

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



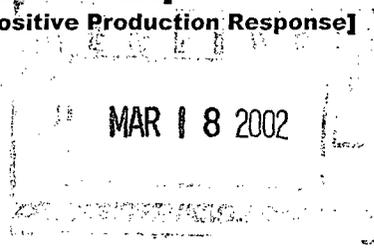
**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] TYPE OF APPLICATION - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement  
 DHC  CTB  PLC  PC  OLS  OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR
- [D] Other: Specify \_\_\_\_\_



- [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply
- [A]  Working, Royalty or Overriding Royalty Interest Owners
- [B]  Offset Operators, Leaseholders or Surface Owner
- [C]  Application is One Which Requires Published Legal Notice
- [D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E]  For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F]  Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

MS. Kim Stewart		Regulatory Analyst	3-14-02-
Print or Type Name	Signature	Title	Date
_____			
e-mail Address			

**Nearburg Producing Company**

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Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
915/686-8235  
Fax 915/686-7806

March 14, 2002

Mr. David Catanach  
State of New Mexico  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

RE: Lease & Surface Commingling for Off Lease Gas Measurement and Sales Meter  
Allocation Purposes  
Section 7-22S-26E and Section 12-22S-25E  
Eddy County, New Mexico

Dear Mr. Catanach:

Nearburg Producing Company hereby requests administrative approval for Lease commingling for Off Lease Gas Measurement and sales meter allocation of the production from the wells listed on Attachment I.

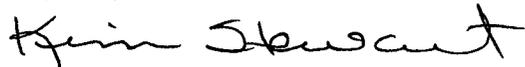
The sales meter for said wells is located in Section 6, T22S, R26E, Eddy County, New Mexico. See Attachment II showing each well location and sales meter.

All production will be metered using orifice flow meters and integrated on each individual well and the meters will be calibrated on a regular basis. Nearburg will allocate the sales meter volumes using the individual wellhead meter and integrated volumes. All gas production will be produced from the ~~Gem Morrow, East~~ and Revelation Morrow (Gas). Federal royalties will not be reduced by using the proposed measurement method.

Also, enclosed Attachment IV, a copy of the notification letter which was mailed to all interest owner and to the purchasers via Certified Mail.

If you have any questions, please feel free to contact me at the letterhead address.

