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Arch Petroleum Inc.

RECEIVED OIL CONSERVATION
DIVISION
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July 15, 1996

Mr. William J. LeMay, Director
State of New Mexico
Energy, Minerals and Natural
Resources Department
Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Re: M. K. Stewart Lease
Section 28, T23S, R37E
Lea County, New Mexico

Dear Mr. LeMay:

In order to avoid considerable expense in constructing and maintaining two separate tank batteries for the above lease, Arch Petroleum Inc. hereby seeks an exception to Rule 303A. This will allow Arch to commingle production from the Teague Blinbry and Langlie Mattix Pools. All wells will be tested periodically for allocation of production.

The attached tabulation shows the volumes, gravities and monetary values of the liquid hydrocarbons from individual pools, as well as commingled production. The tabulation also shows total average daily production for a 2 month period. The calculated revenue from the commingled production is the same as the price on the individual pools.

Also attached is a schematic diagram of the storage facilities for the commingled production and a lease plat. Basis Petroleum Inc. has agreed to purchase the commingled production as proposed herein.

The commingling proposal is in the interest of conservation in that it prevents unnecessary waste and production expense.

Sincerely,

Bobbie Brooks
Production Analyst

cc: NMOCD - Hobbs

Attachments

M. K. STEWART. LEASE TANK BATTERY
 Section 28, T-23-S, R-37-E
 Lea County, New Mexico

WELLS AND POOL	PRODUCTION			AVG. BOPD
	APRIL <u>1996</u>	MAY <u>1996</u>	<u>TOTAL</u>	
Teague Blinebry				
Stewart #3	62	63	125	2.05
Stewart #4	63	62	125	2.05
Langlie Mattix				
Stewart #5	172	164	336	5.51
	<u>BOPD</u>	<u>GRAVITY</u>	<u>\$/BBL</u>	<u>\$/DAY</u>
Teague Blinebry	4.10	38.2	\$ 21.754	\$ 89.19
Langlie Mattix	5.51	36.2	\$ 21.754	\$119.86
Commingled	9.61	37.05	\$ 21.754	\$209.05
			Difference	\$.00



July 15, 1996

Ms. Bobbie Brooks
Arch Petroleum Corp.
10 Desta Drive, Ste. 420E
Midland, Tx 79705

RE: M. K. Stewart lease
Section 28 - 23S - 37E
Lea County, New Mexico

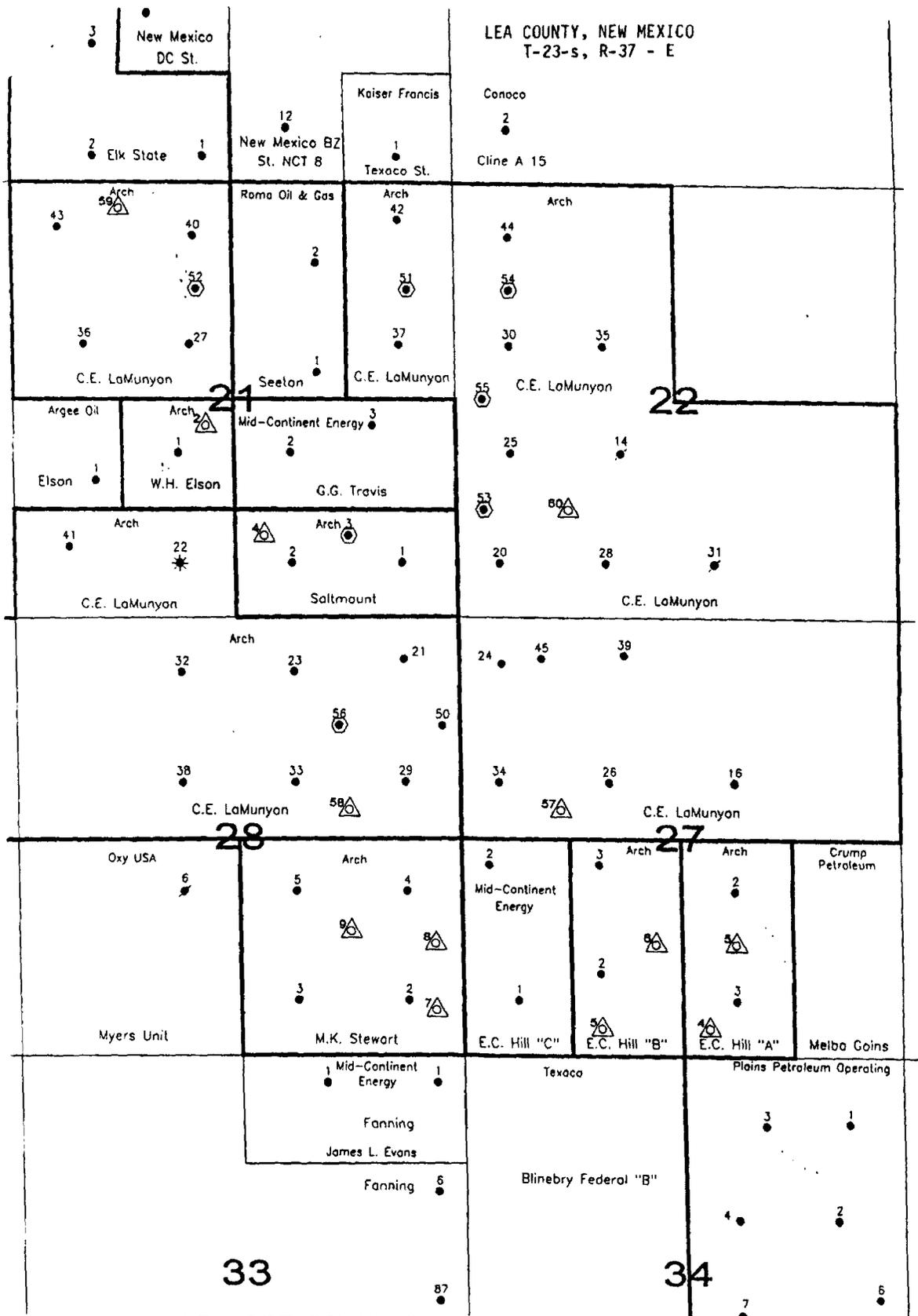
Dear Ms. Brooks:

Basis Petroleum, as purchaser of the production from the above lease, hereby acknowledges that Arch Petroleum, as operator, intends to comingle production from the Langlie Mattix formation with production from the Teague Blineberry formation. Basis will continue to purchase the lease production from the comingled lease.

If you have any questions, please give me a call at 687-3133.

Sincerely,

Bill Rigney, Manager
West Texas Region



LEGEND

EXHIBIT B

- ⬡ Phase 1 Infill Wells
- △ Proposed Phase 2 Infill Wells
- Blinebry Producer

TOTAL P. 01

