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AZTEC OIL & GAS COMPANY

P. O. BOX 847
HOBBS, NEW MEXICO

September 9, 1964

RECEIVED
OCT 8 1964
PC-289

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr.

Re: Application to commingle Drinkard, Terry Blinebry, and Hare-Simpson production on the Aztec Oil & Gas Company "State" Lease B-11613.

Gentlemen:

Aztec Oil & Gas Company respectfully requests an exception to Rule 303 (a) and administrative approval to commingle Drinkard, Terry Blinebry and Hare-Simpson production on the "State" Lease located in Lot 13, of Section 2, Township 21 South, Range 37 East, Lea County, New Mexico, by allocating the production on the basis of periodic well tests, as none of the wells on this lease is capable of producing top allowable.

The following facts are pertinent to this request:

1. Aztec Oil & Gas Company is the owner and operator of the above described lease.
2. This lease, State of New Mexico Lease B-11613, involves State lands; therefore, evidence that the Commissioner of Public Lands for the State of New Mexico has consented to the proposed commingling is attached to this application.
3. A schematic diagram of the proposed installation is attached.
4. A plat showing the location of all wells on the subject lease and the pool from which each well is produced is attached.
5. The average daily production during July and August, 1964, the known gravities, and the value of each common source of supply are herein tabulated:

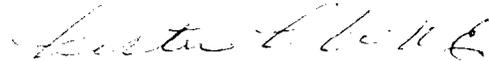
| <u>Pool</u> | <u>Well</u> | <u>Daily Avg. July & Aug.</u> | <u>API Gravity</u> | <u>Value/ Bbl.</u> | <u>Daily Value</u> |
|----------------|-------------|---------------------------------------|------------------------|------------------------|------------------------|
| Drinkard | State #1 | 19.56 | 37.7 | \$2.86 | \$ 55.94 |
| Terry Blinebry | State #3 | 7.42 | 37.5 | 2.86 | 21.22 |
| Hare-Simpson | State #4 | 14.58 | 40.0 | 2.95 | 43.01 |
| | | <u>41.56</u> | | | <u>\$120.17</u> |

6. The expected gravity of the commingled liquid hydrocarbon production is 38.5 ° API. The daily value of 41.56 barrels with a gravity of 38.5 ° API at \$2.89 per barrel is \$120.11, which is \$0.06 less than the sum of the values of the production from each common source of supply.
7. Although the daily revenue will be \$0.06 less if these three common sources of supply are commingled, we believe that this application is in the interest of economics because of the reduced operating costs and salvageable materials involved.

Your approval of this application will be appreciated.