Very truly yours,



Kim Stewart  
Regulatory Analyst

Enclosures

ATTACHMENT I

**White Tip 7 Federal Com #1** (30-015-30827)

Unit I, 1450' FSL and 890' FEL, Section 7-22S-26E, Eddy County, New Mexico

**White Tip 7 Federal Com #2** (30-015-31370)

SHL: Unit I, 1450' FSL and 725' FEL, Section 7-22S-26E, Eddy County, New Mexico

BHL: Unit K 1650' FSL and 1650' FWL, Section 7-22S-26E, Eddy County, New Mexico

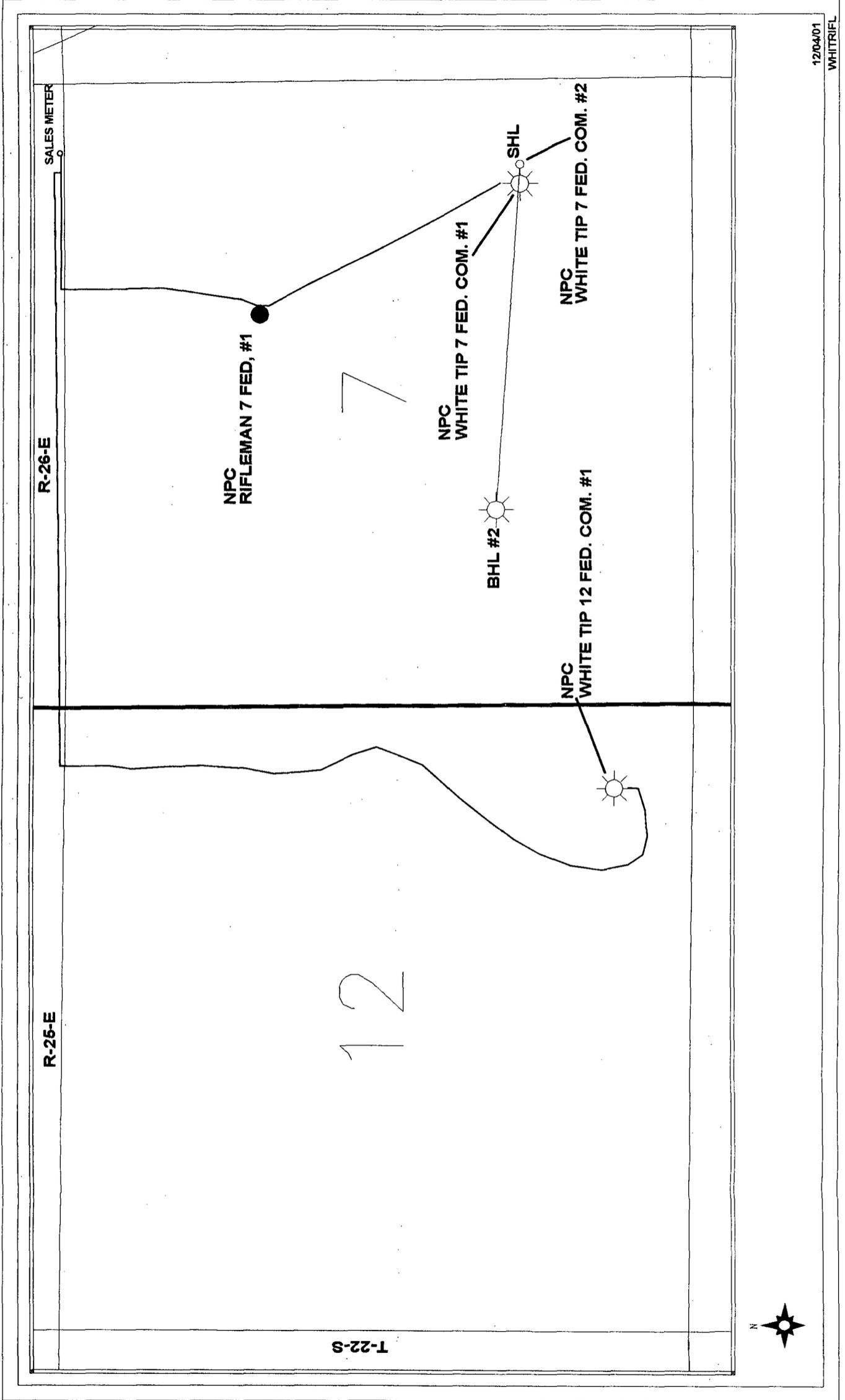
**Rifleman 7 Federal Com #1** (30-015-28858)

Unit G, 1650' FNL and 1980' FEL, Section 7-22S-26E, Eddy County, New Mexico

**White Tip 12 Federal Com #1** (30-015-31209)

Unit P, 660' FSL and 710' FEL, Section 12-22S-25E, Eddy County, New Mexico

# ATTACHMENT II



ATTACHMENT IV

January 7, 2002

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

TO: INTEREST OWNERS AND PURCHASER  
(List Attached)

RE: Notification of Application of Nearburg Producing Company  
for Administrative Approval for Lease and Surface Commingling for Off  
Lease Gas Measurement and Sales Meter Allocation Purposes  
Section 7, T22S, R26E, Eddy County, New Mexico  
Section 12, T22S, R25E, Eddy County, New Mexico

Dear Interest Owner or Purchaser:

Nearburg Producing Company hereby notifies you that it is seeking approval to first meter and then commingle and off lease measure gas production from wells listed on Attachment I. The common sales meter is located in Section 6, T22S, R26E, Eddy County, New Mexico. See Attachment II showing each well location and sales meter.

If you have objection to this request, then it is necessary for you to file a written objection within twenty (20) days of January 7, 2002, with Oil Conservation Division of the State of New Mexico and Bureau of Land Management. If you have no objection, then it is not necessary to do anything.

Please feel free to call if I can be of any assistance.

Very truly yours,



Kim Stewart  
Regulatory Analyst

Encl.

