



CITIES SERVICE COMPANY
ENERGY RESOURCES GROUP

Box 1919
Midland, Texas 79702
(915) 684-7131

July 25, 1979

New Mexico Oil Conservation Div.
P.O. Box 2088
Santa Fe, NM 87501

Gentlemen:

Cities Service Company requests an exception to State-wide Rule 303A to commingle into one common tank battery oil production from its State H Lease, located in Section 17, Township 22S, Range 36E, Eunice Seven Rivers Queen, South and Jalmat Yates Seven Rivers Pool, Lea County, New Mexico. Listed below are the wells the production from which we wish to commingle:

<u>Well No.</u>	<u>State Land Office Lease No.</u>	<u>Located in Section 17</u>	<u>Pool Name</u>
1	B-1481	NE-NE	Eunice Seven Rivers Queen, South
2	B-1481	SE-NE	Jalmat Yates Seven Rivers

Well #1 produced 24 barrels of 34.3° gravity oil in June, 1979, and well #2 produced 90 barrels of 27.7° in June, 1979. This oil is "stripper" oil and the base price is \$19.40 per barrel for 40° gravity oil. For each degree below 40° 2¢ per barrel is deducted. Therefore, oil produced by well #1 would receive \$19.28 per barrel and oil produced by well #2 would receive \$19.14 per barrel. By commingling this oil we would have 114 barrels of 29.1° oil. Based on \$19.40 per barrel for 40° oil we would receive \$19.18 per barrel for the 114 barrels of oil, resulting in a profit of \$1.20 on June, 1979, production.

<u>Before Commingling Oil</u>		
24 barrels @ \$19.28 =	\$ 462.72	
90 barrels @ \$19.14 =	\$1,722.60	\$2,185.32
<u>After Commingling Oil</u>		
114 barrels @ \$19.18		\$2,186.52
Difference		\$ 1.20

RECEIVED
JUL 27 1979
OIL CONSERVATION DIVISION
SANTA FE

We are also enclosing a copy of a letter, dated July 19, 1979, from the Commissioner of Public Lands for the state of New Mexico approving our proposed commingling operation.

If additional information is desired please advise.

Thank you for your consideration of our request.

Yours very truly,

A handwritten signature in black ink, appearing to read "E. Y. Wilder". The signature is written in a cursive style with a prominent initial "E".

E. Y. Wilder
Region Operations Manager
Southwest Region
E & P Division

EYW:RHS:s1

State of New Mexico



Commissioner of Public Lands

July 19, 1979

ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Cities Service Company
Box 1919
Midland, Texas 79702

ATTENTION: Mr. E. Y. Wilder

Gentlemen:

Reference is made to your request dated July 12, 1979, requesting approval to commingle into one common tank battery oil production from your State H Lease, located in Section 17, Township 22 South, Range 36 East, Lea County, New Mexico.

You are hereby given approval to the above request, however, the Commissioner of Public Lands reserves the right to amend or withdraw this approval at his discretion if it is against the best interest of the State of New Mexico.

Your Ten (\$10.00) Dollar filing fee has been received.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*
RAY D. GRAHAM, Director
Oil and Gas Division
505/827/2748

