

PLC 10/20/97
137

MACK ENERGY CORPORATION

Post Office Box 960
Artesia, New Mexico 88211-0960
(505) 748-1238 / FAX (505) 746-2362

SEP 29 1997

September 26, 1997

David Catanach
Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Re: Surface Commingling, Off lease storage and measurement of
Hydrocarbon Production for:
Gulf State #1, #2, #3 & #4
Section 22, T17S, R28E
Eddy County, New Mexico

Mack Energy Corporation as operator of the aforementioned leases respectfully requests administrative approval for surface commingling, off lease storage and measurement of production.

It is requested that surface commingling be approved for production of the "Red Lake Queen Grayburg SA" from the Gulf State #1 in the NW/4 NE/4 Section 22, T17S, R28E (State of NM Lease B-1111), Gulf State #2 in the NE/4 NW/4 Section 22, T17S, R28E (State of NM Lease B-1969), and the "Empire Yates Seven Rivers" from the Gulf State #3 & #4 in the NE/4 NW/4 Section 22, T17S, R28E (State of NM Lease B-1969). Attached is a map showing the described lands.

Mack Energy proposes to surface commingle Red Lake Queen Grayburg SA and Empire Yates Seven Rivers production at a central battery. We will conduct monthly well tests to determine production (see attached for production volumes). The enclosed site facility diagram illustrates the typical separation equipment and the proposed production battery.

Mack Energy has made notification to all parties owning an interest in these leases, including the oil purchaser, of the intent to commingle. — COMMON AS PER CRISSA - PITCHER ON

Mack Energy Corporation is respectfully requesting administrative approval of this application for surface commingling. Should you require any additional information concerning this application, please call at the above number. Thank you for your consideration of this request.

Sincerely,

Crissa D. Carter

Crissa D. Carter

/CC

Enclosures

**APPLICATION FOR SURFACE COMMINGLING,
OFF LEASE STORAGE AND MEASUREMENT APPROVAL**

To: Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505-0000

Mack Energy Corporation (Operator Name) is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s) on State Lease No. B-1111 ; Lease Name: Gulf State

<u>Well</u> <u>No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp</u>	<u>Rng</u>	<u>Formation</u>
<u>1</u>	<u>B</u>	<u>22</u>	<u>17S</u>	<u>28E</u>	<u>Red Lake QN GB SA</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

with hydrocarbon production from the following formation(s) and well(s) on State lease No. B-1969 ; Lease Name: Gulf State

<u>Well</u> <u>No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	<u>Formation</u>
<u>2</u>	<u>C</u>	<u>22</u>	<u>17S</u>	<u>28E</u>	<u>Red Lake QN GB SA</u>
<u>3</u>	<u>C</u>	<u>22</u>	<u>17S</u>	<u>28E</u>	<u>Empire Yates SR</u>
<u>4</u>	<u>C</u>	<u>22</u>	<u>17S</u>	<u>28E</u>	<u>Empire Yates SR</u>