ATTACHMENT IV (CON'T)

DISTRIBUTION LIST

Fasken Land & Minerals, LTD  
303 West Wall Ave, Suite 1900  
Midland, TX 79701

Tom Brown, Inc.  
P. O. Box 2608  
Midland, TX 79702

Tim R. MacDonald  
23 Graham Lane  
Lucas, TX 75002

Nearburg Exploration Co, L.L.C.  
PO Box 823085  
Dallas, TX 75382-3085

Matador E&P Company  
8340 Meadow Road, Suite 150  
Dallas, TX 75231-3751

El Paso Natural Gas  
1100 first Interstate Bank  
1000 Louisiana  
Houston, TX 77002

Amoco Pipeline – ICT  
502 North West Avenue  
Levelland, TX 79336

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
Budget Bureau No. 1004-0135  
Expires: March 31, 1993

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT-" for such proposals

**SUBMIT IN TRIPLICATE**

1. Type of Well  
 Oil Well     Gas Well     Other

2. Name of Operator  
 Nearburg Producing Company

3. Address and Telephone No.  
 3300 North A Street, Building 2, Suite 120, Midland, TX 79705 (915) 686-8235

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
 Unit I, 1450' FSL and 890' FEL, Section 7-22S-26E

5. Lease Designation and Serial No.  
 LC 064528 A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.  
 White Tip 7 Federal Com #1

9. API Well No.  
 30 015 30827

10. Field and Pool, or Exploratory Area  
 Happy Valley; Morrow (Gas)

11. County or Parish, State  
 Eddy County, New Mexico

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input type="checkbox"/> Other <u>Off Lease Gas Measurement &amp; Lease Commingling</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)\*

Nearburg Producing Company requests for approval of Off Lease Gas Measurement for Sale Meter Allocations and Lease Commingling with the following wells:

- 1.) White Tip 7 Federal Com #2  
 SHL: Unit I, 1450' FSL and 725' FEL  
 BHL: Unit K, 1650' FSL and 1650' FWL  
 Section 7-22S-26E  
 Eddy County, New Mexico
- 2.) Rifleman 7 Federal Com #1  
 Unit G, 1650' FNL and 1980' FEL  
 Section 7-22S-26E  
 Eddy County, New Mexico
- 3.) White Tip 12 Federal Com #1  
 Unit P, 660' FSL and 710' FEL  
 Section 12-22S-25E  
 Eddy County, New Mexico

14. I hereby certify that the foregoing is true and correct

Signed Kim Stewart  
 (This space for Federal or State office use)

Title Regulatory Analyst

Date 11/15/2001

Approved by \_\_\_\_\_  
 Conditions of approval, if any:

Title \_\_\_\_\_

Date \_\_\_\_\_

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*See Instruction on Reverse Side

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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Budget Bureau No. 1004-0135  
Expires: March 31, 1993

**SUNDRY NOTICES AND REPORTS ON WELLS**

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT-" for such proposals

**SUBMIT IN TRIPLICATE**

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Designation and Serial No. NMNM 02500
2. Name of Operator Nearburg Producing Company	6. If Indian, Allottee or Tribe Name
3. Address and Telephone No. 3300 North A Street, Building 2, Suite 120, Midland, TX 79705 (915) 686-8235	7. If Unit or CA, Agreement Designation NM 105350
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) SHL: Unit I, 1450' FSL and 725' FEL, Section 7-22S-26E BHL: Unit K, 1650' FSL and 1650' FWL, Section 7-22S-26E	8. Well Name and No. White Tip 7 Federal Com #2
	9. API Well No. 30 015 31370
	10. Field and Pool, or Exploratory Area Happy Valley; Morrow (Gas)
	11. County or Parish, State Eddy County, New Mexico

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input type="checkbox"/> Other <u>Off Lease Gas Measurement &amp; Lease Commingling</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)\*

Nearburg Producing Company requests for approval of Off Lease Gas Measurement for Sale Meter Allocations and Lease Commingling with the following wells:

- 1.) White Tip 7 Federal Com #1  
Unit I, 1450' FSL and 890' FEL  
Section 7-22S-26E  
Eddy County, New Mexico
- 2.) Rifleman 7 Federal Com #1  
Unit G, 1650' FNL and 1980' FEL  
Section 7-22S-26E  
Eddy County, New Mexico
- 3.) White Tip 12 Federal Com #1  
Unit P, 660' FSL and 710' FEL  
Section 12-22S-25E  
Eddy County, New Mexico

