Provided)

Postage \$ 55  
 Certified Fee 1.90  
 Return Receipt Fee (Endorsement Required) 1.50  
 Restricted Delivery Fee (Endorsement Required)  
 Total Postage & Fees \$ 3.95



Pioneer Natural Resources USA  
 Post Office Box 3178  
 Midland, Texas 79702

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Pioneer Natural Resources USA  
 Post Office Box 3178  
 Midland, Texas 79702

2. Article Number (Copy from service label)

7000 0600 0024 3129 1670

A. Received by (Please Print Clearly) James Stevens

B. Date of Delivery MAR 29 2001

C. Signature James Stevens

☐ Agent  
☐ Addressee

D. Is delivery address different from item 1? ☐ Yes  
 If YES, enter delivery address below: ☐ No

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON  
Governor  
Jennifer A. Salisbury  
Cabinet Secretary

April 24, 2001

Lori Wrotenbery  
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 March 27, 2001 for an exception to Division Rule 104.C (2) (a) for Nearburg Exploration Company, L.L.C.'s proposed Poco Mesa "26" State Com. Well No. 1 to be drilled at an unorthodox gas well location 1980 feet from the South line and 2400 feet from the West line (Unit K) of Section 26, Township 18 South, Range 24 East, NMPM, Eddy County, New Mexico, whereby the S/2 of Section 26 is to be dedicated to the well in order to form a standard 320-acre lay-down gas spacing and proration unit for the Undesignated Penasco Draw-Permo Penn and Penasco Draw-Morrow Gas Pools.*

Dear Mr. Feldewert:

I have reviewed your initially application dated March 27, 2001 and all of the subsequent correspondence related to this matter. This application will be set for hearing before a Division Hearing Examiner on the next available docket scheduled for May 17, 2001.

I have prepared the following advertisement in this matter:

*"Application of Nearburg Exploration Company, L.L.C. for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its Poco Mesa "26" State Com. Well No. 1 at an unorthodox gas well location 1980 feet from the South line and 2400 feet from the West line (Unit K) of Section 26, Township 18 South, Range 24 East, located approximately 12 miles southeast of Hope, New Mexico. The S/2 of Section 26 is to be dedicated to the well in order to form a standard 320-acre lay-down gas spacing and proration unit for the Undesignated Penasco Draw-Permo Penn and Penasco Draw-Morrow Gas Pools".*

Sincerely,

Michael E. Stogner  
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia  
New Mexico State Land Office - Santa Fe  
U. S. Bureau of Land Management - Carlsbad  
Shirley M. Hooper-Garcia - Santa Fe  
Gailen H. Hooper - Las Cruces  
Bruce and Darlene Harberger - Loveland, CO

**RECEIVED**

APR 25 2001

**HOLLAND & HART LLP**



**Nearburg Producing Company**

Exploration and Production  
Dallas, Texas

**AUTHORITY FOR EXPENDITURE**

LEASE: Poca Mesa "26" State Com WELL NUMBER: 1 PBTD: 8,700'  
LOCATION: 1,980' FSL & 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico  
FIELD: Morrow Gas EXPLORATORY, DEVELOPMENT, WORKOVER: E  
DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

DATE PREPARED: 3/6/01 EST. START DATE: 5/1/01 EST. COMPLETION DATE: 6/15/01  
ACCOUNTING WELL NUMBER:  
COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	TO CSG PT	COMPLETION	TOTAL WELL
Drilling Footage 8,700 Ft @ 0.00 \$/Ft	0	0	0
Drilling Daywork 25 2 9,500 \$/day	251,750	20,140	271,890
Drilling Turnkey	0	0	0
Rig Mobilization and Demobilization	31,800	0	31,800
Road & Location Expense	28,355	2,120	30,475
Damages	5,000	0	5,000
Directional Drilling - Tools and Service	0	0	0
Drilling Fluids	21,200	0	21,200
Fuel, Power, and Water	42,400	0	42,400
Supplies - Bits	29,945	1,060	31,005
Supplies - Casing Equipment	2,120	4,770	6,890
Supplies - Liner Equipment	0	0	0
Supplies - Miscellaneous	0	0	0
Cement and Cmt. Services - Surface Csg	5,300	0	5,300
Cement and Cmt. Services - Int. Csg	12,720	0	12,720
Cement and Cmt. Services - Prod. Csg	0	21,200	21,200
Cement and Cmt. Services - Other	0	0	0
Rental - Drilling Tools and Equipment	11,130	0	11,130
Rental - Misc.	24,751	3,180	27,931
Testing - Drill Stem / Production	4,770	2,650	7,420
Open Hole Logging	29,680	0	29,680
Mudlogging Services	13,250	0	13,250
Special Services	0	0	0
Plug and Abandon	12,000	(12,000)	0
Pulling and/or Swabbing Unit	0	23,850	23,850
Reverse Equipment	0	5,300	5,300
Wireline Services	0	19,080	19,080
Stimulation	0	12,720	12,720
Pump / Vacuum Truck Services	0	6,646	6,646
Transportation	3,710	2,650	6,360
Tubular Goods - Inspection & Testing	1,590	5,300	6,890
Unclassified	530	0	530
Telephone and Radio Expense	954	318	1,272
Engineer / Geologist / Landman	15,000	3,000	18,000
Company Labor - Field Supervision	15,900	6,500	22,400
Contract Labor / Roustabout	4,770	10,335	15,105
Legal and Professional Service	5,000	0	5,000
Insurance	5,533	0	5,533
Overhead	7,000	3,500	10,500
<b>SUBTOTAL</b>	<b>586,158</b>	<b>142,319</b>	<b>728,476</b>
Contingencies (10%)	58,616	14,232	72,848
<b>ESTIMATED TOTAL INTANGIBLES</b>	<b>644,774</b>	<b>156,551</b>	<b>801,324</b>

