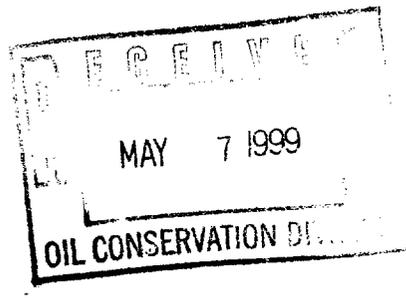


PC N/R  
FAX (915) 686-0302  
997

**COLLINS & WARE, INC.**

508 WEST WALL AVENUE, SUITE 1200  
MIDLAND, TEXAS 79701-5076

(915) 687-3435



May 5, 1999

Mike Stogner  
State of New Mexico  
Oil Conservation Division  
2040 S. Pacheco Street  
Santa Fe, New Mexico 87505-5472

Re: Surface Commingling  
Exception to Rule 303-A

Dear Mr. Stogner:

Collins & Ware, Inc. respectfully requests permission to surface commingle production at the W. E. Mathers "A" lease tank battery and gas meter. The pools to be commingled will be the Bagley Penn and the Bagley Lower Penn (Gas). *(1570) (7120)*

Located in Section 3, T-12S, R-33E, Lea County, New Mexico, both pools have similar oil and gas properties, oil gravity being 45.3 and 46.9 and gas BTU factors being 1.336 and 1.348 respectively. Commingling the production from these pools will not affect the value received for the oil or gas produced, it will however extend the economic life of this lease and enable Collins & Ware to continue producing hydrocarbons from this marginal lease.

The Bagley Penn holds a 40-acre OPU while the Bagley Lower Penn (Gas) holds a 320-acre GPU. The royalty interests in each of these pools are different with the BLM holding an ORRI in the Bagley Lower Penn Gas. Therefore, a request to surface commingle this lease has also been submitted to BLM for their approval.

For allocation purposes, a Port-A-Check tester will be utilized each month to in order to determine the correct percentage of production from each well. This allocation will also take into consideration producing days for each well.

A copy of this letter along with the information sent to the BLM has been sent by certified mail to each interest owner regarding this request to surface commingle.

Form C-102 and a facilities diagram as well as a copy of the data sent to the BLM is enclosed for your information.

Thank you for your review of our request. If you have any questions, please do not hesitate to give me a call at (915) 686-4313 or E-mail me at: [dsumrall@collinsandware.com](mailto:dsumrall@collinsandware.com).

Sincerely,

Dianne Sumrall  
Production Administrator

ds  
enclosures  
cc

District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 611 South First, Artesia, NM 88210  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
 2040 South Pacheco  
 Santa Fe, NM 87505

Form C-102  
 Revised October 18, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 State Lease - 4 Copies  
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-025-01047	<sup>2</sup> Pool Code 03770	<sup>3</sup> Pool Name BAGLEY PENN
<sup>4</sup> Property Code 19164	<sup>5</sup> Property Name MATHERS, WE "A"	<sup>6</sup> Well Number 2
<sup>7</sup> OGRID No. 004874	<sup>8</sup> Operator Name COLLINS & WARE, INC.	<sup>9</sup> Elevation

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	3	12S	33E		1980	NORTH	1980	WEST	LEA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16 	<p><sup>17</sup> OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>[Signature]</i></p> <p>Signature</p> <p>DIANNE SIMBALL</p> <p>Printed Name</p> <p>PRODUCTION ADMINISTRATOR</p> <p>Title</p> <p>5-4-99</p> <p>Date</p>
	<p><sup>18</sup> SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p>Certificate Number</p>

New Mexico Oil Conservation Division  
C-102 Instructions

IF THIS IS AN AMENDED REPORT, CHECK THE BOX LABELED "AMENDED REPORT" AT THE TOP OF THIS DOCUMENT.

Surveyors shall use the latest United States government survey or dependent resurvey. Well locations will be in reference to the New Mexico Principal Meridian. If the land is not surveyed contact the appropriate OCD district office. Independent subdivision surveys will not be acceptable.