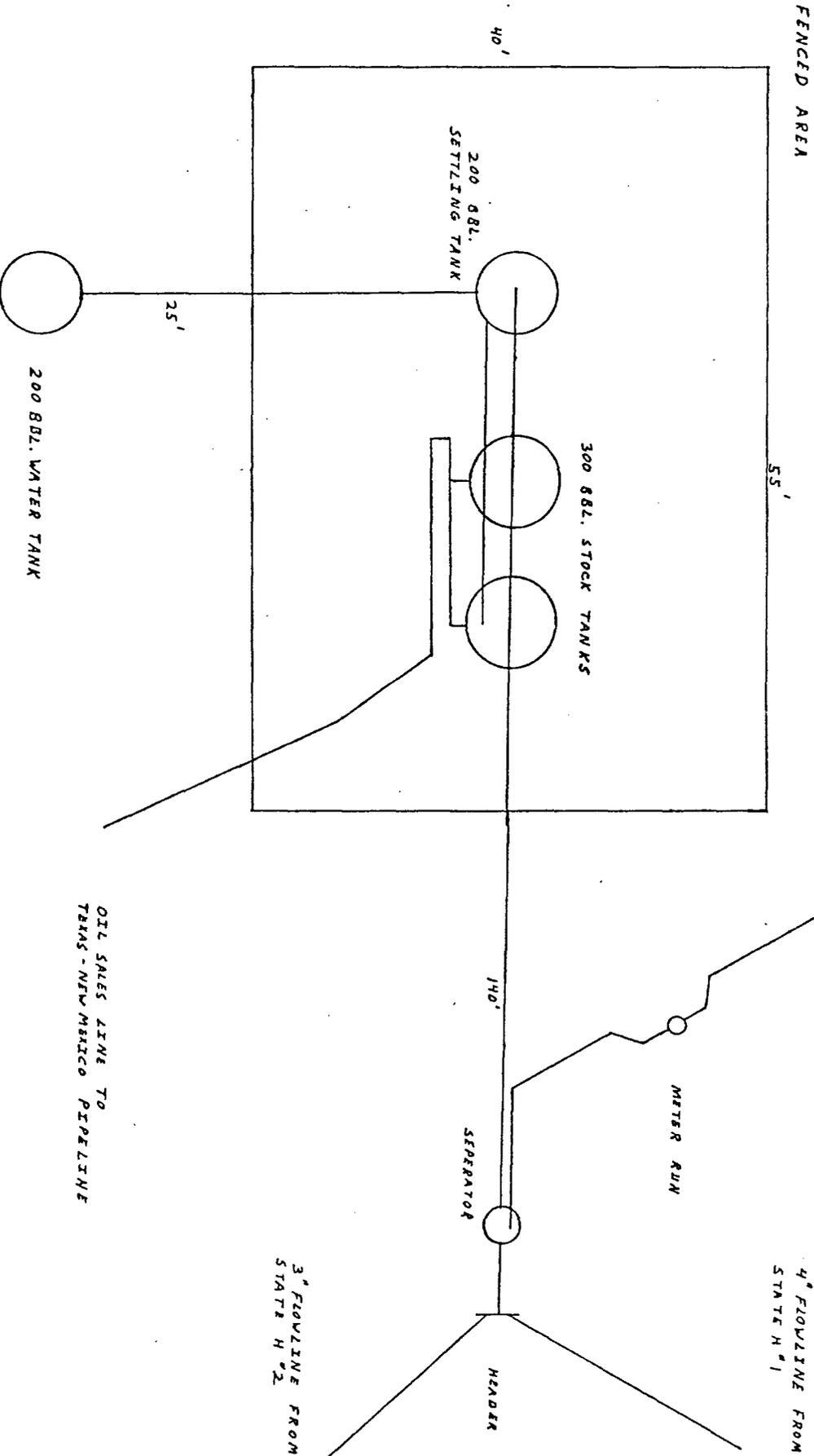
AJA/RDG/s
encls.
cc:

New Mexico Oil Conservation Division
New Mexico Oil and Gas Accounting Commission
State of New Mexico Lease B-1481

STATE H LEASE
BATTERY OPERATION

Cities Service Company's State H Lease consists of the State H #1 pumping from the Eunice South Seven Rivers Queen and the State H #2 flowing from the Jalmat Yates Seven Rivers. Under proposed commingling operations, production from both wells would be gathered at a main header where oil, gas, and water would be directed to a separator. Gas production from the lease would be separated out and metered, and sold to Petro Lewis. The oil and water from the separator then travels to a 200 barrel settling tank where the oil is settled out and spills over into two 300 barrel stock tanks. A 4" line connects the two tanks to Texas-New Mexico's pipeline. The water is drawn off the settling tank and is dumped into a 200 barrel open tank. This water production is drawn off and disposed of in a nearby disposal well.

