

APR 8 1990
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Arch Petroleum Inc.

April 5, 1990

Handwritten:
J. J. Stewart
4/26/90

Mr. William Lemay
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

RE: Exception to Rule 303A
Section 22, T23S, R37E,
Lea County, New Mexico

Dear Sir:

Arch Petroleum Inc. is requesting approval of an exception to Rule 303A to permit the commingling of production from different pools into a common tank battery facility. Permanent exception to Rule 303A is being requested from Mr. Jerry Sexton, in Hobbs, at this time.

The E. M. Elliott Federal Wells No. 3 and No. 4, producing from the Tubb and Drinkard pools, respectively, are currently commingled under Amended Order No. PC-541, dated January 17, 1990. It is Arch's desire to also commingle Well No. 5, producing from the Wantz Abo pool, into the same facility. Well No. 3 produces 3.0 BO and 0 BW per day from perforations at 5964-6142'. Well No. 4 produces 5.0 BO and 0 BW per day from perforations at 6410-6460'. Well No. 5 produces 2.76 BO and 2.76 BW per day from perforations at 6628-6892'. There currently exists two separate tank batteries for three wells on the Elliott lease. The two batteries are located on the same pad. At this time both facilities are having mechanical problems due to age. Each battery has tanks which are not useable in their present condition. The Bureau of Land Management is demanding that the tanks be repaired or disconnected. It is our intent to combine the two batteries into one battery, disconnecting those tanks that are out of service and/or will require major expenditures to restore to a useable condition.

The common tank battery for the requested commingling approval is located at Unit D, Section 22, T22S, R37E. The wells are located as follows and are indicated on the attached plat.

- Well No. 3, Unit C, Section 22, T22S, R37E
- Well No. 4, Unit C, Section 22, T22S, R37E
- Well No. 5, Unit D, Section 22, T22S, R37E

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Production allocation for the three wells, after commingling, will be based on well tests (as is the current situation with Wells No. 3 and 4).

The gravities of the two crude oils to be commingled are 38.5 degrees API for the Tubb and Drinkard, and 42 degrees API for the Abo. Both have been corrected to 60 degrees F. The expected gravity of the commingled oil is 39.4 degrees API.

The commingling of the production will slightly increase the actual commercial value of the individual products. Posted prices for both sources are \$18.75/BO as of this date.

Mr. Shannon Shaw, of the Bureau of Land Management, Carlsbad, has been informed of our plans for surface commingling on a temporary basis. He is being provided a copy of this information in order to receive final Bureau of Land Management approval. Should you require additional information, please call me.

Sincerely,

ARCH PETROLEUM INC.



David Miller
Operations Manager

DM/ps
Enclosures

cc: Mr. Shannon Shaw
Bureau of Land Management
P. O. Box 1157
Hobbs, New Mexico 88240

J.E. Greenwood

A.B. Baker

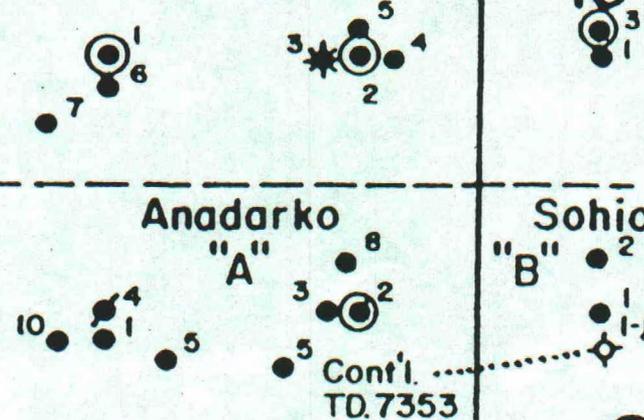
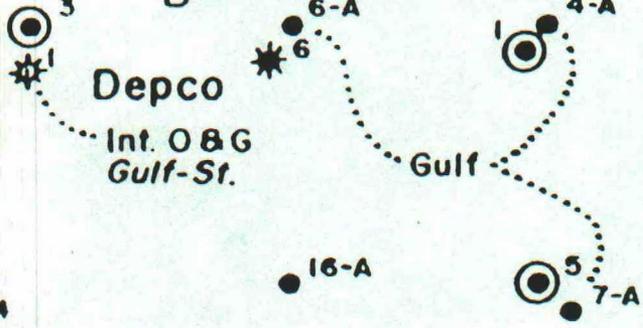
Two States

"B" 21-A

16

Sun

15



Gulf

Chevron

Chevron

Amerada

Sun

22

Gulf "A" 11-A

"A" 3 5

Anadarko

"A" S

Anadarko

Gulf 9-A

13

12-A

E.W. Walden

Conoco

"A" 3 2

4

Elliott

Service

Getty

Marathon 21

ARCH PETROLEUM INC.

22

Wagner & Brown

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2

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3

Aqua, Inc.

