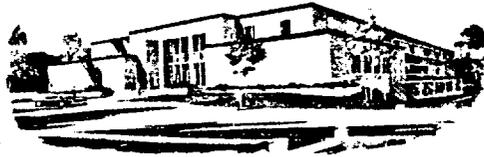


State of New Mexico



W.R. HUMPHRIES
COMMISSIONER



SLO REF NO. OG-302

Commissioner of Public Lands

July 29, 1987

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

Texaco, Inc.
Attn: Mr. James A. Head
P. O. Box 730
Hobbs, New Mexico 88240

Re: Surface Commingling
J. M. Huber State NCT-1 and J. M.
Huber State NCT-2 wells, Lease V-684
Lea County, New Mexico

Gentlemen:

Reference is made to your letter dated July 9, 1987 wherein you have requested our approval to permit commingling of oil and gas production in a common tank battery from Texaco's J. M. Huber State NCT-2 Well No. 1 to a tank battery located on the J. M. Huber State NCT-1 Well No. 1.

It is our understanding that both wells produce from a common reservoir, the Sanders Permo Upper Penn Pool and that both leases have common ownership. You also propose to provide adequate facilities to separately test each well at reasonable intervals.

You are hereby given approval to the above request. This approval is subject to being withdrawn at the discretion of the Commissioner of Public Lands, if in his opinion, the operation proves to be unsound or otherwise against the best interest of the State of New Mexico. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Your filing fee in the amount of Thirty (\$30.00) Dollars has been received.

If we may be of further help please do not hesitate to call on us.

Very truly yours,

W. R. HUMPHRIES
COMMISSIONER OF PUBLIC LANDS

BY:
FLOYD O. PRANDO, Director
Oil and Gas Division
(505) 827-5744

WRH/FOP/pm

cc: OCD-Santa Fe, New Mexico Attention: Mr. David Catanach
State Lease No. V-684
OGAD-Santa Fe



Texaco USA

June 19, 1987

Mr. W. J. LeMay
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: J. M. Huber State Lease
State Lease No. V-684
Unit Letter I and O, Section 11, T-14-S, R-33-E
Lea County, New Mexico

Dear Sir:

Texaco Inc. requests administrative approval per NMOCD Rule 309-B for an exception to NMOCD Rule 309-A to permit commingling of oil and gas production in a common tank battery from Texaco's J. M. Huber State NCT-1 and J. M. Huber State NCT-2 leases.

Both leases produce from a common reservoir, the Saunders Permo Upper Penn Pool. Both leases have common ownership with Texaco having 100% working interest, J. M. Huber Corporation having an overriding royalty, and the State of New Mexico having royalty in both leases. The J. M. Huber Corporation and the oil transporter, Texaco Trading and Transportation Inc., have been notified by certified mail of the request to commingle production from the subject leases. (See attachments.) The casinghead gas is presently being vented, so there is no casinghead gas transporter.

Adequate facilities will be provided to separately test each well at reasonable intervals. Attached is a schematic of the proposed commingled tank battery.

