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May 31, 1994

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
P. O. Box 2088
Santa Fe, New Mexico 87501

MAY 31 1994

11010

Re: B&B Well No. 2
S/2 Section 22, T19S, R25E, NMPM
Application of Nearburg Exploration
Company for Compulsory Pooling,
Eddy County, New Mexico

Dear Mr. Stogner:

On behalf of Nearburg Exploration Company, please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for June 23, 1994. Also enclosed is our proposed notice of publication for this case.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Oil Conservation Division
May 31, 1994
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Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, June 17, 1994, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin

Enclosure

cc: Nearburg Producing Company

cc: **BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED**
to all parties listed in application

CASE ____: Application of Nearburg Exploration Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the S/2 of Section 22, T19S, R25E, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Cemetery-Morrow Gas Pool. Said unit is to be dedicated to it B&B Well No. 2 to be drilled and completed at a standard gas well location (Unit O) in said Section 22. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 6 miles west from Lakewood, New Mexico.

11010

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

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

MAV - 1001

CASE NO. 11010

A P P L I C A T I O N

Comes now NEARBURG EXPLORATION COMPANY, by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the S/2 of Section 22, T19S, R25E, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated Cemetery-Morrow Gas Pool. Applicant proposes to dedicate this pooled unit to its B&B Well No. 2 to be drilled and completed at a standard gas well location (Unit O) said Section 22. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling said well.

In support of its application, Nearburg Exploration Company, ("Nearburg") states:

1. Nearburg has a working interest ownership in the oil and gas minerals from the top of the Wolfcamp formation to the base of the Morrow formation underlying the S/2 of Section 22, T19S, R25E, NMPM, Eddy County, New Mexico.

2. The subject tract is located within one-mile of the current boundaries of the Cemetery-Morrow Gas Pool, said pool being spaced on 320-acre gas spacing and proration units pursuant to Division Order R-3194 issued effective February 15, 1967.

3. The subject well is to be drilled at a standard gas well location 2173 feet from the East line and 660 feet from the South line (Unit O) of Section 22 to test any and all formations in the pooled interval from the top of the Wolfcamp formation to the base of the Morrow formation.

4. Nearburg has the voluntary agreement of approximately 86 % of the working interest ownership of the oil & gas minerals from the top of the Wolfcamp to the base of the Morrow formation underlying the S/2 of Section 22.

5. Nearburg has proposed the subject well and its spacing unit to the remaining working interest owners in this spacing unit as identified on Exhibit "A."

6. Despite its good faith efforts, Nearburg has been unable to obtain a written voluntary agreement from all of the parties listed on Exhibit "A."

7. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Nearburg needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's

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Nearburg Exploration Company
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request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for June 23, 1994.

WHEREFORE, Nearburg, as applicant, requests that this application be set for hearing on June 23, 1994 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling of the subject well at a standard gas well location upon terms and conditions which include:

- (1) Nearburg Producing Company be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates of \$6,000 per month drilling and \$600 per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) Provisions pooling any non-participating royalty interests owners; and
- (6) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
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Santa Fe, New Mexico 87501
(505) 982-4285

Exhibit "A"

Mr. James T. Jennings
P.O. Box 1180
Roswell, NM 88202

Tierra Oil Company
P.O. Box 1354
Roswell, NM 88202

Mr. Roy G. Barton, Jr.
P.O. Box 978
Roswell, NM 88202

Kerr-McGee Corporation
123 Robert S. Kerr Avenue
Oklahoma City, OK 73102

Yates Petroleum Corporation
Yates Drilling Company
Myco Industries, Inc.
Abo Petroleum Corporation
105 South Fourth Street
Artesia, NM 80210