7/8/96

June 13, 1996

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11631

New Mexico Land Department
P.O. Box 1148
Santa Fe, New Mexico 87504

Attn: Mr. Larry Kehoe
Director; Oil, Gas, and Minerals Division

RE: AMENDMENT TO OFF-LEASE STORAGE AND SURFACE COMMINGLING REQUEST
Vacuum Drinkard Consolidated Battery
Ltr P, Sec. 1, T-18-S, R-34-E (Battery Location)
Vacuum Drinkard, Vacuum Blinebry, Vacuum Wolfcamp, and
Wildcat Atoka Pools Lea County, New Mexico
Seven Additional Wells (List Attached)

Gentlemen:

Texaco Exploration and Production Inc. requests administrative approval to amend a previously approved request for off-lease storage and surface commingling of production at the above tank battery. This amendment consists of the seven wells described on the attached commingle pre-application. TEPI received approval from the New Mexico Land Department (September 8, 1993) and the New Mexico Oil Conservation Division (Commingling Order CTB-374) for the off-lease storage and surface commingling of the production of wells producing from the Vacuum Drinkard pool wells into this battery. Copies of these approvals are attached. TEPI now proposes to commingle production from the Vacuum Drinkard, Vacuum Blinebry, Vacuum Wolfcamp, and Wildcat Atoka pools.

One completed well and two proposed wells on the previously approved request have had a change in pools. All three wells were proposed to be drilled in the Vacuum Drinkard pool. The New Mexico R State NCT-3 #26 was drilled and completed as a Vacuum Drinkard oil well in September of 1993. It was recompleted as a Vacuum Drinkard injecton well in January of 1995. In April of this year, it was recompleted as an oil well in the Vacuum Blinebry pool. The other two wells, New Mexico M State #10 and New Mexico R State NCT-3 #29, are now proposed to be drilled in the Wildcat Atoka pool.

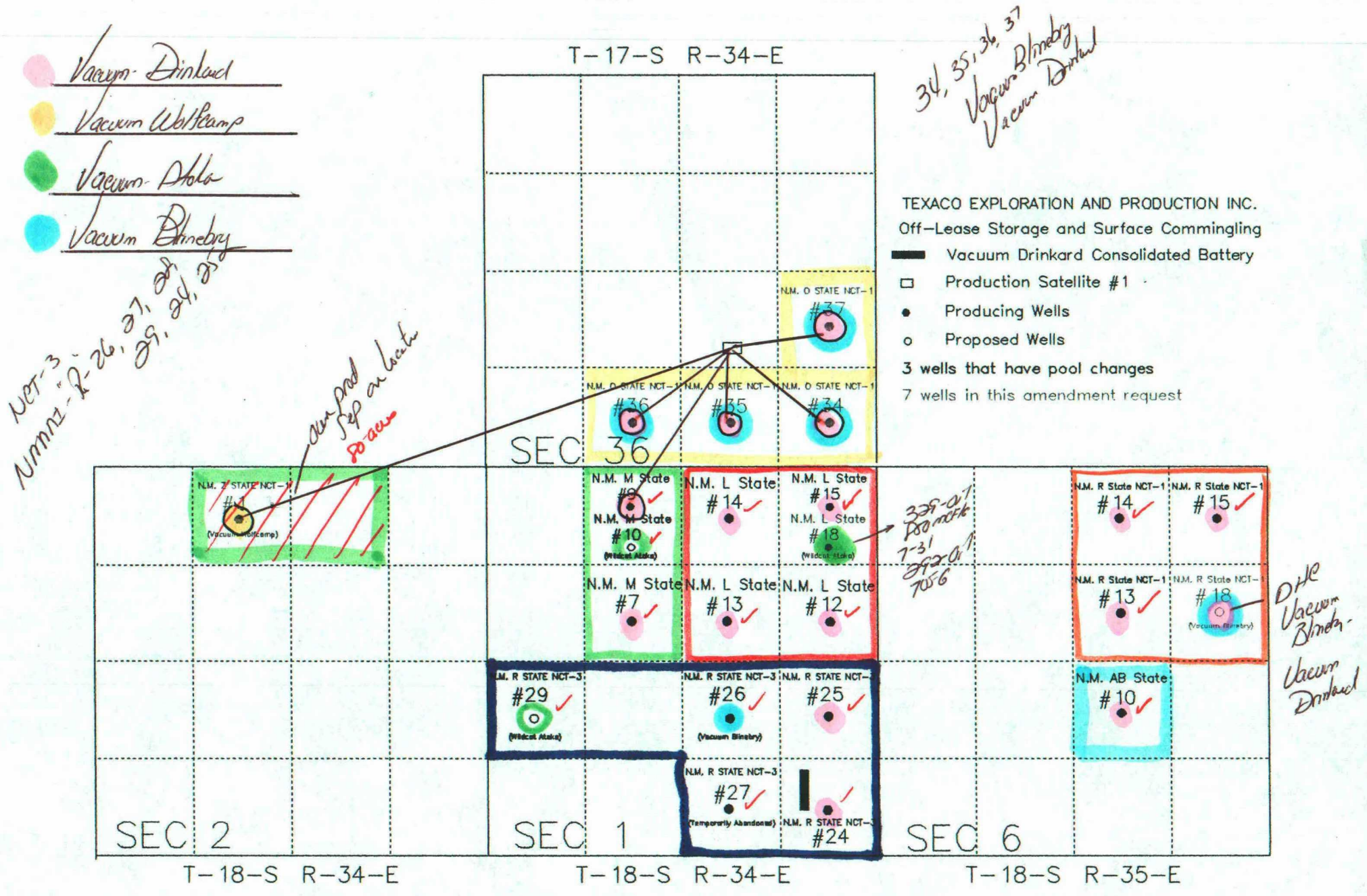
The seven wells described on the commingle pre-application are operated by Texaco Exploration and Production Inc. TEPI has 100% of the gross working interest in all seven wells. All of these wells are located on state leases. The state beneficiary of the seven wells is common schools. In accordance with prior amendments, the Vacuum Drinkard Consolidated Tank Battery is equipped with two production separators to separately measure production for two state beneficiaries, common schools and NMMI. The battery has two gas meters to separately measure gas production for the two state beneficiaries.