AUTHORITY FOR EXPENDITURE

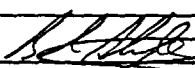

LEASE: Poca Mes: "26" State Com  
LOCATION: 1,980' FSL & 2,400' FWL, Section 26, T18S, R24E, Eddy County, New Mexico  
FIELD: Morrow Gas  
DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas well.

WELL NUMBER: 1  
PBTD: 8,700'  
EXPLORATORY, DEVELOPMENT, WORKOVER: E  
EST. START DATE: 5/1/01  
EST. COMPLETION DATE: 6/15/01

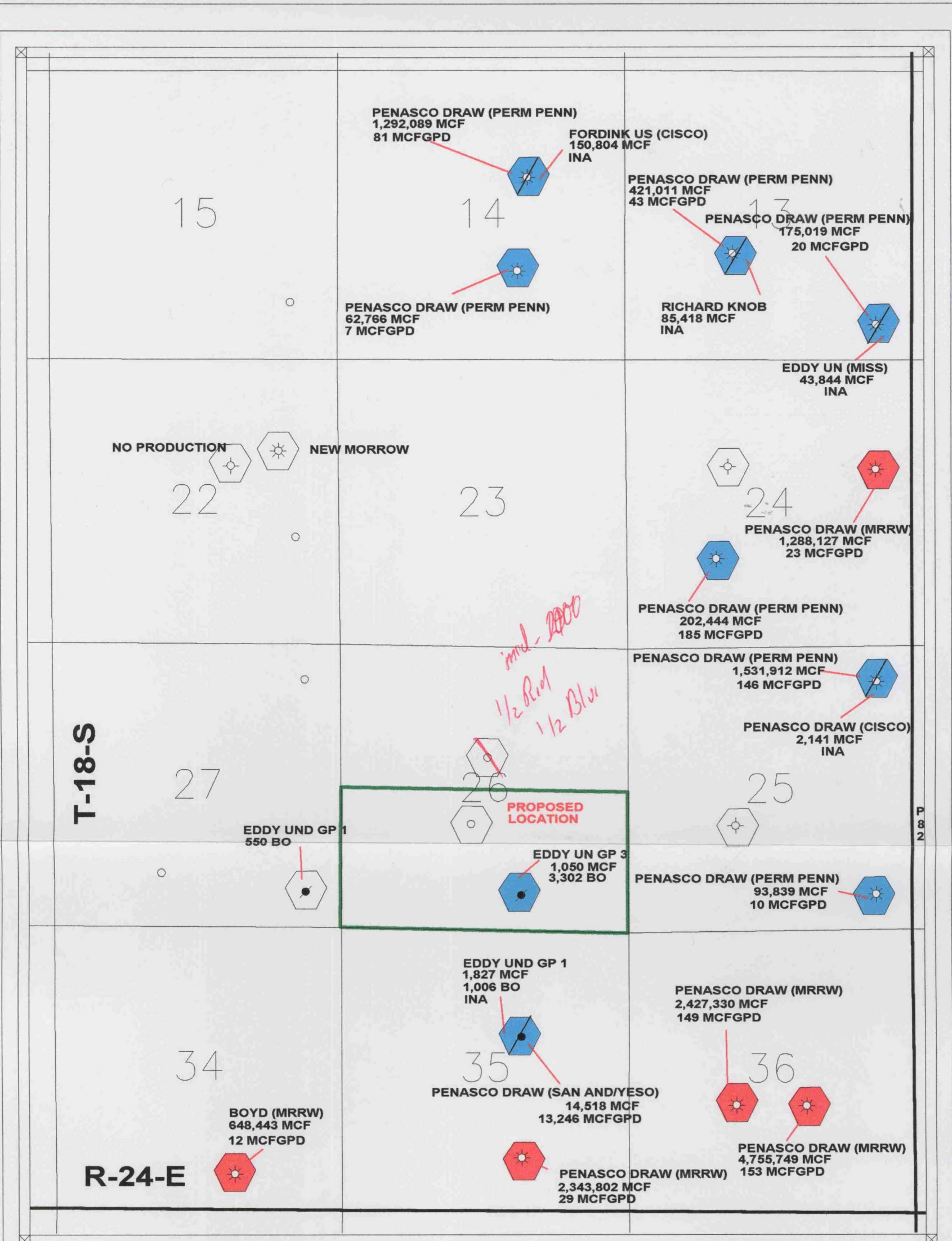
DATE PREPARED: 3/6/01  
ACCOUNTING WELL NUMBER:  
COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing 0 Ft @ 0.00 \$/Ft	1520305	0	NA	0	0
Surface Csg 350 Ft @ 24.00 \$/Ft	1520310	8,400	NA	0	8,400
Intermediate Csg 1,200 Ft @ 14.00 \$/Ft	1520310	16,800	NA	0	16,800
Protection Csg 0 Ft @ 0.00 \$/Ft	1520320	0	NA	0	0
Production Csg 8,700 Ft @ 8.00 \$/Ft	NA	0	1520320	69,600	69,600
Protection Liner 0 Ft @ 0.00 \$/Ft	1520330	0	NA	0	0
Production Liner 0 Ft @ 0.00 \$/Ft	NA	0	1520330	0	0
Tubing 8,500 Ft @ 3.38 \$/Ft	NA	0	1520340	28,730	28,730
