

# MARKS-GARNER PRODUCTION CO.

Phone (505) 396-5326  
P.O. Box 70 - 1421 S. Love St.  
Lovington, New Mexico 88260

PRODUCERS OF OIL & GAS  
OIL CONSERVATION DIVISION  
RECEIVED

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CTB-333

August 15, 1989

Oil Conservation Division  
P O Box 2038  
Santa Fe, New Mexico 87504-2088

ATTN: Bill LeMay

RE: Leases B-1161 & B-6807  
Commingled in March 1988  
Lease B-1439 & E-1830  
Request to Commingle

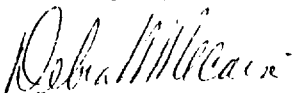
Dear Mr. LeMay:

We would like to request permission to commingle leases B-1439 and E-1830 with the leases we commingled in March 1988, B-1161 and B-6807. This request is made to acquire a more economic production status on these leases. The primary purpose is disposal of produced water. All of the wells mentioned are producing from the Seven Rivers formation and have an extremely high water to oil ratio. We are only interested in commingling the Yates Seven Rivers. Our only disposal wells are in Section 13 and trucking the produced water there is not economically possible. All of the oil produced from this formation is virtually the same gravity and value. We have produced these leases for more than two months, therefore, we have a fairly accurate measurement. Ownership of these leases are identical:

|                |                         |
|----------------|-------------------------|
| Marks & Garner | 87.50 Net Income        |
|                | 100.00 Working Interest |
| State of N.M.  | 12.50 NET Royalty       |

Your consideration is greatly appreciated.

