## ODESSA NATURAL GASOLINE COMPANY

J. W. COLE. JR.

VICE-PRESIDENT

AMERICAN BANK OF COMMERCE BUILDING POST OFFICE BOX 3908

ODESSA, TEXAS

January 31, 1966

RECEIVED

FEB 1 1366

O. C. C. ARTESIA, OFFICE

Mr. C. W. Arnold Regional Petroleum Accountant United States Department of the Interior Geological Survey P. O. Drawer 1857 Roswell, New Mexico

Odessa Matural Gasoline Company Re: Standard Federal No. 1 Sec. 19, T-218, R-23E, Eddy County, New Mexico Communitization Agreement No. SW-305

Dear Mr. Arnold:

Odessa Natural Gasoline Company is in receipt of your letter of January 21, 1966, pertaining to the disposition of the produced oil (condensate) from the above described well.

The gas production from the Standard Federal No. 1 well, operated by Odessa Matural Gasoline Company, is committed to two purchasers. That is, Odessa Matural Gasoline Company, et al, have dedicated their percentage of the Cisco-Canyon gas to Southern Union Gas Co.; and Marathon Oil Co., et al, have dedicated their percentage of the Cisco-Canyon gas to Matural Gas Pipeline of America. Southern Union Gas Co. installed their gathering lines and tied into the well on September 16, 1965, for Cisco-Canyon production into their system; and Marathon anticipates producing their Cisco-Canyon gas, upon completion of their processing plant, to Matural Gas Pipeline of America, in the latter part of this month. Odessa Matural Gasoline Company and Marathon have agreed to jointly use the same

# ODESSA NATURAL GASOLINE COMPANY

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FEB 1 1368

O. C. C. ARTESIA, OFFICE

Mr. C. W. Arnold, Regional Petroleum Accountant United States Department of the Interior Geological Survey

Re: Odessa Natural Gasoline Co. Communitization Agreement No. SW-305

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January 31, 1966

production equipment (gas-liquid separation unit) and process the combined liquids through Marathon's plant. The ownership of the condensate would be based equably as to the amount of gas sold to each gas gathering system.

It was necessary for Odessa Natural Gasoline Company to dispose of the condensate produced from this well until Marathon's plant facilities were completed; therefore, The Permian Corporation, which incidentally will be the purchasers of condensate from the Marathon plant, agreed to purchase (temporarily) the condensate produced from the Standard Federal No. 1 well on Texaco's New Mexico Sour Crude Posting of \$2.95/bbl. less \$.38/bbl. for trucking from the lease to Artesia, New Mexico, the distance being 50 miles. The net value (before taxes) of the condensate would be \$2.57/bbl.

Upon completion of Marathon's facilities, the total produced liquids from this well, estimated to be 60 barrels per month, will be processed through Marathon's plant (Marathon as Gatherer) at a processing cost of \$.18/bbl. The Permian Corporation will purchase the combined oil from the plant at Texaco's Intermediate Sweet Crude Posting of \$3.01/bbl. less trucking of \$.29/bbl. or a net (before taxes) of \$2.72/bbl. at the plant. The net value (before taxes) for the royalty owners on the Standard Federal No. 1 well will be \$2.54 after Marathon becomes Gatherer of the produced liquids from this well.

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Mr. C. W. Arnold,
Regional Petroleum Accountant
United States
Department of the Interior
Geological Survey

Re: Odessa Natural Gasoline Co. Communitization Agreement No. SW-305

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January 31, 1966

I trust this explanation of the operation and disposition of the produced condensate from the Standard Federal No. 1 well, and the subsequent handling of the produced fluids through Marathon, meets with your approval and fulfills the data you requested. If not, please advise.

Yours very truly,

Dan & Socket

Dale E. Lockett

Drilling & Production Superintendent

#### DEL/mf

cc: Mr. R. L. Hamblin, El Paso Products Company

Mr. W. Edwards, Odessa Natural Gasoline Company

New Mexico Oil and Gas Commission

Mr. F. Hedges

Mr. E. Wind, Marathon Oil Co.

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