



August 22, 1994  
State of New Mexico  
Oil Conservation Division  
P.O. Box 2088  
Sante Fe, New Mexico 87501

Attention: Mr. William J. LeMay

RE: SURFACE COMMINGLING PERMIT APPLICATION

Texaco Exploration and Production Inc.

F. B. Davis Lease

N. Teague Ellenburger, N. Teague Fusselman, N.W. Teague Devonian,  
Teague Tubb, North Teague-Lower Paddock-Blinebry, Wildcat  
Abo, Wildcat Drinkard

Section 8, T-23-S, R-37-E

Lea County, New Mexico

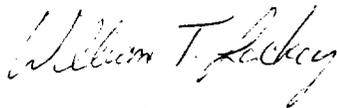
Gentlemen:

Texaco Exploration and Production Inc. respectfully requests permission to surface commingle produced hydrocarbons from the referenced pools on the F. B. Davis lease.

The Ellenburger, Fusselman, Devonian, Drinkard, Abo, Tubb, and Blinebry production will be metered separately prior to surface commingling by utilizing separate headers and three phase separators. Individual wells will be tested monthly through a three phase test separator. The oil and water from both the production and test separators will be metered by a non-reset positive displacement (Mock) meter with a sealable counter and registering mechanism. The gas from each three phase separator will be metered by a gas turbine meter with a totalizer (Halliburton MCII) recording rate and cumulative volume before entering the gas sales line. Monthly records of beginning and ending meter readings with explanations for any meter malfunction and bad oil recycling shall be kept available for inspection.

Texaco owns a 100% working interest in all seven zones. A common royalty of 12.5% applies to the seven zones on this Fee lease. A plat is attached that shows the location and producing zone for each well which will be surface commingled on the subject lease.

Very Truly Yours,



W. T. Lackey  
Production Engineer

Attachments

cc: Hobbs NMOCD  
Attn: Jerry Sexton



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State of New Mexico  
Oil Conservation Division  
P.O. Box 2088  
Sante Fe, New Mexico 87501

Attention: Mr. William J. LeMay

RE: SURFACE COMMINGLING PERMIT APPLICATIONS

Texaco Exploration and Production Inc.

Teague Field

N. Teague Ellenburger, N. Teague Fusselman, N.W. Teague Devonian,

Teague Tubb, North Teague-Lower Paddock-Blinbry, Wildcat

Abo, Wildcat Drinkard

Sections 4,5,8&9, T-23-S, R-37-E

Lea County, New Mexico

Gentlemen:

Texaco Exploration and Production Inc. respectfully requests permission to surface commingle produced hydrocarbons from the referenced pools on the B. F. Harrison B, B. F. Harrison C, F. B. Davis, R. R. Sims A, and G. W. Sims leases.

The five subject leases are all located in the Teague field south of Eunice NM. There are seven sweet zones that are actively being produced in this field. Each of the five leases produce some combination of these seven formations into their respective batteries. A spreadsheet detailing the different leases and zones is attached. Over the next year it is anticipated that all five leases will have wells completed that will be producing from most if not all of the seven zones. If a commingling application is completed each time a new zone is added to a battery this could result in 20 or more applications being completed in the next year.

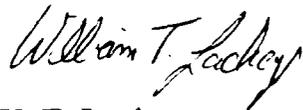
Attached is the commingling application for the B. F. Harrison B lease which has all seven zones active. Texaco proposes that if this application is accepted that the other four leases in this field be given the same approval to commingle the seven subject zones. Commingling requests for each of these leases is attached. If granted this request would significantly reduce paperwork for both the OCD and Texaco, as well as reduce downtime and operational cost.

Texaco will follow all surface commingling rules insuring that all production is metered by zone prior to surface commingling. The Ellenburger, Fusselman, Devonian, Drinkard, Abo, Tubb, and Blinbry production will be metered by utilizing headers and three phase separators. Individual wells will be tested monthly through three phase test separators. The oil and water from both the production and test separators will be metered by a non-reset positive displacement (Mock) meter with a sealable counter and registering mechanism. The gas from each three phase separator will be metered by a gas turbine meter with a totalizer (Halliburton MCII) recording rate and cumulative volume before entering the gas sales line. Monthly records of beginning and ending meter readings with explanations for any meter malfunction and bad oil recycling shall be kept available for inspection.

Texaco owns a 100% working interest in all seven zones, and a common royalty of 12.5% applies to the seven zones on the five Fee leases. A plat is attached that shows the locations and producing zones for the existing wells which will be surface commingled on the subject leases. Additional wells will be added on each lease over the next year and several of these are also shown on the plat. A diagram of the proposed lease production facility for the B. F. Harrison B lease is attached. The other leases will have similar designs but will differ based on the number of wells and zones each one is currently handling.

If you have any questions or require any additional information that I have not attached or that I did not discuss with David Catanach in our telephone conversation on 8/22 then please call me at 505-397-0420.

Very Truly Yours,



W. T. Lackey  
Production Engineer

Attachments

cc: Hobbs NMOCD  
Attn: Jerry Sexton

Teague Field Sweet Formations & Batteries

Sweet Teague Tank Batteries	Sweet Formations					Tubb	Blinebry
	Ellenburger	Fusselman	Devonian	Abo	Drinkard		
B.F. Harrison 'B'	@	@	@	\$	\$	@	\$
B.F. Harrison 'C'	?	?	?	%	%	%	@
F.B. Davis	?	?	?	\$	\$	%	\$
R.R. Sims 'A'	@	@	@	\$	%	%	%
G.W. Sims	?	?	?	\$	@	%	@
Gravities - API	48.3	46.1	43.2	39.4	40.8	52.2	43.5
Allowable - BOPD	320	230	187	142	142	142	107
Price - \$/BO	\$16.49	\$16.82	\$17.00	\$16.98	\$17.00	\$15.91	\$17.00

@	Have permission to surface commingle
\$	Completed and need to get surface commingle
%	Will need commingle in future
?	Potential commingle in future

Assuming one well producing top allowable from each formation with a \$17.00 oil price:

Estimated daily sales before commingling - \$21,228  
 Estimated daily sales after commingling - \$21,504