

PC

N/R

FAX (915) 686-0302

1003

COLLINS & WARE, INC.
508 WEST WALL AVENUE, SUITE 1200
MIDLAND, TEXAS 79701-5076
(95) 687-3435

December 9, 1999

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

Re: Surface Commingling
State LA
Lease ID No. 19196
Lea County, New Mexico

David:

Collins & Ware, Inc. respectfully requests an exception to Rule 303A "Segregation Of Production From Pools:". Under Rule 303B, we request an administrative approval to Surface Commingle the production from the Lovington; Drinkard and Lovington; Abo Pools into a common storage facility.

The State LA Well No. 12, Lovington; Drinkard Pool, is currently the only producing well on this lease and is being measured monthly by pumper gauge reports. The result of the latest production test is 30 BOPD, 55 MCFPD and 0 BWPD. The last production test data from the Lovington; Abo Pool, dated July 1998, is 40 BOPD, 68 MCFPD and 3700 BWPD.

In July 1998, we recompleted the temporarily abandoned State LA Well No. 12 from the Abo Pool to the Drinkard Pool. The Abo Pool, which was being produced from the State LA Well No. 8 was shut-in and has not produced since. The Abo Pool is not being produced due to the high water volume, making oil recovery uneconomical.

Surface commingling of these pools will increase the economic life of the Abo Pool. If surface commingling is denied, the segregation of production from these pools will result in permanent abandonment of the Abo Pool, leaving recoverable oil uneconomic to produce.

An oil analysis taken from each pool, copy attached, indicates the oil gravity of each pool along with the sulfur content. The oil from the Drinkard Pool is slightly sour with an average gravity of 37.3°. The oil from the Abo Pool has an average gravity of 39.6°. The price basis will remain the same whether the oil from only the Drinkard Pool is sold or both pools are commingled.

The ownership throughout the lease is common. Collins & Ware, Inc. being 100% working interest owner and the State of New Mexico being 100% royalty owner.

The Commissioner of Public Lands has been notified of this request and a letter of consent dated December 2, 1999 from the State of New Mexico approving surface commingling is attached as required.

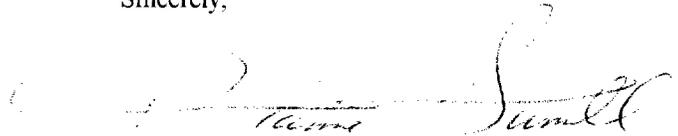
- page 2 -

Surface Commingle
State LA Lease

For your review, attached is a schematic of the facility area and a plat showing the location of each well in relationship to the facility. Our proposal for accurate measurement of these pools will be based on monthly well tests performed by our pumper with a port-a-check well tester.

Please review this information and if you have any questions or need any additional information regarding this request, do not hesitate to give me a call. Thank you in advance for your consideration of this request to surface commingle the State LA Lease.

Sincerely,

A handwritten signature in black ink, appearing to read "Dianne Sumrall", written over a horizontal line.

Dianne Sumrall
Production Administrator

ds
enclosures
cc: Hobbs

nl/1 + SW/4

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

API Number		Pool Code 40470 40490		Pool Name Lovington; Abo Lovington; Drinkard	
Property Code 19196	Property Name State LA			Well Number	
OGRID No. 004874	Operator Name Collins & Ware, Inc.			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
	1	17S	36E						Lea

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

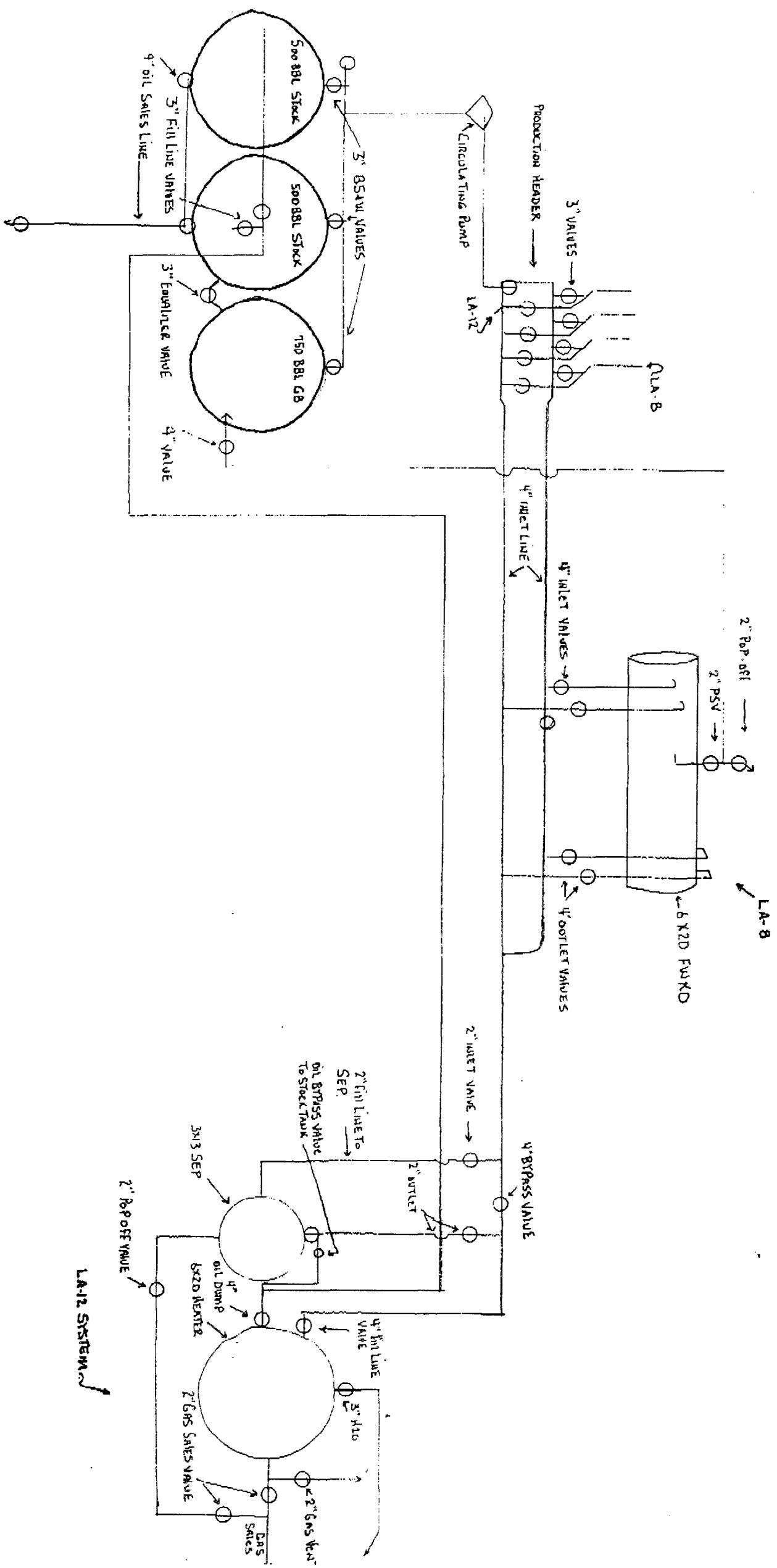
12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16			099 #9 1880		560 #8 660	17 OPERATOR CERTIFICATION 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 _____
			ABO - 52 1650 #11 1980		ABO - 52 1650 #10 660	
			ABO - 52		ABO - 52	
		2310 #12 2310				18 SURVEYOR CERTIFICATION 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 _____
		DRINKARD - PROD				