14. I hereby certify that the foregoing is true and correct

Signed Kim Stewart Title Regulatory Analyst Date 11/15/2001  
(This space for Federal or State office use)

Approved by \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_  
Conditions of approval, if any: \_\_\_\_\_

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
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**SUBMIT IN TRIPLICATE**

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Designation and Serial No. NMM 103139
2. Name of Operator Nearburg Producing Company	6. If Indian, Allottee or Tribe Name
3. Address and Telephone No. 3300 North A Street, Building 2, Suite 120, Midland, TX 79705 (915) 686-8235	7. If Unit or CA, Agreement Designation
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Unit G, 1650' FNL and 1980' FEL, Section 7-22S-26E	8. Well Name and No. Rifleman 7 Federal Com #1
	9. API Well No. 30 015 28858
	10. Field and Pool, or Exploratory Area Happy Valley; Morrow (Gas)
	11. County or Parish, State Eddy County, New Mexico

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

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	<input type="checkbox"/> Altering Casing
	<input type="checkbox"/> Other <u>Off Lease Gas Measurement &amp; Lease Commingling</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
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- 1.) White Tip 7 Federal #1  
Unit I, 1450' FSL and 890' FEL  
Section 7-22S-26E  
Eddy County, New Mexico
- 2.) White Tip 7 Federal Com #2  
SHL: Unit I, 1450' FSL and 725' FEL  
BHL: Unit K, 1650' FSL and 1650' FWL  
Section 7-22S-26E  
Eddy County, New Mexico
- 3.) White Tip 12 Federal Com #1  
Unit P, 660' FSL and 710' FEL  
Section 12-22S-25E  
Eddy County, New Mexico

14. I hereby certify that the foregoing is true and correct

Signed Kim Stewart Title Regulatory Analyst Date 11/15/2001  
(This space for Federal or State office use)

Approved by \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_  
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Use "APPLICATION FOR PERMIT-" for such proposals

5. Lease Designation and Serial No.  
LC 064528 A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

**SUBMIT IN TRIPLICATE**

1. Type of Well  
 Oil Well  Gas Well  Other

8. Well Name and No.  
White Tip 12 Federal Com #1

2. Name of Operator  
Nearburg Producing Company

9. API Well No.  
30 015 31209

3. Address and Telephone No.  
3300 North A Street, Building 2, Suite 120, Midland, TX 79705 (915) 686-8235

10. Field and Pool, or Exploratory Area  
Revelation Morrow (Gas)

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
Unit P, 660' FSL and 710' FEL, Section 12-22S-25E

11. County or Parish, State  
Eddy County, New Mexico

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION	
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion	<input type="checkbox"/> New Construction
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Altering Casing	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Other <small>Off Lease Gas Measurement &amp; Lease Commingling</small>	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

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- 1.) White Tip 7 Federal Com #1  
Unit I, 1450' FSL and 890' FEL  
Section 7-22S-26E  
Eddy County, New Mexico
- 2.) White Tip 7 Federal Com #2  
SHL: Unit I, 1450' FSL and 725' FEL  
BHL: Unit K, 1650' FSL and 1650' FWL  
Section 7-22S-26E  
Eddy County, New Mexico
- 3.) Rifleman 7 Federal Com #1  
Unit G, 1650' FNL and 1980' FEL  
Section 7-22S-26E  
Eddy County, New Mexico

14. I hereby certify that the foregoing is true and correct

Signed Kin Stewart  
(This space for Federal or State office use)

Title Regulatory Analyst

Date 11/15/2001

Approved by \_\_\_\_\_  
Conditions of approval, if any:

