

DATE IN 10/30/00	SUSPENSE N/R	ENGINEER MA	LOGGED KW	TYPE AMEND PC
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ABOVE THIS LINE FOR DIVISION USE ONLY

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NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
NSL NSP DD SD

OCT 30 2000

Check One Only for [B] and [C]

- [B] Commingling - Storage - Measurement
DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
WFX PMX SWD IPI EOR PPR

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **INFORMATION / DATA SUBMITTED IS COMPLETE** - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

A. M. Howell		Sr. Petro. Engineer	10/25/2000
Print or Type Name	Signature	Title	Date



October 25, 2000

Chevron U.S.A. Production Company
P.O. Box 1150
Midland, TX 79702

Proposed Amendment Of Surface
Commingling Order PC-569
Eaves # 2 Commingled Battery
Section 10, T22S, R37E
Lea County, New Mexico

New Mexico Oil Conservation Division
Attn: Lori Wrottenberg, Director
2040 South Pacheco
Santa Fe, NM 87505

Dear Ms. Wrottenberg:

Chevron U.S.A., Inc. respectfully requests administrative approval for an amendment to Commingling Order PC-569, allowing for the surface commingling of oil production from the San Andres, Blinebry, Tubb, Drinkard, Wantz Granite Wash, and Wantz Abo pools. The oil production from each pool will be allocated based on periodic well tests of each of the respective pool producers. All wells are on Chevron's wholly owned Eaves lease and royalty ownership is identical in all pools.

Commingling Order PC-569 (copy attached) currently provides for the surface commingling of oil production from the Blinebry, Tubb, Drinkard, Wantz Granite Wash, and Wantz Abo pools at the Eaves # 2 Commingled Battery. The only San Andres well on the Eaves lease, Eaves # 4, produces into a separate battery with no oil/water separation or water disposal equipment. The small amount of water produced is truck hauled to disposal.

Recently, the Eaves # 1 was re-entered (formerly P&A'd), deepened to the San Andres, and completed as a producer. Also, the Eaves # 4 was equipped with rod pumping equipment. Eaves # 1 is currently producing 6 BOPD, 42 BWPD, & 59 MCFPD and Eaves # 4 is making 10 BOPD, 192 BWPD, & 154 MCFPD. As a result of this work, the small San Andres battery is no longer adequate to handle the dramatically increased oil and water production. While both wells are economic, production is not high enough to justify the required extensive facility upgrade at the Eaves San Andres battery. The Eaves # 2 Commingled Battery has excess capacity and a pipeline salt water disposal connection. In order to avoid the considerable expense of upgrading the existing battery and the increased operating costs caused by truck hauling the produced water, your approval is requested to commingle the San Andres production into the Eaves # 2 Commingled Battery under Commingling Order PC-569.

↑
(also A)

Attached in support of this request is a table showing oil production volumes, gravities, and monetary values for each of the wells/pools proposed for commingling, a proposed schematic diagram for the subject facility, and a lease plat. As can be seen on the table, while the oil price per barrel is slightly higher with the pools kept separate, the total value for the crude oil produced from the Eaves lease is over twice as high (\$795.42/day vs. \$347.82/day) with all wells commingled into a single battery. This is due to the fact that the San Andres wells do not produce enough to justify the extensive battery upgrade required to keep them producing, and would have to be shut-in.

If you have any questions concerning this application, please contact Mike Howell at (915) 687-7516.

Sincerely,

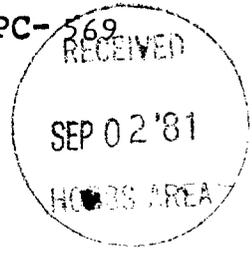
A handwritten signature in cursive script that reads "A. M. Howell". The signature is written in black ink and includes a long horizontal flourish extending to the right.

