

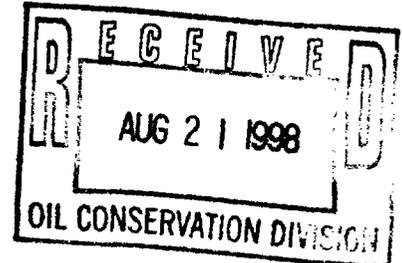
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N/R

985



August 19, 1998



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

Re: Surface Commingling
Baish Federal Lease
Eddy County, New Mexico

Dear Mr. Catanach:

Anadarko Petroleum Corporation (OGRID 000817) requests administrative approval to surface commingle the Baish Federal Lease (Property Code 001239) in Eddy County, New Mexico. We recently performed a successful recompletion of the Baish Federal #3 to the Shugart Yates/7 Rivers/Queen/Grayburg Field. We wish to surface commingle the #3 with the #1, #2, and #4 wells which are completed in the North Shugart Bone Springs Field. Exhibit 1 displays the location of each well and labels its field designation.

The Shugart Yates/7 Rivers/Queen/Grayburg oil is 37.7° API, and the North Shugart Bone Springs oil is 37.5° API. Anadarko expects a stabilized 30 BOPD production from the Baish Federal #3 in the Shugart Yates/7 Rivers/Queen/Grayburg Field, which will be combined with approximately 35 BOPD from the Baish Federal #1, #2, and #4 wells producing from the North Shugart Bone Springs Field. Anadarko currently sells Baish Federal Lease oil to Amoco Pipeline. Our contract is deemed 40° API with a \$1.15 bonus; hence, the price for each oil is the same. Surface commingling production will result in no revenue loss associated with a reduction in oil quality.

Anadarko has both a production separator and a test separator on the Baish Federal Lease. Each well on the lease will be tested periodically through the test separator. From those tests, production will be allocated back to each well monthly based on its tested proportionate share of lease production. Production for each well will be reported to the Oil Conservation Division in each well's respective field designation. Exhibits 2 and 3 contain a lease facility diagram and vessel inventory.

The Baish Federal Lease is a federal lease and requires BLM approval to surface commingle production from different fields. Exhibit 4 is a copy of the approved BLM form 3160-5, which proposes surface commingling this lease as described in this letter.

Please contact me at (915) 683-0554 if you have and questions.

Sincerely,

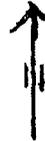
Richard Williams
Production Engineer

RHW/jma
Attachments

cc: RHW / BTM / LCG / Baish Federal Lease File / Baish Federal #3 Well File

Anadarko Petroleum Corp.
BAISH FEDERAL LEASE LC-029389-A
0 660' FNL 1500' FEL SEC 9 T16S R81E
EDDY Co., NM

