

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766

ADMINISTRATION
Phone (505) 827-5700
Fax (505) 827-5853

GENERAL COUNSEL
Phone (505) 827-5713
Fax (505) 827-4262

PUBLIC AFFAIRS
Phone (505) 827-1245
Fax (505) 827-5766

CTB-492

COMMERCIAL RESOURCES
Phone (505) 827-5724
Fax (505) 827-6157

MINERAL RESOURCES
Phone (505) 827-5744
Fax (505) 827-4739

ROYALTY MANAGEMENT
Phone (505) 827-5772
Fax (505) 827-4739

SURFACE RESOURCES
Phone (505) 827-5793
Fax (505) 827-5711

**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

January 11, 2000

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762

Attn: Mr. L. M. Sanders

Re: Application for Surface Commingling
Phillips State E #3 Battery
Leamex #8 Battery
Maljamar (Grayburg/San Andres) Field
Lea County, New Mexico

Dear Mr. Sanders:

We have received your letter of December 21, 1999, wherein you requested our approval to surface commingle the production from the subject leases. Due to a treater failure, Phillips Petroleum Company wishes to send production from the Phillips State E #3 Battery via pipeline to Leamex #8 Battery.

It is our understanding that there will be no loss of commercial value in the commingled production. Production from the subject wells will be determined by periodic well tests.

Since it appears that there will be no loss of revenue to the State of New Mexico's beneficiaries as a result of your proposed operation, your request is hereby approved. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval, should this operation prove to be unprofitable to the state at any time in the future. Also, our approval is subject to like approval by the New Mexico Oil Conservation Division.

Please submit a copy of the New Mexico Oil Conservation Division's approval.

Your \$30.00 filing fee has been received.

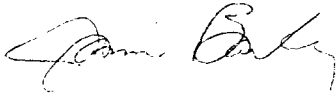
Please notify Ms. Debbie Padilla of our Right-of-Way Section at 827-5729 regarding a right-of-way through the NE/4NE/4 of Section 23-12S-33E. Our approval will be contingent upon Phillips Petroleum Company securing the appropriate right-of-way through the NE/4NE/4 of Section 23-12S-33E.

Phillips Petroleum Company
Page 2
January 11, 2000

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS



BY:
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm
Enclosure
xc: Reader File

OCD-Mr. David Catanach, Mr. Ben Stone

Debbie Padilla

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

CTB 1/18/00
492

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
[DD-Directional Drilling] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling

☐ NSL ☐ NSP ☐ DD ☐ SD

DEC 28 1999

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☒ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☒ Notification and/or Concurrent Approval by BLM or SLO

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

L. M. Sanders
Print or Type Name

L. M. Sanders
Signature

Supervisor, Regulation/
Title Proration

12/21/99
Date



PHILLIPS PETROLEUM COMPANY

4001 PENBROOK
ODESSA, TEXAS 79762

EXPLORATION AND PRODUCTION
Permian Profit Center

December 21, 1999

Director
State of New Mexico
Energy, Mineral, and Natural Resources
Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87504

Re: Surface Commingling
Phillips State E #3 Battery (#009132) and Leamex #8 Battery (#009112)
Maljamar (Grayburg/SanAndres) Field (#43329)
Lea County, New Mexico

Dear Sir:

Phillips Petroleum Company (OGRID #017643) respectfully requests an exception to Statewide Rule 303-A and Statewide Rule 309-A to surface commingle production from the subject leases. Due to a treater failure, Phillips wishes to send production from the Phillips State E #3 Battery via pipeline to the LeaMex #8 Battery. The State E #3 Battery will remain in-tact, for well production testing purposes.

In accordance with the provisions of Statewide Rule 303-B and Statewide Rule 309-B, the pertinent information and supporting data are included herein:

Production from both batteries is produced from the Maljamar (Grayburg / San Andres) Field.

Determination of production from each well will be provided by well tests.

Both leases share a common working interest, royalty interest, and overriding royalty interest.

Your consideration and administrative approval will be greatly appreciated. If any further information is needed, please contact Celeste Dale at 915/368-1667, or myself at 915/368-1488.

Sincerely,

L. M. Sanders
Supervisor, Regulation/Proration

Cc: Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87504-1148



PHILLIPS PETROLEUM COMPANY

4001 PENBROOK
ODESSA, TEXAS 79762

EXPLORATION AND PRODUCTION
Permian Profit Center

December 21, 1999

Director
State of New Mexico
Commissioner of Public Lands
P. O. Box 1148
Santa Fe, NM 87504-1148

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Sincerely,

L. M. Sanders
Supervisor, Regulation/Proration

Cc: State of New Mexico
Energy, Minerals, and Natural Resources
Oil Conservation Division
1625 N. French Dr.
Hobbs, NM 88240

LSE	State Lse#	Phillips Lse #	Phillips' WI%	Phillips' NRI%	State of NM RI%	ORRI%
Phillips State E #3 Batt.	B2229-1	015459	100	87.5	12.5	0
Leamex #8 Batt.	B2148	0154000	100	87.5	12.5	0

VALUE OF COMMINGLED LIQUID HYDROCARBONS

	Phillips State E # 3 Battery	Leamex # 8 Battery
Oil Gravity	35.5	34.4
Total Sulfur	1.0079 wt. %	1.0381 wt. %
Oil Volume (BOPD) 5 day Avg.	19	17.6

There will be no loss of commercial value of the commingled production. Current January trading price for sour crude is \$24.17 /barrel.



