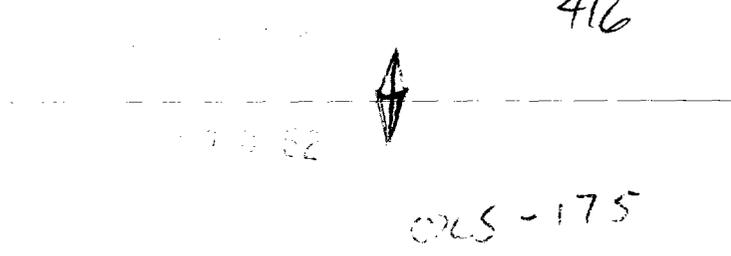


CSB 10-2-95
416

Nearburg Producing Company

Exploration and Production
419 W. Cain
Hobbs, New Mexico 88240
505-397-4166
FAX 505-397-3361



September 1, 1995

Oil Conservation Commission
P. O. Box 2088
Santa Fe, NM 87504-2088
Attn: Mr. David Catanach

Re: Off-Lease Storage and Measurement
North Dagger Draw Upper Penn Pool
Eddy County, New Mexico

Mr. Catanach:

Nearburg Producing Company requests administrative approval under rule 309-B for off-lease metering and storage from the well on the left below to the production battery located at the well listed on the right below:

South Boyd 27 #6
990' FNL and 660' FWL
Unit D, Section 27, T19S, R25E
Eddy County, New Mexico
Fee Lease

South Boyd 27 #4
1,930' FSL and 660' FWL
Unit L, Section 27, T19S, R25E
Eddy County, New Mexico
Fee Lease

A flowline is planned to be laid due South, about 2,300', from the South Boyd 27 #6 to the existing NPC South Boyd 27 #4 battery. Additional separation equipment will be installed at this location for independent measurement of production from each well. Storage of the commingled liquids prior to sales will be located at the South Boyd 27 #4 battery location. A map labeled Attachment I showing the subject well locations and new flowline is enclosed for your information.

The purpose of this off-lease storage is to reduce operating costs for storage and treating, thereby extending the economic life of each well. Without approval for utilizing existing batteries on adjacent leases, it will become necessary to build separate facilities for each well. This will greatly increase costs and shorten the economic life of the wells.

Because working interests for the wells are different, oil from each of the wells will be measured by positive displacement, temperature compensated metering equipment prior to

surface commingling. Gas from the wells will also be metered separately. This metering will ensure that all production from each of the wells is equitably accounted for with no significant effect on revenue. The production is from the same producing zone which is the Canyon.

In accordance with the Oil Conservation Division's Rules 303-B and 309-B, the following diagrams and maps are enclosed for your information.

Attachment II A diagram of the proposed measurement equipment, separators and storage tanks in accordance with the "Manual for Installation and Operation of Commingling Facilities."

Attachment III Notification of interest owners. All required notices pursuant to Rule 309-B (3) have been made and consents, once received, will be forwarded to your office.

If you should have any questions or need further information, please call me at the letterhead number.

Sincerely,



E. Scott Kimbrough
Manager of Drilling and Production

ESK:pgh

Encl. as stated

cc: Well File
 TRM
 BS

Section 27, T19S, R25E

□ South Boyd 27 #6

○ SB 27 No. 3

▼
□ Production Pad Location

South Boyd 27 #4

○ 5 STATE
MINERAL
(NOT YET DRILLED)

