

'92 SEP 18 AM 9 04

September 14, 1992

MR. DAVID CATANACH
OIL CONSERVATION COMMISSION
P.O. Box 2088
Santa Fe, New Mexico 87504

**RE: Application for Lease Surface Commingling
Request Approval for Off-Lease Storage**

Gentlemen:

Southland Royalty Co.
Aztec 22 Federal Lease (NM-0997)
Well No. 2, South Corbin Wolfcamp Field
LACT located in Unit Letter F,
Sec. 22, T-18-S, R-33-E
Lea County, N.M.

Meridian Oil Inc.
Percha 15 Federal Com (NM-21171)
Well No. 3, South Corbin Wolfcamp Field
L, Sec. 15, T-18-S, R-33-E
Lea County, N.M.

Southland Royalty Co. and Meridian Oil Inc. request approval to surface commingle the Aztec 22 Federal Well No. 2 and the Percha 15 Federal Com well No. 3.

Plats are attached showing the location of each well and the location of the LACT. A schematic diagram of the battery is also attached.

The following are the estimated amounts of production for each well:

Aztec 22 Federal Well No. 2
105 BOPD, 380 MCFPD, 40.5 gravity, Wolfcamp Zone.

Percha 15 Federal Com. Well No. 3
417 BOPD, 300 MCFPD, 40.5 gravity, Wolfcamp Zone

The production for these wells will continuously run through a metered heater treater. This is the method we will allocate the production from each well.

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Southland is 100% working interest owner for the Aztec 22 Federal No. 2.

Meridian is 100% working interest owner for the Percha 15 Federal Com. No. 3

These wells do not have identical ownership as far as the royalty interest and overriding royalty interest. The following is the % for each well:

Aztec 22 Federal No. 2

<u>Owner Name</u>	<u>Type</u>	<u>Owner %</u>
Breland, Ronald H.	ORRI	.833330
Minerals Management	RI	12.500000
Cleve, Mary Loomis	ORRI	1.666670
Wright, Howard B. Est	ORRI	1.666670
Breland, Prentiss C.	ORRI	.833330
Southland Royalty Co.	NWI	82.500000

Percha 15 Federal Com. No. 3

<u>Owner Name</u>	<u>Type</u>	<u>Owner %</u>
Meridian Oil Inc.	GW	78.125
Minerals Management	RI	6.25
Mobil	ORRI	6.25
State Land	RI	9.375

Federal Royalties will not be reduced as wells will be continuously metered. Both wells produce from the same Field and Reservoir and have the same gravity.

Additionally, we request off-lease storage approval from the Percha 15 Federal Com. Well No. 3 to the Aztec 22 Federal Battery located in F, Sec. 22, T-18-5, R-33-E, Lea County, N.M.

I called Mr. Pete Martinez with the Commissioner of Public Lands Office on 9-11-92 and asked Mr. Martinez if this application needed to go through the State Land office since the Percha 15 Fed Com. Well No. 3 has a communitization agreement involving state land. Mr. Martinez said because the location of the well is on Federal Land and production is going to a Federal lease that the State Land Office did not need to approve this.

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If you require additional information, please contact me at A/C 915/688-6906.

Sincerely,



Maria L. Perez
Production Assistant

MLP/mev

XC: Well File
Don McBee
Brett Adams
Joe Small
Hobbs Field Office
Richard Atchley
Joint Interest
Regulatory File