

CTB 7/21/97
457



Santa Fe Energy Resources, Inc.

Don D. DeCarlo
Division Manager, Production

JUN 30 1997

June 27, 1997

New Mexico Department of Energy, Minerals, and Natural Resources
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

Attn : Mr. David Catanach, Examiner

Subject : **Surface & Lease Commingling, Off-lease Storage
Dagger Draw, South (Upper Penn, Assoc. Oil & Gas) Field
Eddy County, New Mexico**

Dear Mr. Catanach,

Santa Fe Energy Resources, Inc. respectfully requests administrative approval to commingle production from the following Federal leases into two common tank batteries. **Working interests, royalty interests, and overriding royalty interests are identical in all leases listed below.**

Roaring Springs Battery I (located at 14E-21S-23E)

<u>Fed Lse No</u>	<u>Lease Name</u>	<u>Location</u>	<u>Formation</u>
NM-76919 NM-80628	Roaring Springs "14" Fed Com (N/2)	14-21S-23E	Upper Penn
NM-76919	Roaring Springs "14" Fed (S/2)	14-21S-23E	Upper Penn

Roaring Springs Battery II (located at 14H-21S-23E)

<u>Fed Lse No</u>	<u>Lease Name</u>	<u>Location</u>	<u>Formation</u>
NM-76919 NM-80628	Roaring Springs "14" Fed Com (N/2)	14-21S-23E	Upper Penn
NM-76919	Roaring Springs "14" Fed (S/2)	14-21S-23E	Upper Penn
NM-76919	Roaring Springs "13" Fed	13-21S-23E	Upper Penn

Application for Surface Commingling, Off Lease Storage and Measurement, cont.
June 27, 1997

A map (**Exhibit 1**) is enclosed showing the locations and Federal lease numbers of the two leases which will contribute production to the proposed commingling and common storage facilities. The communitized area is clearly illustrated. Currently, there are three producers connected to the **Roaring Springs Battery I** and two producers connected to **Roaring Springs Battery II**. The batteries, wells, and their locations are shown in **Exhibit 1**.

The purpose of off-lease storage and surface commingling is to reduce operating costs for storage, treating, and handling, thereby extending the economic life of each well. Without approval, it would be necessary to build stand-alone facilities at each well.

Schematic diagrams (**Exhibits 2 & 3**) are attached which clearly identify the equipment and concept to be utilized for measurement, off-lease storage, and commingling operations. They are submitted in accordance with NMOCD Rules 303-B, 309-B, and 309-C. Details of the proposed method for allocating production to contributing sources are as follows:

Both the **Roaring Springs Battery I and Battery II** are equipped with a multi-well production header, a test separator with oil/water/gas measurement devices, a two-phase gas-liquid separator, a three-phase production separator, heater-treaters, oil & water storage tanks, a LACT unit, a master orifice gas meter, and a master produced water meter. Compression, dehydration, and vapor recovery facilities are also located on the leases.

In order to allocate total battery production back to each well, the individual wells will be tested at least once monthly. The oil, water, and gas rates from the well tests will be used to determine each well's proportionate share of the total battery production for the month.

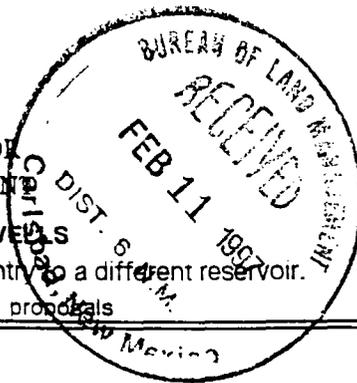
All interest owners in affected leases have been notified of the commingling and off-lease storage proposal. Names and addresses for each are shown in **Exhibit 4**. Also included is the application for commingling and off-lease storage to the BLM (**Exhibit 5**). Should you have any questions or need further information, please call me at (915) 686-6709. We appreciate your attention to this matter.