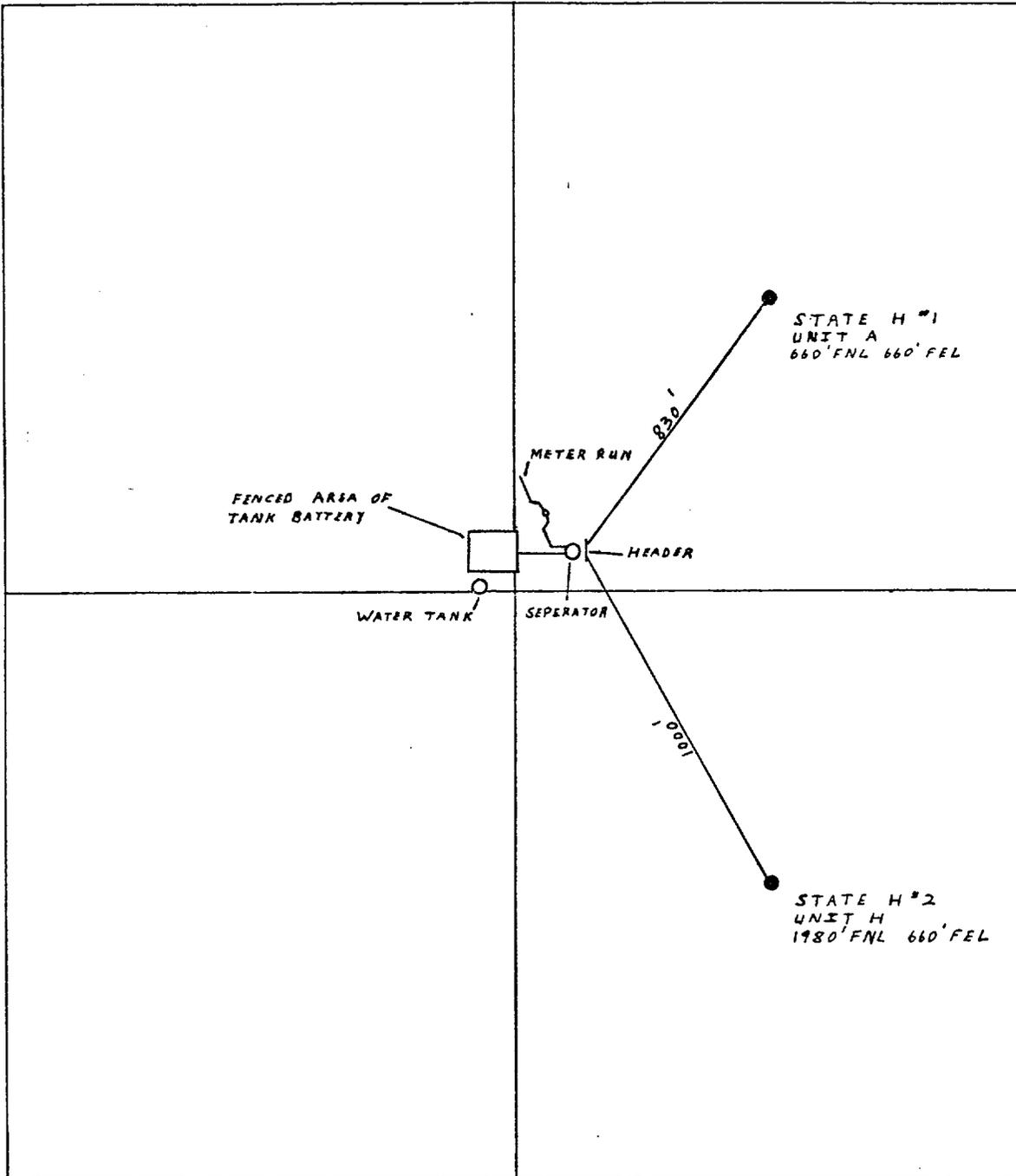
STATE H LEASE
 PRODUCTION FACILITIES



OIL SALES LINE TO
 TEXAS-NEW MEXICO PIPELINE

ALL LINES ABOVE GROUND EXCEPT OIL & GAS SALES LINES
 AND WATER LINE OFF SETTLING TANK

CITIES SERVICE COMPANY
STATE H LEASE



NE 1/4 Sec. 17 T 22S R 36E