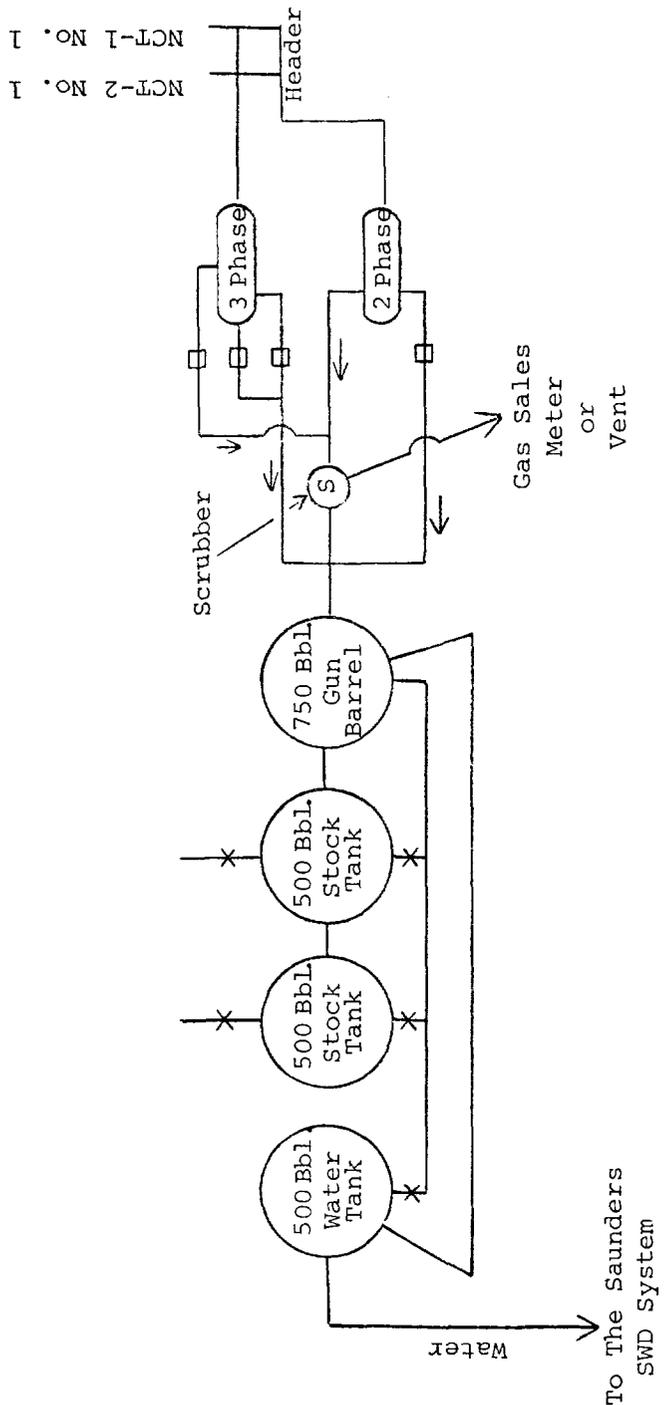
Sincerely,

James A. Head
Hobbs Area Superintendent

Attachments

cc: JAS-Hobbs District
File

Proposed
 J. M. Huber State NCT-1 and NCT-2 Lease
 Commingled Tank Battery



5. Failure to operate an automatic custody transfer system in compliance with this rule shall subject the approval thereof to revocation by the Division.

RULE 309-B. ADMINISTRATIVE APPROVAL LEASE COMMINGLING

The Division Director shall have authority to grant exceptions to Rule 309-A to permit the commingling of production from two or more separate leases in a common tank battery without notice and hearing, provided application has been filed in triplicate with the Division and is accompanied by plats of the leases showing thereon the wells on the leases and the formations in which they are completed, and schematic diagrams of the commingling facility, showing it to be of an acceptable design in accordance with the Division "Manual for the Installation and Operation of Commingling Facilities," then current, and provided further that:

1. All production is from the same common source of supply or an exception to Rule 303(a) has been obtained.

2. Adequate facilities will be provided for accurately determining production from each well at reasonable intervals.

3. All parties owning an interest in the leases and the purchaser of the commingled production therefrom have consented in writing to the commingling of production from the separate leases.

4. In lieu of paragraph 3 of this rule, the applicant may furnish proof of the fact that said parties were notified by registered or certified mail of his intent to commingle production from the separate leases. The Division Director may approve the application if, after a period of 20 days following receipt of the application, no party has made objection to the application.

5. In addition to the foregoing requirements for administrative approval to commingle production from two or more separate leases, the following requirements shall also apply:

(a) To commingle production from two or more separate leases in a common tank battery without first separately measuring the production from each such lease, the ownership of the leases must be common throughout. This shall include working interest ownership, royalty ownership, and overriding royalty ownership.

(b) To commingle production from two or more separate leases in a common tank battery where there is a diversity of ownership (whether in working interest, royalty interest, or overriding royalty interest) the hydrocarbon production from each lease shall be accurately measured and determined in accordance with the applicable provisions of the Division "Manual for the Installation and Operation of Commingling Facilities," then current.

