

Nearburg Producing Company

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

RECEIVED

2002 APR 25 AM 8:59

EDDY COUNTY LAND UNIT
ROSWELL OFFICE

April 24, 2002

Bureau of Land Management
2909 West Second Street
Roswell, NM 88201

RE: Lease Commingling for Off Lease Gas Measurement and Sales Meter Allocation
Purposes
Section 3-16S-28E, Section 10-16S-28E and Section 11-16S-28E
Eddy County, New Mexico

Dear Sirs:

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.

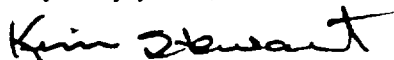
The sales meter for said wells is located in Section 4, T16S, R28E, Eddy County, New Mexico. See Attachment II showing each well location and sales meter.

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 Diamond Mound; 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

OIL CONSERVATION DIVISION
CASE NUMBER 12874
EXHIBIT 3

ATTACHMENT I

Crow Flats 3 Federal #1

Unit M, 960' FSL and 760' FWL, Section 3-16S-28E
Eddy County, New Mexico

Crow Flats 10 Federal Com #1

Unit H, 2310' FNL and 1310' FEL, Section 10-16S-28E
Eddy County, New Mexico

Crow Flats 11 Federal Com #1

Unit L, 1980' FSL and 660' FWL, Section 11-16S-28E
Eddy County, New Mexico

SALES METER

R-28-E

T-16-S

NPC
CROW FLATS "3" FED. #1

NPC
CROW FLATS "10" FED. #1

NPC
CROW FLATS "11"
FED. COM. #1

4

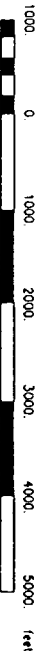
3

2

9

10

11



Scale 1:24000

Reference to question #8:

Detailed Economic Justification:

Nearburg wanted to negotiate a gas contract to keep all three wells economically viable. The three wells are all on Federal Leases. Since the majority of the gas is produced from one well, we needed to deliver the combined production of the three wells to the purchaser at a central point. This allowed us to negotiate a much better gas price for the lower producing wells. The two lower producing wells would have become uneconomic under a contract where the purchaser had to lay the pipe to the individual wells. Nearburg and the Working Interest Owners chose to lay pipe to the purchaser's central delivery point at no cost to the Royalty owner. (See Cost Below). This enabled us to receive a better gas contract and ultimately extended the economic life of the wells. Estimated cost paid by working Interest Owners:

Pipeline: Approx. 1-3/4 miles @ \$10/FT =	\$92,400
Meters: 3 allocation meters @ \$4,000 each =	\$12,000
Total costs:	<u>\$104,400</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

April 24, 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 Commingling for Off Lease Gas Measurement
and Sales Meter Allocation Purposes
Section 3, T16S, R28E, Eddy County, New Mexico
Section 10, T16S, R28E, Eddy County, New Mexico
Section 11, T16S, R28E, Eddy County, New Mexico

Dear Interest Owner or Purchaser:

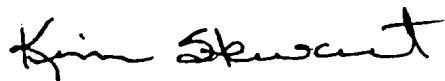
Nearburg Producing Company hereby notifies you that it is seeking approval to first meter and then commingle and off lease measure gas production from wells listed on Attachment I. The common sales meter is located in Section 4, T16S, R28E, Eddy County, New Mexico. See - Attachment II showing each well 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 April 24, 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

Duke Energy Service
Two Warren Place
6120 S. Yale, Suite 1200
Tulsa, OK 74136

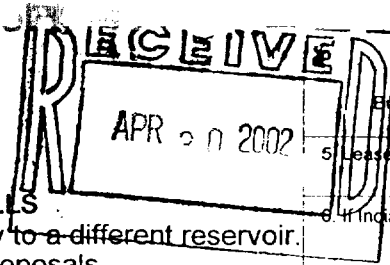
Eland Energy, Inc.
8150 North Central Expressway
Suite 400
Dallas, TX 75206

Tim R. MacDonald
23 Graham Lane
Lucas, TX 75002

Devon Energy Production Company, L. P.
PO Box 108838
Oklahoma City, OK 73101-8838

Maverick Oil & Gas Corp.
201 West Wall, Suite 803
Midland, TX 79701

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT



FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993
5. Lease Designation and Serial No.
NM 18831
6. If Indian, Allottee or Tribe Name

