

VERBAL ON 6.26.96
ISSUE ORDER ON 7.15.96

CTB 7-15-96

CTB 427

HIGHLAND PRODUCTION COMPANY

June 25, 1996

Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Attention: David Catanach

Re: **Commingling Permit**
Conoco Federal Lease LC 068281-A
With Conoco A Federal Lease
LC 062749-B
All in Section 19, T-26-S, R-32-E
Lea County, New Mexico

44220

Dear Mr. Catanach:

We are requesting approval to surface commingle the above captioned lease. The integrity of the Conoco Federal Lease LC-068281-A located in Unit Letter I, 3210' FSL and 330' FEL of Section 19 is in question and we are concerned with avoiding a spill or any other problems with this tank battery. We want to surface commingle this Mason Delaware East Formation oil with the Conoco A Federal Lease, whose tank battery is in Unit Letter H, Section 19, 2310' FNL and 330' FEL, T-26-S, R-32-E, Lea County, New Mexico, whose oil is also from the Mason Delaware East Formation. The gravity of the oil from both leases is 41.3 and 41.2 respectively, and the royalty interest is the same for both leases.

I am enclosing a copy of information sent to the BLM in case I have not included all the information that you need in this correspondence.

It is unfortunate that I was not aware of the need to apply to the Oil Conservation Division and I apologize for overlooking your obvious concern in this matter. I ask that you consider approval of this request at the earliest possible time. I have exception approval of the other entities involved and the tank battery of the Conoco Federal lease is questionable, however we do not want to shut in the lease because of a "sanding up" problem when the 4 wells are shut in.

Your consideration of this matter is appreciated.

Yours very truly,

HIGHLAND PRODUCTION COMPANY

Johnnye L. Nance
Secretary

JLN/sf

(915) 332-8400

Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

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 <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Designation and Serial No. NMLC062749-B
2. Name of Operator Highland Production Company	6. If Indian, Allottee or Tribe Name
3. Address and Telephone No. 810 N. Dixie Blvd., Suite 202, Odessa, Texas 79761-2838	7. If Unit or CA, Agreement Designation
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Unit Letter H, Section 19, 2310' FNL and 330' FEL T-26-S, R-32-E, Lea County, New Mexico	8. Well Name and No. Conoco "A" Federal Tank Batterie
	9. API Well No.
	10. Field and Pool, or Exploratory Area Mason Delaware East
	11. County or Parish, State Lea County, New Mexico

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

TYPE OF SUBMISSION	TYPE OF ACTION
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other Surface Commingling
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> 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.)*

Approval Request to commingle production with like production from Conoco Federal Lease, wells #1, 2, 3 & 4. Production from both leases is from the Mason Delaware East Field and Pool and have like gravity. The integrity of the existing tank batterie on the Conoco Federal Lease is in question and the proposed commingling is necessary for continued operation of the concerned leases. The connecting line will be 3" pvc approximately 660' in length.

Work on this project will start as soon as we receive approval of this request.

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

Signed *Raymond B. Sharp* Title President Date June 5, 1996
(This space for Federal or State office use)

Approved by _____ Title _____ Date _____
 Conditions of approval, if any: _____

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.

Form 3160-5
(June 1990)

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.
LC 068281-A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.
Conoco Federal Tank Batter

9. API Well No.

10. Field and Pool, or Exploratory Area
Mason Delaware East

11. County or Parish, State
Lea County, New Mexico

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
Highland Production Company

3. Address and Telephone No.
810 N. Dixie Blvd., Suite 202, Odessa, Texas 79761-2838

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
**3210' FSL and 330' FEL Section 19, T-26-S, R-32-E, Lea County, NM
Unit Letter I**

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

TYPE OF SUBMISSION	TYPE OF ACTION
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other Of: Lease Storage and Measurement Request
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> 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.)*

Request approval to Store and measure 660' due north in the Conoco "A" Federal Tank Battery, on LC062749-B. Concern is the integrity of the some parts of the present tank battery. We are of the opinion that the environmental impact in using an existing tank battery will be minute. The proposed commingling of production is in the interest of conservation.

