PC N/R

May 4, 1998

MAY 6 1998

New Mexico Oil Conservation Division
Department of Energy and Minerals
State of New Mexico
2040 South Pacheco
Santa Fe, NM 87501

Att: David Catanach

RE: Application to Surface Commingle, **Conoco, Inc.** Warren Unit East Separators, Section 26, T20S, R38E, Lea County, New Mexico

Conoco, Inc. is respectfully requesting permission to consolidate production currently going into our Warren Unit Battery #2 and the Warren Unit East Separators by surface commingling. The Warren Unit East Separator battery is located in Section 26, T20S, R38E, Lea County, New Mexico.

Please see attached a detailed summary of the current operation for these batteries, along with tables designating the wells involved, their production, pools and locations. Also enclosed are the battery diagram and location plat.

Ownership and working interest for all zones is common, quality of the crude is virtually identical and commingling will not reduce the commercial value. As stated in the justification the oil is deemed 40.0 API gravity; combining these batteries will not effect pricing of the crude oil.

If you have any questions, please call me @ 1-800-432-2967 or Tim Schneider @ 915 686-6180 of the Conoco-Midland office. Thank you.

Yours truly,

Ann E. Ritchie, Regulatory Agent
Conoco, Inc.
10 Desta Dr., Suite 100W
Midland, Texas 79705-4500

attachments
cc: Bill Keathly-Conoco/Midland
Tim Schneider-Conoco/Midland

Warren Unit Battery #2 & Warren Unit East Separators
Surface Commingle Application
Justification

Conoco seeks permission to surface commingle production from the Warren Unit Battery #2 with production from the Warren Unit East Separators. This combined production will be sent to Warren Unit Battery #1 for processing and sales. Production from the WU Battery #2 comes from the WU #11, the proposed WU #82, WU #144 and 145 and the proposed WU #146. These wells produce from 4 different pools which have been downhole commingled over the years. The WU East Separators handle WU Blinebry-Tubb waterflood production from 6 different wells on the east side of Highway 18 that runs through the Warren Unit. Conoco proposes to reroute the WU Battery #2 producing well flowlines to the East Separators and combine this production with the East Separator Blinebry-Tubb waterflood production. At the East Separators, individual wells will be tested and production will be allocated by a monthly well test.

As part of this process, oil and water production from the East Separators is sent to the Warren Unit Battery #1. At Battery #1 this production is combined with other waterflood production where the oil is separated and sold. Water production at Battery #1 is re-injected into the waterflood. Gas production at the East Separators is separated and sold to the gas purchaser. Conoco wishes to do this work and combine Battery #2 production with the waterflood production and eliminate the need to keep the production separate.

Both producing batteries the #1 and #2 handle sweet production and oil is sold at Battery #1. This oil is deemed 40.0 API gravity and therefore payment is made based upon the deemed gravity of 40.0 degrees API. Combining these batteries will not effect pricing of the crude oil in any way.

We further suggest that this work will reduce operating costs and equipment needed to handle the production at WU Battery #2. This work once accomplished, should improve the financial performance of the Warren Unit.

APPLICATION TO SURFACE COMMINGLE
Warren Unit Battery #2 w/ Warren Unit East Separators

Warren Unit Battery #2 Production:

WELL NAME	OIL (BOPD)	WATER (BWPD)	GAS (MCFPD)	API (CORRECTED)	PRICE ($/BBL)	REVENUE/DAY ($)
Warren Unit #11	42	56	0	37.2	15.68	658.56
Warren Unit #82	Temporarily Shut-In					
Warren Unit #144	59	32	431	37.2	15.68	925.12
Warren Unit #145	28	56	465	37.2	15.68	439.04
Warren Unit #146	Will Spud in May '98					
TOTAL:	**129**	**144**	**896**	37.2	15.68	**2022.72**

Warren Unit East Separator Production:

WELL NAME	OIL (BOPD)	WATER (BWPD)	GAS (MCFPD)	API (CORRECTED)	PRICE ($/BBL)	REVENUE/DAY ($)
Warren Unit #44	11	35	17	41.1	15.68	172.48
Warren Unit #46	3	0	7	41.1	15.68	47.04
Warren Unit #54	5	1	14	41.1	15.68	78.4
Warren Unit #55	3	0	18	41.1	15.68	47.04
Warren Unit #64	3	3	16	41.1	15.68	47.04
Warren Unit #317	30	94	47	41.1	15.68	470.4
TOTAL:	**55**	**133**	**119**	41.1	15.68	**862.4**

