

HENRY ENGINEERING
Petroleum Engineers
807 FIRST NATIONAL BANK BUILDING
MIDLAND, TEXAS 79701

February 26, 1982

State of New Mexico
Commissioner of Public Lands
P.O. Box 1148
Santa Fe, New Mexico 87501
Attn: Ray D. Graham

Re: State of New Mexico
Lease No. E-8563.

Dear Sir:

Reference is made to an exchange of correspondence beginning with our copies of applications to the New Mexico Energy and Minerals Department, Oil Conservation Division dated February 12, 1982 mailed to you on behalf of our client David Fasken soliciting your approval of his planned surface facilities and his proposed off-lease storage plan. The correspondence ended with your two letters of February 18, 1982.

As to your letter regarding the off-lease storage provision for the Devonian production, we are including the \$10.00 filing fee and herewith re-submitting the application for your approval.

As to your letter disapproving our request to comingle production from acreage within the same state lease No. E-8563, we are herewith re-submitting this application for your consideration with certain additional stipulations and modifications which we trust will meet the requirements of your regulation.

- (1) The production from each separate tract within State Lease No. E-8563 dedicated to different State of New Mexico institutions will be metered prior to storage in a common tank.
- (2) The crude oil purchaser, P & O Falco, Inc., will issue a separate division order for each tract and separate checks for the metered runs from each tract.
- (3) All metering will be pursuant to equipment specifications and procedures approved by the NME & MD, OCD (see attached).
- (4) The casinghead gas from each tract will be metered separately before being comingled and the purchaser, Phillips Petroleum Co., will issue separate checks for the gas from each tract (currently the casinghead gas from the Devonian is too small to meter).
- (5) The crude oil purchaser, P & O Falco, Inc., in consideration for the one pipe line connection will pay the sweet crude posted price for all production (currently the Strawn is paid

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for at the intermediate crude posting. Currently this will result in a \$0.30 per bbl increase in the value of the Strawn crude oil).

The purpose of these requests is to eliminate the duplication of surface equipment with an estimated savings of \$90,000 to the working interest owners.

Enclosed are three copies of a waiver letter to the New Mexico Energy and Minerals Department, Oil Conservation Division which will provide for your approval of Mr. Fasken's proposed metering and storage plan. If you can approve this plan, would you please execute these letters or similar ones of your own composition and return two copies to Henry Engineering, 807 First National Bank Building, Midland, Texas 79701.

We are also enclosing three copies of a similar waiver for "off-lease" storage and the \$10.00 filing fee. We solicit your approval of this request by executing and returning two copies of this waiver or one of your own composition to Henry Engineering.

Best personal regards.

Yours very truly,

HENRY ENGINEERING


Robert H. Angevine

RHA:dt
Encl.

cc: New Mexico Energy and Minerals Department
Oil Conservation Division

