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EXXON COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702

EXXON MINERALS DEPARTMENT
MIDLAND, TEXAS 79702

July 10, 1984

Surface Commingling Application
New Mexico "DP" Lease
N/2 and SW/4 Sec. 28, T-20-S, R-28-E
Eddy County, NM

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Exxon requests administrative approval to surface commingle oil production on the New Mexico "DP" lease from the Avalon Delaware pool and the undesignated Bone Spring pool. This lease is comprised of the N/2 and SW/4 of Sec. 28 (480 acres), T-20-S, R-28-E, Eddy County, New Mexico. Royalty ownership is common for the two pools and since production from each pool is marginal we request that allocation to the individual completion be based on periodic well tests.

The Permian Corporation, purchaser of the crude oil, has agreed to take the commingled stream since production from both reservoirs is classified as New Mexico intermediate.

<u>Pool</u>	<u>API Gravity</u>	<u>*Value per Bbl.</u>
Avalon Delaware	42.7	30.00
Undesignated Bone Spring	38.6	29.79

* Latest Crude Oil Price Posting New Mexico Intermediate Oil.

Page 2 Surface Commingling Application - NM "DP" lease

Listed below are allowables and latest production tests for wells to be commingled. Top allowable for the Avalon Delaware is 80 BOPD. Top allowable for the undesignated Bone Spring is 107 BOPD.

<u>Well No.</u>	<u>Pool</u>	<u>Allow.</u>	<u>Latest Test</u>			<u>Avg. Daily Prod</u>	
			<u>Oil</u>	<u>Wtr</u>	<u>Gas</u>	<u>May 84</u>	<u>June 84</u>
1	Avalon Delaware	35	35	375	25	9	7
3	Avalon Delaware	12	6	177	8	3	3
5	Undesignated Bone Spring	10	New well			9	7

Attached for your information is a lease plat and a facilities diagram.

Very truly yours,



N. W. Andrews, Gas Unit Head

DFL/mes
Attachments

xc: Oil Conservation Division - Artesia
Andrews District



**NEW-TEX
LAB**

PHONE 505 393-3561 • P. O. BOX 1161 • 611 W. SNYDER • HOBBS, NEW MEXICO 88240

LABORATORY REPORT

Test No. 3179
Date of Run 5-3-84
Date Received 4-30-84

A Sample of _____
Secured from EXXON Co. USA
1700 W. Broadway Secured by _____
Andrews, Texas 79714 Time _____ Date _____
Sampling Condition: _____

SPECIAL ANALYSIS AND TESTS

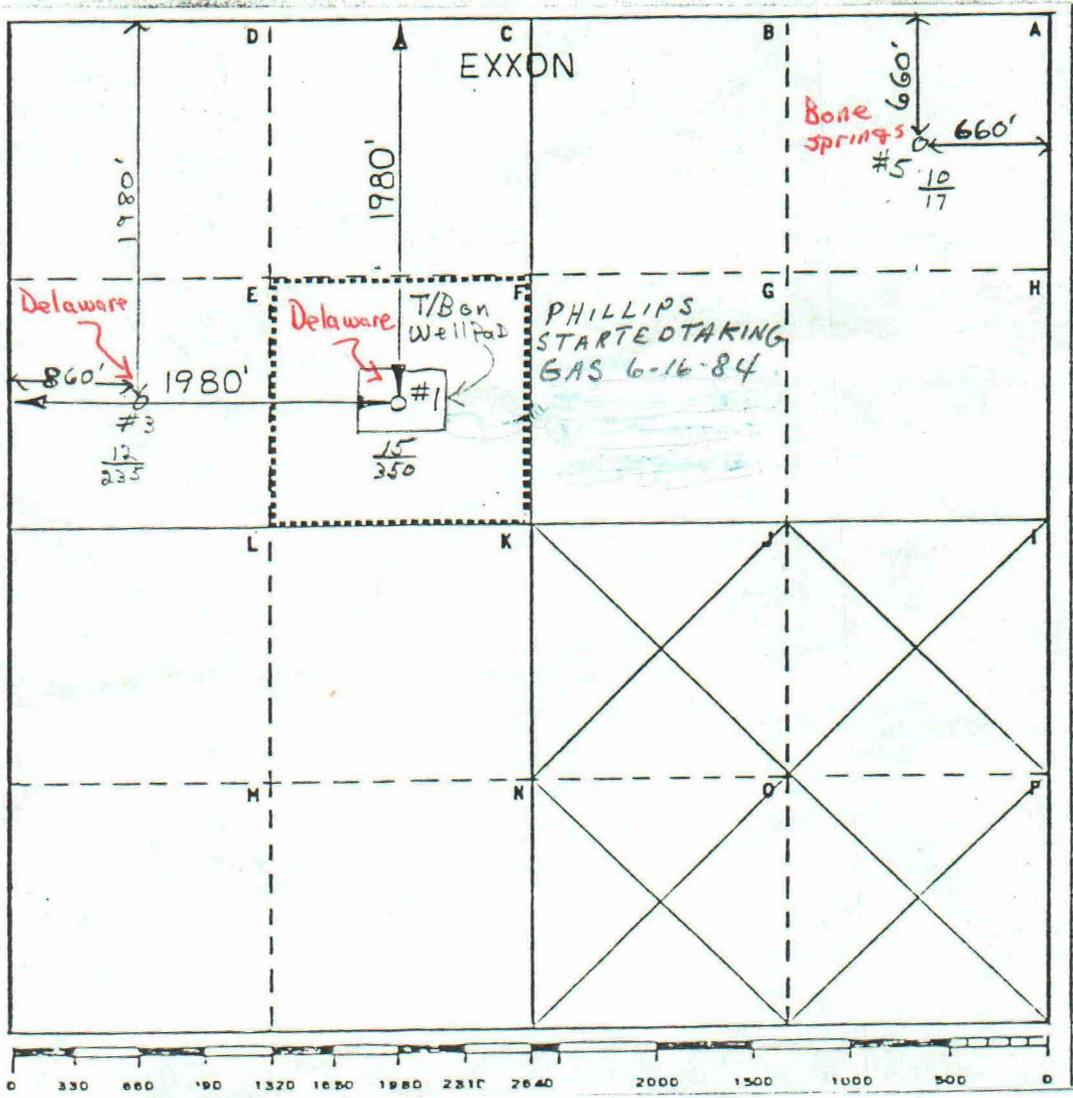
New Mexico "DP" #1 0.17 WT% Total Sulfur
 39.7 API Gravity @ 60°