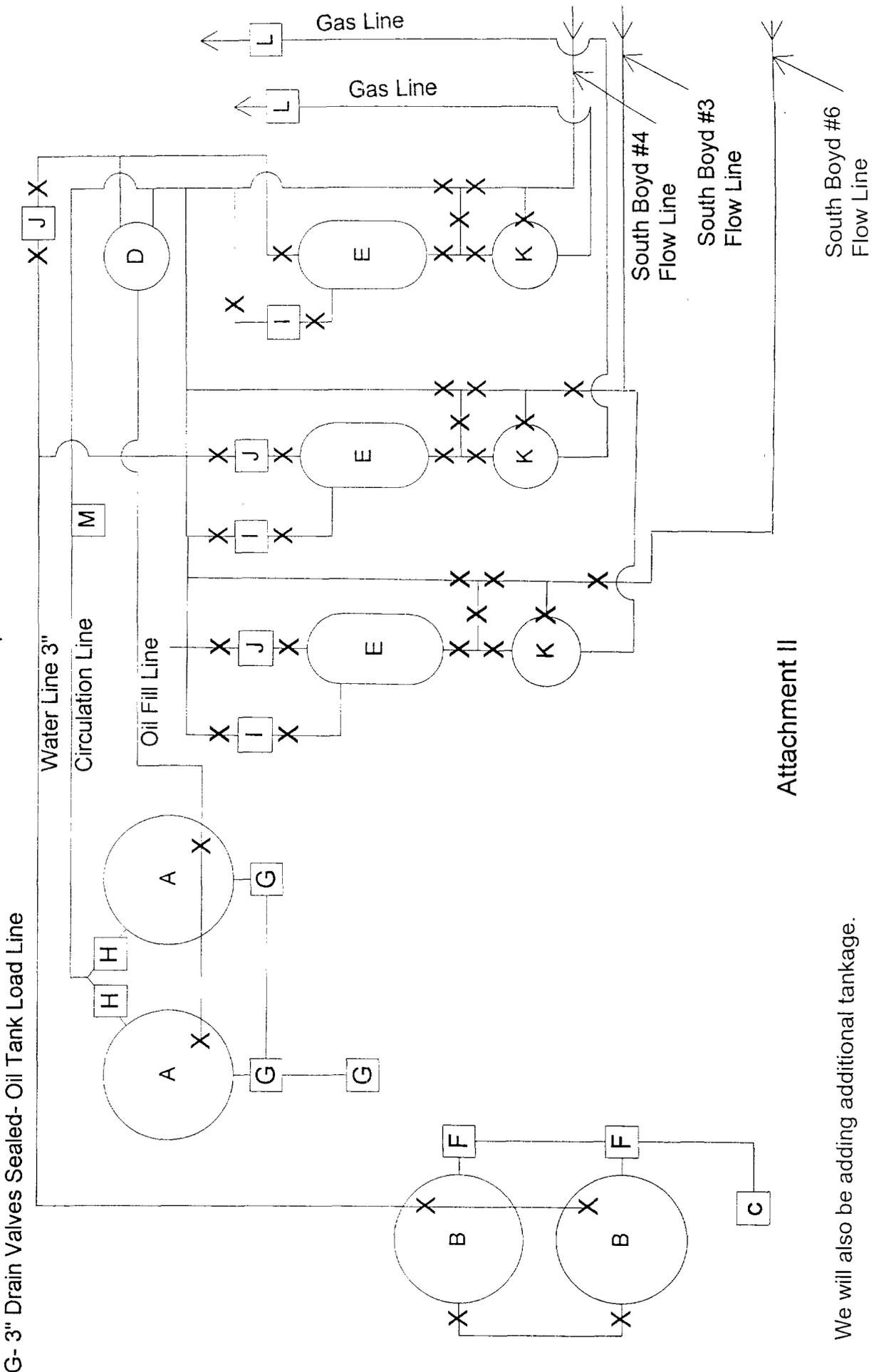
Attachment I.

N

South Boyd 27 #4
 1980' FSL and 660' FWL
 Section 27, T19S, R25E
 Eddy County, NM

H- 3" Drain Valves Sealed
 I- Oil Meters 1 & 1/2" Turbin
 J- Water Meters 1 & 1/2" Turbin
 K- Two Phase Separator 30" x 10'
 L- Gas Sales check meters
 M- Oil Circulation Pump

A- 500 BBL Steel Oil Tank
 B- 500 BBL Fiberglass Water Tank
 C- Water Transfer Pump
 D- Heater Treater 6' x 20'
 E- Free Water Knockout 4' x 10'
 F- 4" Valves
 G- 3" Drain Valves Sealed- Oil Tank Load Line



Attachment II

We will also be adding additional tankage.