Rods 0 Ft @ 0.00 \$/Ft	NA	0	1520350	0	0
Artificial Lift Equipment	NA	0	1520350	0	0
Tank Battery	NA	0	1520350	10,600	10,600
Separators/Heater Treater/Gas Units/FWKO	NA	0	1520350	12,720	12,720
* Well Head Equipment & Christmas Tree	1520360	5,500	1520350	11,500	17,000
Subsurface Well Equipment	NA	0	1520370	6,148	6,148
Flow Lines	NA	0	1520375	13,250	13,250
Saltwater Disposal Pump	NA	0	1520380	0	0
Gas Meter	NA	0	1520380	1,484	1,484
Lact Unit	NA	0	1520390	0	0
Vapor Recovery Unit	NA	0	1520390	0	0
Other Well Equipment	NA	0	1520390	0	0
ROW and Damages	NA	0	1520390	0	0
Surface Equipment Installation Costs	NA	0	1520400	9,540	9,540
Elect. Installation	NA	0	1520400	0	0
ESTIMATED TOTAL TANGIBLES		30,700		163,572	194,272
ESTIMATED TOTAL WELL COSTS		675,474		320,123	995,596





THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

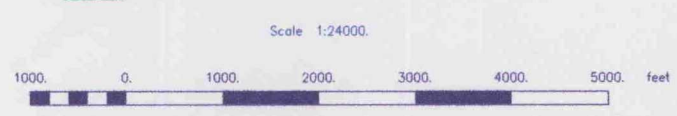
NRC APPROVAL	DATE
PREPARED BY: HRW	03/12/01
REVIEWED BY:	
APPROVED BY: 	
APPROVED BY: 	3/12/01

