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May 4, 1998

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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 Blinbry-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 Blinbry-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.

Surface Commingle Application

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

Surface Commingle Application

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

Surface Commingle Application

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

Warren Unit Battery #2 Production:

WELL NAME	POOL NAME	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
Warren Unit #82	East Warren-Tubb D/C w/ Blinebry Oil & Gas and D-K Abo 1, 5, 200	1980' FNL & 1980' FEL, Sec. 35, T20S, R38E
Warren Unit #144	East Warren-Tubb D/C w/ Blinebry Oil & Gas	660' FNL & 1980' FWL, Sec. 25, T20S, R38E
Warren Unit #145	East Warren-Tubb D/C w/ Blinebry Oil & Gas	660' FNL & 660' FWL, Sec. 25, T20S, R38E
Warren Unit #146	East Warren-Tubb D/C w/ East Warren-Drinkard	660' FSL & 860' FEL, Sec. 26, T20S, R38E

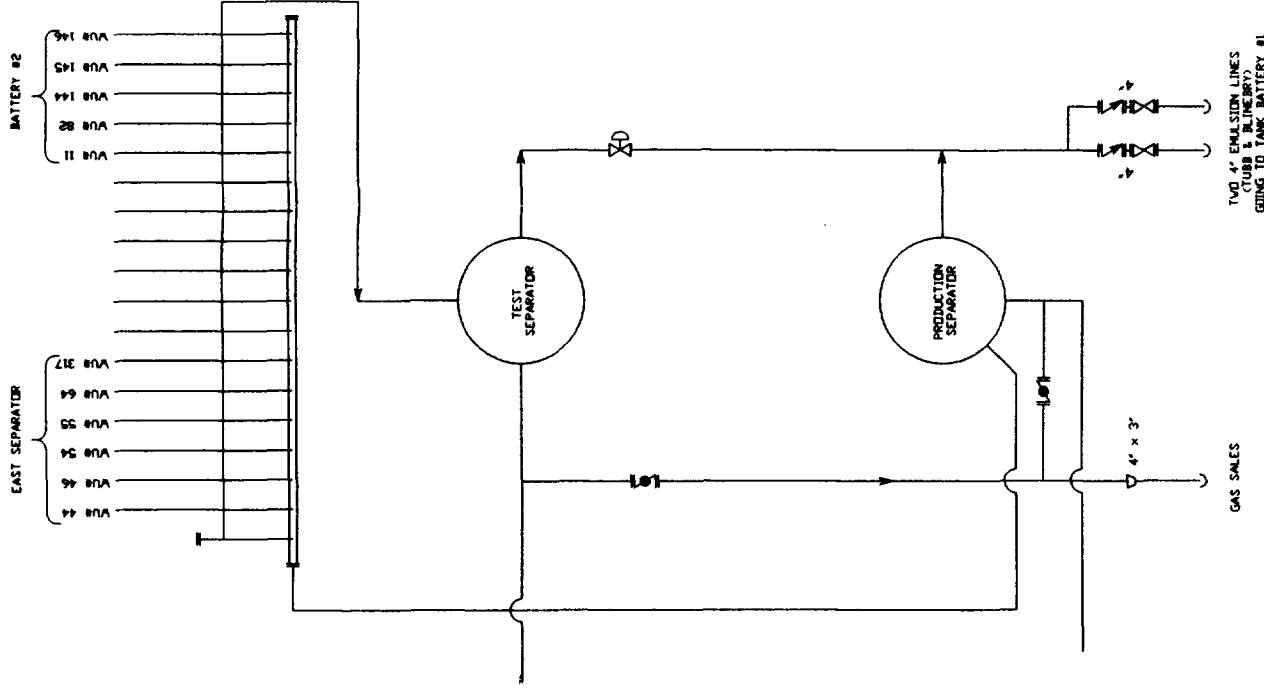
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Warren Unit East Separator Production:

