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ODESSA NATURAL GASOLINE COMPANY

AMERICAN BANK OF COMMERCE BUILDING

POST OFFICE BOX 3908

ODESSA, TEXAS

January 31, 1966

RECEIVED

FEB 1 1966

O. C. C.
ARTESIA, OFFICE

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

Re: Odessa Natural Gasoline Company
Standard Federal No. 1
Sec. 19, T-21S, 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 Natural Gasoline Company, is committed to two purchasers. That is, Odessa Natural 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 Natural 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 Natural Gas Pipeline of America, in the latter part of this month. Odessa Natural Gasoline Company and Marathon have agreed to jointly use the same

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1. The following information is being furnished to you for your information only. It is not intended to be used for any other purpose.

[illegible]

RESEARCH DESIGN

On March 22, 1964, the following information was received from the Bureau of the Census, Washington, D.C., regarding the above-named individual:

[illegible]

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D. C. C.
ARTESIA, OFFICE

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

Re: Odessa Natural Gasoline Co.
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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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FEB 1 1966

ARTS & CRAFTS
ARTS & CRAFTS OFFICE

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

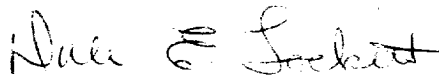
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I trust this explanation of the operation and disposition of the produced condensate from the Standard Federal No. 1 well, and the subsequent handling of the produced fluids through Marathon, meets with your approval and fulfills the data you requested.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

Yours very truly,



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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Mr. Robert H. Smith, Director
Communication Administration
No. 100-111111

Mr. C. C. Smith,
Regional Director,
United States
Department of the Interior
Bureau of Land Management

January 11, 1962

Dear Sir:

I trust this explanation of the operation and disposition of the
projected contract from the Standard Federal No. 1 well, and the
subsequent handling of the material will be a satisfaction,
with your approval and ability to do you requested.
If not, please advise.

Sincerely,
John F. Smith

John F. Smith
Director of Production & Development

100-111111

Mr. C. C. Smith, Director,
Bureau of Land Management,
Department of the Interior,
Washington, D. C.
Mr. E. E. Smith, Director,
Bureau of Land Management,
Department of the Interior,
Washington, D. C.