

**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. 12820

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 following described spacing and proration units located in Section 5, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico: the W/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated South Corbin-Morrow Gas Pool, the Buffalo-Pennsylvanian-Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing; and the SW/4 NW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated West Tonto-Wolfcamp Pool; Undesignated Tonto-Bone Spring Pool, Undesignated Buffalo-Queen Pool and the Buffalo-Yates Pool and in support of its application states:

1. Nearburg is a working interest owner in the W/2 of Section 5 and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced spacing or proration units to its Gem North "5" Fed. Com. Well No. 1 to be drilled at a standard location 2310 feet from the North line and 660 feet from the West line of said Section 5, to an

approximate depth of 13,700 feet to test any and all formations from the surface to the base of the Morrow formation. This well is at a standard location for all formations and pools.

3. Applicant has sought and been unable to obtain voluntary agreement for the development of these spacing and proration units with those interest owners 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. The interests of Penroc Oil Corporation and Mourne Oil & Gas are burdened with excessive royalty obligations which were carved out of the working interest. If honored, these excessive burdens will jeopardize the drilling of the well. Nearburg seeks an order which subjects these royalty interests to the risk penalty imposed by this order.

6. 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.

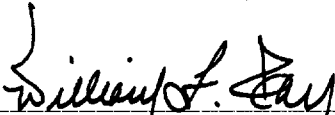
WHEREFORE, Nearburg Exploration Company, L.L.C. requests that this amended application be set for hearing before an Examiner of the Oil Conservation Division on February 21, 2002, and, after notice and hearing as required by law, the Division enter its order:

A. pooling all mineral interests in the subject spacing and proration units,

- B. designating Nearburg Producing Company operator of these units 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,
- E. providing for subsequent operations on the pooled acreage in accordance with the operating agreement between the parties, and
- F. imposing a 200% penalty for the risk assumed by Nearburg in drilling and completing the well against any working interest owner who does not voluntarily participate in the well.
- G. Providing that excessive royalty burdens shall be subject to the risk penalty imposed by this order.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

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

EXHIBIT A

APPLICATION OF NEARBURG EXPLORATION COMPANY, L.L.C.
FOR COMPULSORY POOLING,
W/2 SECTION 5, TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
LEA COUNTY, NEW MEXICO.

NOTIFICATION LIST

OXY USA, Inc.
Post Office Box 50250
Midland, Texas 79710
Attn: Mr. Dave Adams

Paw Prints Oil & Gas
1500 Fourmile Lane
Canon City, Colorado 81212
Attn: Mr. Mark J. Mourne, Jr.

Mourne Oil & Gas
1500 Fourmile Lane
Canon, City, Colorado 81212
Attn: Mr. Mark Mourne, Jr.

Penroc Oil Corporation
Post Office Box 5970
Hobbs, New Mexico 88241
Attn: M. Y. Merchant

CASE 12820

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 the following described spacing and proration units in Section 5, Township 19 South, Range 33 East as follows: the W/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated South Corbin-Morrow Gas Pool and the Buffalo-Pennsylvanian Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing; and the SW/4 NW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated West Tonto-Wolfcamp Pool, Undesignated Tonto-Bone Spring Pool, Undesignated Buffalo-Queen Pool and the Buffalo-Yates Pool. Said well is to be dedicated to its Gem North "5" Federal Com Well No. 1 to be drilled at a standard location 2310 feet from the North line and 660 feet from the West line of said Section 5 to a depth sufficient to test all formations from the surface to the base of the Morrow 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, provisions governing subsequent operations on the pooled units, designation of Nearburg Producing Company as operator of the well, imposition of a charge for risk involved in drilling said well and whether excessive royalty burdens upon certain leases should be subject to the charge for risk imposed by this order. Said area is located approximately 24 miles southeast of Loco Hills, New Mexico.

HOLLAND & HART ^{LLP}
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
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William F. Carr

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January 31, 2002

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO ALL AFFECTED PARTIES

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

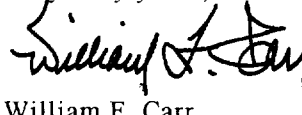
Ladies and Gentlemen:

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 seeking the force pooling of all mineral interests in all formations from the surface through the base of the Morrow formation in certain standard spacing and proration units identified in the application located in the W/2 of Section 5, Township 19 South, Range 33 East, N.M.P.M., Lea County, New Mexico. Nearburg proposes to dedicate the referenced pooled units to its Gem North "5" Federal Com Well No. 1 to be drilled at a standard location 2310 feet from the North line and 660 feet from the West line of said Section 5.

This application has been set for hearing before a Division Examiner on February 21, 2002. 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 names of the parties and their attorneys; 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,



William F. Carr
ATTORNEY FOR NEARBURG
EXPLORATION COMPANY, L.L.C.

WFC:keh
Enclosure
cc: Mr. Duke Roush