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 M, 960' FSL & 760' FWL, Sec 3-16S-28E

7. If Unit or CA, Agreement Designation
24774

8. Well Name and No.
Crow Flats 3 Federal #1

9. API Well No.
30 015 30706

10. Field and Pool, or Exploratory Area
Diamond Mound, 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

- ☒ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

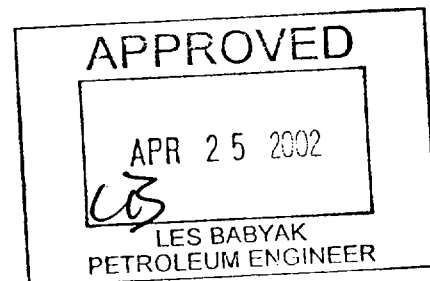
- ☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☒ Other Off Lease Gas Measurement & Ls Commg
☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(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) Crow Flats 10 Federal Com #1
Unit H, 2310' FNL and 1310' FEL
Section 10-16S-28E
Eddy County, New Mexico
- 2) Crows Flats 11 Federal Com #1
Unit L, 1980' FSL and 660' FWL
Section 11-16S-28E
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 04/24/2002

Approved by _____
Conditions of approval, if any:

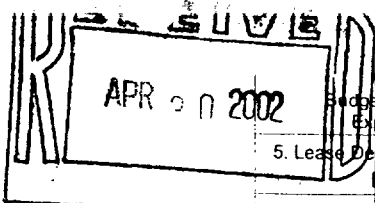
Title

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



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

5. Lease Designation and Serial No.
NMNM 95630

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

NMNM 100724

8. Well Name and No.

Crow Flats 10 Federal Com #1

9. API Well No.

30 015 30168

10. Field and Pool, or Exploratory Area

Diamond Mound, Morrow

11. County or Parish, State

Eddy County, NM

SUNDRY NOTICES AND REPORTS ON WELLS

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Use "APPLICATION FOR PERMIT-" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

☐ Oil ☒ Gas
☐ Well ☒ 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 H, 2310' FNL & 1310' FEL, Sec 10-16S-28E

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

TYPE OF SUBMISSION

- ☒ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

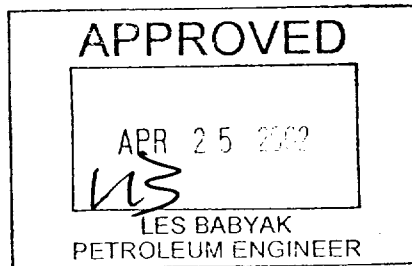
- ☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☒ Other Off Lease Gas Measurement & Ls Commg.
☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(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.)*

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Section 3-16S-28E
Eddy County, New Mexico
- 2) Crows Flats 11 Federal Com #1
Unit L, 1980' FSL and 660' FWL
Section 11-16S-28E
Eddy County, New Mexico



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

Signed Kim Stewart

Title Regulatory Analyst

Date 04/24/2002

(This space for Federal or State office use)

Approved by

Conditions of approval, if any:

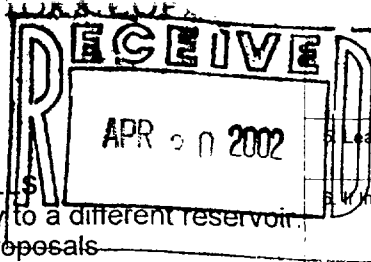
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Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*See Instruction on Reverse Side

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT



FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993
Lease Designation and Serial No.
NMNM 95630
Indian, Allottee or Tribe Name

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SUBMIT IN TRIPLICATE

1. Type of Well
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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 L, 1980' FSL & 660' FWL, Sec 11-16S-28E

7. If Unit or CA, Agreement Designation

8. Well Name and No.
Crow Flats 11 Federal Com #1

9. API Well No.
30 015 30592

10. Field and Pool, or Exploratory Area
Diamond Mound, 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

- ☒ Notice of Intent
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TYPE OF ACTION

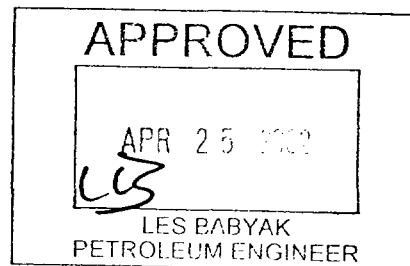
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☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
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Section 10-16S-28E
Eddy County, New Mexico
- 2) Crows Flats 3 Federal #1
Unit M, 960' FSL and 760' FWL
Section 3-16S-28E
Eddy County, 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 04/24/2002

