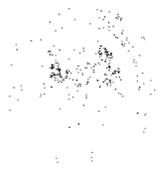


COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766

ADMINISTRATION
Phone (505) 827-5700
Fax (505) 827-5853

GENERAL COUNSEL
Phone (505) 827-5713
Fax (505) 827-4262

PUBLIC AFFAIRS
Phone (505) 827-1245
Fax (505) 827-5766



**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

CTB-525
COMMERCIAL RESOURCES
Phone (505) 827-5724
Fax (505) 827-6157

MINERAL RESOURCES
Phone (505) 827-5744
Fax (505) 827-4739

ROYALTY MANAGEMENT
Phone (505) 827-5772
Fax (505) 827-4739

SURFACE RESOURCES
Phone (505) 827-5793
Fax (505) 827-5711

May 14, 2002

Nearburg Producing Company
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

Attention: Ms. Kim Stewart

Re: Surface Commingling and
Off Lease Gas Measurement
Sections, 29, 32 and 33
Township 17 South, Range 27 East
Eddy County, New Mexico

Dear Ms. Stewart:

We are in receipt of your letter of May 2, 2002 requesting our approval for Surface Commingling and Off Lease Gas Measurement of the production from the following wells:

Chevron 32 State Com Well No. 1-A, Sec. 32-17S-27E
Exxon 33 Federal Com Well No. 1-E, Sec. 33-17S-27E
Trigg 29 Federal Com Well No. 1-I, Sec. 29-17S-27E

It is our understanding that you will first meter all production with a check meter from the wellhead, then commingle and off lease measure the gas production from the above mentioned wells. The common sales meter is located in Section 28, Township 17 South, Range 27E.

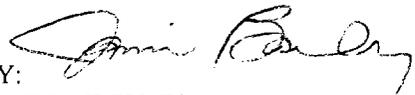
Since it appears that all the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico, as a result of your proposed operation, your request is hereby approved. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Your \$30.00 dollar filing fee has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/JB/pm
pc: Reader File, OCD-Attention: David Catanach

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 _____

APR 18 2002

- [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.

Kim Stewart _____ Regulatory Analyst _____ 4-16-02
 Print or Type Name Signature Title Date

 e-mail Address

Nearburg Producing Company

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

April 16, 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 29-17S-27E, Section 32-17S-27E and Section 33-17S-27E
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.

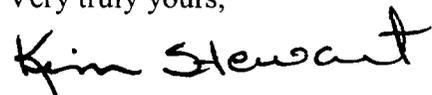
The sales meter for said wells is located in Section 28, T17S, R27E, Eddy County, New Mexico. See Attachment II showing each well location and sales meter.

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 Logan Draw Morrow (Gas). Federal and State 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

Nearburg Producing Company
Exploration and Production

facsimile transmittal

To: State New Mexico Attn: Will Jones

From: Kim Stewart Date: 5-2-02

Re: Commings Permit Pages: _____

Urgent

For Review

Please Comment

Please Reply

Confidentiality Note: The information contained in this facsimile message is legally privileged and confidential information intended for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of this transmittal is strictly prohibited. If you have received this telecopy in error, please notify us by telephone immediately. THANK YOU

3300 N. "A" Street, Bldg. 2, Ste. 120, Midland, TX, 79705, USA
Tel (011) 915 686 8235 Fax (011) 915 686 7806

Nearburg Producing Company

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

May 2, 2002

Mr. Pete Martinez
Commissioner of Public Lands for the State of New Mexico
310 Oil Santa Fe Trail
Santa Fe, New Mexico 87504

Re: Lease and Surface Commingling and Off Lease Gas Measurement for
Section 29-17S-27E, Section 32-17S-27E & Section 33-17S-27E,
Eddy County, New Mexico

Dear Mr. Martinez:

Nearburg Producing Company hereby requests administrative approval for Lease and Surface
Commingling and Off Lease Gas Measurement of the production from the wells listed on Attachment
I. The sales meter for off lease measurement is located in Section 28, T17S, R27E, Eddy County,
New Mexico on Attachment II.