New Mexico "DP" #3 0.97 WT% Total Sulfur
 34.7 API Gravity @ 60°

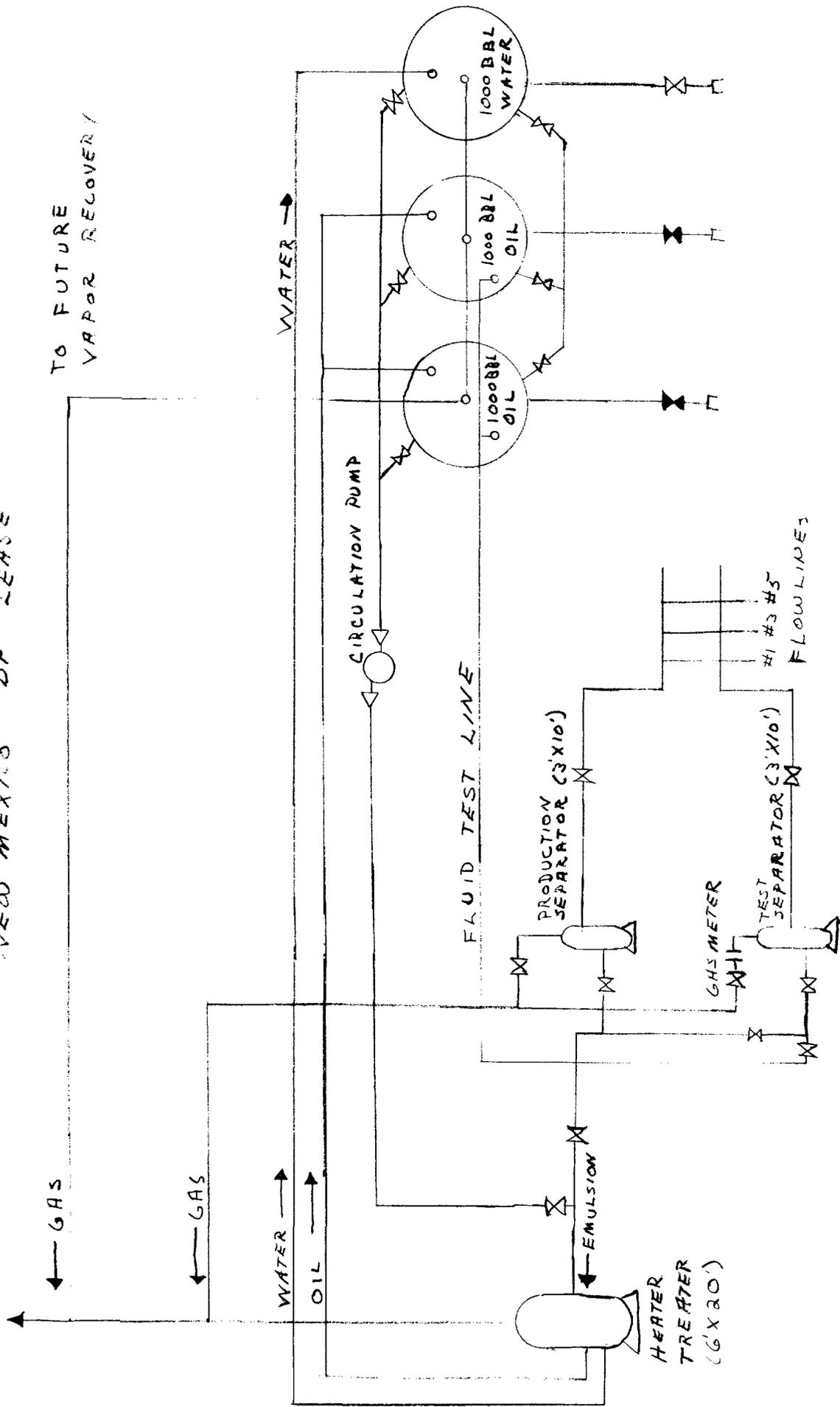
New Mexico "DP" #5 0.95 WT% Total Sulfur
 34.0 API Gravity @ 60°