NOTE: BATTERY PIPING IS AN
OPEN SYSTEM



SITE SECURITY PLAN

DATE OF FACILITY DIAGRAM _____

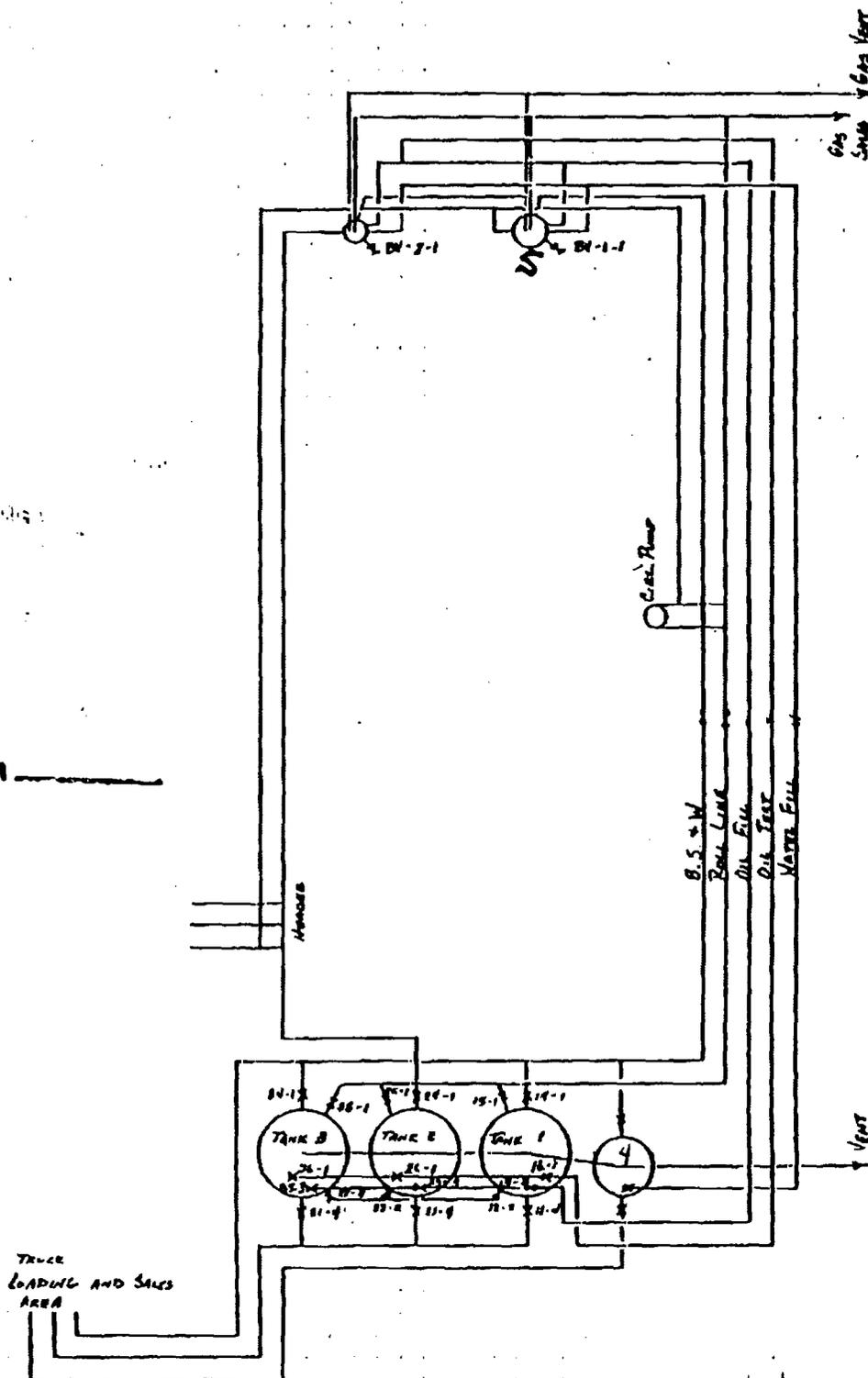


Exhibit 2

Lease: Baish Federal
UL B, Sec. 9, T18S, R31E
Eddy County, NM

Vessel #4
Produced water tanks: Above ground vessels: Ambient
temperature: Ambient pressure: Crude oil or H₂S may
be present

Vessel #5
Separator: Above ground vessel: Ambient temperature:
Greater than ambient pressure: Crude oil, water and
natural gas present (H₂S may be present).

Vessels #1, #2 & #3
Crude oil production tanks: Above ground vessel:
Ambient pressure and temperature: Crude oil and
natural gas present (H₂S may be present).

Exhibit 3

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OPERATOR'S COPY

FORM APPROVED
Budget Bureau No. 1004-0135
Expires July 31, 1996

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. LC-029389-A
2. Name of Operator Anadarko Petroleum Corp.		6. If Indian, Allottee or Tribe Name N/A
3a. Address P.O. Box 2497, Midland, TX 79702	3b. Phone No. (include area code) 915/682-1666	7. If Unit or CA/Agreement, Name and/or No. N/A
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 660' FNL & 1980' FWL SEC. 9, T-18S, R-31E		8. Well Name and No. BAISH FEDERAL #3
		9. API Well No. 30-015-25729
		10. Field and Pool, or Exploratory Area SHUGART YTES 7RVRS QN GRAYBURG
		11. County or Parish, State EDDY NM

12. CHECK APPROPRIATE BOX(ES) 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"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal
			<input type="checkbox"/> Water Shut-Off
			<input type="checkbox"/> Well Integrity
			<input checked="" type="checkbox"/> Other <u>SURFACE</u>
			<u>COMINGLING</u>

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

PROPOSED: SURFACE COMMINGLE NORTH SHUGART BONE SPRINGS OIL, GAS AND WATER PRODUCTION WITH SHUGART YTES 7RVRS QN GRAYBURG OIL, GAS AND WATER PRODUCTION.

PURPOSE: COMINGLING PRODUCTION AT THE SURFACE WILL ALLOW PRODUCTION FROM A RECENT BAISH FEDERAL #3 RE-COMPLETION WITHOUT BUILDING ADDITIONAL SURFACE FACILITIES.

SEPARATION: ALL WELLS ON LEASE WILL BE PRODUCED INTO ONE PRODUCTION SEPARATOR.

PRODUCTION ALLOCATION: EACH WELL ON LEASE WILL BE INDIVIDUALLY TESTED PERIODICALLY USING THE EXISTING TEST SEPARATOR.

OIL GRAVITIES: SHUGART YTES 7RVRS QN GRAYBURG - 37.7 DEGREES API.
NORTH SHUGART BONE SPRINGS - 37.5 DEGREES API.

**SUBJECT TO
LIKE APPROVAL
BY STATE**

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) RICHARD WILLIAMS	Title PRODUCTION ENGINEER	ACCEPTED FOR RECORD AUG 13 1996 BLM
<i>Richard Williams</i>	Date 08/12/98	
THIS SPACE FOR FEDERAL OR STATE OFFICE USE		
Approved by (ORIG. SGD) GARY GOURLY	PETROLEUM ENGINEER	Date AUG 13 1998
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.		Office

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.

(Instructions on reverse)

Exhibit 4