All production will be metered with a check meter from wellhead and sales meter. The meters will be
calibrated on a regular basis.

The purpose of the Commingling and Off Lease Measurement is to reduce facility and operating costs.

In accordance with Oil Conservation Division's Rule 309 C, the following Attachment IV, notification
of interest owners and purchasers by Certified mail are enclosed. All required notices pursuant to
Rule 309 C have been mailed to these owners and purchaser with instructions that any objection must
be filed within twenty (20) days.

Please find attached a check in the amount of \$30.00 for filing fees.

Thank you for your cooperation in this matter. If you have any questions, please feel free to contact
me.

Very truly yours,


Kim Stewart
Regulatory Analyst

Attachments

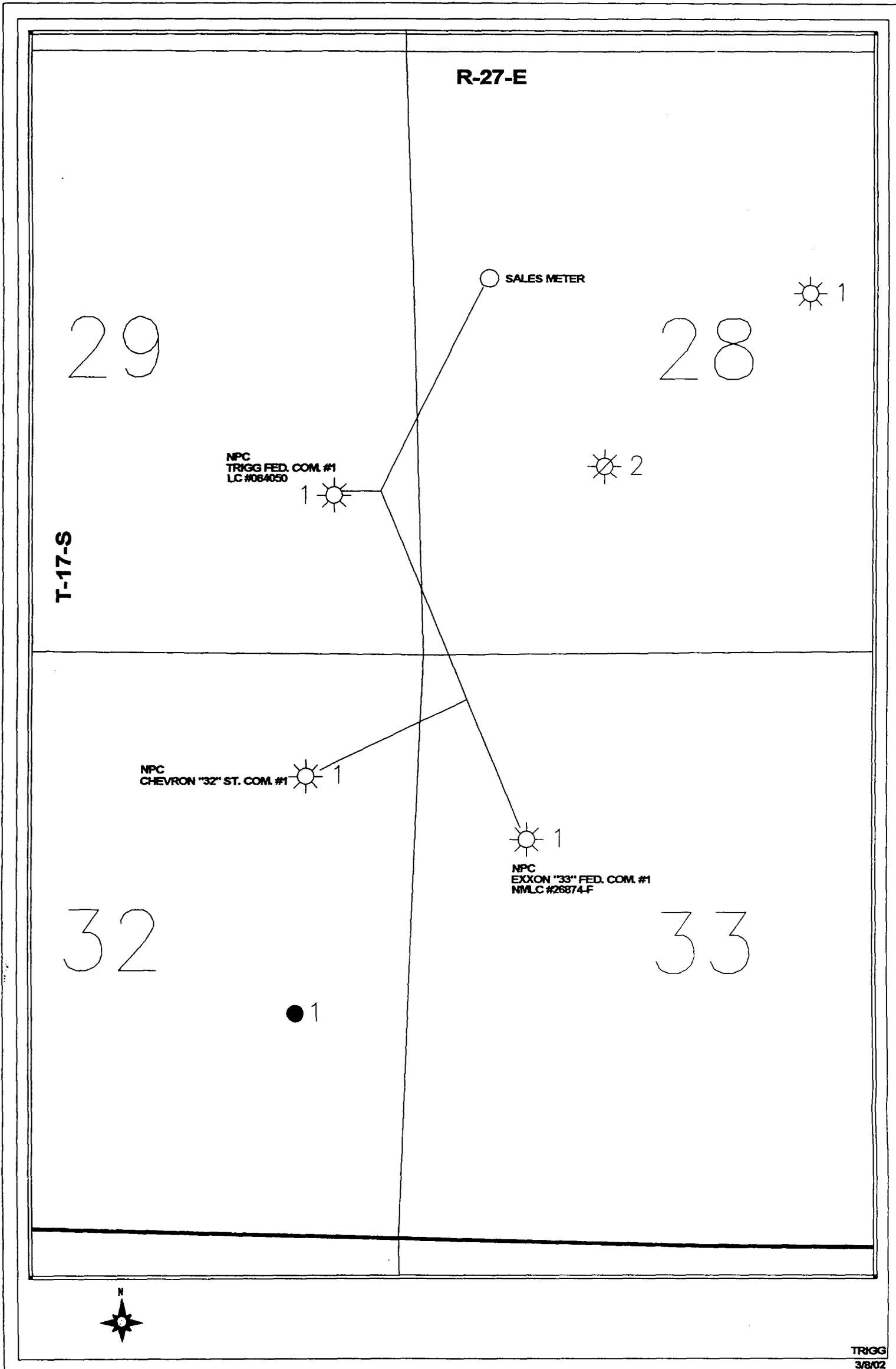
ATTACHMENT I

Chevron 32 State Com #1 (30-015-29368)
Unit A, 1090' FNL and 990' FEL, Section 32-17S-27E
Eddy County, New Mexico

Exxon 33 Federal Com #1 (30-015-29021)
Unit E, 1650' FNL and 990' FWL, Section 33-17S-27E
Eddy County, New Mexico

Trigg 29 Federal Com #1 (30-015-28711)
Unit I, 1400' FSL and 750' FEL, Section 29-17S-27E
Eddy County, New Mexico

ATTACHMENT II



TRIGG CPD ALLOCATION - METER 68414

DECEMBER 2001

Purchaser: Coral Energy Resources, LP
Pipeline: El Paso Field Services

Actual Volume

Allocated Sales to each well

Property	Property No.	Folitech		Allocated Sales		
		Wellhead @ 14.65 sat Mcf	Allocated Percentage	Mcf @ 14.73	Mcf @ 15.025	MMBtu
Chevron 32 St Com No. 1	556124	9,044	0.155065	8,928	8,753	9,786
Exxon 33 Fed No. 1	556550	37,679	0.646029	37,197	36,467	40,769