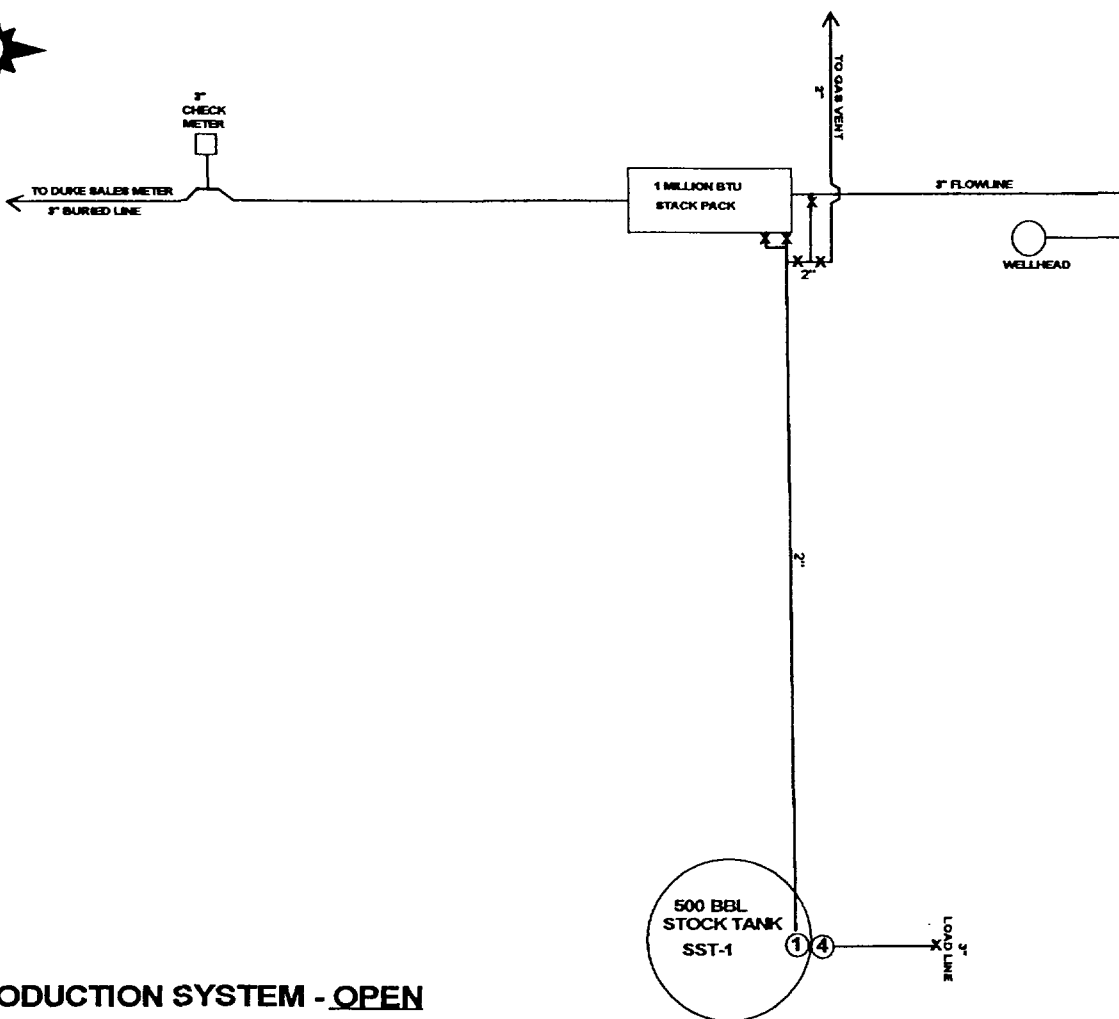
Approved by
Conditions of approval, if any:

Title

Date

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*See Instruction on Reverse Side