Sincerely,



Don Rogers
Project Manager - Indian Basin Area

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT



OPERATOR'S COPY

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 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. NM-76919
2. Name of Operator Santa Fe Energy Resources, Inc.	6. If Indian, Ailotee or Tribe Name
3. Address and Telephone No. 550 W. Texas, Suite 1330, Midland, TX 79701915/686-6624	7. If Unit or CA. Agreement Designation
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) (E), 1650' FNL & 990' FWL, Sec. 14, T-21S, R-23E	8. Well Name and No. Roaring Springs 14 Fed Com #1
	9. API Well No. 30-015-26081
	10. Field and Pool, or exploratory Area Dagger Draw, South (Upper Penn)
	11. County or Parish, State Eddy NM

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

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" 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, Off-lease Storage & Measurement
	<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.)*

Please see attached form for surface commingling, off-lease storage, and measurement for the wells:

Roaring Springs "14" Fed Com #1 (E), 14-21S-23E
 Roaring Springs "14" Fed Com #2 (B), 14-21S-23E
 Roaring Springs "14" Fed Com #4 (K), 14-21S-23E

Roaring Springs Battery I is located at (E), 14-21S-23E. See attached maps and facility design.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

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

Signed *Alexis C. Swoboda* Title Project Manager Date Feb. 7, 1997

(This space for Federal or State office use)

Approved by ORIG. SGD. ALEXIS C. SWOBODA Title PETROLEUM ENGINEER Date FEB 9 1997

Conditions of approval, if any:

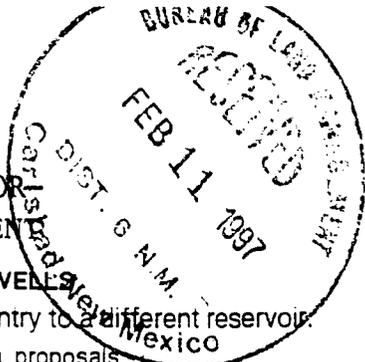
Bureau of Land Management
Roswell District
2909 West Second Street
Roswell, New Mexico 88201
505-627-0272

**Off-Lease Measurement, Storage, and Surface Commingling
Conditions of Approval**

Approval of surface commingling and off-lease storage and/or measurement is subject to the following conditions of approval:

1. This agency shall be notified of any change in sales method or location of the facility.
2. This agency shall be notified of any spill or discharge as required by NTL-3A.
3. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
4. This approval is subject to like approval by the New Mexico Oil Conservation Division.
5. Additional wells and/or leases require additional commingling approvals.
6. This approval does not constitute right-of-way approval for any off-lease activities. Within 30 days, an application for right-of-way approval must be submitted to the Realty Section if not already done.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT



OPERATOR'S COPY

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

5. Lease Designation and Serial No.
NM-76919

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.
**Roaring Springs
"14" Fed Com #5**

9. API Well No.
30-015-28302

10. Field and Pool, or exploratory Area
**Dagger Draw, South
(Upper Penn)**

11. County or Parish, State
Eddy NM

SUBMIT IN TRIPLICATE

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
Santa Fe Energy Resources, Inc.

3. Address and Telephone No.
550 W. Texas, Suite 1330, Midland, TX 79701 915-687-3551

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
(H), 1980' FNL and 660' FEL, Sec. 14, T-21S, R-23E

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

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" 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, Off-lease Storage & Measurement
	<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

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.)*

Please see attached form for surface commingling, off-lease storage, and measurement for the wells:

Roaring Springs "13" Fed #1 (D), 13-21S-23E
Roaring Springs "14" Fed Com #5 (H), 14-21S-23E

Roaring Springs Battery II is located at (H), 14-21S-23E. See attached maps and facility design.

SEE ATTACHED FORM
CONDITIONS OF APPROVAL

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

Signed Title Project Manager Date Feb. 7, 1997

(This space for Federal or State office use)

Approved by (ORIG. SGD.) ALEXIS C. SWOBODA Title PETROLEUM ENGINEER Date MAR 06 1997

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.

Application for Surface Commingling, Off-Lease Storage and Measurement Approval

This Format Should Be Attached to a Sundry Notice



To: Bureau of Land Management
P. O. Box 1778
Carlsbad, New Mexico 88221-1778

Santa Fe Energy Resources, Inc. is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s) on:

Roaring Springs Battery I (located at 14E-21S-23E)

<u>Fed Lse No</u>	<u>Lease Name</u>	<u>Well</u>	<u>Location</u>	<u>Formation</u>
NM-76919	Roaring Springs "14" Fed Com (N/2)	1	14E-21S-23E	Upper Penn
NM-80628		2	14B-21S-23E	Upper Penn
NM-76919	Roaring Springs "14" Fed (S/2)	4	14K-21S-23E	Upper Penn

Roaring Springs Battery II (located at 14H-21S-23E)