Trigg 29 Fed Com No. 1	556240	11,601	0.198906	11,453	11,228	12,552
Total		58,324	1.000000	57,578	56,448	63,107

Total Sales

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. 1.41 miles @ \$10/FT =	\$74,500
Meters: 3 allocation meters @ \$4,000 each =	\$12,000
Total costs:	<u>\$86,500</u>

Nearburg Producing Company

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

ATTACHMENT IV

February 19, 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 Surface Commingling for Off Lease Gas
Measurement and Sales Meter Allocation Purposes
Section 29, T17S, R27E, Eddy County, New Mexico
Section 32, T17S, R27E, Eddy County, New Mexico
Section 33, T17S, R27E, Eddy County, New Mexico

Dear Interest Owner or Purchaser:

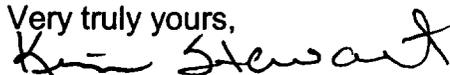
Nearburg Producing Company hereby notifies you that it is seeking approval to first meter and then commingle and off lease measure gas production from wells listed on Attachment I. The common sales meter is located in Section 28, T17S, R27E, Eddy County, New Mexico. See Attachment II showing each well location and sales meter.

All production will be metered 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.

If you have objection to this request, then it is necessary for you to file a written objection within twenty (20) days of February 19, 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)

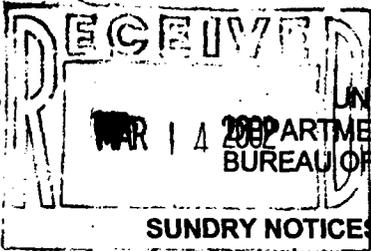
DISTRIBUTION LIST

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

Amoco Pipeline – ICT
502 North West Avenue
Levelland, TX 77002

El Paso Gas Corporation
Western Pipeline
2 North Nevada
Colorado Springs, CO 80903