WI APPROVAL:	COMPANY	Chevron USA, Inc.
	BY	
	TITLE	
	DATE	



### LEGEND

-  PRODUCING FROM PERM. PENN.
-  PRODUCING FROM MORROW
-  PRODUCING FROM ATOKA
-  NPC PRORATION UNIT



**Nearburg Producing Company**  
Exploration and Production  
Midland, Texas

---

**POCO MESA "26" ST. COM. #1**  
Eddy County, New Mexico

**PRODUCTION MAP**  
PRODUCTION TO 6/00

GEOLOGIST	DATE	DRAWN BY	FILE NO.
J. B. ELGER	05/2001	PLD/LCG	PROD.GPF

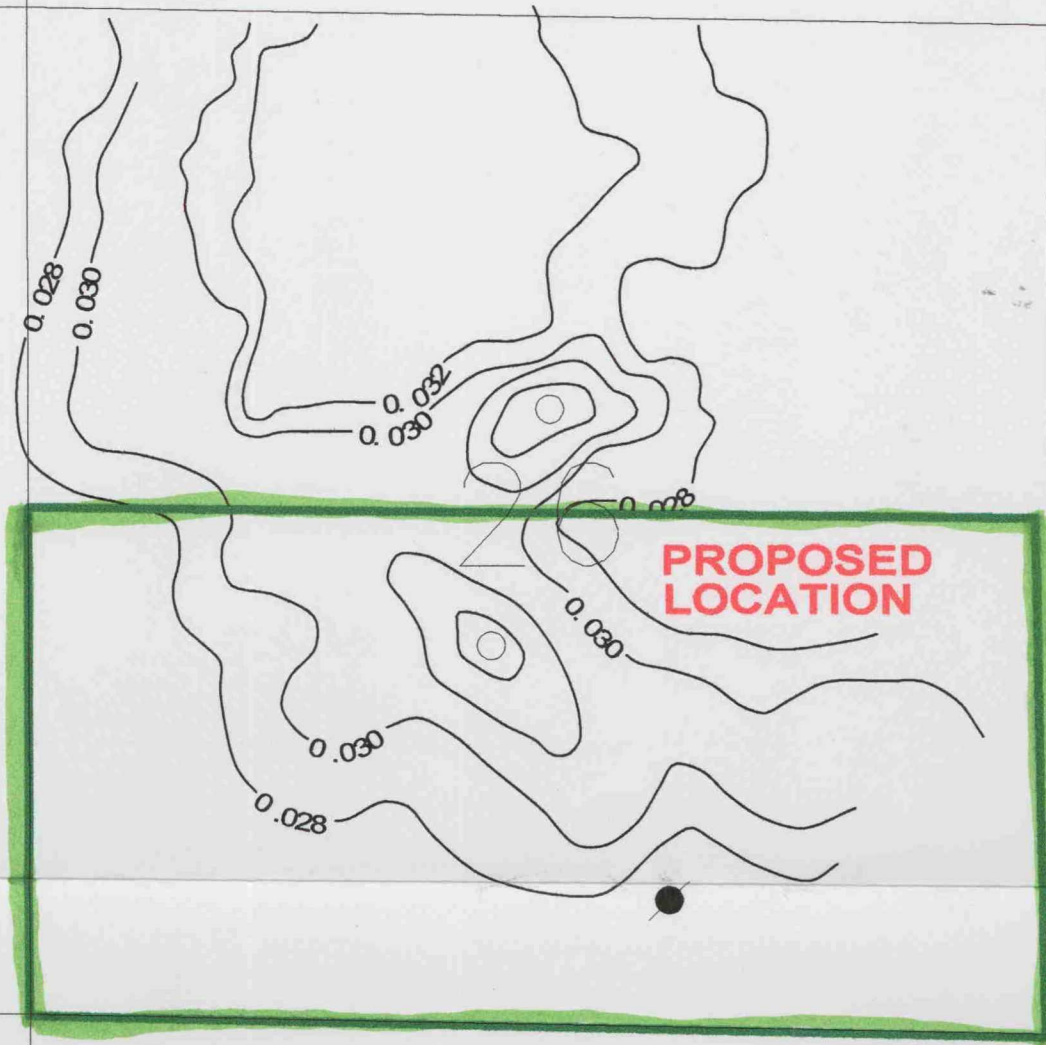
BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12662 Exhibit No. 7  
Submitted by:  
Nearburg Exploration Company, L.L.C.  
Hearing Date: May 17, 2001