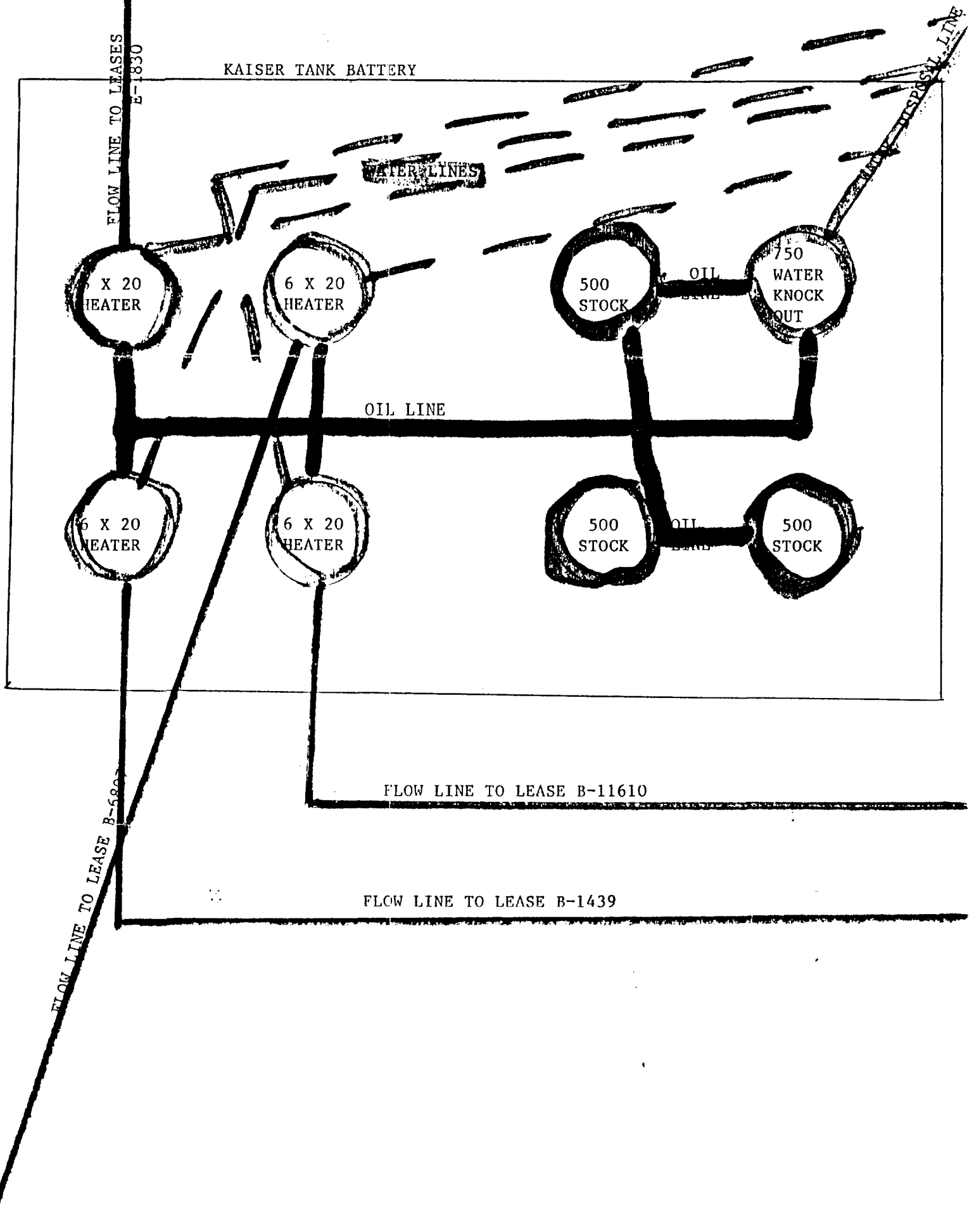
Thank you,



Debra M. Necaise

ALL OIL PRODUCED FROM SEVEN RIVERS FORMATION

KAISER TANK BATTERY





WILSON OIL CO.      ARTESIA, NEW MEXICO

- Underground Pipe

| PROPERTY         | NO. WELLS |     |     | LOCATION | STATE LEASE NO. | GROSS ACRES | WILL   |       | DEPTH LIMITATIONS      |
|------------------|-----------|-----|-----|----------|-----------------|-------------|--------|-------|------------------------|
|                  | OIL       | GAS | SWD | TA       |                 |             | WILL   | WILL  |                        |
| WILSON STATE "A" |           |     |     | 2        |                 |             |        |       |                        |
|                  |           |     |     |          | 7-21S-35E       | 160         | 100.00 | 87.50 | 0-5200'                |
|                  |           |     |     |          |                 |             | 43.75  | 38.28 | 5200'-12,925'          |
|                  |           |     |     |          |                 |             | 87.50  | 76.56 | BELOW 12,925'          |
| SHELL STATE      | 2         |     |     | 4        | 7-21S-35E       | 320         | 100.00 | 75.00 | 0-4000' (N/2 NW/4)     |
|                  |           |     |     |          |                 |             |        |       | 0-5000' (S/2 NW/4)     |
|                  |           |     |     |          |                 |             |        |       | 0-4500' (SW/4)         |
|                  |           |     |     |          | 12,13-21S-34E   | 120         | 100.00 | 75.00 | 0-4139' (E/2 NE/4 13)  |
|                  |           |     |     |          | 16-21S-35E      | 80          | 100.00 | 75.00 | 0-4000' (SE/4 SE/4 12) |
|                  |           |     |     |          |                 |             |        |       | 0-4000'                |
| WILSON ST NO 3   | 1         |     |     |          | 13-21S-34E      | 40          | 100.00 | 87.50 | 0-5200'                |
|                  |           |     |     |          |                 |             | 43.75  | 38.28 | BELOW 5200'            |
| WILSON ST NO 4   | 4         | 1   | 1   | 1        | 13-21S-34E      | 360         | 100.00 | 87.50 | 0-5200'                |
|                  |           |     |     |          |                 |             | 43.75  | 38.28 | BELOW 5200'            |
|                  |           |     |     |          |                 |             |        |       |                        |
| WILSON ST NO 5   | 1         |     |     |          | 23-21S-34E      | 200         | 100.00 | 87.50 | 0-5200'                |
|                  |           |     |     |          |                 |             | 50.00  | 43.75 | 5200'-14,565'          |
|                  |           |     |     |          |                 |             | 87.50  | 76.56 | BELOW 14,565'          |
| WILSON ST NO 6   | 1         |     |     |          | 23-21S-34E      | 120         | 100.00 | 87.50 | 0-5200'                |
|                  |           |     |     |          |                 |             | 43.75  | 38.28 | 5200'-14,565'          |
|                  |           |     |     |          |                 |             | 87.50  | 76.56 | BELOW 14,565'          |
|                  |           |     |     |          | 23-21S-34E      | 40          | 100.00 | 87.50 | 0-5200'                |
|                  |           |     |     |          |                 |             | 43.75  | 38.28 | BELOW BASE OF MORRON   |
| WEST WILSON      | 2         |     |     |          | 21-21S-34E      | 480         | 100.00 | 87.50 | 0-4100'                |
|                  |           |     |     |          | 9-21S-34E       | 160         | 100.00 | 87.50 | 0-4100'                |
|                  |           |     |     |          | 16-21S-34E      | 160         | 100.00 | 87.50 | 0-4100'                |
| VALERO           | 1         |     |     |          | 16-21S-34R      | 80          | 100.00 | 82.00 | NONE                   |
| SOUTH WILSON     |           |     |     |          | 23-21S-34E      | 360         | 100.00 | 87.50 | NONE                   |
|                  |           |     |     |          | 14-21S-34E      | 80          | 100.00 | 87.50 | NONE                   |
| STATE 19         | 1         |     |     |          | 19-21S-35E      | 40          | 100.00 | 87.50 | 0-4000'                |
| PHILLIPS STATE   |           |     |     |          | 14-21S-34E      | 40          | 100.00 | 75.00 | 0-4000'                |