A. M. Howell
Sr. Petroleum Engineer

cc: NMOCD – Hobbs District I
Lease File
Janice Ripley
Denise Beckham
Nathan Mouser

NEW MEXICO OIL CONSERVATION DIVISION
 POST OFFICE BOX 2088
 SANTA FE, NEW MEXICO 87501

AMENDMENT
 COMMINGLING ORDER PC-569



Company Gulf Oil Corporation
 Address P. O. Box 670
 City, State, Zip Hobbs, New Mexico 88240

Attention: Mr. R. C. Anderson

Lease Name: Eaves
 Description: E/2 NE/4 of Sec. 10, T-22-S, R-37-E, Lea County

The above-named company is hereby authorized to commingle production from the following pools

Blinebry, Tubb, Drinkard, Wantz Granite Wash, and Wantz Abo

in a common tank battery, and to determine the production from each pool by

_____ separately metering the production from each pool prior to commingling

_____ separately metering the production from _____ and determining the production by the subtraction method

well tests (if this method is to be authorized, all commingled production must be of marginal nature; further, the operator shall notify the Santa Fe Office of the Division in the event any well producing into the commingled battery becomes capable of top allowable production, at which time the Division will amend this order or take such other action as may be appropriate)

Note: This installation shall be installed and operated in accordance with the applicable provisions of Rule 303 of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

REMARKS: Prior to this amendment, PC-569 approved commingling of Blinebry, Drinkard, and Granite Wash production only. High pressure gas from the Blinebry and Tubb shall each be metered separately.

DONE at Santa Fe, New Mexico, on this 31st day of August, 1981.

Name	Init.
Area Mgr	<i>[Signature]</i>
Area Eng	<i>[Signature]</i>
Area Geol	<i>[Signature]</i>
Area Prod Mgr	<i>[Signature]</i>
Area Tech	<i>[Signature]</i>
Area Adm	<i>[Signature]</i>
Area Insp	<i>[Signature]</i>
Area Maint	<i>[Signature]</i>
Area Safety	<i>[Signature]</i>
Area Training	<i>[Signature]</i>
Area Public Aff	<i>[Signature]</i>
Area Records	<i>[Signature]</i>
Area Comm	<i>[Signature]</i>
Area Legal	<i>[Signature]</i>
Area Finance	<i>[Signature]</i>
Area HR	<i>[Signature]</i>

[Signature]
 JOE D. RAMEY, Division Director

Proposed Amendment Of Surface
 Commingling Order PC-569
 Eaves # 2 Commingled Battery
 Section 10, T22S, R37E
 Lea County, New Mexico