T-18-S

R-24-E

35



### LEGEND



**NPC PRORATION UNIT**

**Nearburg Producing Company**  
Exploration and Production  
Midland, Texas

**POCO MESA "26" ST. COM. #1**  
EDDY COUNTY, NEW MEXICO

**ISOCHRON MAP**  
**T / Morrow Clastics to Miss. Chester**

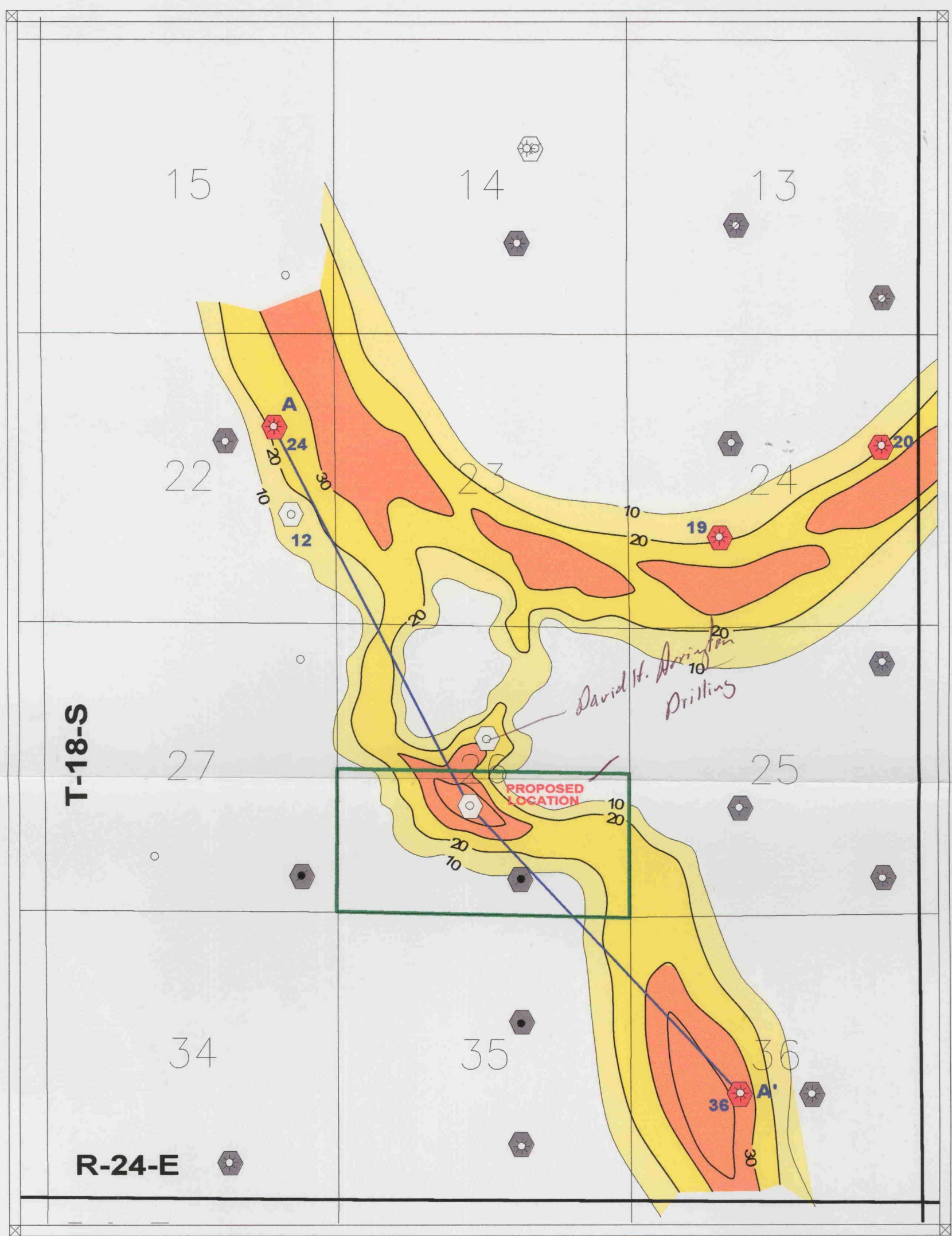
C.I. = .002 sec.

GEOPHYSICIST	DATE	DRAWN BY	FILE NO.
T. E. DURHAM	05/2001	PLD/LCG	ISOCHRON.GPF



BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12662 Exhibit No. 8  
Submitted by:  
Nearburg Exploration Company, L.L.C.  
Hearing Date: May 17, 2001





# **LEGEND**



MORROW UPPER "C" SS PRODUCER

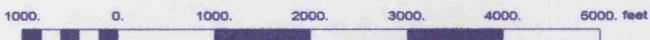


MORROW UPPER "C" SS SHALE



NPC PRORATION UNIT

Scale 1:24000.



Nearburg Producing Company  
Exploration and Production  
Midland, Texas

**POCO MESA "26" ST. COM. #1**  
Eddy County, New Mexico

**GROSS ISOPACH MAP**  
**MORROW UPPER "C" SS**

C.I. = 10'

GEOLOGIST	DATE	DRAWN BY	FILE NO.
J. B. ELGER	05/2001	PLD/LCG	ISOMUC.GPF

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12662 Exhibit No. 9  
Submitted by:  
Nearburg Exploration Company, L.L.C.  
Hearing Date: May 17, 2001

LARGE FORMAT  
EXHIBIT HAS  
BEEN REMOVED  
AND IS LOCATED  
IN THE NEXT FILE