Title \_\_\_\_\_

Date \_\_\_\_\_

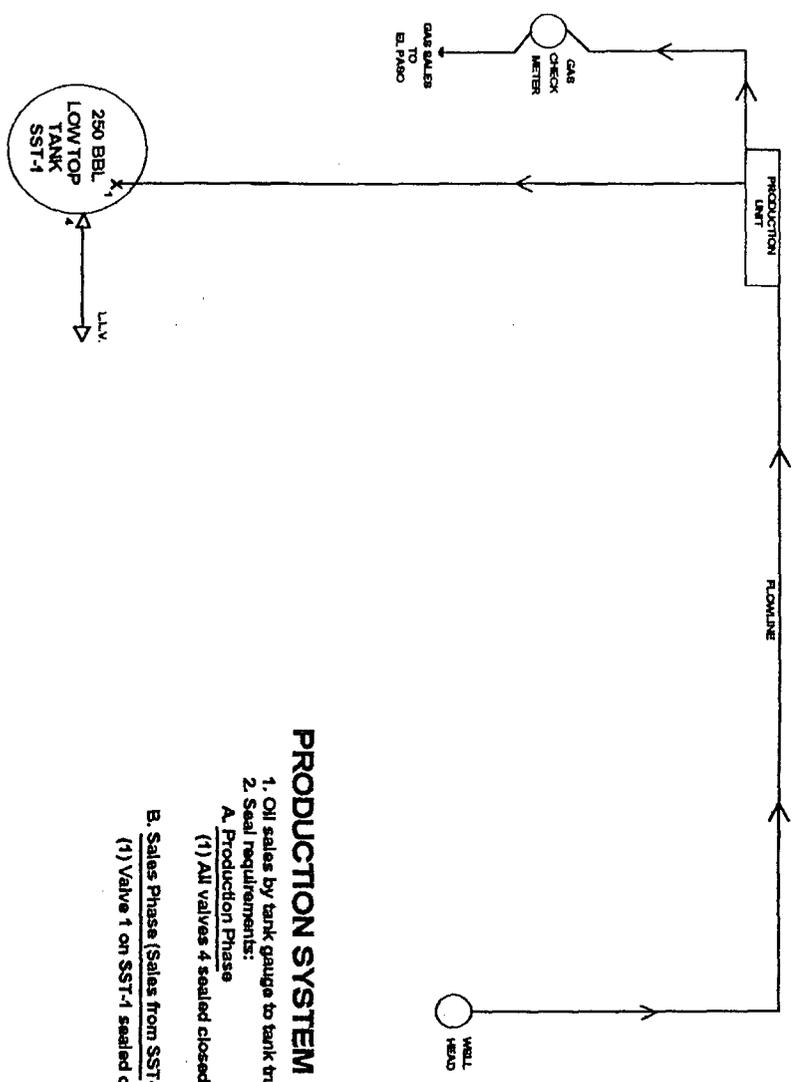
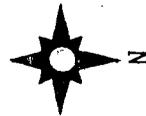
**Reference to question #8:**

Detailed Economic Justification:

Nearburg negotiated a low transportation rate with El Paso Field Services. Nearburg was able to negotiate the rate by dedicating multiple wells and delivering our gas to a central point on El Paso Field Services system. The gas is subsequently delivered to our market on El Paso's mainline, where we receive spot market pricing. The gas price is increased under this type of central delivery point contract. The central point contract enables us to deliver a larger package of gas to a mainline point, where we can negotiate a higher price per mmbtu on larger packages of gas. A higher gas price always helps the long term economics. The royalty owner benefits the most from this type of contract. The working interest owners lay the pipe to the central point at no cost to the royalty owner. (see cost below) The above contract provides us a better gas price, which extends the economic life of the wells.

Estimated cost paid by working Interest Owners:

Pipeline: Approx. 3.25 miles @ \$10/FT =	\$171,600
Meters: 4 allocation meters @ \$4,000 each =	\$ 16,000
<b>Total costs:</b>	<b><u>\$187,600</u></b>



### PRODUCTION SYSTEM - OPEN

- 1. Oil sales by tank gauge to tank truck
- 2. Seal requirements:
  - A. Production Phase
    - (1) All valves & sealed closed
  - B. Sales Phase (Sales from SST-1)
    - (1) Valve 1 on SST-1 sealed closed

