



ARCO Permian

600 North Marienfeld
Midland, TX 79701-4373
P.O. Box 1610
Midland, TX 79702-1610
Telephone 915-688-5570
Facsimile 915-688-5956
Email ecasbee@mail.arco.com

Elizabeth A. Casbeer
Regulatory/Compliance Analyst

May 1, 2000

VIA FACSIMILE
Fax No. 505/677-5117

ELKHORN OPERATING COMPANY
Attn: Randy McCollum
P.O. Drawer 70
Artesia, NM 88211

RE: Surface Commingle Waiver
Red Lake Area
Section 3 & 4, T-18-S, R-27-E
Eddy Co., NM

Mr. McCollum:

ARCO Permian is seeking approval to surface commingle, measure and store production off lease for four leases in Section 3 and 4, T-18-S, R-27-E, Eddy County New Mexico. Oil and gas will be measured and stored off leases. The four leases are the:

Red Lake 3 Federal - SW/4 of NW/4 of Sec. 3, 40 acres, Lease No. LC028805(B)
Vermillion 3 Federal - SE/4 of NW/4 of Sec. 3, 40 acres, Lease No. LC055465(B)
West Red Lake 4 Federal - N/2 of NW/4 of Sec. 4, 79.29 acres, Lease No. LC065478(A)
Lago Rosa 4 Federal - NW/4 of SW/4 of Sec. 4, 38.85 acres, Lease No. MNM29280

As the gas purchaser for these leases, we are respectfully requesting a waiver stating that you have been notified of our intent to modify our existing surface commingling permit to allow for allocation by well tests. Currently individual meters allocate production.

The gas sales will be modified to have one sales meter on the West Red Lake 4 Federal Lease that will sell gas from West Red Lake 4 Federal and Lago Rosa 4 Federal Leases. We will also be modifying the gas sales to have one sell meter selling all of the gas from Red Lake 3 Federal and Vermillion 3 Federal Leases.

If you have no objections, we request that you so indicate by signing the waiver below and returning the original to my attention at the address listed above. **Please also, fax the signed copy to me at 915/688-5956.** Your expeditious handling of this situation is appreciated.

If you have any questions, please contact me at 915/688-5570. Thank you for your assistance in this matter.

Yours very truly,

Elizabeth A. Casbeer
Regulatory Compliance Analyst

Attachment

xc: Dennis Braaten - 023/MIO
Larry Henson - EUN
Central Files - 41/MIO
R/C Files

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12394 Exhibit No. 4
Submitted by:
ARCO Permian
Hearing Date: May 4, 2000

WAIVER

ELKHORN OPERATING COMPANY has no objections to ARCO Permian's request to surface commingling and allocate production based on well tests for the following four leases listed below in Eddy County, New Mexico.

Red Lake 3 Federal - SW/4 of NW/4 of Sec. 3, 40 acres, Lease No. LC028805(B)
Vermillion 3 Federal - SE/4 of NW/4 of Sec. 3, 40 acres, Lease No. LC055465(B)
West Red Lake 4 Federal - N/2 of NW/4 of Sec. 4, 79.29 acres, Lease No. LC065478(A)
Lago Rosa 4 Federal - NW/4 of SW/4 of Sec. 4, 38.85 acres, Lease No. NMNM29280

Signed the 2ND day of MAY, 2000.

ELKHORN OPERATING COMPANY

By: Paul Klub

Title: PLANT ENGINEER



ARCO Permian

600 North Marienfeld
Midland, TX 79701-4373
P.O. Box 1610
Midland, TX 79702-1610
Telephone 915-688-5570
Facsimile 915-688-5956
Email ecasbee@mail.arco.com

Elizabeth A. Casbeer
Regulatory/Compliance Analyst

May 1, 2000

VIA FACSIMILE
Fax No. 505/746-1211

NAVAJO REFINING COMPANY
Attn: Johnny Knorr
P.O. Drawer 159
Artesia, NM 88211-0159

RE: Surface Commingle Waiver
Red Lake Area
Section 3 & 4, T-18-S, R-27-E
Eddy Co., NM

Mr. Knorr:

ARCO Permian is seeking approval to surface commingle, measure and store production off lease for four leases in Section 3 and 4, T-18-S, R-27-E, Eddy County New Mexico. Oil and gas will be measured and stored off leases. The four leases are the:

Red Lake 3 Federal - SW/4 of NW/4 of Sec. 3, 40 acres, Lease No. LC028805(B)
Vermillion 3 Federal - SE/4 of NW/4 of Sec. 3, 40 acres, Lease No. LC055465(B)
West Red Lake 4 Federal - N/2 of NW/4 of Sec. 4, 79.29 acres, Lease No. LC065478(A)
Lago Rosa 4 Federal - NW/4 of SW/4 of Sec. 4, 38.85 acres, Lease No. MNM29280

As the oil purchaser for these leases, we are respectfully requesting a waiver stating that you have been notified of our intent to modify our existing surface commingling permit to allow for allocation by well tests. Currently individual meters allocate production.

There will be no change in our oil sales process. We will continue to sell oil through the existing LACT unit located on the Red Lake 3 Federal Lease.

If you have no objections, we request that you so indicate by signing the waiver below and returning the original to my attention at the address listed above. **Please also, fax the signed copy to me at 915/688-5956.** Your expeditious handling of this situation is appreciated.

If you have any questions, please contact me at 915/688-5570. Thank you for your assistance in this matter.

Yours very truly,

Elizabeth A. Casbeer
Regulatory Compliance Analyst

Attachment

xc: Dennis Braaten - 023/MIO
Larry Henson - EUN
Central Files - 41/MIO
R/C Files

WAIVER

NAVAJO REFINING COMPANY has no objections to ARCO Permian's request to surface commingling and allocate production based on well tests for the following four leases listed below in Eddy County, New Mexico,

- Red Lake 3 Federal - SW/4 of NW/4 of Sec. 3, 40 acres, Lease No. LC028805(B)
- Vermillion 3 Federal - SE/4 of NW/4 of Sec. 3, 40 acres, Lease No. LC055465(B)
- West Red Lake 4 Federal - N/2 of NW/4 of Sec. 4, 79.29 acres, Lease No. LC065478(A)
- Lago Rosa 1 Federal - NW/4 of SW/4 of Sec. 4, 38.85 acres, Lease No. NMNM29280

Signed the 1st day of May, 2000.

NAVAJO REFINING COMPANY

By: John A Know

Title: VP - Crude Supply & Trading