Combined Production:

PRODUCTION	OIL (BOPD)	WATER (BWPD)	GAS (MCFPD)	API (CORRECTED)	PRICE ($/BBL)	REVENUE/DAY ($)
TOTAL:	**184**	**277**	**1015**	**40***	**15.68**	**2885.12**

* All production at the Warren Unit Battery #1 is deemed 40 degree API

Note: Production at both locations are sweet crude

APPLICATION TO SURFACE COMMINGLE
Warren Unit Battery #2 w/ Warren Unit East Separators

Warren Unit Battery #2 Production:

WELL NAME	LEASE/COMMUNITIZATION #	LOCATION
Warren Unit #11	Lease #6710 & Unit #5844 / 3564	660' FNL & 660' FEL, Sec. 35, T20S, R38E
Warren Unit #82	Lease #6710 & Unit #5844 / 3564	1980' FNL & 1980' FEL, Sec. 35, T20S, R38E
Warren Unit #144	Lease #6710 & Unit #5844 / 3564	660' FNL & 1980' FWL, Sec. 25, T20S, R38E
Warren Unit #145	Lease #6710 & Unit #5844 / 3564	660' FNL & 660' FWL, Sec. 25, T20S, R38E
Warren Unit #146	Lease #6710 & Unit #5844 / 3564	660' FSL & 860' FEL, Sec. 26, T20S, R38E

Warren Unit East Separator Production:

WELL NAME	LEASE/COMMUNITIZATION #	LOCATION
Warren Unit #44	Lease #6710 & Unit #5844 / 3564	660' FWL & 660' FSL, Sec. 26, T20S, R38E
Warren Unit #46	Lease #6710 & Unit #5844 / 3564	1980' FSL & 1980' FWL, Sec. 26, T20S, R38E
Warren Unit #54	Lease #6710 & Unit #5844 / 3564	1980' FNL & 660' FWL, Sec. 26, T20S, R38E
Warren Unit #55	Lease #6710 & Unit #5844 / 3564	1980' FNL & 1980' FEL, Sec. 26, T20S, R38E
Warren Unit #64	Lease #6710 & Unit #5844 / 3564	660' FNL & 660' FEL, Sec. 26, T20S, R38E
Warren Unit #317	Lease #6710 & Unit #5844 / 3564	1330' FNL & 2515' FWL, Sec. 26, T20S, R38E

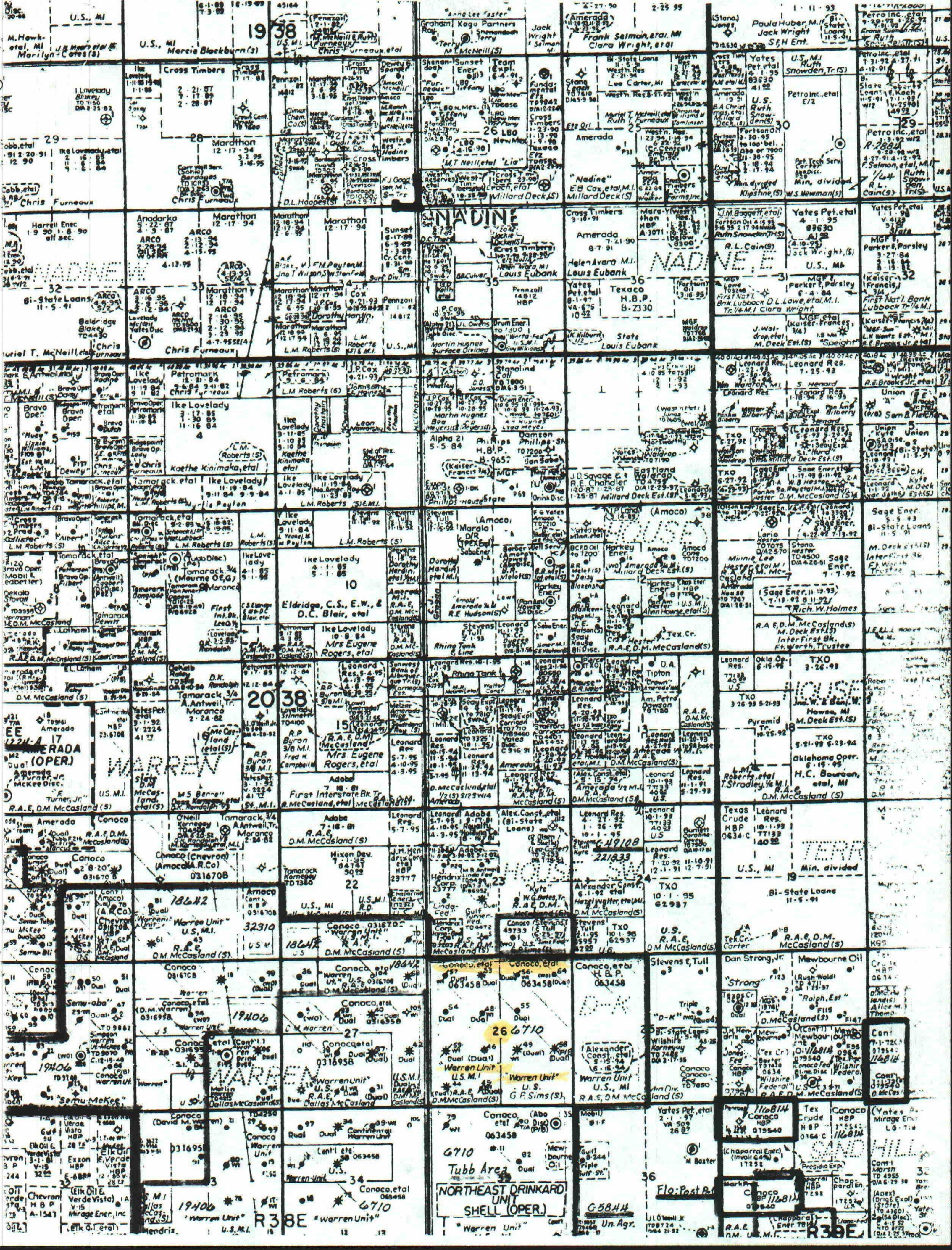
APPLICATION TO SURFACE COMMINGLE
Warren Unit Battery #2 w/ Warren Unit East Separators