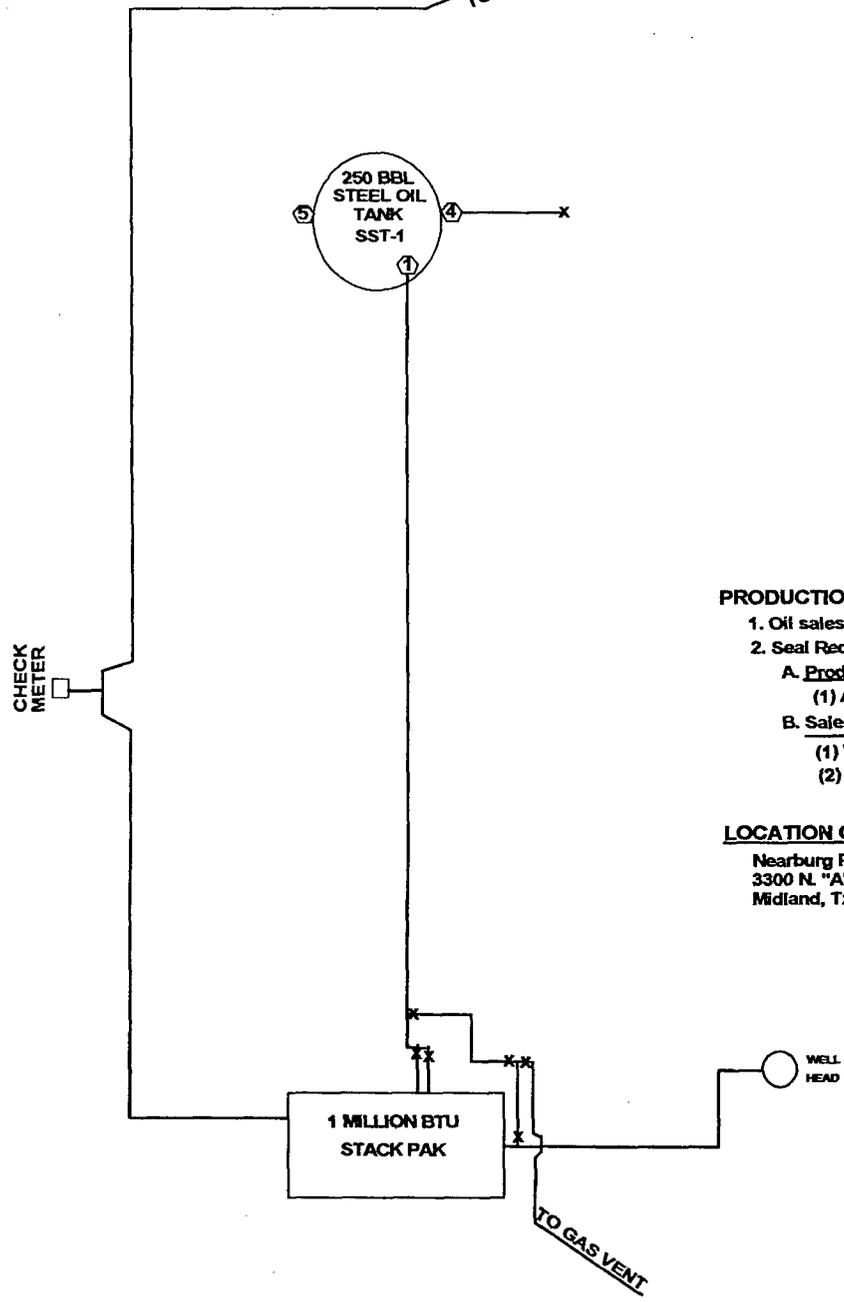
### LOCATION OF SITE SECURITY PLANS

Nearburg Producing Company  
3300 N. "A" Street, Bldg. 2, Ste. 120  
Midland, Tx., 79705

### Site Facility Diagram

Nearburg Producing Company  
Rite-man 7 Fed. #1  
1650 FNL 1980 FEL  
Unit G, Sec. 7 T22S, R26E  
Eddy County, New Mexico L.C. #064528-A  
API #30-016-28858

