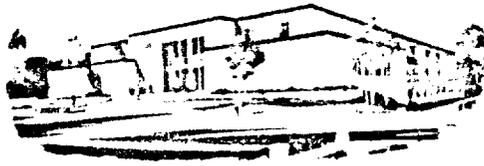


State of New Mexico



Commissioner of Public Lands

March 25, 1981

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



ALEX J. ARMIJO
COMMISSIONER

Bass Enterprises Production Company
P. O. Box 2760
Midland, Texas 79702

Re: Lease Commingling
Off-Lease Storage
Palmillo State Com No. 1
Undesignated (Wolfcamp) Field
N. Turkey Track (Morrow) Field
Sec 1, T19S, R28E
Eddy County, New Mexico

ATTENTION: Mr. J. E. Pullig

Gentlemen:

Reference is made to your request of March 16, 1981, whereby, you request approval regarding lease commingling and off-lease storage on the subject dually completed well.

You are hereby given approval to the above request, this being subject to like approval by the New Mexico Oil Conservation Division. Also, any deviation from your proposed request will be reason to cancel approval

Enclosed is one approved copy for your files. Please remit a Ten (\$10.00) Dollar filing fee.

Since the above reference well has a 320 acre spacing, you are requested to submit a communitization agreement due to diverse ownership on the 320 acre spacing. Please comply with our letter of February 26, 1981.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY:
RAY D. GRAHAM, Director
Oil and Gas Division
AC 505-827-2748

AJA/RDG/s

encls.

cc: (OCD) OGAC, St. Leases B-11339-10 and E-4397-3

BASS ENTERPRISES PRODUCTION Co.

DIVISION PRODUCTION OFFICE

P. O. BOX 2760

MIDLAND, TEXAS 79702

March 16, 1981

800 VAUGHN BUILDING

(915) 684-5723

Re: Lease Commingling
Off-Lease Storage
Palmillo State No. 1
Undesignated (Wolfcamp) Field
N. Turkey Track (Morrow) Field
Sec. 1, T19S, R28E
Eddy County, New Mexico
File: 400-WF

Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87501

Dear Sir:

Bass Enterprises Production Company respectfully requests your approval of our applications for Rules 309-B and 309-C regarding lease commingling and off-lease storage on the subject dually completed well. Bass proposes commingling the sweet crudes from the Morrow and Wolfcamp formations on the surface so that they may be transported off-lease to the tank battery using the same flowline. Bass currently operates two wells in the area, the Merchant State No. 1 producing sour crude from the Palmillo (Bone Springs) Field and Palmillo State No. 1 dually producing sweet crude from the Undesignated (Wolfcamp) Field and gas and condensate from the N. Turkey Track (Morrow) Field.

The Bass Merchant State Lease, No. E4397, covers the SW/4, S/2 of SE/4, and N/2 of Sec. 1, T19S, R28E. The Bass Palmillo State Lease, No. B11339, covers the N/2 of SE/4 of Sec. 1, T19S, R28E, both in Eddy County, New Mexico. Being state land, the State of New Mexico is the beneficiary of the royalty.

Production from the Palmillo State No. 1 will be accurately measured using a positive displacement Flowco meter prior to commingling and will be properly segregated from the sour crude at the off-lease storage facility. Attached are diagrams of the commingling and off-lease storage facilities as well as a plat showing the Bass acreage and producing wells. As can be seen, the sweet crude produced off-lease has its own separation and storage facilities and in no way can be mixed with the sour crude.

Commissioner of Public Lands
Palmillo State No. 1
March 16, 1981
Page 2

If the Palmillo State No. 1 were not dually completed, the State of New Mexico would lose revenue. If the Morrow zone were shut in (at a 4,000 MCF/day rate), the State would lose approximately \$1,400/day. If the Wolfcamp zone were shut in (at top allowable 230 bbls/day rate), the State would lose approximately \$1,100/day. Both zones can produce at the rates used in the economics. The economics are based on the State's receiving a 1/8 royalty.

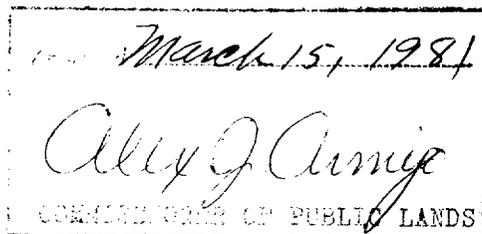
Bass has previously filed the proper forms with your office concerning the business lease, grazing lease, and right-of-way permits for this application. If you approve of our request for Rules 309-B and 309-C, please notify us by return letter and please send a copy to Mr. Dan Nutter with the New Mexico Oil Conservation Division in your same building, as he is handling this application. Attached is our \$10.00 filing fee.