1. The OCD assigned API number for this well
2. The pool code for this (proposed) completion
3. The pool name for this (proposed) completion
4. The property code for this (proposed) completion
5. The property name (well name) for this (proposed) completion
6. The well number for this (proposed) completion
7. Operator's OGRID number
8. The operator's name
9. The ground level elevation of this well
10. The surveyed surface location of this well measured from the section lines NOTE: If the United States government survey designates a Lot Number for this location use that number in the "UL or lot no." box. Otherwise use the OCD unit letter.
11. Proposed bottom hole location. If this is a horizontal hole indicate the location of the end of the hole.
12. The calculated acreage dedicated to this completion to the nearest hundredth of an acre
13. Put a Y if more than one completion will be sharing this same acreage or N if this is the only completion on this acreage
14. If more than one lease of different ownership has been dedicated to the well show the consolidation code from the following table:

C	Communitization
U	Unitization
F	Forced pooling
O	Other
P	Consolidation pending

**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION!**

15. Write in the OCD order(s) approving a non-standard location, non-standard spacing, or directional or horizontal drilling
16. This grid represents a standard section. You may superimpose a non-standard section over this grid. Outline the dedicated acreage and the separate leases within that dedicated acreage. Show the well surface location and bottom hole location, if it is directionally drilled, with the dimensions from the section lines in the cardinal directions. (Note: A legal location is determined from the perpendicular distance to the edge of the tract.) If this is a high angle or

horizontal hole show that portion of the well bore that is open within this pool.

Show all lots, lot numbers, and their respective acreage.

If more than one lease has been dedicated to this completion, outline each one and identify the ownership as to both working interest and royalty.

17. The signature, printed name, and title of the person authorized to make this report, and the date this document was signed.
18. The registered surveyors certification. This section does not have to be completed if this form has been previously accepted by the OCD and is being filed for a change of pool or dedicated acreage.

District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 811 South First, Artesia, NM 88210  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
 2040 South Pacheco  
 Santa Fe, NM 87505

Form C-102  
 Revised October 18, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 State Lease - 4 Copies  
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-025-01047		<sup>2</sup> Pool Code 71320		<sup>3</sup> Pool Name BAGLEY LOWER PENN (GAS)	
<sup>4</sup> Property Code 19164		<sup>5</sup> Property Name MATHERS, WE "A"			<sup>6</sup> Well Number 1
<sup>7</sup> OGRID No. 004874		<sup>8</sup> Operator Name COLLINS & WARE, INC.			<sup>9</sup> Elevation 4244

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	3	12S	33E		660	NORTH	1980	EAST	LEA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acres   <sup>13</sup> Joint or Infill   <sup>14</sup> Consolidation Code   <sup>15</sup> Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16						<p><b>17 OPERATOR CERTIFICATION</b>  <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i></p> <p style="text-align: right;"><i>[Signature]</i></p> <p>Signature DIANNE SUMRALL</p> <p>Printed Name PRODUCTION ADMINISTRATOR</p> <p>Title</p> <p>4-20-99</p> <p>Date</p>
						<p><b>18 SURVEYOR CERTIFICATION</b>  <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyer:</p> <p>Certificate Number</p>

New Mexico Oil Conservation Division  
C-102 Instructions

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horizontal hole show that portion of the well bore that is open within this pool.

Show all lots, lot numbers, and their respective acreage.

If more than one lease has been dedicated to this completion, outline each one and identify the ownership as to both working interest and royalty.

1. The OCD assigned API number for this well
2. The pool code for this (proposed) completion
3. The pool name for this (proposed) completion
4. The property code for this (proposed) completion
5. The property name (well name) for this (proposed) completion
6. The well number for this (proposed) completion
7. Operator's OGRID number
8. The operator's name
9. The ground level elevation of this well
10. The surveyed surface location of this well measured from the section lines **NOTE: If the United States government survey designates a Lot Number for this location use that number in the "UL or lot no." box. Otherwise use the OCD unit letter.**
11. Proposed bottom hole location. If this is a horizontal hole indicate the location of the end of the hole.
12. The calculated acreage dedicated to this completion to the nearest hundredth of an acre
13. Put a Y if more than one completion will be sharing this same acreage or N if this is the only completion on this acreage
14. If more than one lease of different ownership has been dedicated to the well show the consolidation code from the following table:

C	Communitization
U	Unitization
F	Forced pooling
O	Other
P	Consolidation pending
17. The signature, printed name, and title of the person authorized to make this report, and the date this document was signed.
18. The registered surveyors certification. This section does not have to be completed if this form has been previously accepted by the OCD and is being filed for a change of pool or dedicated acreage.