<u>Fed Lse No</u>	<u>Lease Name</u>	<u>Well</u>	<u>Location</u>	<u>Formation</u>
NM-76919	Roaring Springs "14" Fed Com (N/2)	5	14H-21S-23E	Upper Penn
NM-80628				
* NM-76919	Roaring Springs "14" Fed (S/2)	3	14P-21S-23E	Upper Penn
NM-76919	Roaring Springs "13" Fed	1	13D-21S-23E	Upper Penn

* BLM approved location, scheduled to be drilled in 1997

Production from all active and shut-in wells to be commingled as follows:

<u>Well Name and Number</u>	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCED</u>
Roaring Springs "13" Fed #1	409	42	3,174
Roaring Springs "14" Fed Com #1	49	42	1,365
Roaring Springs "14" Fed Com #2	39	42	1,585
Roaring Springs "14" Fed #4	312	42	3,795
Roaring Springs "14" Fed Com #5	129	42	4,335

Working interests, royalty interests, and overriding royalty interests are identical in all leases listed above.

A map (**Exhibit 1**) is enclosed showing the locations and Federal lease numbers of the two leases which will contribute production to the proposed commingling and common storage facilities. The communitized area is clearly illustrated.

Schematic diagrams (**Exhibits 2 & 3**) are attached which clearly identify the equipment and concept to be utilized for measurement, off-lease storage, and commingling operations.

Currently, there are three producers connected to the **Roaring Springs Battery I** (located at 14E-21S-23E on **NM-76919**) and two producers connected to **Roaring Springs Battery II** (located at 14H-21S-23E on **NM-76919**). The batteries, wells, and their locations are shown in **Exhibit 1**. The BLM will be notified prior to any future change in the facility location.

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

Both the **Roaring Springs Battery I and Battery II** are equipped with a multi-well production header, a test separator with oil/water/gas measurement devices, a two-phase gas-liquid separator, a three-phase production separator, heater-treaters, oil & water storage tanks, a LACT unit, a master orifice gas meter, and a master produced water meter. Compression, dehydration, and vapor recovery facilities are also located on the leases (see **Exhibits 2 & 3**).

In order to allocate total battery production back to each well, the individual wells will be tested at least once monthly. The oil, water, and gas rates from the well tests will be used to determine each well's proportionate share of the total battery production for the month.

All interest owners in affected leases have been notified of the commingling and off-lease storage proposal. See notification letters, **Exhibit 4**.

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. We agree to submit, within 30 days, an application for right-of-way approval to the BLM's Realty Section in your office, if not previously submitted. We also understand that additional wells added to the system would require separate commingling approvals.