Very truly yours,


J. E. Pullig
Division Manager

JEP:JRG/gp

Attachments: (1) Diagrams
(2) Plat
(3) Check (\$10.00)



Businessman
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TO 2946 Marathon-St. E/2 HBC
OA 9-6-61 TO 11390
PIB 6488
Bone Welch
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Disc. EI 3428
FI82 TO 2888
DIA 11-21-55 State

EI 3386
TO 3003
D/A 5-4-61

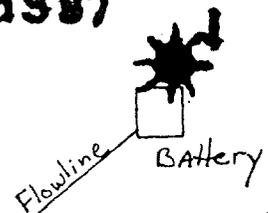
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Bass Ent.
(Rich & Bass)

All lines are on
the surface

E 4397



Bass Ent.
(Cit. Serv.)

Dual HBP
B-11339

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"Palmillo-St."

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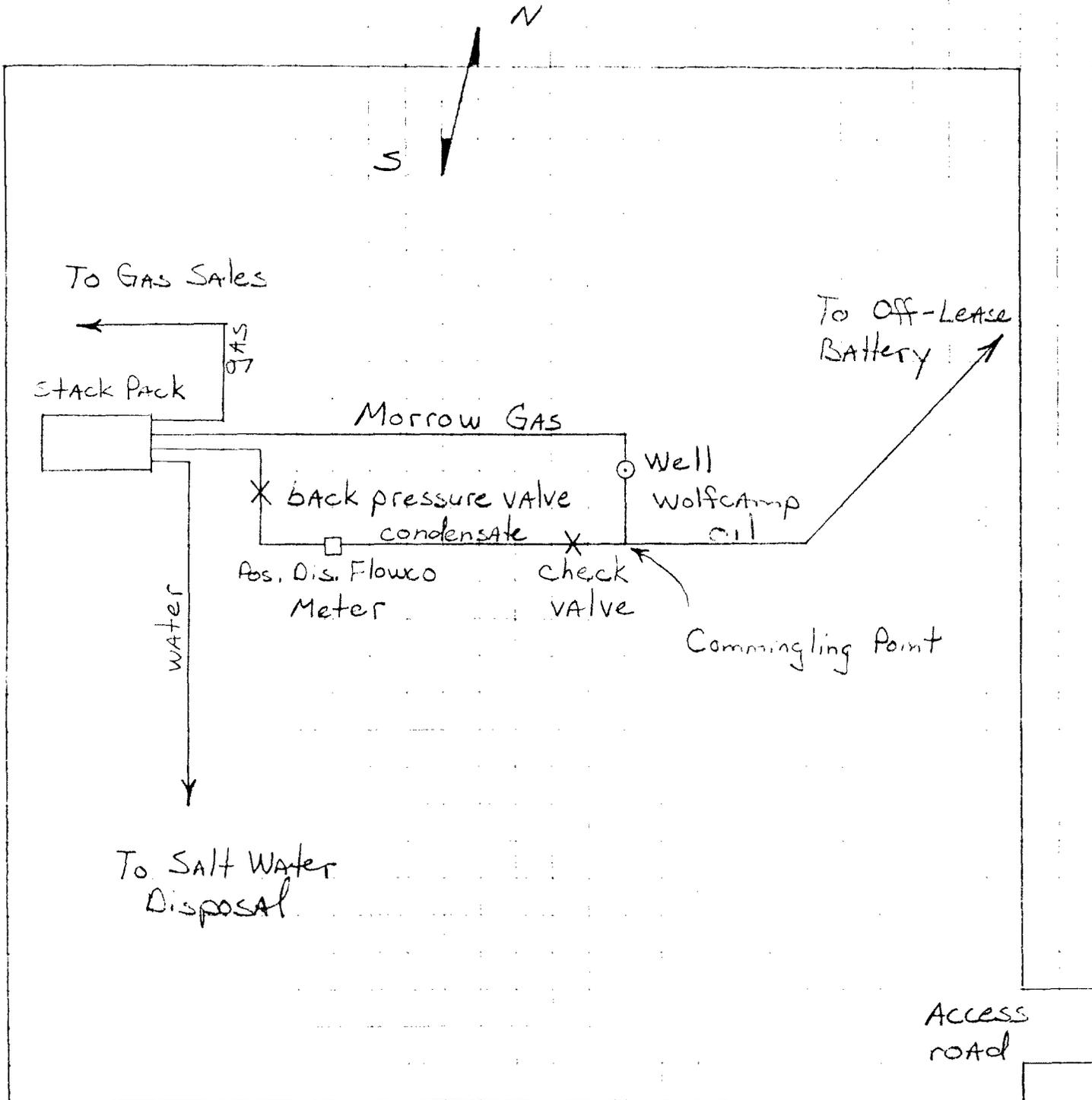
Kersey
Bass

Nix-Curtis
R&B-St.

32.88

32.82

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|---------------------------------|------|------------|--------------------|
| SUBJECT Palmillo State No. 1 | DATE | DEPARTMENT | PREPARED BY JRG |
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| SUBJECT | DATE | DEPARTMENT | PREPARED BY |
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