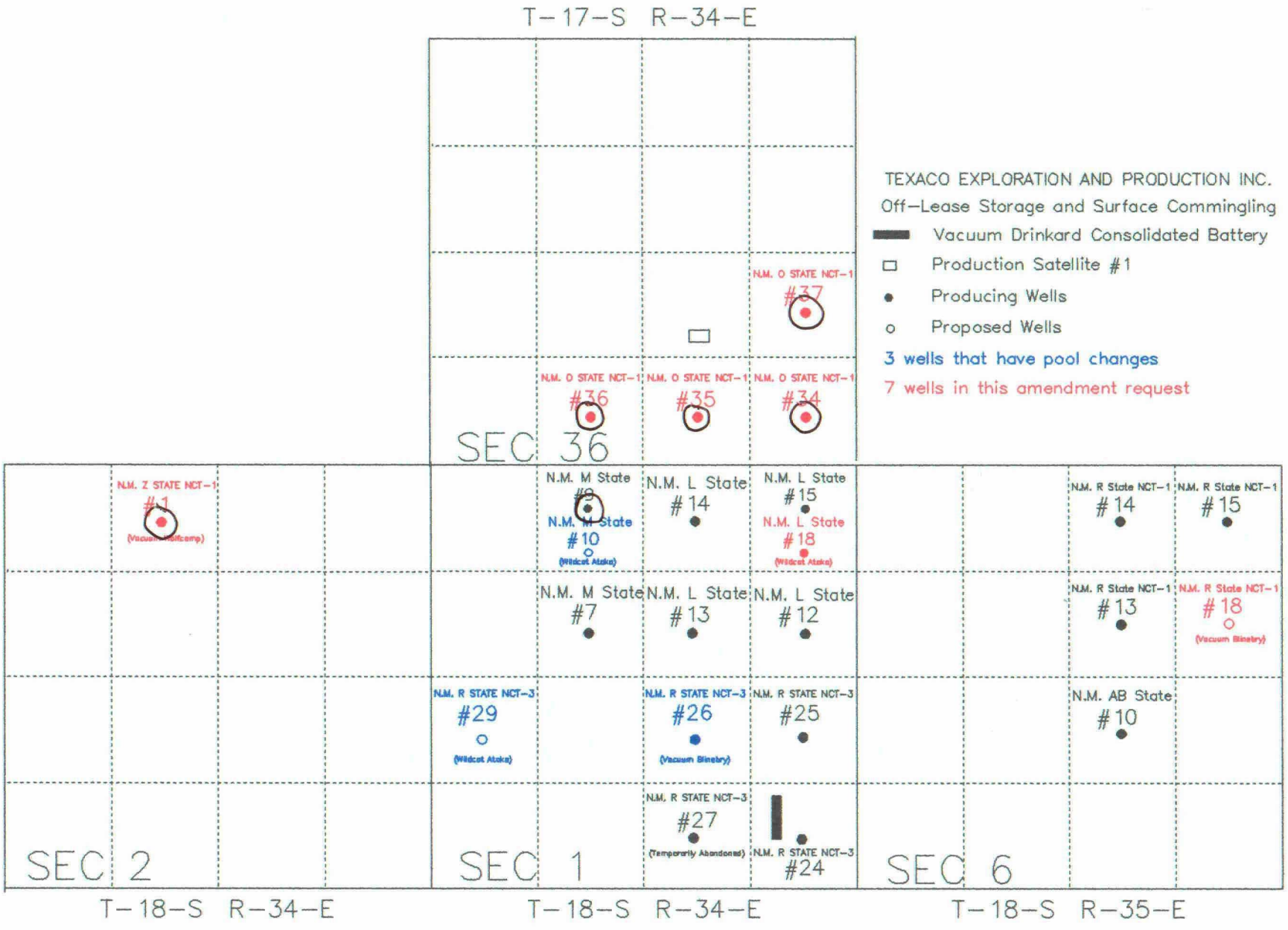
Attached is a schematic detailing New Mexico Z State NCT-1 #1 and the Drinkard Satellite 1. This well has its own three phase separator at the well's location. A daily test of oil, water, and gas production is recorded on meters on the separator. The oil from the separator goes to the production separator at Drinkard Satellite 1, the water is sent to production satellite 4 on the Vacuum Grayburg San Andres Unit for injection on the VGSAU, and the gas is sold to Texaco Exploration and Production's Gas Division through a sales meter on the well's location.