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

Signed *Raymond Sharpe* Title President Date June 5, 1996

(This space is for use by the State or Federal Land Office)

Approved by _____ Title _____ Date _____

Conditions of approval, if any: _____

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

Production from the wells involved is as follows:

<u>Well Name and No.</u>	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCFPD</u>
<u>Conoco Federal #1</u>	<u>12.81</u>	<u>41.3</u>	<u>19.3</u>
<u>Conoco Federal #2</u>	<u>2.33</u>	<u>41.3</u>	<u>5.0</u>
<u>Conoco Federal #3</u>	<u>4.66</u>	<u>41.3</u>	<u>6.3</u>
<u>Conoco Federal #4</u>	<u>8.15</u>	<u>41.3</u>	<u>11.1</u>
<u>Conoco A Federal #2</u>	<u>4.66</u>	<u>41.2</u>	<u>8.8</u>
<u>Conoco A Federal #3</u>	<u>5.82</u>	<u>41.2</u>	<u>10.1</u>

Continued ...

Continued:

The proposed operation is described in detail on the attached diagrams.

A map is enclosed showing the lease numbers and location of all leases and wells that will contribute production to the proposed commingling/common storage facility. All unitized/communitized areas, producing zones/pools are also clearly illustrated.

A schematic diagram is also attached which clearly identifies all equipment that will be utilized.

The storage and measuring facility is located at NE -1/4, Sec. 19, T26 S, R 32 E, on lease No. LC062749, Lea County, New Mexico. BLM will be notified if there is any future change in the facility location.

Details of the proposed method for allocating production to contributing sources is as follows:

Initial test is by shutting in all wells but the one being tested on each lease for a 48 hour test, pumping 24 hours and test the well the second 24 hour period of the 48 hour test, on a quarterly basis.

The working interest owners have been notified of the proposal.

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production.

The proposed commingling is necessary for continued operation of the above referenced Federal leases.

We understand that the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. And, we will submit within 30 days an application for right-of-way approval to the BLM's Realty Section in your office if we have not already done so.

Additional wells require additional commingling approvals.

Signature: Raymond D. Sharp
 Name: Raymon D. Sharp
 Title: President
 Date: June 5, 1996

CRA BLM FORMATAPPLICATION FOR SURFACE COMMINGLING,
OFF LEASE STORAGE AND MEASUREMENT APPROVALThis Format Should Be Attached To A Sundry Notice

To: Bureau of Land Management
P. O. Box 1778
Carisbad, New Mexico 86221-1778

Highland Production Co. (Operator's Name) is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s) on Federal Lease No. NMLC 068281-A ; Lease Name: Conoco Federal.

<u>Well No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	<u>Formation</u>
<u>1</u>	<u>I</u>	<u>19</u>	<u>26S</u>	<u>32E</u>	<u>Mason Delaware East</u>
<u>2</u>	<u>J</u>	<u>19</u>	<u>26S</u>	<u>32E</u>	<u>Mason Delaware East</u>
<u>3</u>	<u>P</u>	<u>19</u>	<u>26S</u>	<u>32E</u>	<u>Mason Delaware East</u>
<u>4</u>	<u>O</u>	<u>19</u>	<u>26S</u>	<u>32E</u>	<u>Mason Delaware East</u>

