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May 20, 1996

New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Attn: Mr. William J. Lemay
Chairman and Director, New Mexico Oil Conservation Division

RE: AMENDMENT TO COMMINGLING ORDER CTB-326
DD 24 Federal Lease (NM-56220)
DD 25 Federal Lease (NM-58024)
EE 24 Federal Lease (NM-58023)
Dagger Draw Upper Penn North Pool — 15472
Wilcat Canyon Wolfcamp North Pool 96478
Siegrest Draw Abo Northeast Pool
Dagger Draw Consolidated Battery (Ltr P, Sec 24, T-19-S, R-24-E)
Eddy County, New Mexico

Gentlemen:

Texaco Exploration and Production Inc. requests an amendment to Commingling Order CTB-326 concerning the above three federal leases. Attached is a similar request package for amendment to the surface commingling and off-lease storage to the Bureau of Land Management. In 1987, both the BLM and NMOCDC approved surface commingling and off-lease storage of production from the Dagger Draw Upper Penn North Pool on these three leases. TEPI proposes to commingle production from the Siegrest Draw Abo Northeast Pool and the Wildcat Canyon Wolfcamp North Pool with the Dagger Draw Upper Penn North Pool at the above battery. There are presently a total of ten wells from the three leases producing into this battery. Seven wells produce from the Dagger Draw Upper Penn North Pool, one well produces from the Wildcat Canyon Wolfcamp North Pool, one well is proposed to be recompleted into the Wildcat Canyon Wolfcamp North Pool, and one well is proposed to be recompleted into the Siegrest Draw Abo Northeast Pool.

Production will continue to be allocated to each lease by well tests. Each well will continue to be tested for a minimum of twenty-four hours at least once per month through a three phase

test separator. All of the working interest ownership on these wells/pools/leases is 100% TEPI.

I have attached a plat showing the location of both the producing wells and the battery. Also attached is a schematic of the tank battery. The battery will have two two-phase production separators and a heater treater to handle the production from the three pools.

The total crude sales amounts will remain the same if the production from these three pools is commingled at this battery. The oil will continue to be sold through a LACT unit to Amoco Pipeline Company and the gas will continue to be sold to GPM Gas Corporation. Water from the battery is disposed into the Aikman State SWD well which is operated by Nearburg Producing Company.

If you have any questions concerning this request, please contact me at 397-0418. Thank you for your assistance in this matter.

Yours very truly,



Monte C. Duncan
Engineer's Assistant

/mcd

Chrono

Attachments

cc: New Mexico Oil Conservation Division, District II Office