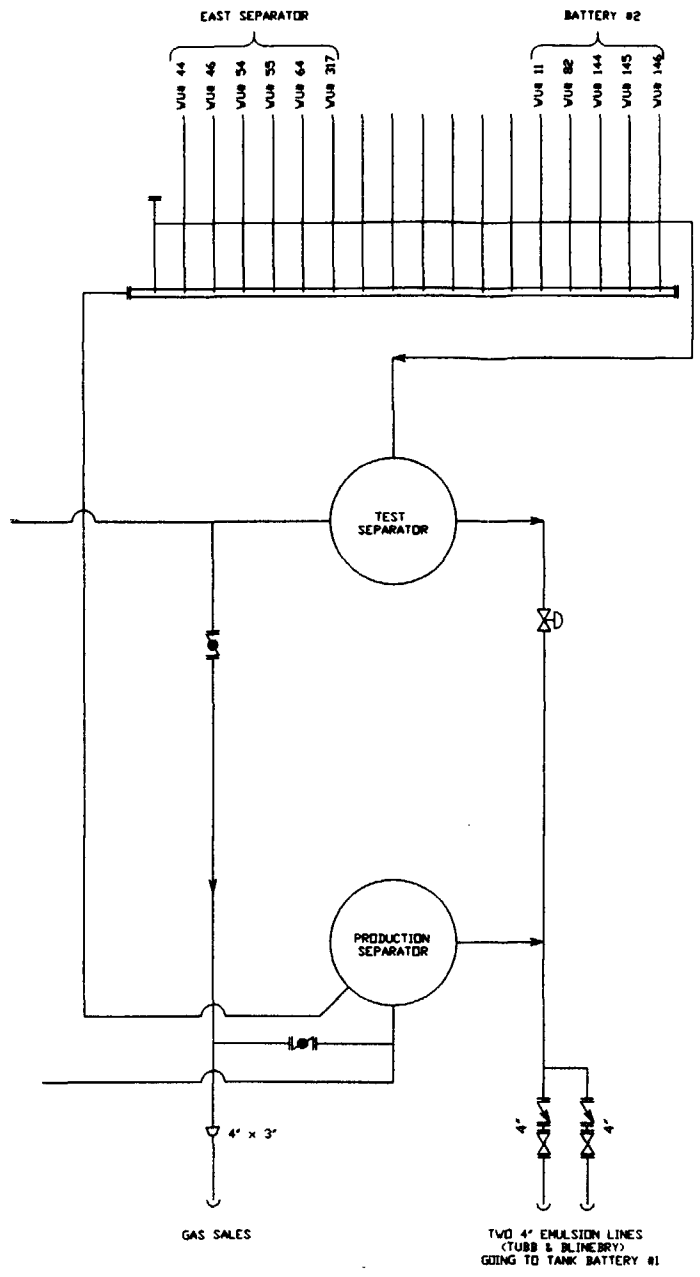
Warren Unit Battery #2 Production:

WELL NAME		POOL NAME (6660 / 63120 / 87065)		LOCATION	
Warren Unit #11		Blinebry Oil & Gas D/C w/ East Warren-Drinkard and East Warren-Tubb		660' FNL & 660' FEL, Sec. 35, T20S, R38E	A
Warren Unit #82		East Warren-Tubb D/C w/ Blinebry Oil & Gas and D-K Abo 15200		1980' FNL & 1980' FEL, Sec. 35, T20S, R38E	G
Warren Unit #144		East Warren-Tubb D/C w/ Blinebry Oil & Gas		660' FNL & 1980' FWL, Sec. 25, T20S, R38E	C
Warren Unit #145		East Warren-Tubb D/C w/ Blinebry Oil & Gas		660' FNL & 660' FWL, Sec. 25, T20S, R38E	D
Warren Unit #146		East Warren-Tubb D/C w/ East Warren-Drinkard		660' FSL & 860' FEL, Sec. 26, T20S, R38E	P

Warren Unit East Separator Production:

WELL NAME		POOL NAME		LOCATION	
Warren Unit #44		Warren Blinebry-Tubb O+G 62965		660' FWL & 660' FSL, Sec. 26, T20S, R38E	M
Warren Unit #46		Warren Blinebry-Tubb		1980' FSL & 1980' FWL, Sec. 26, T20S, R38E	K
Warren Unit #54		Warren Blinebry-Tubb		1980' FNL & 660' FWL, Sec. 26, T20S, R38E	E
Warren Unit #55		Warren Blinebry-Tubb		1980' FNL & 1980' FEL, Sec. 26, T20S, R38E	G
Warren Unit #64		Warren Blinebry-Tubb		660' FNL & 660' FEL, Sec. 26, T20S, R38E	A
Warren Unit #317		Warren Blinebry-Tubb		1330' FNL & 2515' FWL, Sec. 26, T20S, R38E	F


19 38
NADINE
NADINE NW
NADINE E
Cross Timbers
Marathon
Amerada
Chris Furneaux
Louis Eubank
Texaco H.B.P. B-2330
Ike Lovelady
Eldridge, C.S., E.W., & D.C. Blair, etal
Mrs Eugene Rogers, etal
20 38
WARREN
AMERADA (OPER)
R.A.E. D.M. McCasland (S)
First Interstate Bk. Tr.
Leonard Res.
HOUSE
Sage Ener.
Rich. W. Holmes
Conoco
Warren Unit
Northeast Drinkard Unit Shell (Oper.)
Tubb Area
R38E
R39E
Bi-State Loans
Mewbourne Oil
Dan Strong, Jr.
Yates Pet. etal
Min. divided
U.S., MI



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PIPING LEGEND	THIS FACILITY IS IN COMPLIANCE WITH CONOCO INC. MIDLAND DIVISION SITE SECURITY PLAN. PLAN LOCATED AT: CONOCO INC. OFFICE 10 DESTA DRIVE WEST MIDLAND, TEXAS 79705	VALVE LEGEND: POSITION/MODE 1. CLOSE/SALE 2. OPEN/SALE 3. CLOSED/PRODUCTION 4. OPEN/PRODUCTION
—— GAS		
—— OIL		
—— WATER		
—— CIRCULATING		
—— MISTURE LINE\VESSEL		
—— VAPOR RECOVERY		
—— EXTRA		

REVISIONS				REVISIONS			
NO.	DESCRIPTION	DATE	BY	NO.	DESCRIPTION	DATE	BY
1	REDRAW BATTERY	3/98	SM				

DATE: MARCH 31, 1998
DRAWN BY: STEPHEN MULDER
DESIGN BY: DOUG DIETRICH
CHECKED BY: DOUG DIETRICH
APPOVED BY: SAME
SCALE: NOT TO SCALE

conoco

WARREN UNIT PRODUCTION
LEA COUNTY, NEW MEXICO
SATELLITE (SEC. 26)

FED. LEASE NO: WARREN U
DRAWING NO. SEC26