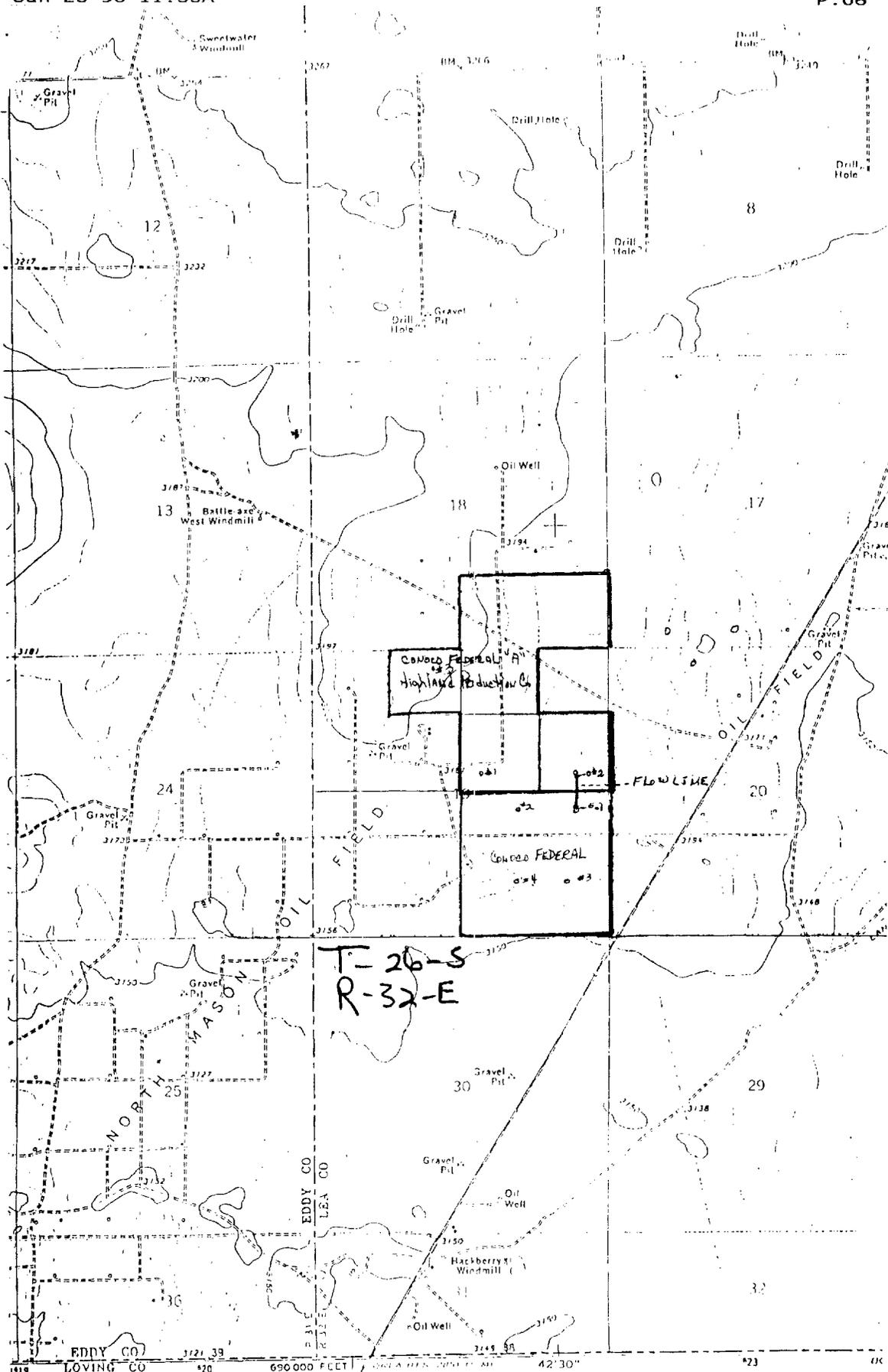
with hydrocarbon production from the following formation(s) and well(s) on Federal lease No. NMLC 062749-B ; Lease Name: Conoco A Federal

<u>Well No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	<u>Formation</u>
<u>2</u>	<u>H</u>	<u>19</u>	<u>26S</u>	<u>32E</u>	<u>Mason Delaware East</u>
<u>3</u>	<u>C</u>	<u>19</u>	<u>26S</u>	<u>32E</u>	<u>Mason Delaware East</u>

Production from the wells involved is as follows:

<u>Well Name and No.</u>	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCFPD</u>
<u>Conoco Federal #1</u>	<u>12.81</u>	<u>41.3</u>	<u>19.3</u>
<u>Conoco Federal #2</u>	<u>2.33</u>	<u>41.3</u>	<u>5.0</u>
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<u>Conoco Federal #4</u>	<u>8.15</u>	<u>41.3</u>	<u>11.1</u>
<u>Conoco A Federal #2</u>	<u>4.66</u>	<u>41.2</u>	<u>8.8</u>
<u>Conoco A Federal #3</u>	<u>5.82</u>	<u>41.2</u>	<u>10.1</u>

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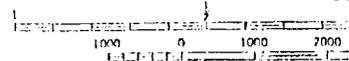
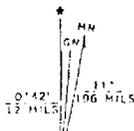