Very truly yours,

Aztec Oil & Gas Company



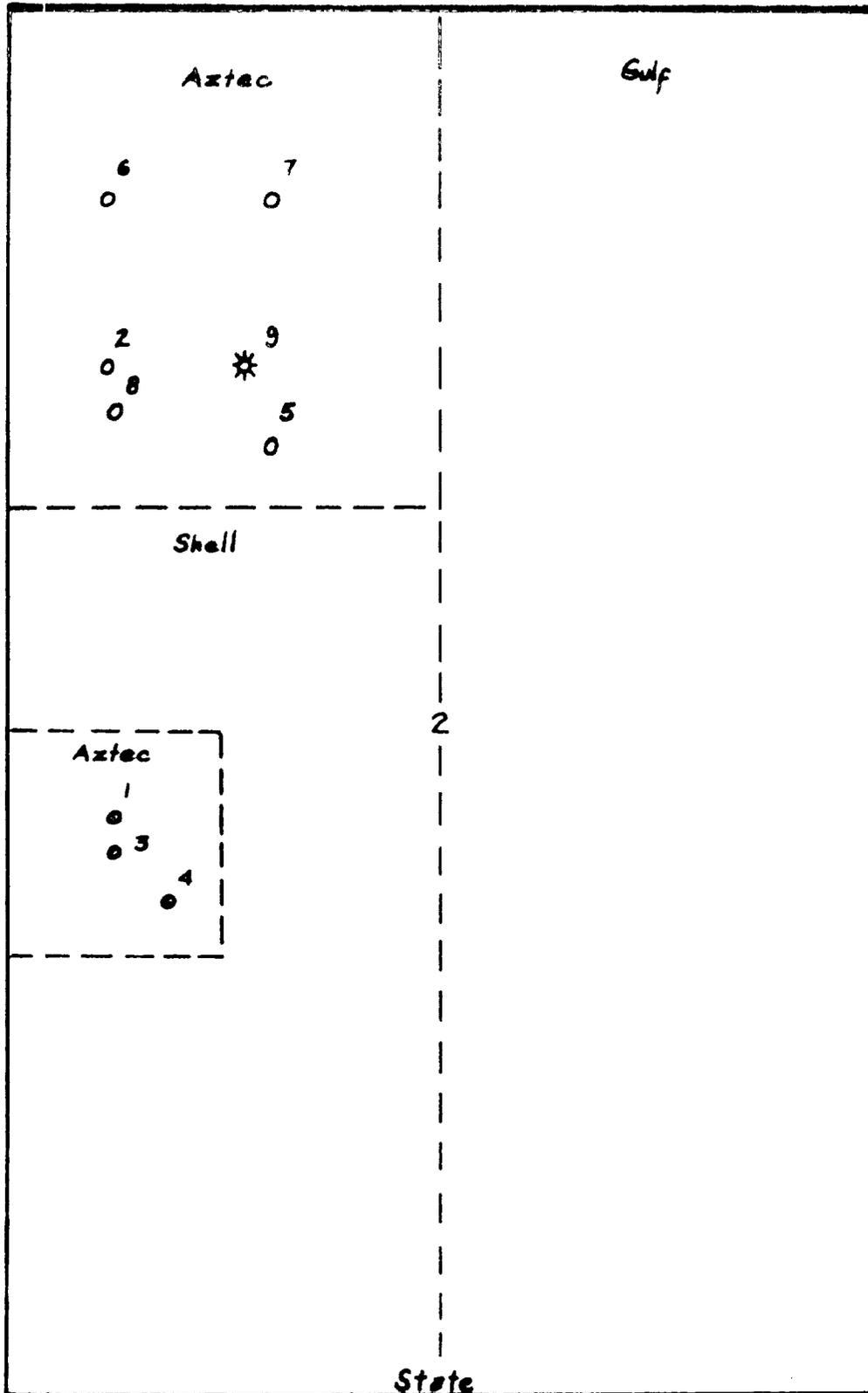
Lester L. Duke
District Superintendent

LLD/JE/np

Attachments

cc: State Land Office
Mr. Van Thompson
Mr. Prentice Watts

R-37-E



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21
S

- Terry Blinebry
- Drinkard
- Here-Simpson

Aztec Oil & Gas Company
State Lease
Section 2 - T21S - R37E
Lea County, New Mex.

RECEIVED
'64 SEP 24 PM 3

September 24, 1964

Aztec Oil & Gas Company
Post Office Box 847
Hobbs, New Mexico

In RE: Application to commingle
Drinkard, Terry Blinebry,
and Hare-Simpson production
on the Aztec Oil & Gas Company
State Lease B-11613.

Att: Lester Duke

Dear Sir:

This letter supersedes our letter of September 14, 1964, wherein I had rejected your request to commingle the above captioned request.

As per our telephone conversation of this date, the State Land Office hereby does grant your request pending approval by the Oil Conservation Commission, and with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval if at any time this installation should not prove feasible to the State of New Mexico.

Very truly yours,

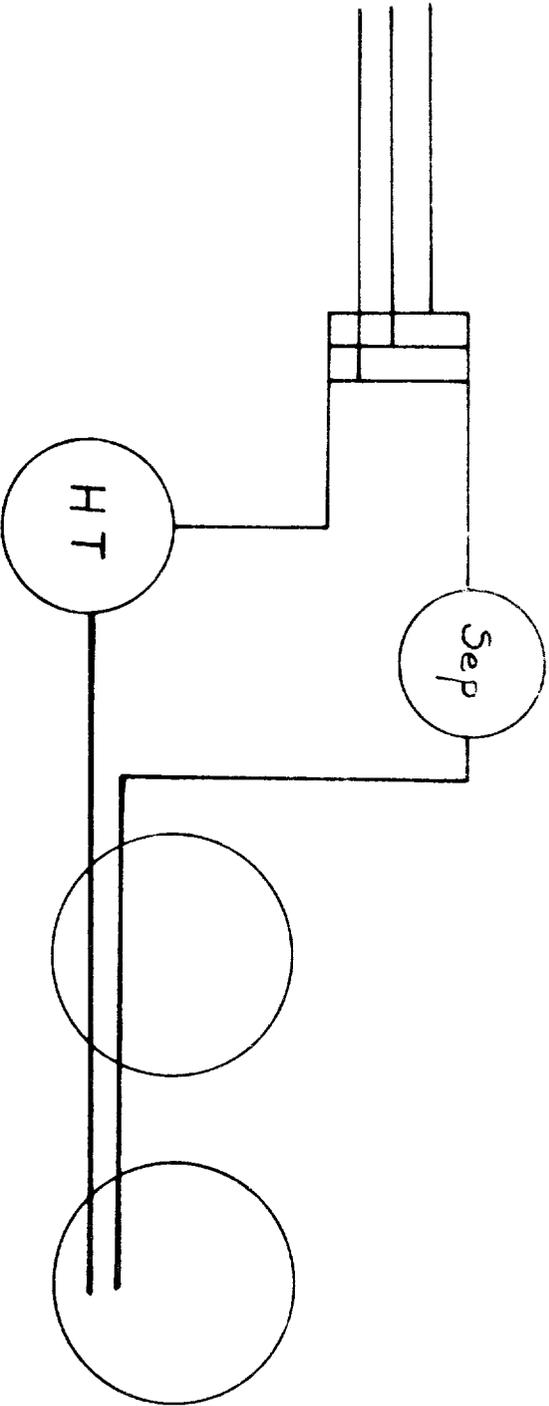
E. S. JOHNNY WALKER,
Commissioner of Public Lands

By

ROMULO MARTINEZ,
Oil and Gas Department

ESJW/RM/kcl

w/cc to: Oil Conservation Commission
Oil and Gas Accounting Commission



*Aztec Oil & Gas Company
Proposed Commingling Facilities
State Lease
Lot 13, Sec. 2, T-21-S, R-37-E
Lea County, New Mexico*