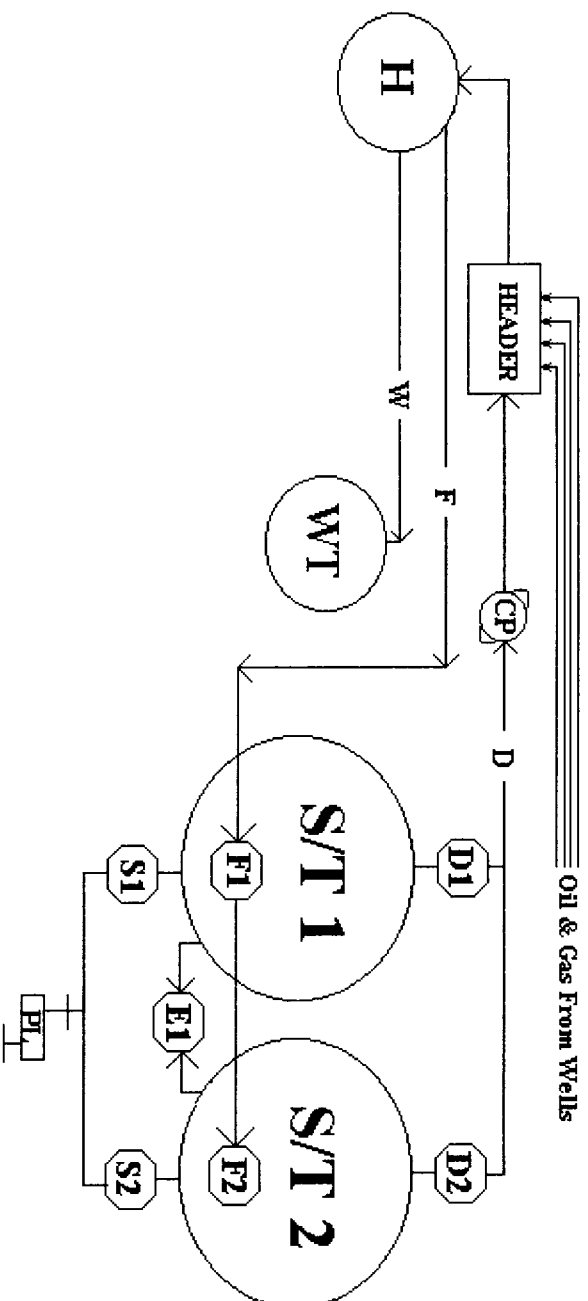
Production from the wells involved is as follows:

<u>Well Name and No.</u>	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCFPD</u>
<u>Gulf State #1</u>	<u>1</u>	<u>34.5 @ 60 degrees</u>	<u>0</u>
<u>Gulf State #2</u>	<u>.75</u>	<u>34.5 @ 60 degrees</u>	<u>0</u>
<u>Gulf State #3</u>	<u>.25</u>	<u>34.5 @ 60 degrees</u>	<u>0</u>
<u>Gulf State #4</u>	<u>.50</u>	<u>34.5 @ 60 degrees</u>	<u>0</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>

The storage and measuring facility is located at NENW -1/4, Sec. 22
T 17 S, R 28 E, on lease No. B-1969 Eddy County, New Mexico. O C D
will be notified if there is any future change in the facility location.

Details of the proposed method for allocating production to
contributing sources is as follows:

Mack Energy will conduct well tests to make sure allocation is correct.



