

From: [Sarah Mitchell](#)
To: [McClure, Dean, EMNRD](#)
Subject: [EXT] FW: PLC application for Hemlock State Central Tank Battery
Date: Wednesday, November 6, 2019 10:00:34 AM

Good morning Mr. McClure,

Please see the email below from Brenda Dellinger, our accounting manager, to address your question below.

Please let me know if I can provide you with any additional information.

Thank you,
Sarah

From: Brenda Dellinger <Brenda_Dellinger@eogresources.com>
Sent: Wednesday, November 6, 2019 9:45 AM
To: Sarah Mitchell <Sarah_Mitchell@eogresources.com>
Subject: RE: PLC application for Hemlock State Central Tank Battery

Sarah, I spoke with Christine Senter in marketing to confirm this statement.

EOG receives a blended price downstream of lease. The commingling of the gravity will have no effect on royalties paid.

This is a little verbiage from Christine that she sent me earlier this year to help explain pricing to the BLM when we were working on getting condensate commingled for the efrac.

Crude oil being transported out of the Delaware Basin fall into four categories: West Texas Sour (WTS), West Texas Intermediate (WTI), West Texas Light (WTL), and Condensate. The overwhelming majority of production EOG is currently transporting out of the Delaware Basin is classified (as of March 2019) as WTL, which has an API gravity range of 44.0-47.9. At the markets, WTL is being priced as a discount to WTI, currently approx. \$1 to \$1.50/bbl. Depending on the producing zones and locations of EOG's production, the crude oil might vary and thereby fall within any of the four categories. The market will price EOG's production based on the category of the crude being delivered.

From: "McClure, Dean, EMNRD" <Dean.McClure@state.nm.us>
Date: November 5, 2019 at 5:48:20 PM CST
To: Sarah Mitchell <Sarah_Mitchell@eogresources.com>
Subject: PLC application for Hemlock State Central Tank Battery

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Ms. Sarah Mitchell,

I am reviewing the PLC application for the Hemlock State Central Tank Battery operated by EOG Resources, Inc.

It looks like you are asking to commingle ~44 gravity oil with ~55 gravity oil. Can I get a statement stating whether you get paid more for one of these gravities and how you expect the commingling of this production to affect the actual value of the oil sold at this battery.

Dean McClure
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