Signature: _____

Name: _____

Title: _____

Date: _____



Don Rogers

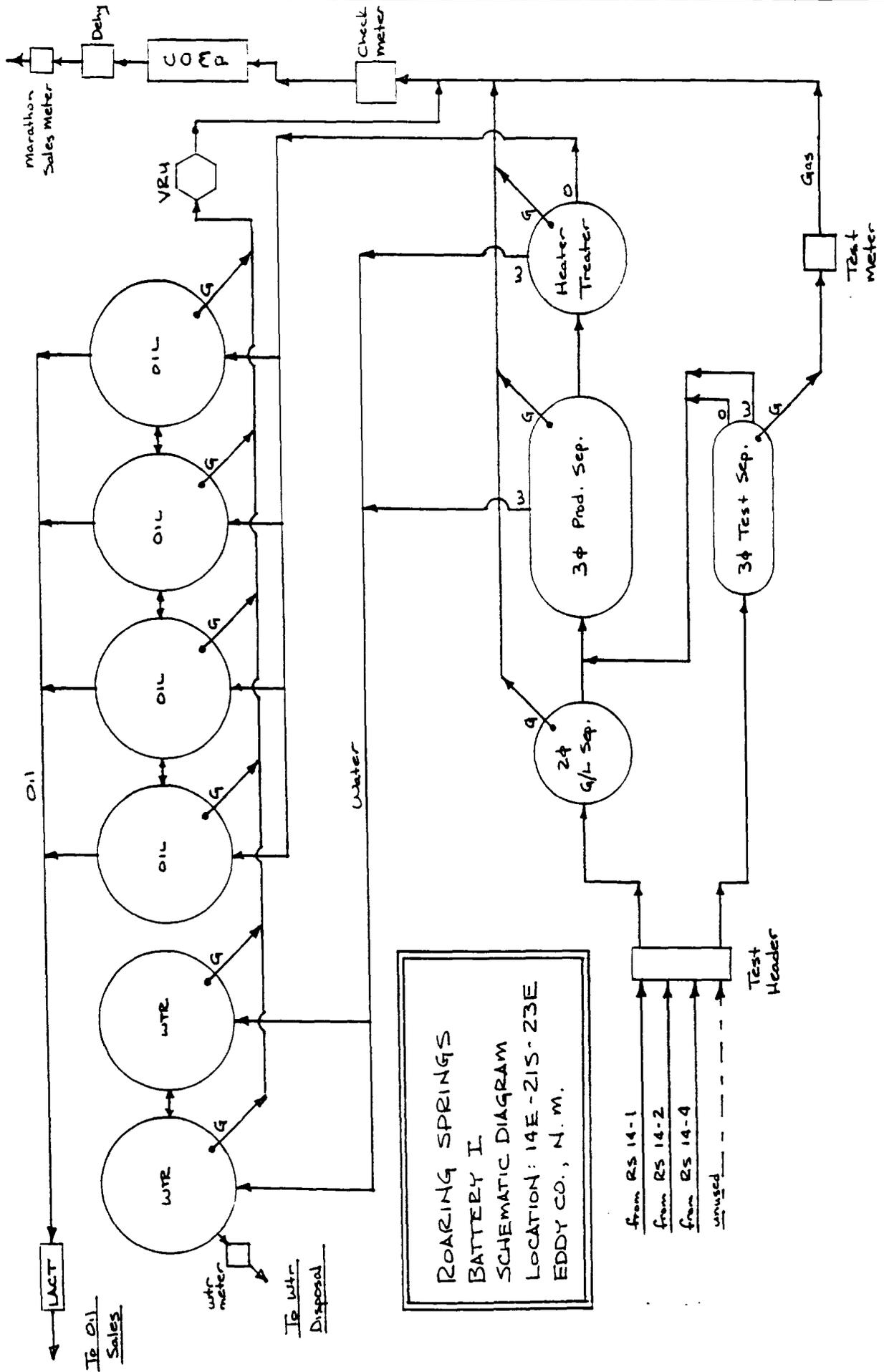
Proj. Mgr.