**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION!**

15. Write in the OCD order(s) approving a non-standard location, non-standard spacing, or directional or horizontal drilling
16. This grid represents a standard section. You may superimpose a non-standard section over this grid. Outline the dedicated acreage and the separate leases within that dedicated acreage. Show the well surface location and bottom hole location, if it is directionally drilled, with the dimensions from the section lines in the cardinal directions. (Note: A legal location is determined from the perpendicular distance to the edge of the tract.) If this is a high angle or

**COLLINS & WARE, INC.**

508 WEST WALL AVENUE, SUITE 1200

MIDLAND, TEXAS 79701-5076

(915) 687-3435

May 5, 1999

Andy Cortez  
Bureau of Land Management  
414 West Taylor  
Hobbs, New Mexico 88240

Re: Mathers, W E "A" Well No. 1  
NWNE of Sec 3, T-12S, R-33E, NMP  
Lea County, New Mexico  
CA - NMNM471108

Dear Mr. Cortez:

I am responding to your notice of Incidents for Noncompliance, page 3. A copy is attached for your reference.

The Mathers "A" #1 well is producing from Com NMNM71108 in the Bagley Lower Penn Gas pool. The Mathers "A" #2 well is currently SI in the Bagley Penn pool, therefore the com and non-com wells are not being surface commingled at this time. However, in the future, both wells may produce and surface commingling would be necessary, therefore, at this time we request approval for surface commingling.

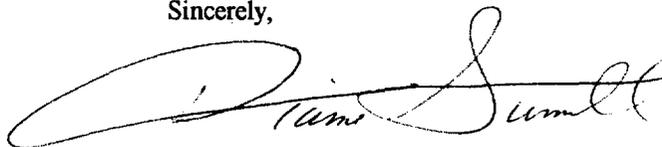
We are in the process of requesting surface commingling from the State of New Mexico as well; a copy of the data submitted to that agency is attached for your review.

I have complete form 3160-5 with attachments as per your guidelines.

1. Map w/ lease numbers
2. Facilities schematic
3. Estimated monthly production
4. Measurement and allocation methods
5. Statement of notification to interest owners
6. Evidence of interest ownership integrity
7. Economic justification

After your review, please feel free to give me a call if you have any questions regarding this application. I have also forwarded a copy of all data to your Roswell District Office for review.

Sincerely,



Dianne Sumrall  
Production Administrator

ds  
enclosures  
cc

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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  
**14080015237**

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

**NMNM 71108**

8. Well Name and No.

**MATHERS "A" #1**

9. API Well No.

**30-025-01047**

10. Field and Pool, or Exploratory Area

**BAGLEY LOWER PENN (GAS)**

11. County or Parish, State

**LEA, NEW MEXICO**

**SUBMIT IN TRIPLICATE**

1. Type of Well

Oil Well  Gas Well  Other

2. Name of Operator

**COLLINS & WARE, INC.**

3. Address and Telephone No.

**508 W. WALL, SUITE 1200 MIDLAND, TEXAS 79701 (915) 687-3435**

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

**660' FNL, 1980' FEL UNIT LETTER B  
SEC 3, T-12S, R-33E (NWNE/4)**

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

TYPE OF SUBMISSION

Notice of Intent  
 Subsequent Report  
 Final Abandonment Notice

TYPE OF ACTION

Abandonment  
 Recompletion  
 Plugging Back  
 Casing Repair  
 Altering Casing  
 Other SURFACE COMMINGLE  
 Change of Plans  
 New Construction  
 Non-Routine Fracturing  
 Water Shut-Off  
 Conversion to Injection  
 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.)\*

AT THIS TIME COLLINS & WARE, INC. RESPECTFULLY REQUESTS PERMISSION TO:

SURFACE COMMINGLE: MATHERS "A" #1, BAGLEY LOWER PENN (GAS) - PRODUCING

: MATHERS "A" #2, BAGLEY PENN - SI

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

Signed

Title

**PRODUCTION ADMINISTRATOR**

Date

**4-26-99**

(This space for Federal or State office use)

Approved by

Title

Date

Conditions of approval, if any:

District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 811 South First, Artesia, NM 88210  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
 Energy, Minerals & Natural Resources Department

Form C-102  
 Revised October 18, 1994  
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**OIL CONSERVATION DIVISION**  
 2040 South Pacheco  
 Santa Fe, NM 87505

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1 API Number		2 Pool Code		3 Pool Name UPPER PENN GAS, LOWER PENN GAS, PENN	
4 Property Code		5 Property Name MATHERS "A" & CAUDLE LEASES		6 Well Number	
7 OGRID No.		8 Operator Name COWINS & WARE, INC.		9 Elevation	

**10 Surface Location**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	3	12S	33E						

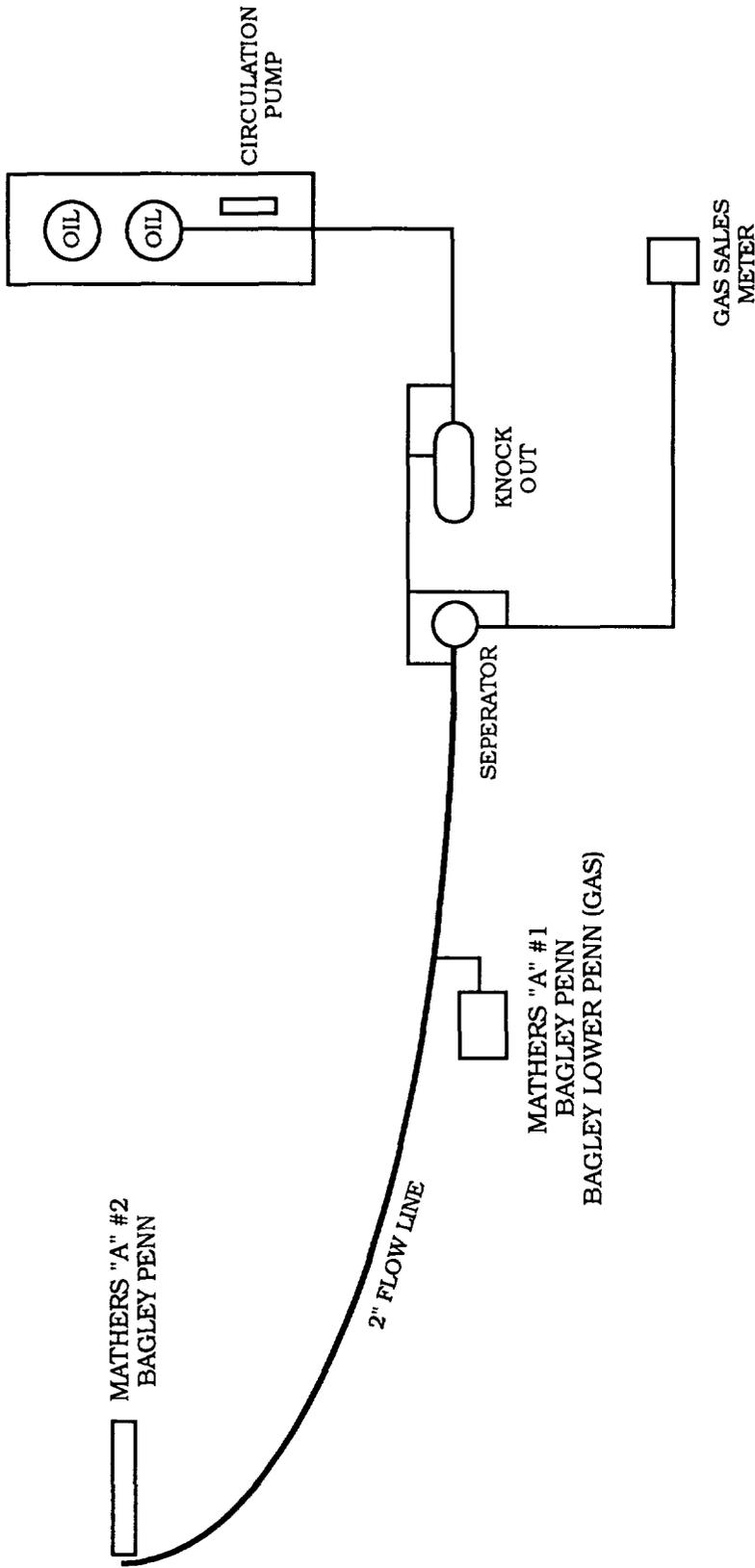
**11 Bottom Hole Location If Different From Surface**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16 	CAUDLE #2 UPPER PENN GAS - PROD 1980	WE MATHERS "A" #1 LOWER PENN GAS - PROD 1980	<b>17 OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief  Signature _____ Printed Name _____ Title _____ Date _____		
	1980 WE MATHERS "A" #2 PENN - SI				
	CA NMNM471108 320 ACRES BAGLEY UPPER PENN GAS = 320 AC PRODUCTION BAGLEY LOWER PENN GAS 320 AC PRODUCTION				<b>18 SURVEYOR CERTIFICATION</b> I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.  Date of Survey _____ Signature and Seal of Professional Surveyer: _____  Certificate Number _____
	NO COMMUNITIZED BAGLEY PENN = 40 AC PRODUCTION				