Run by _____ Approved by *D. Simpson*

New Mexico 'DP' State Lease



EXISTING FACILITIES FOR
NEW MEXICO "DP" LEASE



#1, #3 - DELAWARE FORMATION
#5 - BOHE SPRINGS FORMATION



THE PERMIAN CORPORATION

1509 W. WALL P. O. BOX 3119
MIDLAND, TEXAS 79702

915-683-4711

May 17, 1984

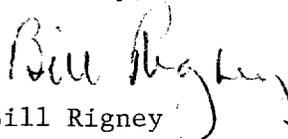
Mr. Joe Hossley
Exxon Company
1700 W. Broadway
Andrews, Texas 79714

RE: State "DP" well #1,3,5

Dear Mr. Hossley:

As gatherer of the production from the above lease in the Avalon (Delaware) field, Permian hereby agrees to continue gathering from the commingled battery. (Permian lease #563775). Our current price for New Mexico Intermediate Oil is \$30.00 per barrel.

Sincerely,


Bill Rigney

BR/tp

EXXON COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702

July 10, 1984

PRODUCTION DEPARTMENT
MIDCONTINENT DIVISION

Request to Surface Commingle
Avalon Delaware and Undesignated
Bone Spring Production of Exxon's
New Mexico "DP" Lease, State Oil
& Gas Lease No. V-690,
N/2 and SW/4 Sec. 28, T-20-S,
R-28-E, Eddy County, New Mexico

Commissioner of Public Lands
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

Attention: Oil and Gas Division

Dear Sir:

Exxon requests your approval to surface commingle Avalon Delaware and undesignated Bone Spring oil production on its New Mexico "DP" lease, state oil and gas lease no. V-690, consisting of N/2 and SW/4 of Sec. 28 (480 acres) T-20-S, R-28-E, Eddy County, New Mexico.

Royalty ownership is common for the two pools and since production from each pool is marginal we request that allocation to individual completion be based on periodic well tests.

The Permian Corporation, purchaser of the crude oil has agreed to take the commingled stream since production from both reservoirs is classified as New Mexico intermediate.

<u>Pool</u>	<u>June '84 Prod.</u>	<u>API Gravity</u>	<u>* Value</u>
Avalon Delaware	189 Bbls.	42.7	\$30.00
Undesignated	203 Bbls.	38.6	29.79

The weighted average gravity of the above commingle stream is 40.6 gravity. The actual commercial value of the commingled production will not be less than the sum of the values of the production from each comon source of supply.

N. W. Andrews
Gas Unit Head

DFL/mes
attachments:
Lease Plat
Tank Battery Facilities
Permian Corporation Approval

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Revenue calculation - New Mexico "DP" State.

Weighted average gravity for New Mexico "DP" State lease based on June, 1984 production:

<u>Pool</u>	<u>Gravity</u>		<u>Production</u>		
Avalon Delaware	42.7	x	189	=	8070.3
Undesignated Bone Spring	38.6	x	203	=	7835.8
			<u>392</u>		<u>15906.1</u>
					=40.6 Gravity

Revenue after commingling
40.6 Gravity = \$30.00 Bbl. 392 Bbl. x \$30.00 = \$11,760.00

Revenue from separate sources
42.7 Gravity = \$30.00 Bbl. 189 Bbl. x \$30.00 = 5,670.00
38.6 Gravity = \$29.79 Bbl. 203 Bbl. x \$29.79 = 6,047.37
\$11,717.37

Net Revenue Gain after commingling \$ 42.63


N. W. Andrews
Gas Unit Head

DFL/mes
Attachments:
Lease Plat
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