

NEW MEXICO OIL CONSERVATION DIVISION
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Arch Petroleum Inc.

October 11, 1990

New Mexico Oil Conservation Division
Mr. William J. Lemay, Director
Post Office Box 2088
Santa Fe, New Mexico 87504

RE: Approval for Surface
Commingling.
E. M. Elliott Lease
LC-032573A, ²²~~23~~
Section 22, T22S, R37E,
Lea County, New Mexico

Dear Sir:

Arch Petroleum Inc. is requesting approval of an exception to Rule 303A to permit the commingling of production from different pools into a common tank battery facility. Temporary exception to Rule 303A is being requested from Mr. Jerry Sexton, in Hobbs, and permanent approval is being requested from Mr. Shannon Shaw, with the Bureau of Land Management in Carlsbad, at this time.

The E. M. Elliott Federal Wells No. 3, No. 4, and No. 5, producing from the Tubb, Drinkard, and Wantz Abo Pools, respectively, are currently commingled under Amended Order No. PC-541, dated April 27, 1990. Arch has recompleted Well No. 5 to produce from the Blinebry Oil Pool, and desires to commingle produced fluids into the same facility. Well No. 3 produces 3.0 BO and 0 BW per day from perforations at 5964-6142'. Well No. 4 produces 5.0 BO and 0 BW per day from perforations at 6410-6460'. Well No. 5 produces 45 BO, 50 BW, and 290 MCF per day from perforations at 5484-5675'.

The common tank battery for the requested commingling approval is located at Unit D, Section 22, T22S, R37E. The wells are located as follows and are indicated on the attached plat.

Well No. 3, Unit C, Section 22, T22S, R37E
Well No. 4, Unit C, Section 22, T22S, R37E
Well No. 5, Unit D, Section 22, T22S, R37E

Oil production allocation for the three wells, after commingling, will be based on well tests (as is the current situation). Gas for Well No. 5 produces through it's own

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separator and is sold through it's own meter.

The gravities of the two crude oils to be commingled are 38.5 degrees API for the Tubb and Drinkard, and 36 degrees API for the Blinebry. Both have been corrected to 60 degrees F. The expected gravity of the commingled oil is 36.4 degrees API.

The commingling of the production will not change the actual commercial value of the individual products. Posted prices for both sources are \$37.75/BO as of this date.

A copy of the tank battery diagram and lease plat are attached for your information.

Sincerely,

ARCH PETROLEUM INC.

A handwritten signature in cursive script, appearing to read "David Miller", followed by a horizontal line.

David Miller
Operations Manager

DM/ps
Enclosures

CON DIVISION
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Arch Petroleum Inc.
Attn: Mr. David Miller
10 Desta Drive - Suite 420 East
Midland, TX 79705

RE: LC-032573-A
E.M. Elliott Nos. 3, 4, & 5
Sec. 22, T. 22 S., R. 37 E.
Lea County, New Mexico

Gentlemen:

Your request to surface commingle production from the E.M. Elliott Federal Wells No. 3, No. 4, and No. 5, producing from the Tubb, Drinkard, and from the Blinebry pools respectively is hereby approved.

As stated in your application, production allocation will be made based on well tests. Also, it is our understanding that commingling is based on economics and will not result in reduced royalty.

This approval is subject to the concurrence of the New Mexico Oil Conservation Division.