The Drinkard Satellite 1 has a three phase production separator and a three phase test separator. Monthly tests for wells producing into the satellite are accurately measured on a per well basis through meters on the test separator. Each well is tested several times during the month. Total monthly production is then allocated to each well based on these well tests. The oil and water are routed to the gunbarrel at the Vacuum Drinkard Consolidated Tank Battery and the gas is sold to Texaco Exploration and Production's Gas Division through a sales meter at the satellite location. Wells producing into Drinkard Satellite 1 are: New Mexico M State #9, New Mexico O State NCT-1 #34, New Mexico O State NCT-1 #35, New Mexico O State NCT-1 #36, New Mexico O State NCT-1 #37, and New Mexico Z State NCT-1 #1.

In March of 1996, the New Mexico L State #18 well was included in an off-lease storage and surface commingling amendment application for the New Mexico N, O, Q, & BA Tank Battery. Due to a change in plans, this recently completed Wildcat Atoka well will produce into the Vacuum Drinkard Consolidated Tank Battery.

At the Vacuum Drinkard Consolidated Tank Battery, monthly tests for wells producing to the battery are accurately measured on a per well basis through meters on the test separator. Production is then allocated to each well based on these well tests. The oil


Vacuum Drinkard
Vacuum Wolfcamp
Vacuum Abo
Vacuum Blinebry
NCT-3 - R-26, 27, 28, 29, 24, 25
NMNM - R-26, 27, 28
34, 35, 36, 37 Vacuum Blinebry Vacuum Drinkard
T-17-S R-34-E
TEXACO EXPLORATION AND PRODUCTION INC.
Off-Lease Storage and Surface Commingling
Vacuum Drinkard Consolidated Battery
Production Satellite #1
Producing Wells
Proposed Wells
3 wells that have pool changes