COMMENTS

HBP BY UNION  
N. WILSON DEEP UT  
5-21S-35E

SHELL HAS PREFERE  
PURCHASED RIGHT

HBP BY WELLS ON  
OTHER PARTS OF  
BASE LEASES

SAVE & EXCEPT THE  
INTEREST IN THE U  
WILSON DEEP UT. #  
(W/2 13-21S-34E)

COMMINGLING AND OFF LEASE STORAGE OF OIL AND GAS  
ON STATE TRUST LANDS

1.053 Commingling Prohibited--Different Beneficiary Institutions. It is required that all production of oil or gas or both from lands belonging to different trust beneficiaries shall be segregated. The commingling, confusion, or the intercommunication of such production by the use of common tankage facilities, before marketing, with the production from any other trust lands or any lands not belonging to the State of New Mexico is strictly prohibited.

1.054 Commingling Allowed--Off Lease Storage--Grandfather Clause.

A. Except as provided in Rule 1.053, commingling of oil and gas production, including downhole commingling, if properly metered or allocated and accounted for, may be permitted within the discretion of the Commissioner only after his receipt of a written application containing the information specified in Rule 1.055 and application fee as set in Rule 1.067.

B. Off lease storage of production may be permitted within the discretion of the Commissioner, if there shall be no commingling or intercommunication of production between handling, separation, treatment or storage facilities, only after his receipt of a written application containing the information specified in Rule 1.055 and an application fee as set in Rule 1.067.

C. Oil and gas lessees commingling or off lease storing production, or both, on the effective date of this Rule, without the written approval of the Commissioner, may continue to do so provided that within 90 days after the effective date of this Rule such lessees submit to the Commissioner in writing the information requested in Rule 1.055 together with the date such commingling or off lease storage began. Failure to comply with this requirement shall be considered grounds for cancellation of the pertinent lease or leases.

1.055 Application for Permission to Commingle or Off Lease Store Production. Applications for permission to commingle or off lease store production shall be directed to the Commissioner and shall include:

A. Formal application stating the type of permission desired and the reasons therefor, accompanied by an application fee of thirty dollars (\$30.00).

B. Plat showing the location of leases, wells, flow lines, and common tankage. All plats and diagrams should differentiate between surface and underground pipe.

C. A list of the involved leases arranged by their State Land Office Lease number, their legal description, and including state beneficiaries.

D. A designation of the pool from which each well produces.

E. An economic analysis of proposed operation showing profit or loss to the State of New Mexico.

F. Schematic diagram of entire system from production manifold to pipeline connection showing position of all components of flow stream.

G. Detail drawing(s) of any component which is specifically fabricated; i.e., not commercially available.

H. Description of the operating sequence explaining the complete operation.

I. Any other pertinent data that will assist the Commissioner in deciding upon the application.

#### ACREAGE TAKEN FOR MILITARY PURPOSES

##### 1.056 Waiver of Development Requirements:

A. Where the use of lands embraced in any state oil and gas lease is taken by the United States Government for military purposes, under such circumstances as will prevent drilling and development by the lessee, the Commissioner may, on application by the lessee, waive compliance with the drilling and development requirements of any such lease during the period of such use and for six months thereafter, but in no event for more than five years from the beginning of such use by the United States. Where the use of part only of the lands embraced in such oil and gas lease is taken, any waiver shall extend only to the lands the use of which is so taken.

B. In all cases, the lessee shall continue to pay rentals at the rate which is in effect at the time of taking, and failure to so pay rentals subjects the lease to the regular cancellation procedure.