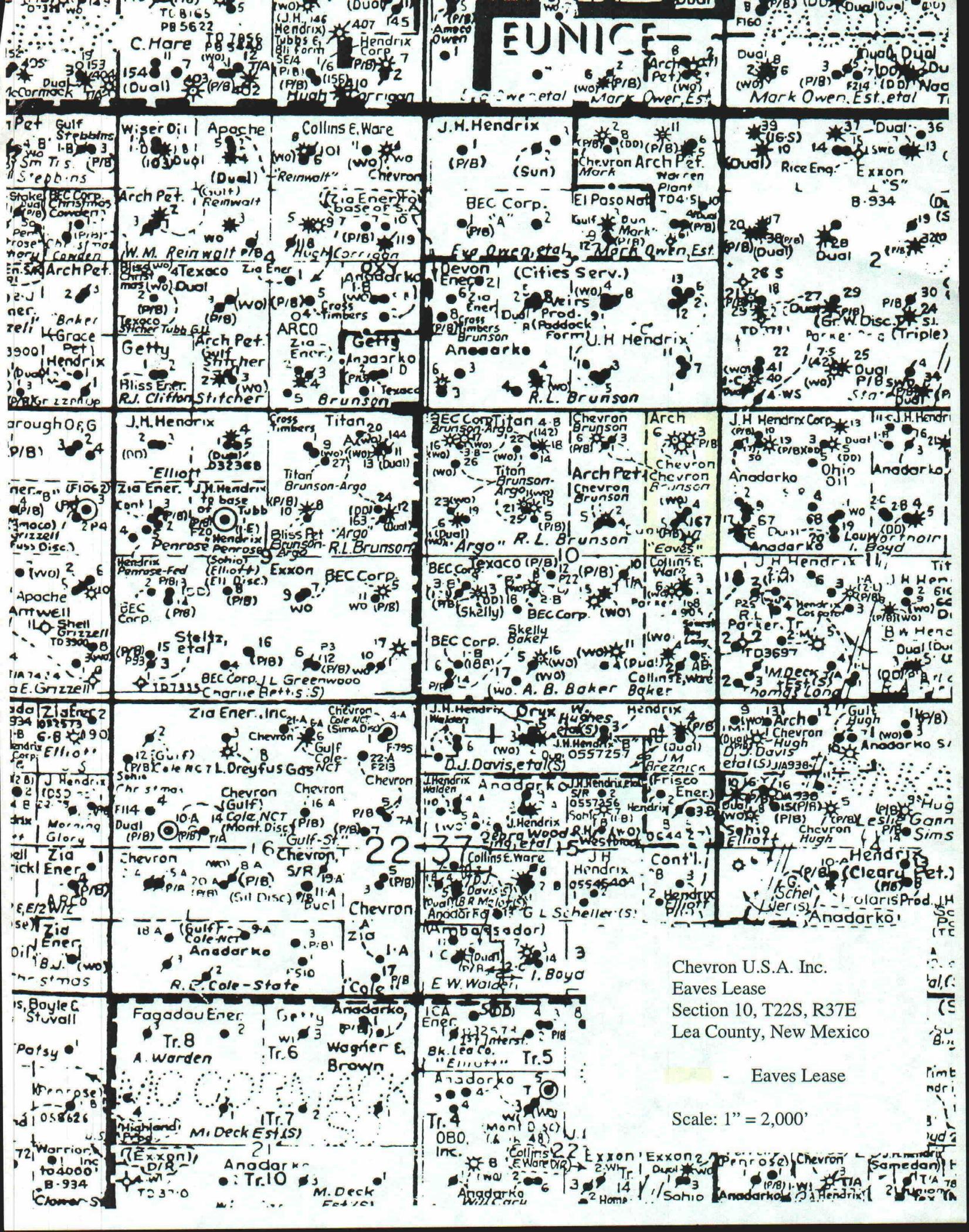
Eaves # 2 Commingled Battery And Eaves San Andres Battery Maintained Separate

Pool	Well	BOPD	API Gravity	\$/BBL	\$/Day	Remarks
30-025-10165	Tubb Oil & Gas Eaves # 3	6	35.1	31.62	189.72	Gravity of comingled oil fr/ # 2 Battery
30-025-10168	Blinebry ^{DIL} Eaves # 5	3	35.1	31.62	94.86	Gravity of comingled oil fr/ # 2 Battery
30-025-10169	Blinebry ^{GAS} Eaves # 6	1	35.1	31.62	31.62	Gravity of comingled oil fr/ # 2 Battery
30-025-26212	Wantz Abo Eaves # 7	1	35.1	31.62	31.62	Gravity of comingled oil fr/ # 2 Battery
30-025-10163	San Andres Eaves # 1	0	33.8	29.46	0	Battery upgrade uneconomic - well SI
30-025-10167	San Andres Eaves # 4	0	33.8	29.46	0	Battery upgrade uneconomic - well SI
Totals		11			\$347.82	

Production From All Eaves Wells Commingled Into Eaves # 2 Commingled Battery

Pool	Well	BOPD	API Gravity	\$/BBL	\$/Day	Remarks
Tubb Oil & Gas	Eaves # 3	6	34.3	29.46	176.76	Calculated gravity of comingled oil
Blinebry	Eaves # 5	3	34.3	29.46	88.38	Calculated gravity of comingled oil
Blinebry	Eaves # 6	1	34.3	29.46	29.46	Calculated gravity of comingled oil
Wantz Abo	Eaves # 7	1	34.3	29.46	29.46	Calculated gravity of comingled oil
San Andres	Eaves # 1	6	34.3	29.46	176.76	Calculated gravity of comingled oil
San Andres	Eaves # 4	10	34.3	29.46	294.6	Calculated gravity of comingled oil
Totals		27			\$795.42	

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Chevron U.S.A. Inc.
Eaves Lease
Section 10, T22S, R37E
Lea County, New Mexico

Eaves Lease

Scale: 1" = 2,000'