<b>COLLINS &amp; WARE, INC.</b>
MATHERS "A" 1 & 2 SEC. 3, T-12-S, R-33-E Lea County, New Mexico

**MONTHLY PRODUCTION CURRENTLY – FEBRUARY, 1999**

	<u>Oil / Cond Bbls</u>	<u>Gravity</u>	<u>Gas</u>	<u>BTU</u>	<u>Water</u>
Mathers "A" #1 - Lower Penn Gas	77	46.9	1332	1.348	0
Mathers "A" #2 – Penn	0	45.3	0	1.336	0

**ESTIMATED MONTHLY PRODUCTION WITH SURFACE COMMINGLE  
BETWEEN PENN & LOWER PENN GAS**

	<u>Oil / Cond Bbls</u>	<u>Gravity</u>	<u>Gas</u>	<u>BTU</u>	<u>Water</u>
Mathers "A" #1 - Lower Penn Gas	77	46.9	1332	1.348	0
Mathers "A" #2 – Penn	105	45.3	580	1.336	630

## **PERPOSED METHOD FOR MEASURING AND ALLOCATING PRODUCTION**

<b>Oil / Condensate</b>	<b>A monthly 24 hour field test will be performed with a Port-A-Check tester to insure proper allocation of production.</b>
<b>Gas</b>	<b>A monthly 24 hour field test will be performed with a Port-A-Check tester to insure proper allocation of production.</b>
<b>Water</b>	<b>A monthly 24 hour field test will be performed with a Port-A-Check tester to insure proper allocation of production.</b>

**Each well will be allocated it's proportionate percentage of production based on the Port-A-Check test and days producing.**

**No lease use volumes are anticipated.**

**STATEMENT OF NOTIFICATION TO ALL INTEREST OWNERS**

All interest owners have been notified by certified mail of our intention to Surface commingle the Mathers "A" #1 and Mathers "A" #2 wells.

Each interest owner has been supplied with a copy of form 3160-5 as notification of this request.

## **EVIDENCE OF OWNERSHIP**

The 320 acre communitization agreement from which the Mathers "A" #1 produces out of the Bagley Lower Penn Gas will not reduce or increase as an effect from the surface commingling of this well.

MMS currently holds an ORRI of .00037580 and this ownership will be maintained if requested commingling is approved.

## **DETAILED ECONOMIC JUSTIFICATION**

The Mathers "A" is a marginally producing lease.

The Mathers "A" #1 well is currently the only producer on the lease and has reached its economic limit. To increase the economic limit of this lease, the Mathers "A" #2 well must be returned to production and the two should be surface commingled to keep production costs to a minimum.

The oil and gas product prices will not be affected by the commingling of this lease.