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September 17, 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 12939

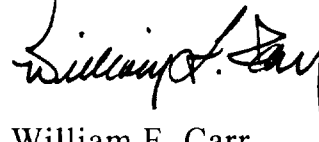
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RECEIVED

Re: Application of Nearburg Exploration Company, L.L.C. for
Compulsory Pooling and Directional Drilling, 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 October 12, 2002 Examiner hearings. *10 WFC*

Very truly yours,



William F. Carr

Enclosures

cc: Mr. Duke Roush (w/enclosures)
Nearburg Producing Company, L.L.C.

**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
AND DIRECTIONAL DRILLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12939

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 developed on 80-acre spacing in the S/2 SE/4 of Section 15, Township 17 South, Range 37 East, N.M.P.M., Lea County, New Mexico which includes but is not limited to the Undesignated Southwest Humble City-Strawn Pool. This pooled unit is to be dedicated to Nearburg's proposed Guernsey 15 Well No. 1Y (formerly the Rudy "22" State Well No. 1) to be re-entered at a standard surface location 710 feet from the North line and 570 feet from the East line in the NE/4 of offsetting Section 22, Township 17 South, Range 37 East, NMPM, and directionally drilled to a standard bottomhole location in the SE/4 of the Section 15 at a location 510 feet from the South line and 660 feet from the East line of said Section 15; and in support of its application states:

1. Nearburg is a working interest owner in the S/2 SE/4 of Section 15 and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled spacing or proration unit to its Guernsey 15 Well No. 1Y (formerly the Ruby "22" State Well No. 1) to be re-entered at a standard surface location 710 feet from the North line and 570 feet from the East line (Unit A) in the NE/4 NE/4 of offsetting Section 22, Township 17 South, Range 37 East, NMPM, and directionally drill in a northerly direction to a standard bottomhole location 510 feet from the South line and 600 feet from the East line (Unit P) in the SE/4 SE/4 of Section 15, Township 17 South, Range 37 East, NMPM. The well will be drilled to an approximate depth of 11,500 feet to test any and all formations from the surface to the base of the Strawn formation.

3. The Guernsey 15 Well No. 1Y will be located in the Undesignated Southwest Humble City-Strawn Pool that is governed by Special Rules and Regulations adopted by Division Order No. R-10595, dated May 10, 1996, that provide for 80-acre spacing units (Rule 3) with wells to be located within 150 feet of the center of a governmental quarter-quarter section (Rule 5).

4. Applicant has sought and has been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the subject spacing unit identified on Exhibit A to this application.

5. The proposed pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

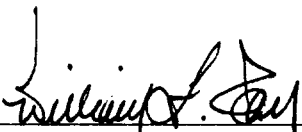
6. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Nearburg Producing Company, L.L.C. should be designated the operator of the well to be drilled.

WHEREFORE, Nearburg Exploration Company, L.L.C. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 10, 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 unit
- B. designating Nearburg Producing Company L.L.C. 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,
- 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, and
- F. Approving the directional drilling of the Guernsey "15" Well No. 1-Y from a surface location 710 feet from the North line and 570 feet from the East line Of Section 22 to a bottomhole location 510 feet from the South line and 660 feet from the East line of Section 15 all in Township 17 South, Range 37 East, NMPM.

Respectfully submitted,

HOLLAND & HART LLP

By: _____

WILLIAM F. 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 AND DIRECTIONAL DRILLING,
S/2 SE/4 OF SECTION 15, TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
LEA COUNTY, NEW MEXICO.

NOTIFICATION LIST

OXY USA WTP Limited Partnership
Post Office Box 50250
Midland, Texas 79710

ZIA Royalty, L.L.C.
Post Office Box 2160
Hobbs, New Mexico 88241

Norma Jean Chanley
Post Office Box 728
Hobbs, New Mexico 88240

XTO Energy, Inc.
810 Houston Street, Suite 2000
Fort Worth, Texas 76102

CASE 12939:

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling and directional drilling , Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Strawn formation in all formations and/or pools developed on 80-acre spacing in the S/2 SE/4 of Section 15, Township 17 South, Range 37 East, NMPM, to be dedicated to its Guernsey "15" Well No. 1-Y (formerly the Ruby "22" State Well No. 1) to be re-entered and directionally drilled from a standard surface location 710 feet from the North line and 570 feet from the East line in the NE/4 NE/4 of Section 22, Township 17 South, Range 37 East, NMPM, to a standard bottomhole location 510 feet from the South line and 660 feet from the East line in the SE/4 SE/4 of Section 15, Township 17 South, Range 37 East, NMPM,. The well will be drilled to a depth of approximately 11,500 feet to test all formations from the surface to the base of the Strawn formation. which the Undesignated Southwest Humble City-Strawn Pool. 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, 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 7 miles northwest of Hobbs, New Mexico.