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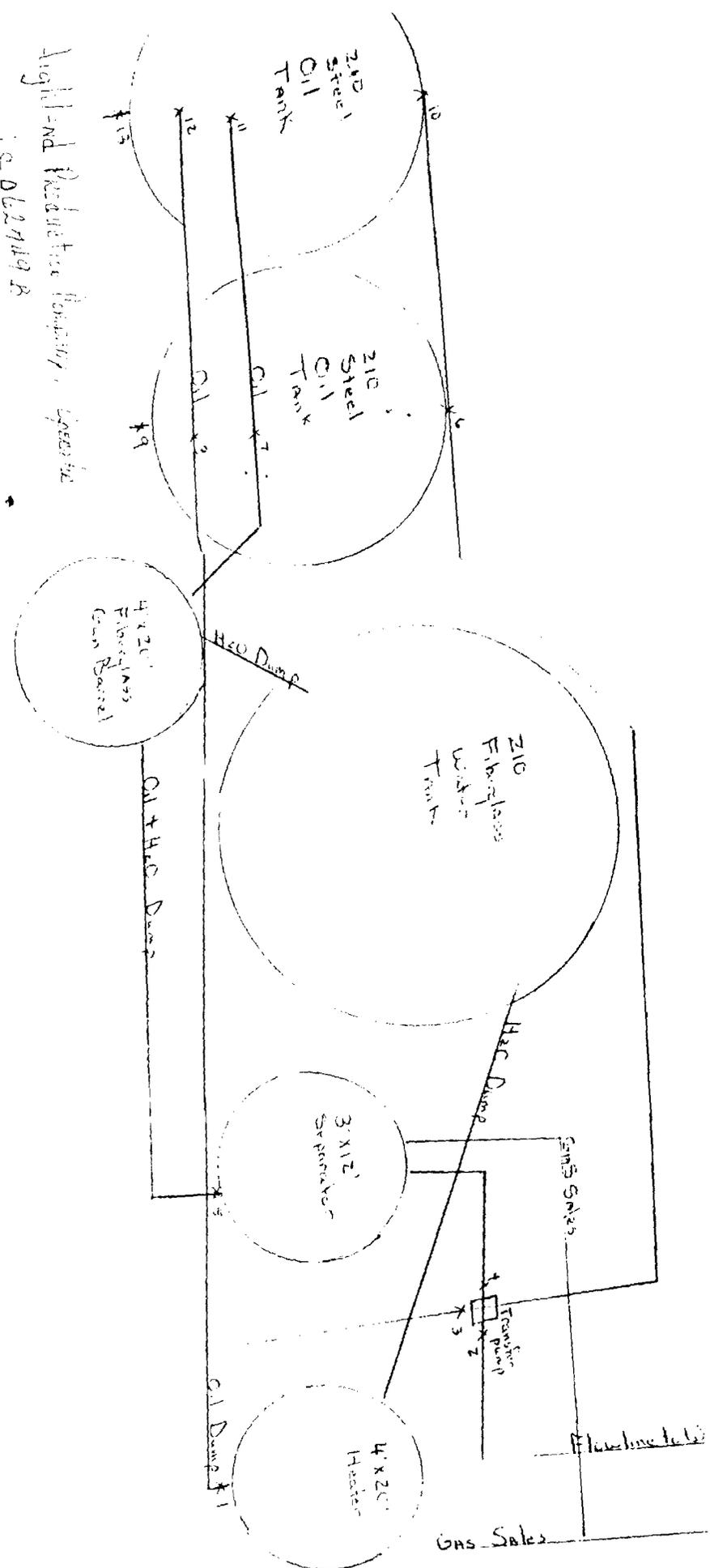
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Highland Production Company, Specifier
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 Cannon A Federal
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 Circulating - Open 1, 3, 6, 4, 5, 7
 Soling - Open 9
 Joint Latched, SER, WEH
 Weather 19, T-100's, K-300 F
 EPA (Gravity), New Heats
 SER'S, NEW'S, PRESS, SEPARATORS



June 26, 1996

I, Stella Swanson, authorized agent of Acme Land Company and Childress Royalty Company acknowledge receipt and approval of notification of surface commingling the Conoco Federal Lease oil production with the Conoco A Federal Lease oil production.

Acknowledged this 26th day of June, 1996.

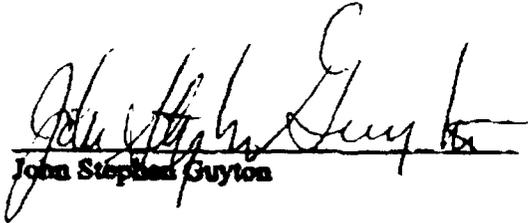


Stella Swanson
Assistant Corporate Secretary

June 26, 1996

I, John Stephen Guyton, acknowledge receipt and approval of notification of surface commingling the Conoco Federal Lease oil production with the Conoco A Federal Lease oil production.

Acknowledged this 26th day of June, 1996.


John Stephen Guyton