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William F. Carr

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July 9, 2002

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 12901

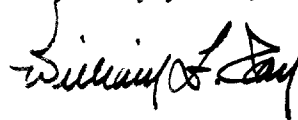
RECEIVED
JUL 10 2002
NEW MEXICO DEPT OF ENERGY

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

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Application of Nearburg Exploration Company, L.L.C. in the above-referenced case as well as a copy of the legal advertisement. Nearburg Exploration Company, L.L.C., requests that this matter be placed on the docket for the August 1, 2002 Examiner hearings.

Very truly yours,



William F. Carr

Enclosures

cc: Mr. Duke Roush (w/enclosures)

**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. 12901

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 from the surface to the base of the Morrow formation in the following described spacing and proration units located in Section 7, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico: The E/2 for all formations and/or pools developed on 320-acre spacing, which includes but is not necessarily limited to the Undesignated Osudo-Morrow Gas Pool, Undesignated Wilson-Atoka Gas Pool and the Undesignated Wilson-Morrow Gas Pool; the NE/4 for all formations and/or pools developed on 160-acre spacing which includes but is not necessarily limited to the Wilson Yates–Seven Rivers Associated Pool and the Undesignated Wilson-Strawn Pool; the E/2 NE/4 for all formations and/or pools developed on 80-acre spacing; and the SE/4 NE/4 for all formations and/or pools developed on 40-acre spacing; and in support of its application states:

1. Nearburg is a working interest owner in the E/2 of Section 7 and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced spacing and proration units to its Packer "7" State Com Well No. 1, to be drilled at a standard location 1980 feet from the North line and 660 feet from the East line of said Section 7 to an approximate depth of 12,500 feet to test any and all formations from the surface to the base of the Morrow formation.

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. 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 1, 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 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
- G. 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.

Respectfully submitted,

HOLLAND & HART, LLP

By:  for

WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

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,
E/2 OF SECTION 7, TOWNSHIP 21 SOUTH, RANGE 35 EAST, NMPM
LEA COUNTY, NEW MEXICO.

NOTIFICATION LIST

Chevron USA, Inc.
Post Office Box 1150
Midland, Texas 79702

Devon SFS Operating, Inc.
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260
Attention: Richard Winchester

Devon SFS Operating, Inc.
Post Office Box 108838
Oklahoma City, Oklahoma 73101-8838
Attention: Richard Winchester

OXY USA WTP Limited Partnership
Post Office Box 50250
Midland, Texas 79710
Attention: David Evans

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762
Attention: Brett Butterfield

Wilson Oil Company
1275 South Birch Street, Suite 604
Denver, Colorado 80246

CASE 1290: **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 from the surface to the base of the Morrow formation in the following described spacing and proration units located in Section 7, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico: The E/2 for all formations and/or pools developed on 320-acre spacing, which includes but is not necessarily limited to the Undesignated Osudo-Morrow Gas Pool, Undesignated Wilson-Atoka Gas Pool and the Undesignated Wilson-Morrow Gas Pool; the NE/4 for all formations and/or pools developed on 160-acre spacing which includes but is not necessarily limited to the Wilson Yates–Seven Rivers Associated Pool and the Undesignated Wilson-Strawn Pool; the E/2 NE/4 for all formations and/or pools developed on 80-acre spacing; and the SE/4 NE/4 for all formations and/or pools developed on 40-acre spacing. Said units are to be dedicated to its Packer “7” State Com Well No. 1 to be drilled at standard location 1980 feet from the North line and 660 feet from the East line of said Section 7 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 and a charge for risk involved in drilling said well. Said area is located approximately 20 miles southwest of Hobbs, New Mexico.

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William F. Carr

wcarr@hollandhart.com

July 11, 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.

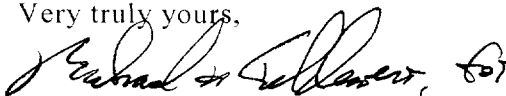
Ladies and Gentlemen:

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 gas spacing and proration unit comprised of the E/2 of Section 7, Township 21 South, Range 35 East, N.M.P.M., Lea County, New Mexico. Nearburg proposes to dedicate the referenced pooled unit to its Packer "7" State Com Well No. 1 to be drilled at a standard location 1980 feet from the North line and 660 feet from the East line of said Section 7.

This application has been set for hearing before a Division Examiner on August 1, 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
for Holland & Hart LLP
ATTORNEYS FOR NEARBURG
EXPLORATION COMPANY, L.L.C.

Enclosure

cc: Mr. Duke Roush
Nearburg Exploration Company L.L.C.