

Nearburg Producing Company

Exploration and Production
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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
1,980' 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