Form 3160-5
(June 1990)



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OPERATOR'S COPY

FORM APPROVED
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 N A St., Bldg 2, Suite 120, Midland, TX 79705 915/686-8235

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Unit E, 1650' FNL & 990' FWL, Sec 33-17S-27E

5. Lease Designation and Serial No.
NMLC026874F

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation
NMNM94518

8. Well Name and No.
Exxon 33 Federal Com #1

9. API Well No.
30-015-29021

10. Field and Pool, or Exploratory Area
Logan Draw; Morrow

11. County or Parish, State
Eddy County, NM

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 checked="" type="checkbox"/> Other <u>Off Lease Gas Measurement & Ls Commngl.</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) Trigg 29 Federal Com #1
Unit I, 1400' FSL and 750' FEL
Section 29-17S-27E
Eddy County, New Mexico
- 2) Chevron 32 State Com #1
Unit A, 1090' FNL and 990' FEL
Section 32-17S-27E
Eddy County, New Mexico

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

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

Signed Kim Stewart Title Regulatory Analyst

Date 02/11/2002

(This space for Federal or State office use)

Approved by Alexis Swoboda Title PETROLEUM ENGINEER

Date MAR 13 2002

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

OPERATOR'S COPY

Form 3160-5
(June 1990)

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 N A St., Bldg 2, Suite 120, Midland, TX 79705 915/686-8235

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
 Unit I, 1400' FSL & 750' FEL, Sec 29-17S-27E

5. Lease Designation and Serial No.
 LC064050

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.
 Trigg 29 Federal Com #1

9. API Well No.
 30-015-28711

10. Field and Pool, or Exploratory Area
 Logan Draw; Morrow

11. County or Parish, State
 Eddy County, NM

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 checked="" type="checkbox"/> Other <u>Off Lease Gas Measurement & Ls Commgl.</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) Exxon 33 Federal Com #1
 Unit E, 1650' FNL and 990' FWL
 Section 33-17S-27E
 Eddy County, New Mexico
- 2) Chevron 32 State Com #1
 Unit A, 1090' FNL and 990' FEL
 Section 32-17S-27E
 Eddy County, New Mexico

**APPROVAL SUBJECT TO
 GENERAL REQUIREMENTS AND
 SPECIAL STIPULATIONS ATTACHED**

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

Signed Kim Stewart

Title Regulatory Analyst

Date 02/11/2002

(This space for Federal or State office use)