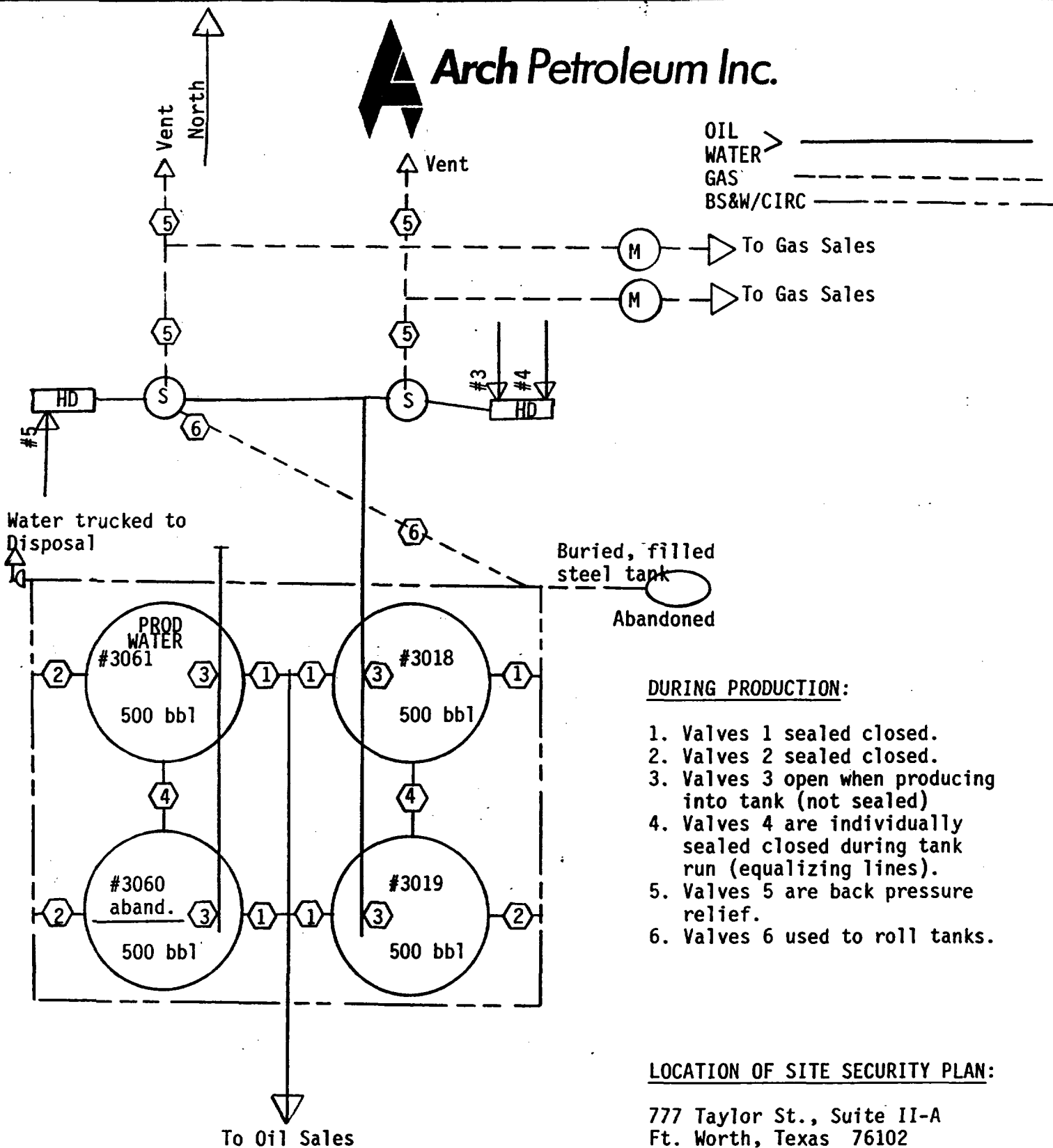
Please contact Shannon Shaw or Adam Salameh at (505) 887-6544 or at the letterhead address if any further information is required.

Sincerely,

/s/ David Stout

FOR Richard L. Manus
Area Manager

cc: NM (065, B. Lopez)
NM (067, S. Shaw)
NM (067A, K. Haston)
NMOCD - Attn.: Mr. D.R. Catanach
P. O. Box 2088
Santa Fe, NM 87504



DURING PRODUCTION:

1. Valves 1 sealed closed.
2. Valves 2 sealed closed.
3. Valves 3 open when producing into tank (not sealed)
4. Valves 4 are individually sealed closed during tank run (equalizing lines).
5. Valves 5 are back pressure relief.
6. Valves 6 used to roll tanks.

LOCATION OF SITE SECURITY PLAN:

777 Taylor St., Suite II-A
 Ft. Worth, Texas 76102

LEASE NO.: LC-032573A

FIELD: Wantz Abo
 Tubb
 Drinkard

SITE FACILITY DIAGRAM

E.M. ELLIOTT FEDERAL TANK BATTERY
 UNIT D, SEC. 22, T22S, R37E
 LEA COUNTY, NEW MEXICO

03-08-90