RULE 309-C. ADMINISTRATIVE APPROVAL, OFF-LEASE STORAGE

For good cause shown, the Division Director shall have authority to grant an exception to Rule 309-A to permit the production from one lease to be transported prior to measurement to another lease for storage thereon, provided an application reflecting ownership of the leases has been filed in triplicate with the Division and is accompanied by plats of the leases showing thereon the wells on the leases and the formations in which they are completed and the proposed location of the tank battery, and provided further that:



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1988 01 18
10:30 AM
1000 007 0001

June 12, 1987

J. M. Huber Corporation
7120 I-40 West
Suite 232
Amarillo, Texas 79106

Dear Sir:

Texaco Inc. requests approval to permit commingling of oil and gas production in a common tank battery from Texaco's J. M. Huber State NCT-1 and J. M. Huber State NCT-2 leases. Both leases have common working interest, overriding royalty, and royalty interest ownership. Both leases produce from a common reservoir, the Saunders Permo Upper Penn Pool.

Texaco Inc. is requesting approval from the New Mexico Oil Conservation Division to commingle production from the subject leases. The Division Director may approve the application after a period of 20 days following receipt of the application, providing no party has made objection to the application.

If the J. M. Huber Corporation objects to the commingling of production on the subject leases, such objection should be sent to us and to:

Mr. W. J. LeMay
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

If you have any questions, please contact us at (505) 397-3571.

Sincerely,

James A. Head
Hobbs Area Superintendent

cc: NMOCD
File

June 12, 1987

Texaco Trading & Transportation Inc.
P. O. Box 6196
Midland, Texas 79711-0196

Dear Sir:

Texaco Inc. requests approval to permit commingling of oil and gas production in a common tank battery from Texaco's J. M. Huber State NCT-1 and J. M. Huber State NCT-2 leases. Both leases have common working interest, overriding royalty, and royalty interest ownership. Both leases produce from a common reservoir, the Saunders Permo Upper Penn Pool.

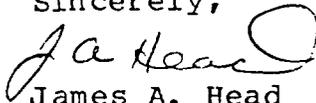
Texaco Inc. is requesting approval from the New Mexico Oil Conservation Division to commingle production from the subject leases. The Division Director may approve the application after a period of 20 days following receipt of the application, providing no party has made objection to the application.

If Texaco Trading & Transportation Inc. objects to the commingling of production on the subject leases, such objection should be sent to us and to:

Mr. W. J. LeMay
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

If you have any questions, please contact us at (505) 397-3571.

Sincerely,



James A. Head
Hobbs Area Superintendent

cc: NMOCD
File

U.S. P.O. 15316

PS Form 3800, June 1985

Send to <i>J.M. Huber Corp.</i>	
Article No. <i>7120 I-40 West, Suite 232</i>	
State and ZIP Code <i>Amarillo, TX 79106</i>	
Postage	<i>39</i>
Postnet Fee	<i>75</i>
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and date delivered	<i>70</i>
Return Receipt showing to whom, date, and address of delivery	
TOTAL Postage and Fees	<i>1.84</i>
Postmark or Date	

U.S. P.O. 15316

PS Form 3800, June 1985

Send to <i>Juarez Trading & Transportation</i>	
Article No. <i>PO Box 6196</i>	
State and ZIP Code <i>Midland, TX 79711-0196</i>	
Postage	<i>56</i>
Postnet Fee	<i>75</i>
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and date delivered	<i>70</i>
Return Receipt showing to whom, date, and address of delivery	
TOTAL Postage and Fees	<i>2.01</i>
Postmark or Date	

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery.

3. Article Addressed to: <i>J.M. Huber Corp</i> <i>7120 I-40 West Suite 232</i> <i>Amarillo, TX 79106</i>	4. Article Number <i>P-569-131-570</i> Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail
5. Signature - Addressee <i>X</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent <i>X P. McCann</i>	
7. Date of Delivery <i>6-19-87</i>	

Form 3811, Feb. 1986 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery.

3. Article Addressed to: <i>Juarez Trading & Transportation</i> <i>PO. Box 6196</i> <i>Midland, Texas</i> <i>79711-0196</i>	4. Article Number <i>P-569-131-568</i> Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail
5. Signature - Addressee <i>X</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent <i>X Thomas Kovacs</i>	
7. Date of Delivery <i>JUN 18 1987</i>	