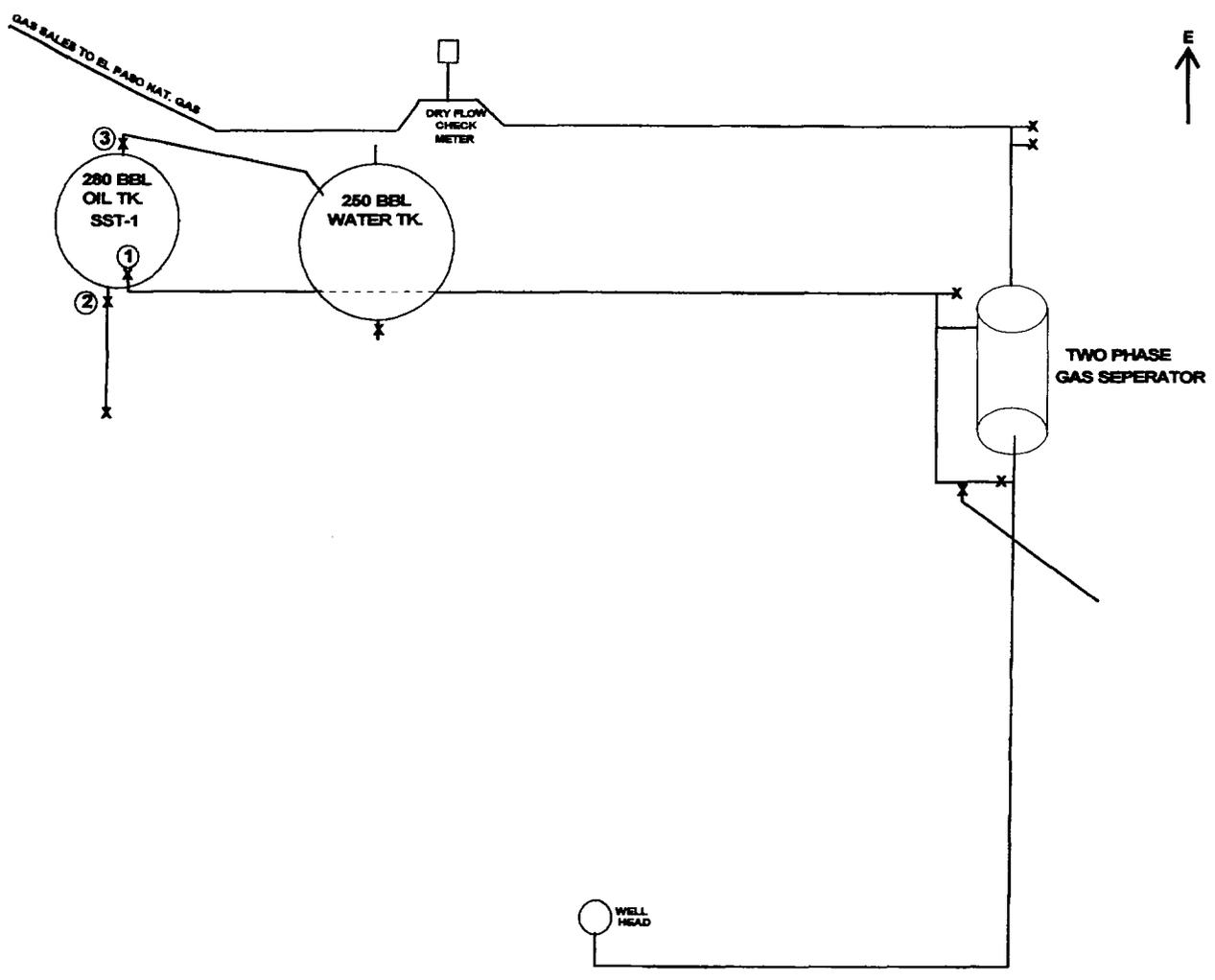
Approved by Alexis Swoboda
 Conditions of approval, if any:

PETROLEUM ENGINEER

Date **MAR 13 2002**

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



PRODUCTION SYSTEM - OPEN

- 1. Oil sales by tank gauge to tank truck
- 2. Seal requirements:
 - A. Production Phase
 - (1) Valves 1 & 3 sealed closed
 - B. Sales Phase (Sales from SST-1)
 - (1) Valve 2 on SST-1 sealed closed