7 wells in this amendment request
SEC 36
SEC 2
SEC 1
SEC 6
T-18-S R-34-E
T-18-S R-34-E
T-18-S R-35-E
N.M. O STATE NCT-1 #37
N.M. O STATE NCT-1 #36
N.M. O STATE NCT-1 #35
N.M. O STATE NCT-1 #34
N.M. Z STATE NCT-1 #1 (Vacuum Wolfcamp)
N.M. M State #9
N.M. M State #10 (Wildcat Atoka)
N.M. M State #7
N.M. L State #14
N.M. L State #15
N.M. L State #18 (Wildcat Atoka)
N.M. L State #13
N.M. L State #12
N.M. R State NCT-1 #14
N.M. R State NCT-1 #15
N.M. R State NCT-1 #13
N.M. R State NCT-1 #18 (Vacuum Blinebry)
N.M. AB State #10
N.M. R STATE NCT-3 #29 (Wildcat Atoka)
N.M. R STATE NCT-3 #26 (Vacuum Blinebry)
N.M. R STATE NCT-3 #25
N.M. R STATE NCT-3 #27 (Temporarily Abandoned)
N.M. R STATE NCT-3 #24
Dhc Vacuum Blinebry - Vacuum Drinkard


T-17-S R-34-E
TEXACO EXPLORATION AND PRODUCTION INC.
Off-Lease Storage and Surface Commingling
Vacuum Drinkard Consolidated Battery
Production Satellite #1
Producing Wells
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3 wells that have pool changes
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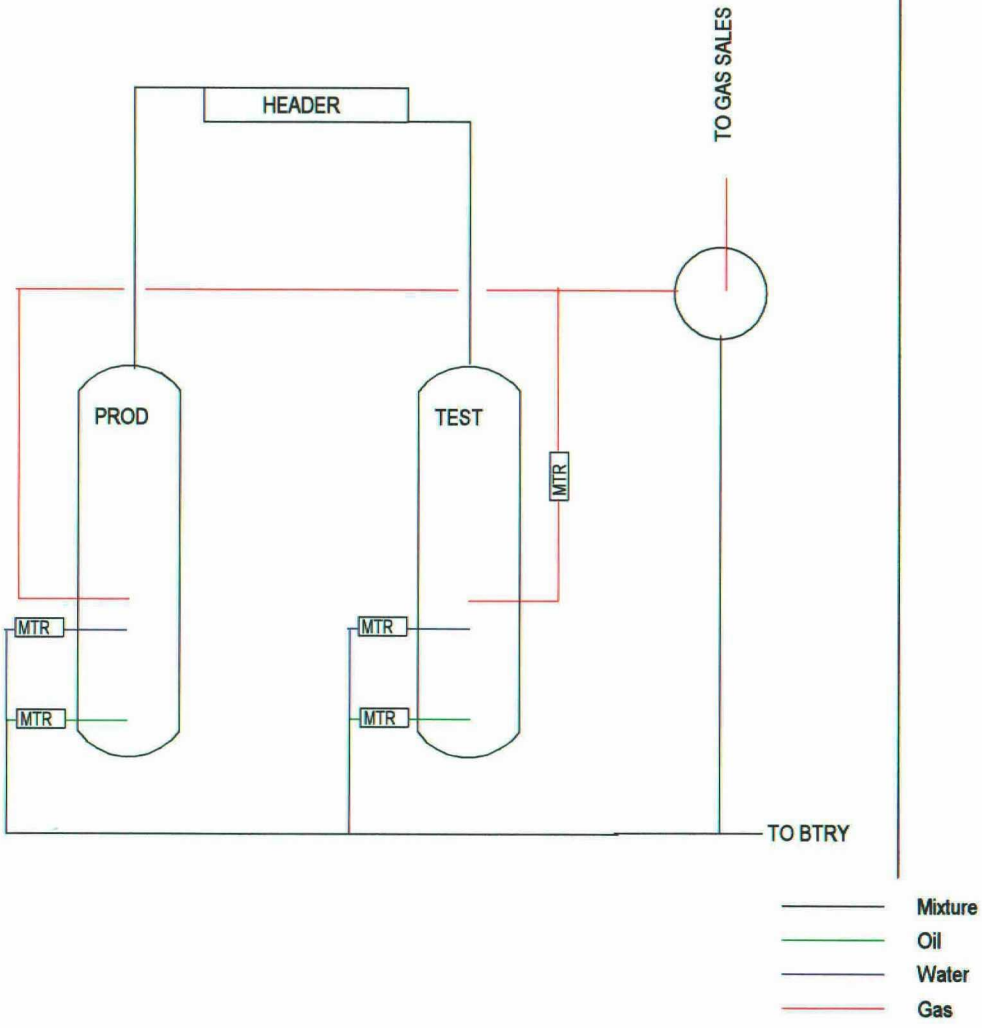
N.M. O STATE NCT-1 #37
N.M. O STATE NCT-1 #36
N.M. O STATE NCT-1 #35
N.M. O STATE NCT-1 #34
SEC 36
N.M. Z STATE NCT-1 #1
(Vacuum Wolfcamp)
N.M. M State #9
N.M. M State #10
(Wildcat Atoka)
N.M. L State #14
N.M. L State #15
N.M. L State #18
(Wildcat Atoka)
N.M. R State NCT-1 #14
N.M. R State NCT-1 #15
N.M. M State #7
N.M. L State #13
N.M. L State #12
N.M. R State NCT-1 #13
N.M. R State NCT-1 #18
(Vacuum Blinebry)
N.M. R STATE NCT-3 #29
(Wildcat Atoka)
N.M. R STATE NCT-3 #26
(Vacuum Blinebry)
N.M. R STATE NCT-3 #25
N.M. AB State #10
N.M. R STATE NCT-3 #27
(Temporarily Abandoned)
N.M. R STATE NCT-3 #24
SEC 2
SEC 1
SEC 6
T-18-S R-34-E
T-18-S R-34-E
T-18-S R-35-E