STATE LA TANK BATTERY

W/M/8 #8



**Laboratory Services, Inc.**

4016 Fiesta Drive
Hobbs, New Mexico 88240
Telephone: (505) 397-3713

ASTM DISTILLATION

Collins & Ware, Inc.
Attention: Diane
508 W. Wall, Suite 1200
Midland, Texas 79701-5076

November 10, 1999

LA-12

Percent DistilledTemperature

IBP	103
5	147
10	178
20	226
30	282
40	366
50	471
60	562
70	655
80	706
90	720
EP	728

% Recovered = 95.0
% Residue = 4.5
% Loss = 0.5

API Gravity @ 60° F = 37.30
Molecular Weight = 141

Rolland Perry



Laboratory Services, Inc.

4016 Fiesta Drive
Hobbs, New Mexico 88240
Telephone: (505) 397-3713

ASTM DISTILLATION

Collins & Ware, Inc.
Attention: Diane
508 W. Wall, Suite 1200
Midland, Texas 79701-5076

November 10, 1999

LA-8

Percent Distilled

Temperature

IBP	105
5	148
10	175
20	216
30	263
40	354
50	410
60	500
70	616
80	695
90	718
EP	724

% Recovered = 95.0
% Residue = 3.5
% Loss = 1.5

API Gravity @ 60° F = 39.60
Molecular Weight = 139

Rolland Perry

**Laboratory Services, Inc.**4016 Fiesta Drive
Hobbs, New Mexico 88240
Telephone: (505) 397-3713**SULFUR IN CRUDE OIL**Collins & Ware, Inc.
Attention: Diane
508 W. Wall, Suite 1200
Midland, Texas 79701-5076

Nov 9, 1999

	Total Sulfur	API Gravity @ 60° F	Specific Gravity @ 60° F
LA-8	0.3272 wt. %	39.6	0.8270
LA-12	0.6073 wt. %	37.3	0.8383

Thank You,
Rolland Perry

PC-1003

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766

ADMINISTRATION
Phone (505) 827-5700
Fax (505) 827-5853

GENERAL COUNSEL
Phone (505) 827-5713
Fax (505) 827-4262

PUBLIC AFFAIRS
Phone (505) 827-1245
Fax (505) 827-5766

COMMERCIAL RESOURCES
Phone (505) 827-5724
Fax (505) 827-6157

MINERAL RESOURCES
Phone (505) 827-5744
Fax (505) 827-4739

ROYALTY MANAGEMENT
Phone (505) 827-5772
Fax (505) 827-4739

SURFACE RESOURCES
Phone (505) 827-5793
Fax (505) 827-5711

**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

December 2, 1999

Collins & Ware, Inc.
508 West Wall Avenue
Midland, Texas 79701-5076

Attn: Ms. Dianne Sumrall

Re: Application for Surface Commingling
State LA Lease Well Nos. 8 and 12
NE/4, SW/4 of Section 1-17S-36E
Lovington, Drinkard and Abo Pools
Lea County, New Mexico

Dear Ms. Sumrall:

We have received your letter of November 8, 1999 wherein you requested our approval to surface commingle the Lovington Drinkard and Lovington Abo production from the State LA Lease

It is our understanding that the commingled price will remain the same whether the oil from only the Drinkard Pool is sold or both pools are commingled.

Since it appears that there will be no loss of revenue to the State of New Mexico's beneficiaries as a result of your proposed operation, your request is hereby approved. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval, should this operation prove to be unprofitable to the state at any time in the future. Also, our approval is subject to like approval by the New Mexico Oil Conservation Division.

Your \$30.00 filing fee has been received.

Please submit a copy of the Oil Conservation Division's order.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm
Enclosure
xc: Reader File

OCD-Mr. David Catanach, Mr. Ben Stone