2.716" TBG. ON TOP GRND.  
TO EL PASO SALES METER



**PRODUCTION SYSTEM - OPEN**

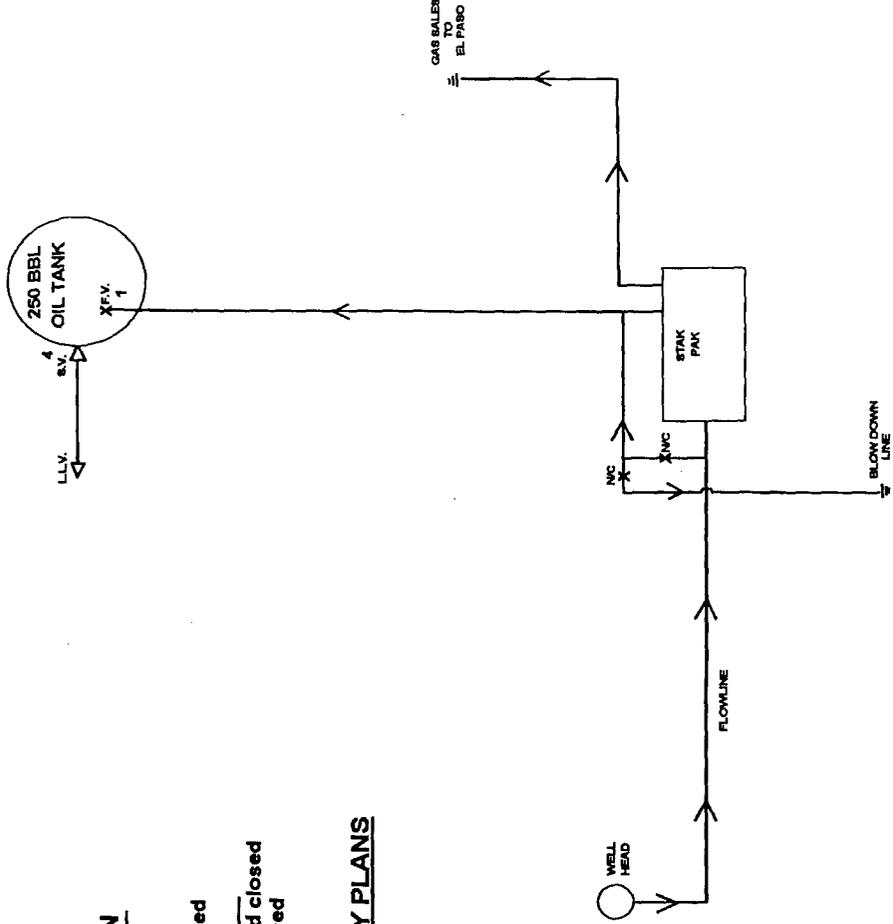
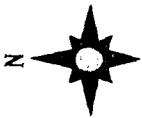
- 1. Oil sales by tank gauge to tank truck
- 2. Seal Requirements
  - A. Production Phase
    - (1) All valves 4 sealed closed
  - B. Sales Phase (Sales from SST-1)
    - (1) Valve 1 on SST-1 sealed close
    - (2) All valves 5 sealed close

**LOCATION OF SITE SECURITY PLANS**

Nearburg Producing Company  
3300 N. "A" Street, Bldg. 2, Ste. 120  
Midland, Tx. 79705

**Site Facility Diagram**

Nearburg Producing Company  
 WHITE TIP "7" FED. COM. #1  
 1450' FSL, 890 FEL  
 Sec. 7, T22S, R26E  
 Eddy County, New Mexico  
 LC #064528-A