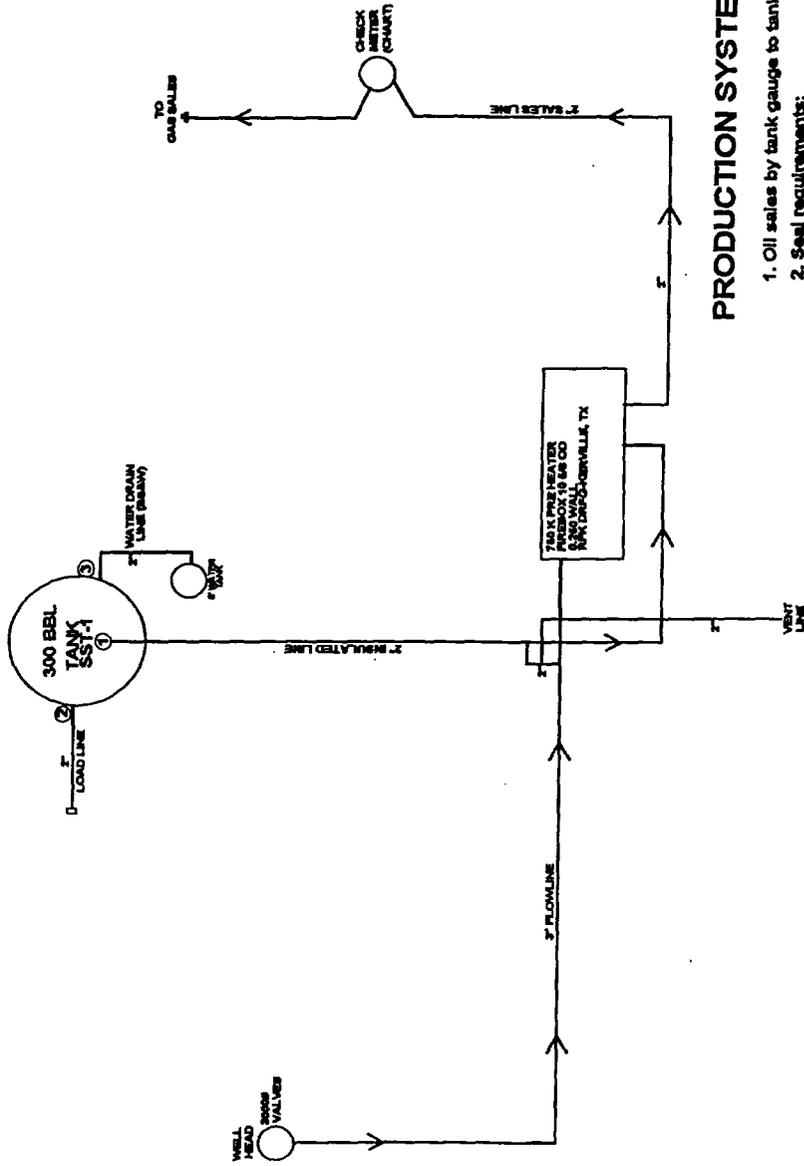
TANK SEALS

- #1 - Fill Line Valve
- #2 - Load Line Valve
- #3 - BS & W Valve

LOCATION OF SITE SECURITY PLANS

Nearburg Producing Company
 3300 N. "A" Street, Bldg. 2, Ste. 120
 Midland, Tx., 79706

Site Facility Diagram
Nearburg Producing Company Chevron State Corn. #1 1090' FNL 990' FEL Unit A, Sec. 32 T17S, R27E Eddy County, New Mexico LC. #064528-A API #30-015-29368