Mack Energy Corporation

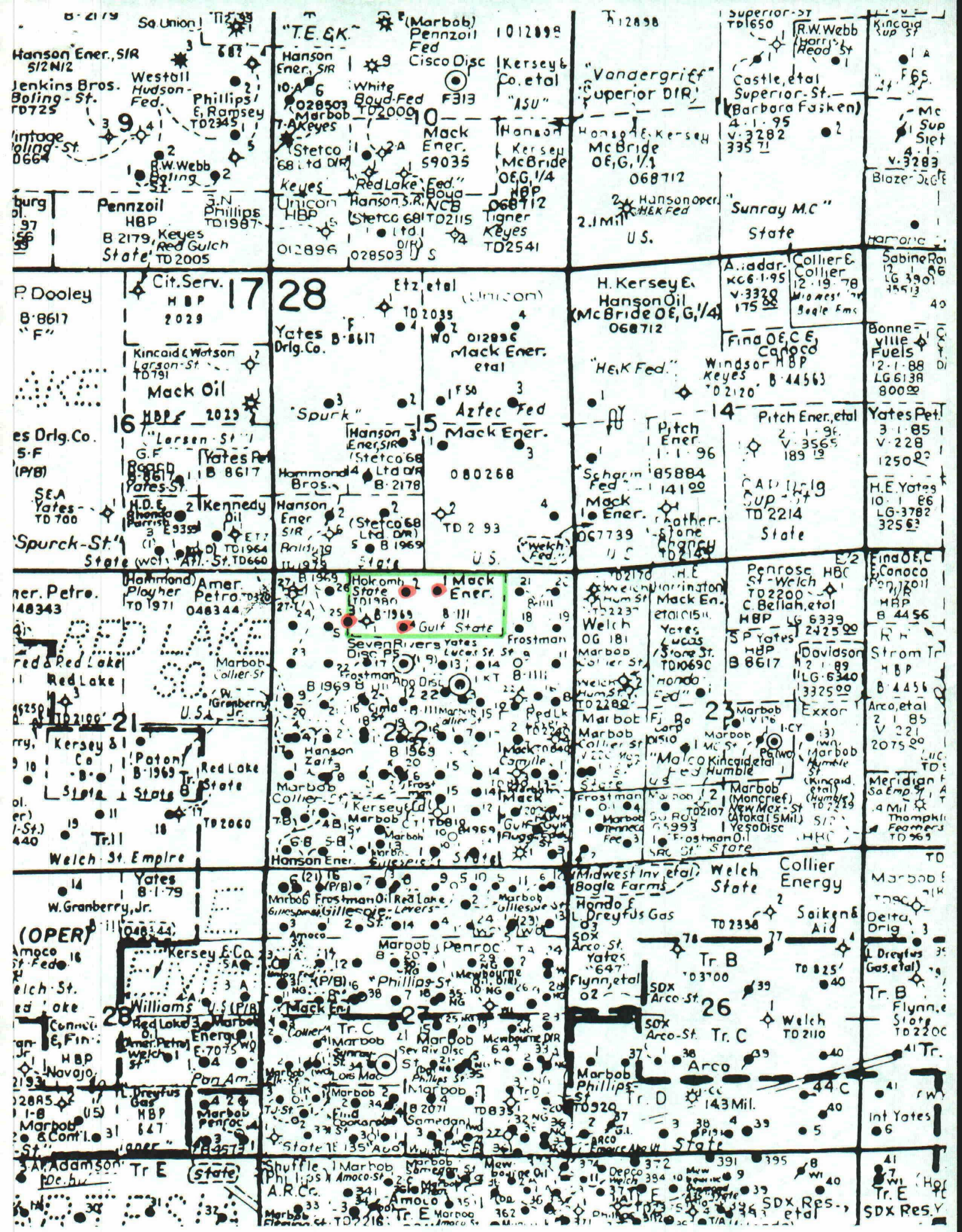
Gulf State #1, #2, #3, #4

Commingale & Off Lease Storage Facility

NE/4 NW/4

Sec 22, T17S, R28E

This Lease is subject to the site security plan for southeast New Mexico operations. The plan is located at: Mack Energy Corporation P.O. Box 960 Artesia NM 88211-0960





COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5793

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

**State of New Mexico
Commissioner of Public Lands**

Ray Powell, M.S., D.V.M.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5713

PLANNING
(505)-827-5752

October 7, 1997

Mack Energy Corporation
P.O. Box 960
Artesia, New Mexico 88211-0960

Attn: Ms. Crissa D. Carter

Re: Surface Commingling Application and Off-Lease Storage & Measurement
Gulf State Wells No. 1, No. 2, No. 3 and No. 4
Section 22-17S-28E
Lease No. B1111-4 and B-1969-5
Red Lake Queen Grayburg San Andres and Empire Yates Seven Rivers Production
Eddy County, New Mexico

Dear Ms. Carter:

We have received your letter of September 26, 1997, wherein you requested our approval for surface commingling, off lease storage and measurement of production from the above-captioned wells.

We understand that production from the subject wells will be commingled, stored and measured at the Gulf State Well Nos. 1, 2, 3, and 4 storage facility located in the NE/4NW/4 of Section 22-17S-28E.

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.

Please submit a copy of the New Mexico Oil Conservation Division's approval.

Your \$30.00 filing fee has been received.

Please notify Ms. Debbie Padilla of our Right-of-Way Section at 827-5729 regarding a right-of-way through the NE/4NW/4 of Section 22-17S-28E. Our approval will be contingent upon Mack Energy Corporation securing the appropriate right-of-way.

Mack Energy Corporation

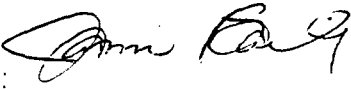
October 7, 1997

Page 2

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

cc: Reader File

OCD--Mr. David Catanach, Mr. Ben Stone

Debbie Padilla