PRODUCTION SYSTEM - OPEN

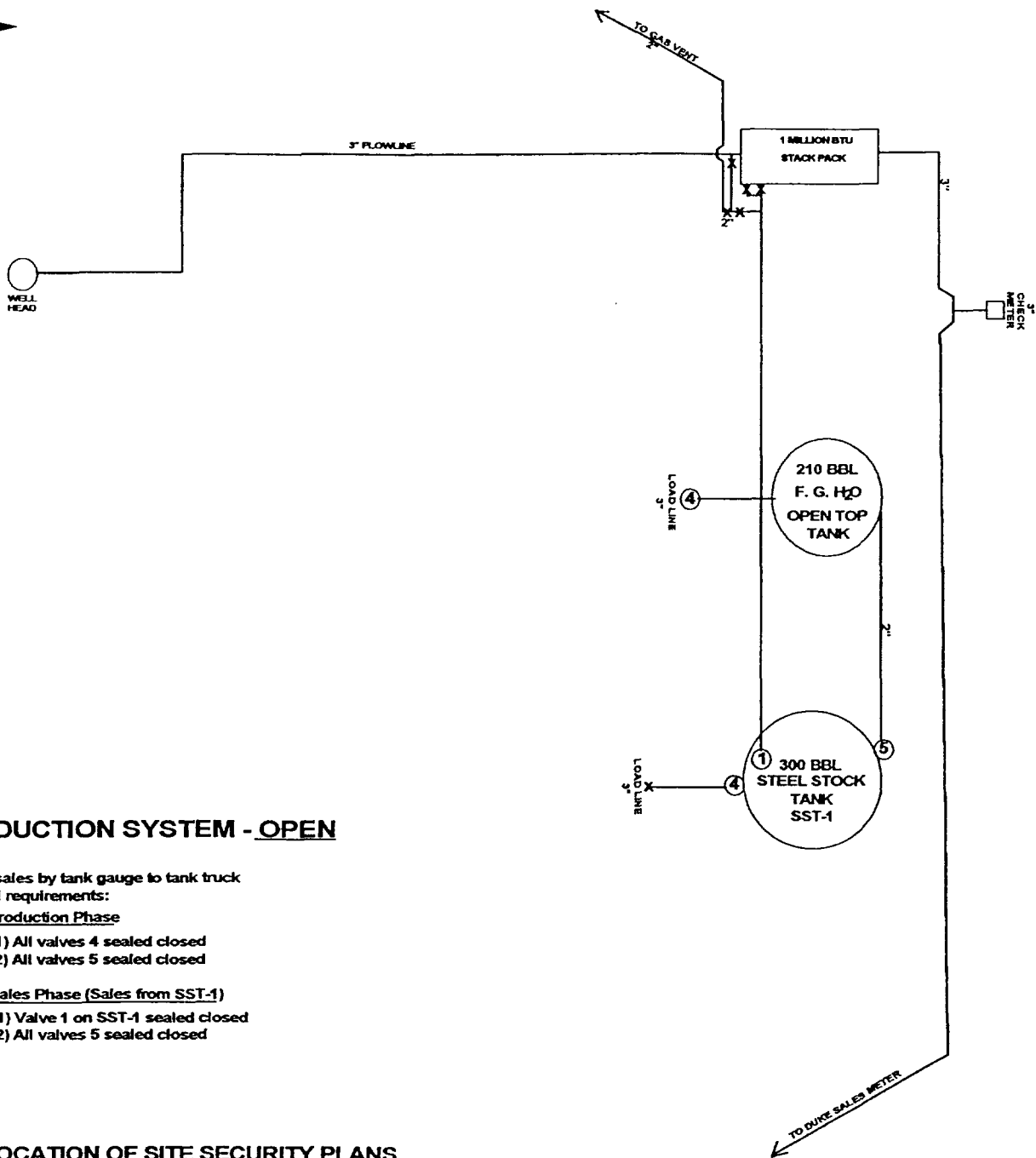
1. Oil sales by tank gauge to tank truck
2. Seal requirements:
 - A. Production Phase
 - (1) All valves 4 sealed closed
 - B. Sales Phase (Sales from SST-1)
 - (1) Valve 1 on SST-1 sealed closed

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
CROW FLATS "11" FEDERAL #1
NM 95630, API 30-016-30692
1980' FSL & 660' FWL Section 11, T16S, R28E
Eddy County, New Mexico