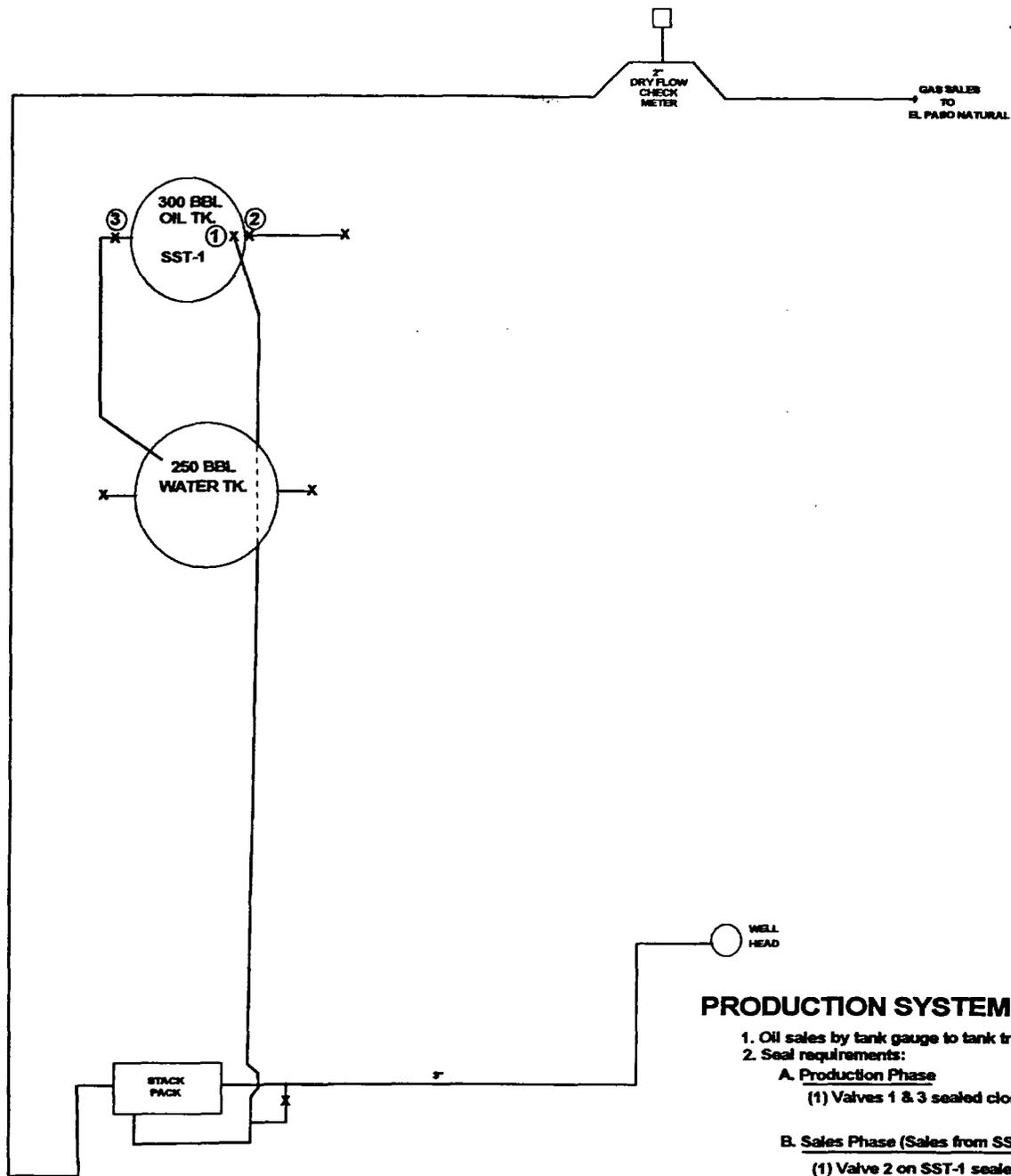
PRODUCTION SYSTEM - OPEN

1. Oil sales by tank gauge to tank truck
2. Seal requirements:
 - A. Production Phase
 - (1) Valves 2 & 3 on SST-1 sealed closed
 - B. Sales Phase (Sales from SST-1)
 - (1) Valves 1 & 3 on SST-1 sealed closed

LOCATION OF SITE SECURITY PLANS

Nearburg Producing Company
 3300 N. "A" Street, Bldg. 2, Ste. 120
 Midland, Tx., 79706

Site Facility Diagram
Nearburg Producing Company Exxon 33 Federal Com. #1 Unit E, 1660 FNL, 980 FWL Section 33-T17S, R27E Eddy County, New Mexico API #30-016-29021 LC. #028874-F



PRODUCTION SYSTEM - OPEN

1. Oil sales by tank gauge to tank truck
2. Seal requirements:

A. Production Phase

- (1) Valves 1 & 3 sealed closed

B. Sales Phase (Sales from SST-1)

- (1) Valve 2 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
Trigg "29" Federal Com. #1
1400' FSL 750' FEL
Unit I, Sec. 29 T17S, R27E
Eddy County, New Mexico LC. #064050
API #30-016-28711