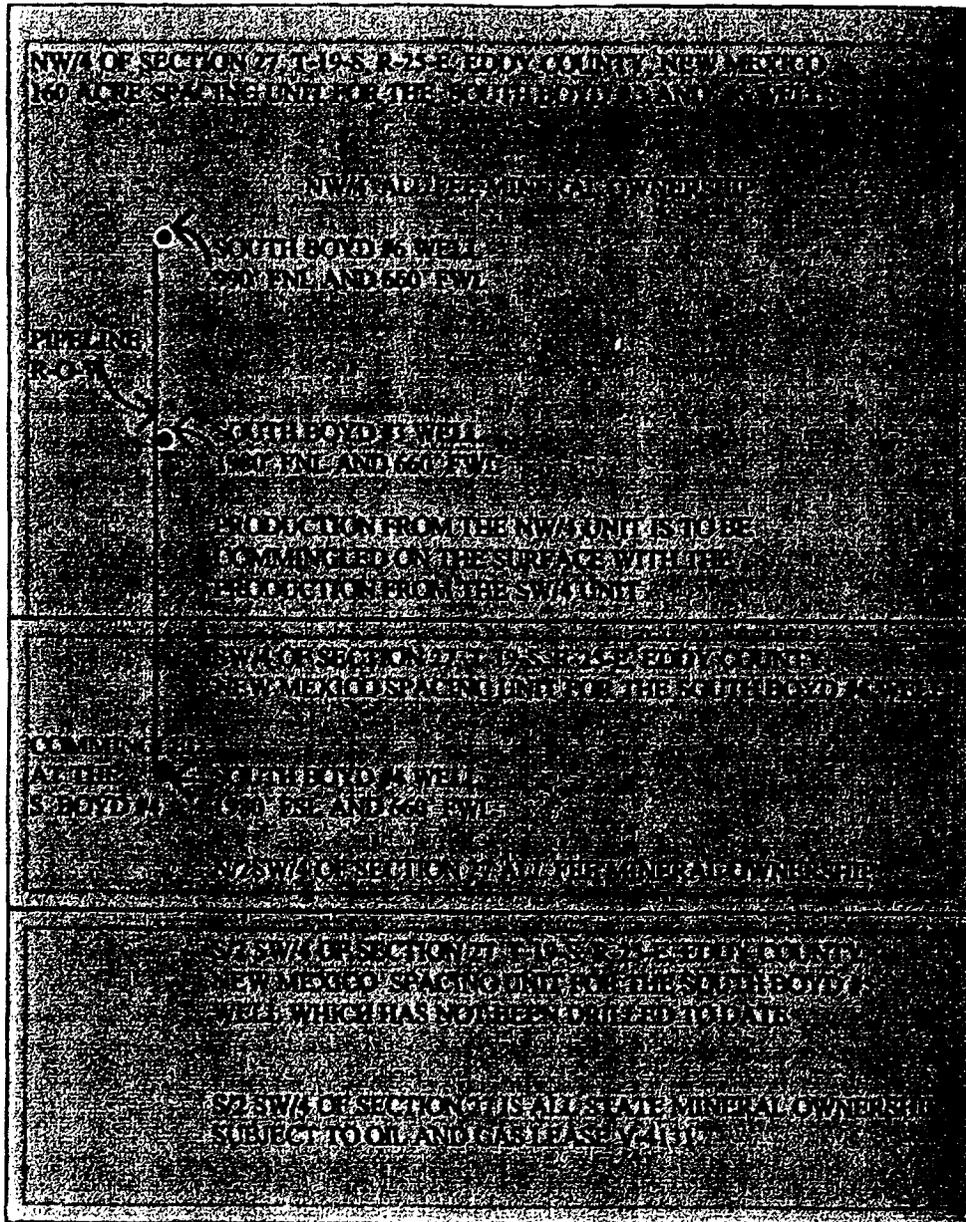
South Boyd 27 #6 and South Boyd 27 #4 - Interest Owners

43
Nearburg Exploration Company
P. O. Box 823085
Dallas, TX 75382-3085

Steven L. Postill
4985 Courtland Loop
Winter Springs, FL 32708

Tierra Oil Company
P. O. Box 700968
San Antonio, TX 78270-0968

EXHIBIT "A"
 SURFACE COMMINGLING FOR NW/4 AND SW/4
 SECTION 27, TOWNSHIP-19-SOUTH, RANGE-25-EAST
 EDDY COUNTY, NEW MEXICO



ILLEGIBLE