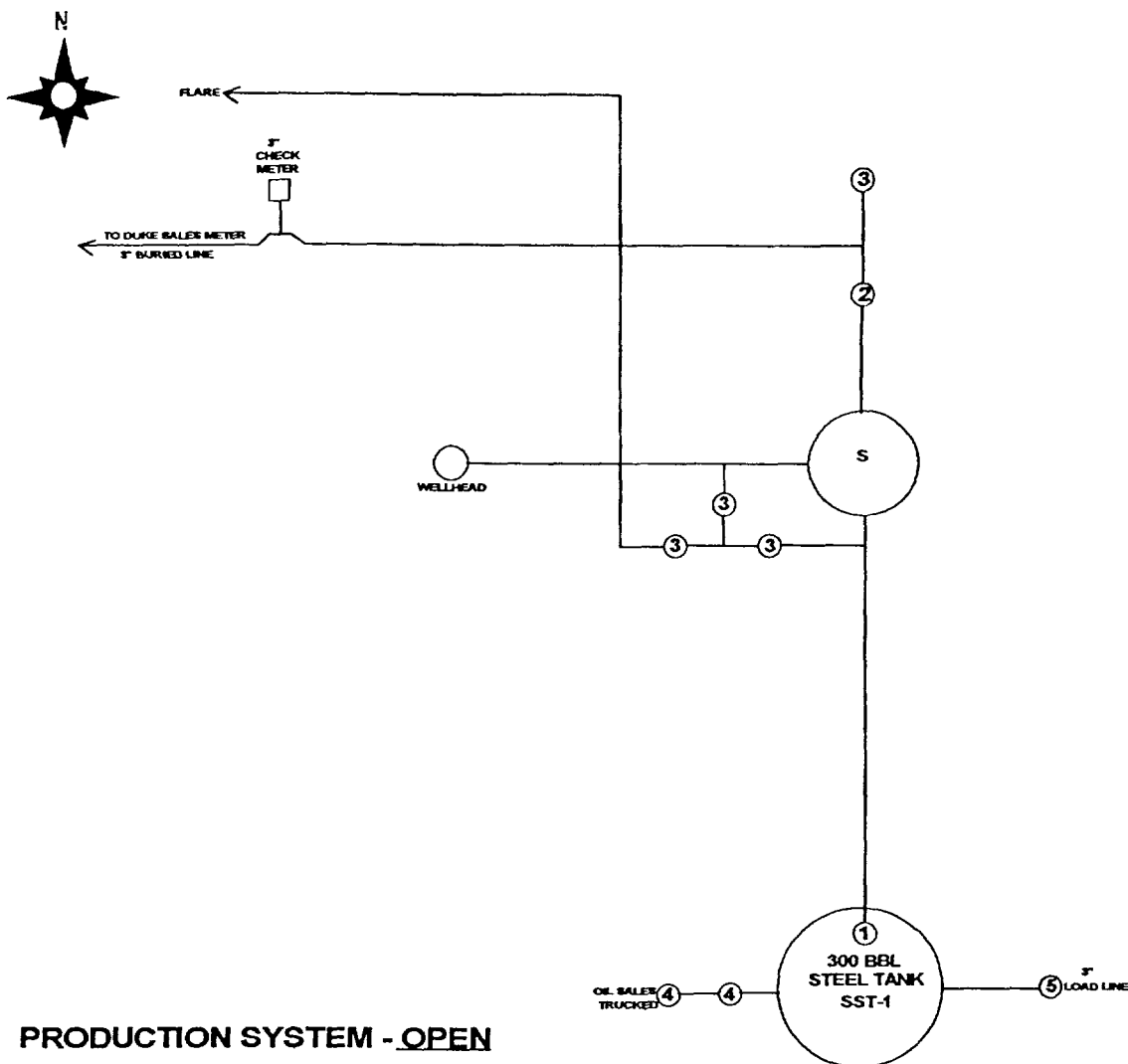
1. Oil sales by tank gauge to tank truck
2. Seal requirements:

(1) All valves 4 sealed closed
(2) All valves 5 sealed closed

(1) Valve 1 on SST-1 sealed closed
(2) All valves 5 sealed closed

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

**Nearburg Producing Company
CROW FLATS "3" FEDERAL #1
NM 18831, API 30-015-30706
960' FSL & 760' FWL SECTION 3, T16S, R28E
Eddy County, New Mexico**



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

(3) All valves 3 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
CROW FLATS "10" FEDERAL #1
NM 100724, API 30-015-30168
2310' FNL & 1310' FEL Section 10, T16S, R28E
Eddy County, New Mexico

[illegible]

1.3 miles Flow
to Total CF 3-1
from

3-1 Ties in
10-1 and 11-1's
Total = 10
Total = 10

11-1 Ties Into
10-1
Dry Hole
Mat. 10

—