

Nearburg Producing Company

Exploration and Production
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Dallas, Texas 75382-3085
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September 27, 1990

Bureau of Land Management
P. O. Box 1778
Carlsbad, New Mexico 88220

Gentlemen:

By this letter, Nearburg Producing Company formally requests approval for off lease storage and measurement for the Foster 31 Federal Well #2 and also approval for a common storage facility to serve the Dagger Draw 31 Federal Lease (NM84701) and the Foster 31 Federal Lease (NM25488). These requests are being made in order to consolidate our operations in this area in order to achieve more efficient operating practices and facilitate salt water disposal operations, thus increasing the economic producing life of the federal leases.

Figure 1 is a map showing the lease numbers and location of all leases and wells that will contribute to the common storage and off lease facilities. All production will be measured individually by lease prior to being stored in the common storage facility. Figure 2 is a schematic diagram clearly identifying all equipment which will be utilized for separation, measurement and storage.

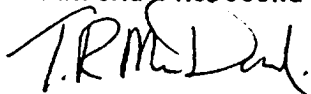
We anticipate that the Dagger Draw 31 Federal well should make approximately 300 BOPD, 1,000 BWPD and 750 MCFD and the Foster 31 Federal Well #2 should make approximately 200 BOPD, 670 BWPD and 500 MCFD. Both wells will be Cisco/Canyon producers completed in the same geologic units. The oil gravity and gas gravity should be approximately 41.7 degrees API and .75 respectively in both wells. The full produced well stream from both wells will be delivered to individual separation and measurement equipment located on the common storage facility. Once the production (oil and gas) are measured individually, the oil will be stored prior to sales and the gas will be sold to Feagan Gathering Company at a tie-in point on the common storage facility location. The oil will be measured with a positive displacement meter prior to being sent to common storage.

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Sales allocations will be based on individual lease oil and gas meters as described above. This will insure that federal royalties will not be reduced through approval of this application.

Yours very truly,

NEARBURG PRODUCING COMPANY

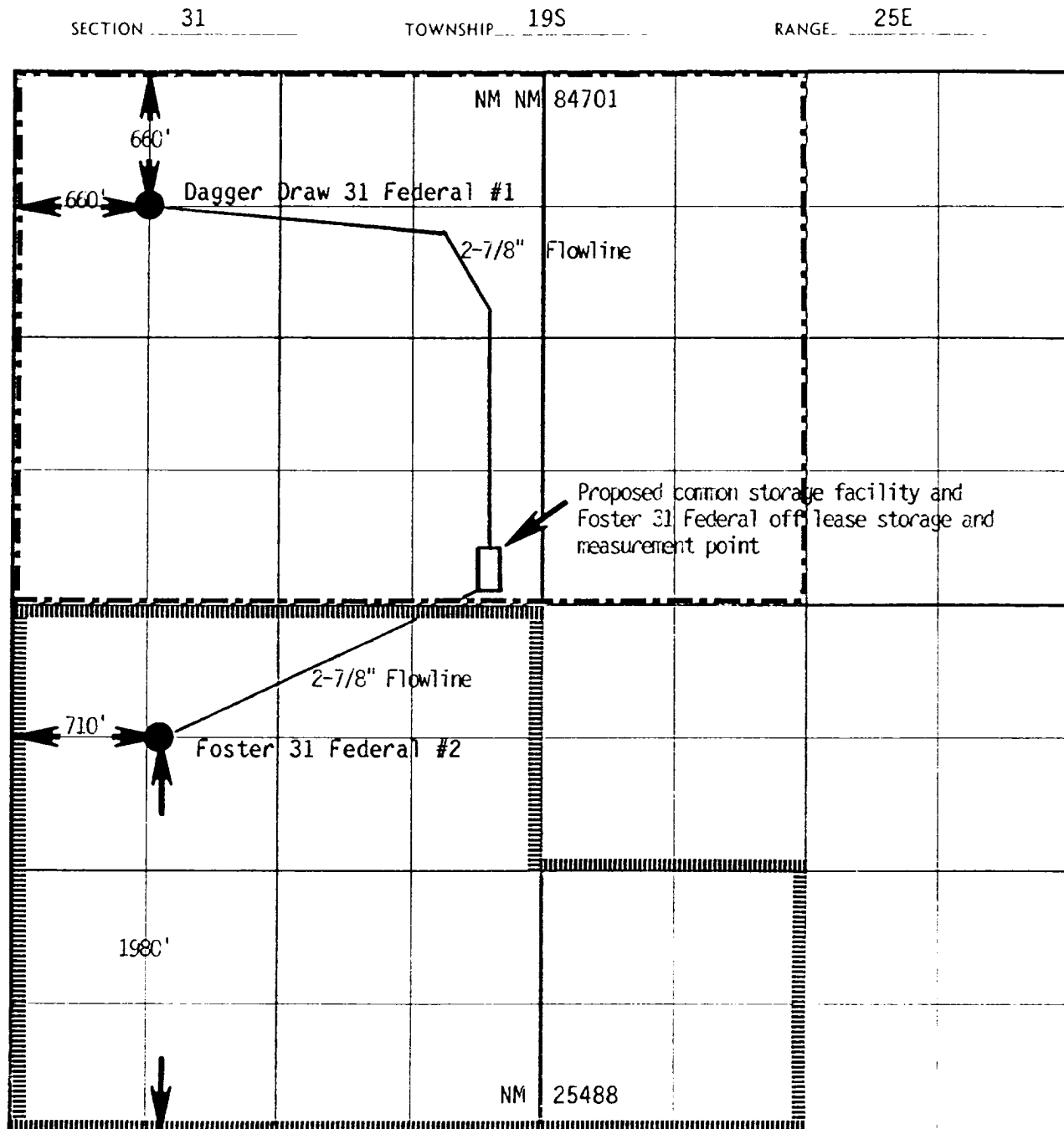
A handwritten signature in dark ink, appearing to read "T. R. MacDonald", is written over the company name.

T. R. MacDonald
Engineering Manager

TRM/ms

enclosures

Scale 1" to 800'

FIGURE 1

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FIGURE 2
SCHEMATIC DIAGRAM OF
ALL EQUIPMENT TO BE UTILIZED

Full Well Stream from
Dagger Draw 31 Federal #1

Produced Water to Salt Water Tanks

