

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

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

CASE NO. 12662

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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 in the S/2 of Section 26, Township 18 South, Range 24 East, NMPM, Eddy County, New Mexico, which includes the Undesignated Penasco Draw-Morrow Gas Pool and the Undesignated Penasco Draw-Permo Pennsylvanian Gas Pool, and in support of its application states:

1. Nearburg is a working interest owner in the S/2 of Section 26 and has the right to drill thereon.
2. Nearburg proposes to dedicate the above-referenced spacing or proration unit to its Poco Mesa "26" State Com Well No. 1 to be drilled at an unorthodox location 1980 feet from the South line and 2400 feet from the West line (Unit K) of said Section 26, to a depth sufficient to test any and all formations from the surface to the base of the Pennsylvanian formation.

3. An administrative application for approval of the unorthodox location was filed on March 27, 2001.

4. Nearburg has sought and been unable to obtain either voluntary agreement for pooling or farmout from all of the working interest owners in the S/2 of Section 26.

5. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

6. A list of the names and addresses of the persons to whom notice has been sent is attached hereto as Exhibit A.

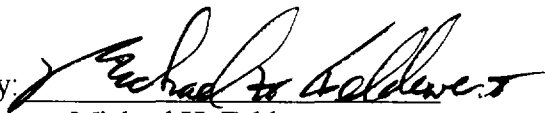
WHEREFORE, Nearburg Exploration Company, L.L.C. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 17, 2001, and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. ~~designating~~ Nearburg Producing Company operator of this 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,

HOLLAND & HART, LLP
AND
CAMPBELL & CARR

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ATTORNEYS FOR NEARBURG
EXPLORATION COMPANY, L.L.C.

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**

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Attn: Ray Vaden

Pioneer Natural Resources, U.S.A.
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