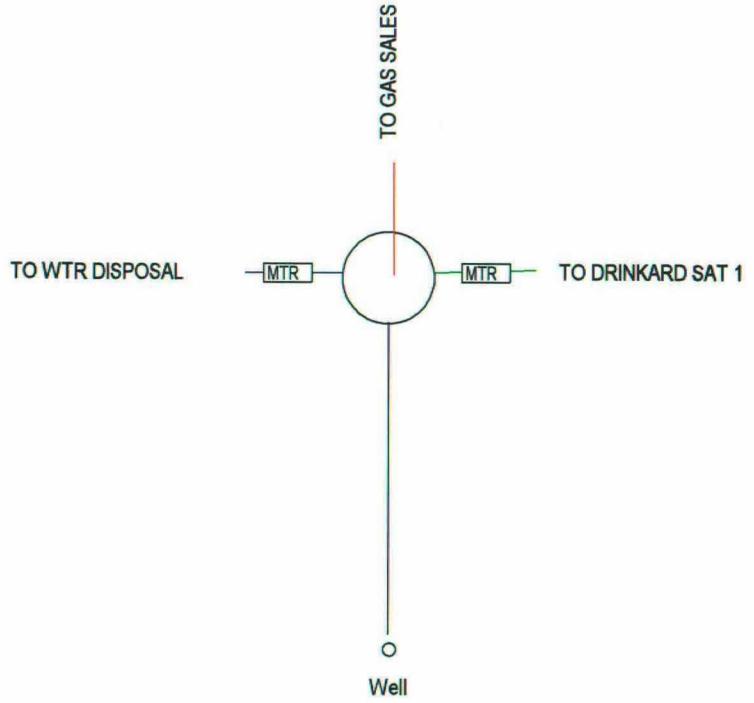
Texaco Exploration & Production Inc.

DRINKARD SATELLITE 1
Ltr J, Sec 36,T-17-S, R-34-E
Lea County, New Mexico



Texaco Exploration & Production Inc.

New Mexico Z State NCT-1
Ltr C, Sec 2,T-18-S, R-34-E
Lea County, New Mexico



Texaco Exploration & Production Inc.

VACUUM DRINKARD CONSOLIDATED T/B

Ltr P, Sec 1,T-18-S, R-34-E

Lea County, New Mexico