2/10/97

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To Gas Sales



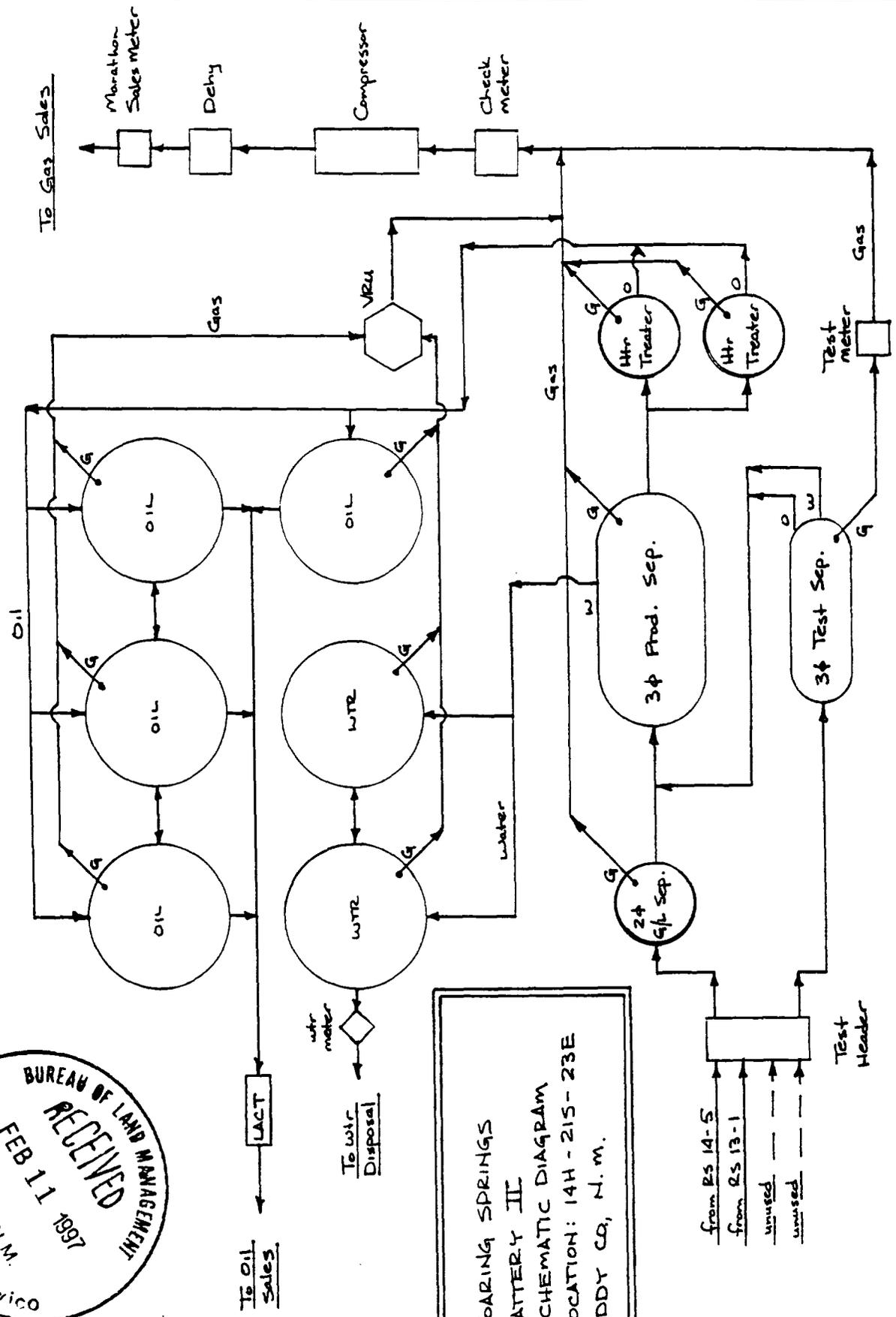
ROARING SPRINGS
 BATTERY I
 SCHEMATIC DIAGRAM
 LOCATION: 14E-215-23E
 EDDY CO., N. M.

from RS 14-1
 from RS 14-2
 from RS 14-4
 unused

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BUREAU OF LAND MANAGEMENT
 RECEIVED
 FEB 11 1997
 W.N.M.
 DIST. 6 N.M.
 Carlsbad, New Mexico



ROARING SPRINGS
 BATTERY II
 SCHEMATIC DIAGRAM
 LOCATION: 14H - 215 - 23E
 EDDY CO, N.M.

from RS 14-5
 from RS 13-1
 unused
 unused

DATE 2/7/97

Working Interest and Royalty Interest Owner List

Exhibit 4

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Bill Fenn
P. O. Drawer 569
Giddings, Texas 78942





Santa Fe Energy Resources, Inc.

Don D. DeCarlo
Division Manager, Production

February 10, 1997

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210



Attn : Randy Patterson

Subject : **Surface & Lease Commingling, Off-lease Storage
Dagger Draw, South (Upper Penn, Assoc. Oil & Gas) Field
Eddy County, New Mexico**

Dear Randy,

Santa Fe Energy Resources, Inc. respectfully requests your approval to commingle production from the following Federal leases into two common tank batteries. Although **working interests, royalty interests, and overriding royalty interests are identical** in all leases listed below, the North half of Section 14 is a communitized lease. The BLM and OCD rules for surface and lease commingling and off-lease storage therefore apply for the following leases and wells in Sections 13 and 14 :

Roaring Springs Battery I (located at 14E-21S-23E)

<u>Fed Lse No</u>	<u>Lease Name</u>	<u>Location</u>	<u>Formation</u>
NM-76919 NM-80628	Roaring Springs "14" Fed Com (N/2)	14-21S-23E	Upper Penn
NM-76919	Roaring Springs "14" Fed (S/2)	14-21S-23E	Upper Penn

Roaring Springs Battery II (located at 14H-21S-23E)

<u>Fed Lse No</u>	<u>Lease Name</u>	<u>Location</u>	<u>Formation</u>
NM-76919 NM-80628	Roaring Springs "14" Fed Com (N/2)	14-21S-23E	Upper Penn
NM-76919	Roaring Springs "14" Fed (S/2)	14-21S-23E	Upper Penn
NM-76919	Roaring Springs "13" Fed	13-21S-23E	Upper Penn

Application for Surface Commingling, Off Lease Storage and Measurement. cont.
February 10, 1997

A map (**Exhibit 1**) is enclosed showing the locations and Federal lease numbers of the two leases which will contribute production to the proposed commingling and common storage facilities. The communitized area is clearly illustrated. Currently, there are three producers connected to the **Roaring Springs Battery I** and two producers connected to **Roaring Springs Battery II**. The batteries, wells, and their locations are shown in **Exhibit 1**.