Elliott

Anadarko

A. Walden

E. Wood

Anadarko

Exxon

Will Cary

Will Cary

Chevron

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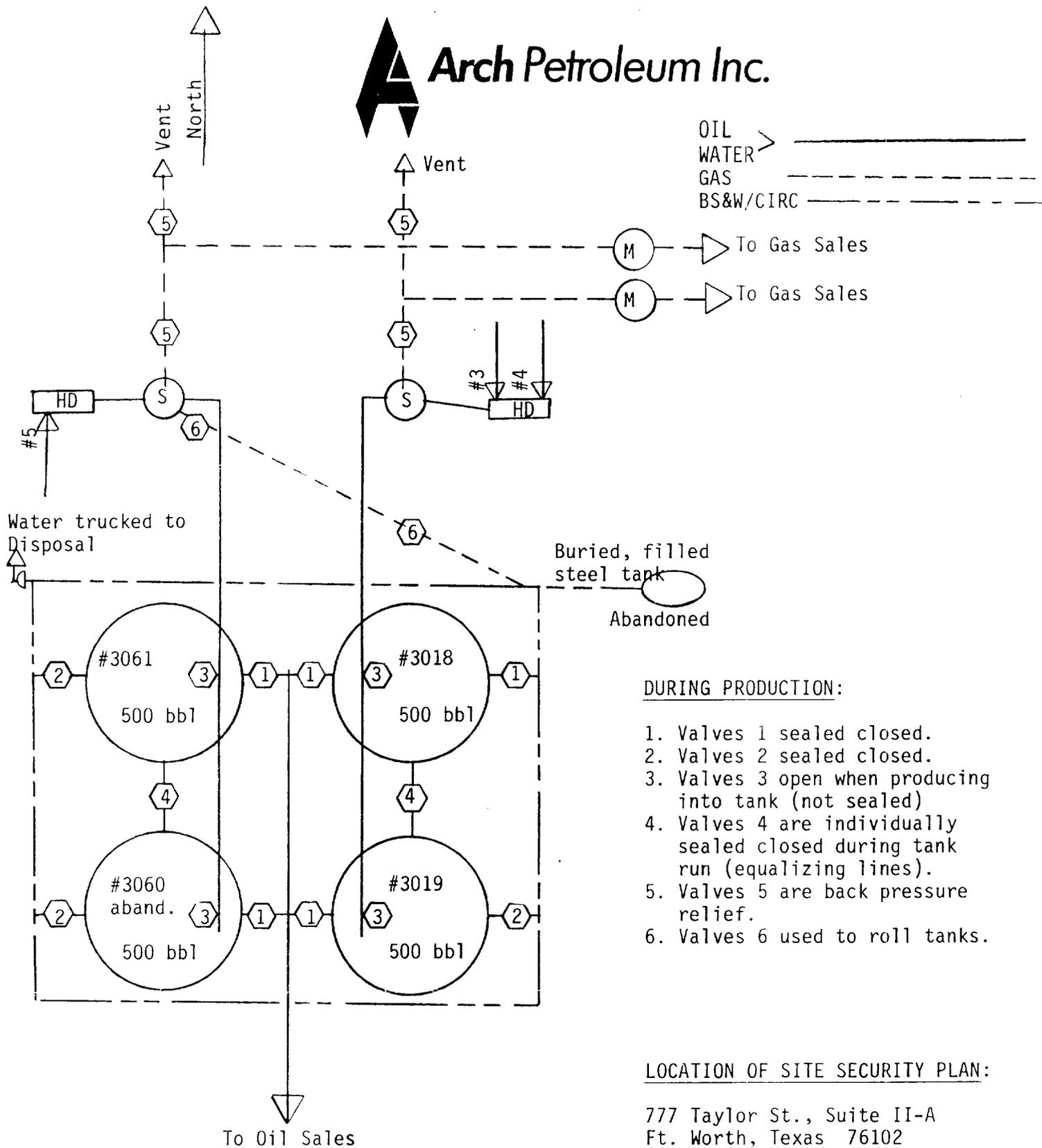
Manda

Elliott

Elliott

Baker

Farrell



LEASE NO.: LC-032573A

FIELD: Wantz Abo
 Tubb
 Drinkard

SITE FACILITY DIAGRAM

E.M. ELLIOTT FEDERAL TANK BATTERY
 UNIT D, SEC. 22, T22S, R37E
 LEA COUNTY, NEW MEXICO



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Lea County Inspection Section

P.O. Box 1157

Hobbs, NM 88240-1157



IN REPLY REFER TO:

3162 (067A)

CERTIFIED MAIL-RETURN RECEIPT REQUESTED
P 567 650 408

Arch Petroleum
10 Desta Drive, Suite 420 E.
Midland, Tx. 79705

RE: LC032573A
E.M. Elliott
Sec.22, T.22S., R.37E.

Gentlemen:

During a field inspection of the above referenced lease, it was discovered that tank #3061 had a hole in the top of the tank and tank #3060 was open and not being used. The unused tank is still connected to the tanks in operation by overflow valves and vent lines. All vent lines are interconnected without a vent line valve.

In accordance to Onshore 4.3 (1a) this a major violation. Tank #3061 should be repaired and tank #3060 should be disconnected from the battery or fixed and put back in use. A vent line valve should be installed, or if this battery isn't making enough gas to require vent line valves, the vent lines may be removed and the outlets be bull plugged.

The intent of requirement (1a) is to prevent the escape of the lighter ends of the more volatile hydrocarbons by vapor loss from the tank. The rationale is that a loss of significant vapors will reduce the gravity and volume of the stored oil and thus adversely affect the royalty due.

If you have any questions contact Steve Caffey at (505) 393-3612. Compliance with the above will be expected within 20 days of receipt of this letter.

Sincerely,

Vincente R. Balderaz
Inspection & Enforcement Supervisor

MAR 29 1990