WELL NAME	POOL NAME	LOCATION
Warren Unit #44	Warren Blinebry-Tubb	660' FWL & 660' FSL, Sec. 26, T20S, R38E
Warren Unit #46	Warren Blinebry-Tubb	1980' FSL & 1980' FWL, Sec. 26, T20S, R38E
Warren Unit #54	Warren Blinebry-Tubb	1980' FNL & 660' FWL, Sec. 26, T20S, R38E
Warren Unit #55	Warren Blinebry-Tubb	1980' FNL & 1980' FEL, Sec. 26, T20S, R38E
Warren Unit #64	Warren Blinebry-Tubb	660' FNL & 660' FEL, Sec. 26, T20S, R38E
Warren Unit #317	Warren Blinebry-Tubb	1330' FNL & 2515' FWL, Sec. 26, T20S, R38E

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U.S., MI M. Hawk, et al. MI Marilyn Carver (S) U.S., MI Marcia Blackburn (S) 1938 1940 1941 1942 1943 1944 1945 1946 1947 1948 1949 1950 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960 1961 1962 1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042 2043 2044 2045 2046 2047 2048 2049 2050 2051 2052 2053 2054 2055 2056 2057 2058 2059 2060 2061 2062 2063 2064 2065 2066 2067 2068 2069 2070 2071 2072 2073 2074 2075 2076 2077 2078 2079 2080 2081 2082 2083 2084 2085 2086 2087 2088 2089 2090 2091 2092 2093 2094 2095 2096 2097 2098 2099 2100 2101 2102 2103 2104 2105 2106 2107 2108 2109 2110 2111 2112 2113 2114 2115 2116 2117 2118 2119 2120 2121 2122 2123 2124 2125 2126 2127 2128 2129 2130 2131 2132 2133 2134 2135 2136 2137 2138 2139 2140 2141 2142 2143 2144 2145 2146 2147 2148 2149 2150 2151 2152 2153 2154 2155 2156 2157 2158 2159 2160 2161 2162 2163 2164 2165 2166 2167 2168 2169 2170 2171 2172 2173 2174 2175 2176 2177 2178 2179 2180 2181 2182 2183 2184 2185 2186 2187 2188 2189 2190 2191 2192 2193 2194 2195 2196 2197 2198 2199 2200 2201 2202 2203 2204 2205 2206 2207 2208 2209 2210 2211 2212 2213 2214 2215 2216 2217 2218 2219 2220 2221 2222 2223 2224 2225 2226 2227 2228 2229 2230 2231 2232 2233 2234 2235 2236 2237 2238 2239 2240 2241 2242 2243 2244 2245 2246 2247 2248 2249 2250 2251 2252 2253 2254 2255 2256 2257 2258 2259 2260 2261 2262 2263 2264 2265 2266 2267 2268 2269 2270 2271 2272 2273 2274 2275 2276 2277 2278 2279 2280 2281 2282 2283 2284 2285 2286 2287 2288 2289 2290 2291 2292 2293 2294 2295 2296 2297 2298 2299 2300 2301 2302 2303 2304 2305 2306 2307 2308 2309 2310 2311 2312 2313 2314 2315 2316 2317 2318 2319 2320 2321 2322 2323 2324 2325 2326 2327 2328 2329 2330 2331 2332 2333 2334 2335 2336 2337 2338 2339 2340</



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		REVISIONS				REVISIONS				DATE: MARCH 31, 1998		CONOCO	
—	GAS					NO.	DESCRIPTION	DATE	BY	NO.	DESCRIPTION	DATE	BY	DRAWN BY: STEPHEN MULDER		WARREN UNIT PRODUCTION	
—	OIL					1	REDRAW BATTERY	3/98	SM					DESIGN BY: DOUG DIETRICH		LEA COUNTY, NEW MEXICO	
—	WATER													CHECKED BY: DOUG DIETRICH		SATELLITE (SEC. 26)	
—	CIRCULATING													APPROVED BY: SAME		FED. LEASE NO:	
—	MISTURE LINE/VESSEL													SCALE: NOT TO SCALE		WARREN U	
—	VAPOR RECOVERY															DRAWING NO:	
—	EXTRA															SEC26	