The purpose of off-lease storage and surface commingling is to reduce operating costs for storage, treating, and handling, thereby extending the economic life of each well. Without approval, it would be necessary to build stand-alone facilities at each well.

Schematic diagrams (**Exhibits 2 & 3**) are attached which clearly identify the equipment and concept to be utilized for measurement, off-lease storage, and commingling operations. They are submitted in accordance with NMOCD Rules 303-B, 309-B, and 309-C. Details of the proposed method for allocating production to contributing sources are as follows:

Both the **Roaring Springs Battery I and Battery II** are equipped with a multi-well production header, a test separator with oil/water/gas measurement devices, a two-phase gas-liquid separator, a three-phase production separator, heater-treaters, oil & water storage tanks, a LACT unit, a master orifice gas meter, and a master produced water meter. Compression, dehydration, and vapor recovery facilities are also located on the leases.

In order to allocate total battery production back to each well, the individual wells will be tested at least once monthly. The oil, water, and gas rates from the well tests will be used to determine each well's proportionate share of the total battery production for the month.

Enclosed please find two (2) copies of this letter. Please sign both copies, retain one for your records, and return the remaining copy to me by **March 10, 1997**. If we get no response by that date, we will assume that you have no objection to the proposal, and will proceed with a request for its approval by the NMOCD and the BLM. Should you have any questions or need further information, please call me at (915) 686-6709. We appreciate your attention to this matter.

Sincerely,



Don Rogers
Project Manager - Indian Basin Area

Yates Petroleum Corporation

Agreed and accepted this _____ day of _____, 1997.

Signature _____



Santa Fe Energy Resources, Inc.

Don D. DeCarlo
Division Manager, Production



February 10, 1997

Bill Fenn
P. O. Drawer 569
Giddings, Texas 78942

Attn : Bill Fenn

Subject : **Surface & Lease Commingling, Off-lease Storage
Dagger Draw, South (Upper Penn, Assoc. Oil & Gas) Field
Eddy County, New Mexico**

Dear Bill,

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NM-76919	Roaring Springs "14" Fed (S/2)	14-21S-23E	Upper Penn

Roaring Springs Battery II (located at 14H-21S-23E)

<u>Fed Lse No</u>	<u>Lease Name</u>	<u>Location</u>	<u>Formation</u>
NM-76919 NM-80628	Roaring Springs "14" Fed Com (N/2)	14-21S-23E	Upper Penn
NM-76919	Roaring Springs "14" Fed (S/2)	14-21S-23E	Upper Penn
NM-76919	Roaring Springs "13" Fed	13-21S-23E	Upper Penn

A map (**Exhibit 1**) is enclosed showing the locations and Federal lease numbers of the two leases which will contribute production to the proposed commingling and common storage facilities. The communitized area is clearly illustrated. Currently, there are three producers connected to the **Roaring Springs Battery I** and two producers connected to **Roaring Springs Battery II**. The batteries, wells, and their locations are shown in **Exhibit 1**.

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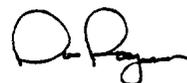
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Sincerely,



Don Rogers
Project Manager - Indian Basin Area

Bill Fenn

Agreed and accepted this _____ day of _____, 1997.

Signature _____

Bureau of Land Management
Roswell District
2909 West Second Street
Roswell, New Mexico 88201
505-627-0272

**Off-Lease Measurement, Storage, and Surface Commingling
Conditions of Approval**

Approval of surface commingling and off-lease storage and/or measurement is subject to the following conditions of approval:

1. This agency shall be notified of any change in sales method or location of the facility.
2. This agency shall be notified of any spill or discharge as required by NTL-3A.
3. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
4. This approval is subject to like approval by the New Mexico Oil Conservation Division.
5. Additional wells and/or leases require additional commingling approvals.
6. This approval does not constitute right-of-way approval for any off-lease activities. Within 30 days, an application for right-of-way approval must be submitted to the Realty Section if not already done.