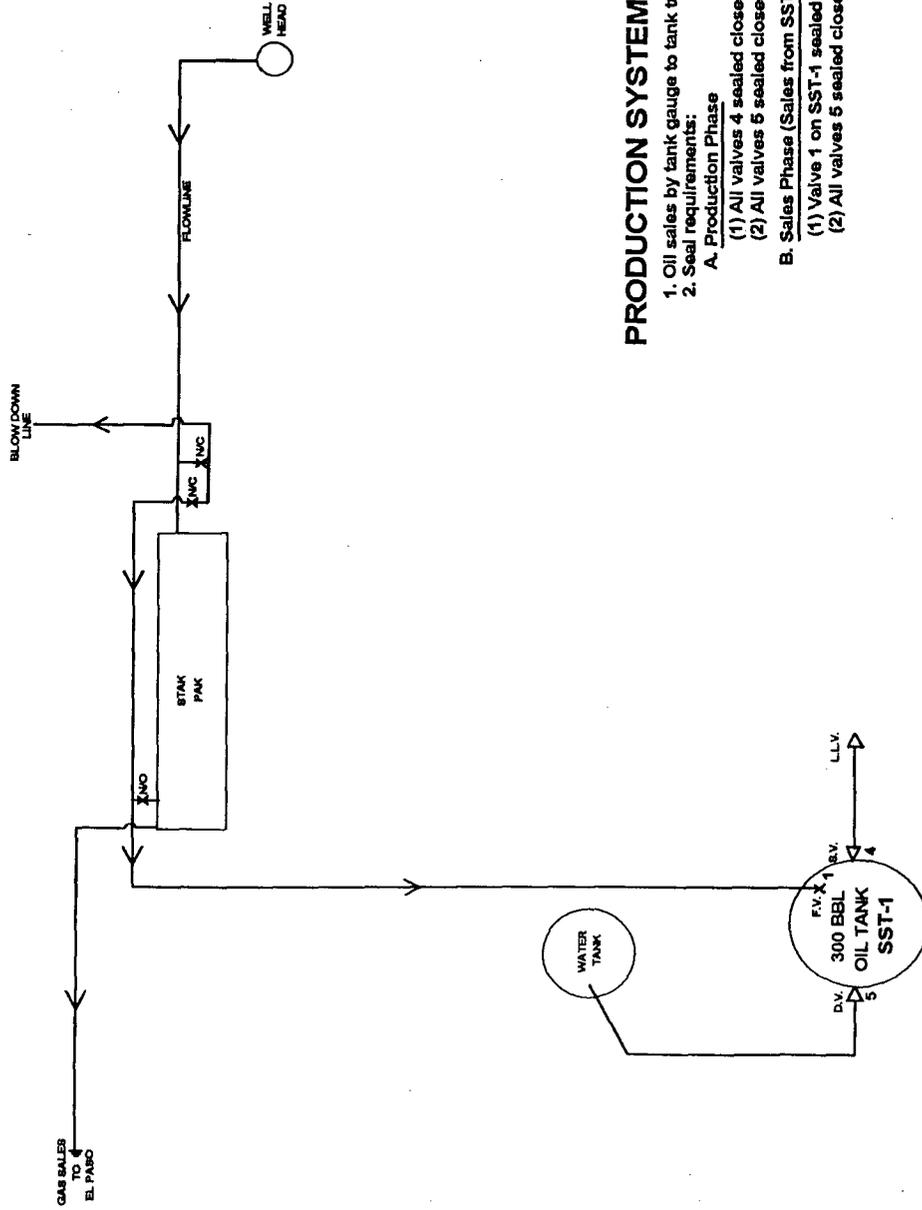
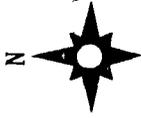


- PRODUCTION SYSTEM - OPEN**
1. Oil sales by tank gauge to tank truck
  2. Seal Requirements
    - A. Production Phase
      - (1) All valves 4 sealed closed
    - B. Sales Phase (Sales from SST-1)
      - (1) Valve 1 on SST-1 sealed closed
      - (2) All valves 4 sealed closed

**LOCATION OF SITE SECURITY PLANS**

Nearburg Producing Company  
 3300 N. "A" Street, Bldg. 2, Ste. 120  
 Midland, Tx, 79705

Site Facility Diagram
Nearburg Producing Company
Whit6p 7 Fed. #2
SHL: 1450' FSL, 725' FEL Unit I
BHL: 1650' FSL, 1650' FWL Unit K
Sec. 7, T22S, R26E NM #02500
Eddy County, New Mexico, API #30-015-31370



### PRODUCTION SYSTEM - OPEN

1. Oil sales by tank gauge to tank truck
2. Seal requirements:
  - A. Production Phase
    - (1) All valves 4 sealed closed
    - (2) All valves 5 sealed closed
  - B. Sales Phase (Sales from SST-1)
    - (1) Valve 1 on SST-1 sealed closed
    - (2) All valves 5 sealed closed

### LOCATION OF SITE SECURITY PLANS

Nearburg Producing Company  
 3300 N. "A" Street, Bldg. 2, Ste. 120  
 Midland, Tx., 79705

#### Site Facility Diagram

Nearburg Producing Company  
 Whitetip 12 Fed.Com. #1  
 680' FSL 710' FEL  
 Unit P Sec. 12, T22S, R25E  
 Eddy County, New Mexico L.C. #0624528-A  
 API #30-016-31209