

HOLLAND & HART LLP
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
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

William F. Carr

wcarr@hollandhart.com

August 13, 2002

BY HAND DELIVERY

RECEIVED

AUG 13 2002

Ms. 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

Oil Conservation Division

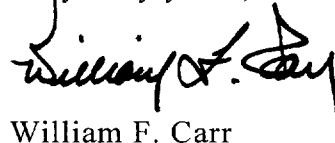
Re: New Mexico Oil Conservation Division Case 12908: Division
Nomenclature Case, August 1, 2002.

New Mexico Oil Conservation Division Case 12622 (De Novo):
Application of Nearburg Exploration Company, L.L.C. for approval
of two non-standard 160-acre gas spacing and proration units, Lea
County, New Mexico.

Dear Ms. Wrotenbery:

Enclosed is the Response of Nearburg Exploration Company, L.L.C.,
Great Western Drilling Company and CL&F Resources, L.P. to the Joint
Motion of Redrock Operating Ltd, Co. and Raptor Natural Pipeline L.L.C. to
Dismiss, in part, Case 12908 or, in the Alternative, to Re-open the Case and
their Motion to Consolidate for Hearing the Re-opened Portions of Case 12980
with Case 12622 (de novo).

Very truly yours,



William F. Carr

cc: Michael E. Stogner, Hearing Examiner
David Brooks, Esq.
W. Thomas Kellahin, Esq.
J. Scott Hall, Esq.
Robert Shelton
Nearburg Exploration Company, L.L.C.

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

RECEIVED

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

AUG 13 2002

Oil Conservation Division

CASE NO. 12908

APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING AND
EXTENDING CERTAIN POOLS,
LEA COUNTY, NEW MEXICO.

RESPONSE OF NEARBURG EXPLORATION COMPANY, L.L.C. TO THE
JOINT MOTION OF REDROCK OPERATING LTD, CO.
AND RAPTOR NATURAL PIPELINE L.L.C.
TO DISMISS, IN PART, CASE 12908
OR IN THE ALTERNATIVE TO RE-OPEN THE CASE
AND
MOTION TO CONSOLIDATE FOR HEARING THE RE-OPENED PORTIONS
OF CASE 12908 WITH CASE 12622 (DE NOVO)

Comes now Nearburg Exploration Company, L.L.C., Great Western Drilling Company and CL&F Resources, L.P. (hereinafter collectively referred to as "Nearburg") and hereby (1) respond to the Joint Motion of Redrock Operating Ltd, Co. and Raptor Natural Pipeline L.L.C. (Raptor") to Dismiss, In Part, Case 12908 or in the Alternative to Re-Open the Case, and (2) move the Division for an order consolidating for hearing re-opened portions of Case 12908 with the *de novo* hearing in Case 12622 currently scheduled for August 30, 2002.

1. On August 9, 2002, the attorney for Redrock Operating Ltd., Co. ("Redrock") contacted counsel for Nearburg and advised that it was filing a motion to dismiss or, in the alternative, reopen the portions of Oil Conservation Division Case 12908 which contract the boundaries of the East Grama Ridge Morrow Pool and concurrently extend the boundaries of the Grama Ridge-Morrow Gas Pool into areas which are the subject of Case No. 12622 that is scheduled for *de novo* review by the Oil Conservation Commission on August 30, 2002. Redrock advised it could not delay the filing of the motion while Nearburg was contacted to determine whether it would concur therein because a Division order could be entered in the case at any time.

2. The motion filed by Redrock and Raptor Natural Pipeline L.L.C. has been review by Nearburg which concurs in and supports the portion of the motion that seeks the re-opening of paragraphs (bb) and (cc) of Case 12908. These paragraphs, if approved by the Division, would contract the East Grama Ridge-Morrow Pool and

extend the Grama Ridge-Morrow Pool to include all of Section 34, Township 22 South, Range 34 East, NMPM.¹ This change in the pool boundaries would affect the issues between Nearburg and Redrock in Case 12622 concerning the development of the Morrow reserves under this section.

3. Division Order No. R- 11768 entered on May 22, 2002 in Case 12622 denied the application of Nearburg for the creation of two non-standard 160-acre spacing units in the E/2 of said Section 34. Finding (13) of this Order provides:

“All past and any future Morrow gas production from the Nearburg Grama Ridge East “34” State Well No. 1, as described above, should be allocated to either (i) the N/2 of Section 34, being a standard 320-acre lay-down gas spacing unit, in either the East Grama Ridge-Morrow Pool or the Grama Ridge-Morrow pool, **depending on the necessary adjustment to the pool boundaries to be sought through the Division’s nomenclature process**; or (ii) the E/2 of Section 34, being a standard 320-acre standup gas spacing unit in the East Grama ridge Morrow Gas Pool. (emphasis added)

Nearburg has sought *de novo* review of this order.

4. The language of Finding (13) concerning the adjustment of the boundaries of the Grama Ridge-Morrow Gas Pool makes it clear that even the Division recognized that a determination of the proper pool boundaries is necessary to a full resolution of the issues concerning the proper development of the Morrow reserves under Section 34.

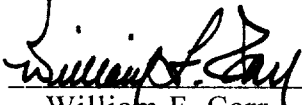
5. To resolve all issues between the parties, paragraphs (bb) and (cc) of Nomenclature Case No. 12908 should be continued and consolidated with the *de novo* review of Nearburg’s application for two non-standard units in the E/2 of this section.

6. The Nearburg Grama Ridge East “34” State Well No. 1 has now been shut in for more than 13 months pending a resolution of the dispute between the parties. To have a separate hearing on the proper boundaries of these pools instead of consolidating all issues in one hearing concerning the development of the Morrow reserves under Section 34 would result in unnecessary additional hearings and further delay a final resolution of the issues between the parties.

WHEREFORE, Nearburg Exploration Company, L.L.C., Great Western Drilling Company and CL&F Resources, L.P. request that the Oil Conservation Division (1) grant the motion of Redrock Operating, Ltd. and Raptor Natural Pipeline, L.L.C. to reopen paragraphs (bb) and (cc) of Case 12908, and (2) grant their motion to consolidate the hearing on these re-opened paragraphs with the *de novo* hearing on Nearburg’s appeal of Division order No. R-11768.

¹ Dismissal of paragraphs (bb) and (cc) of Case 12908 would only delay a final resolution of the issues in this dispute for, once dismissed, Nearburg would have to file a separate application seeking this change and request that the cases be consolidated for hearing.

Respectfully submitted,
HOLLAND & HART LLP

By: 
William F. Carr

ATTORNEYS FOR NEARBURG
EXPLORATION COMPANY, L.L.C., GREAT
WESTERN DRILLING COMPANY AND
CL&F RESOURCES, L.P.

CERTIFICATE OF SERVICE

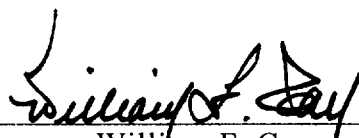
I hereby certify that a true and correct copy of the foregoing pleading has been transmitted by facsimile or hand delivery this 13th day of August to the following:

Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

David K. Brooks, Esq.
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504-2265
FAX NO. (505) 982-2047

J. Scott Hall, Esq.
Miller, Stratvert & Torgerson, P.A.
Post Office Box 1986
Santa Fe, New Mexico 87504-1986
FAX No. (505) 989-9857


William F. Carr