Laboratory Services, Inc.
4016 Fiesta Drive
Hobbs, New Mexico 88240
Telephone: (505) 397-3713

ROGER BECKER
Odessa

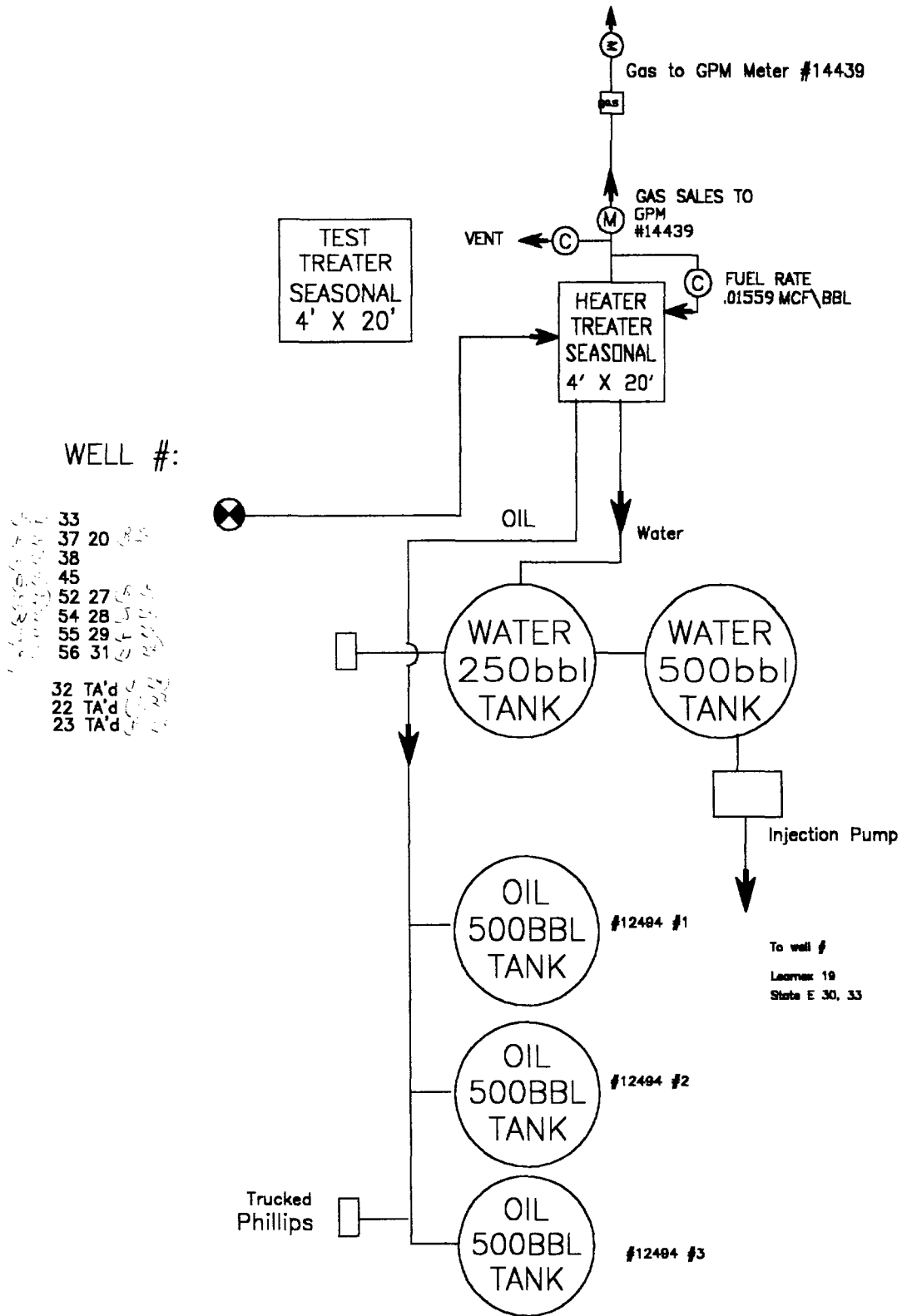
SULFUR IN CRUDE OIL



Phillips Petroleum Company
Attention: Mr. Don Thorp
HC 60 Box 450
Lovington, New Mexico 88260

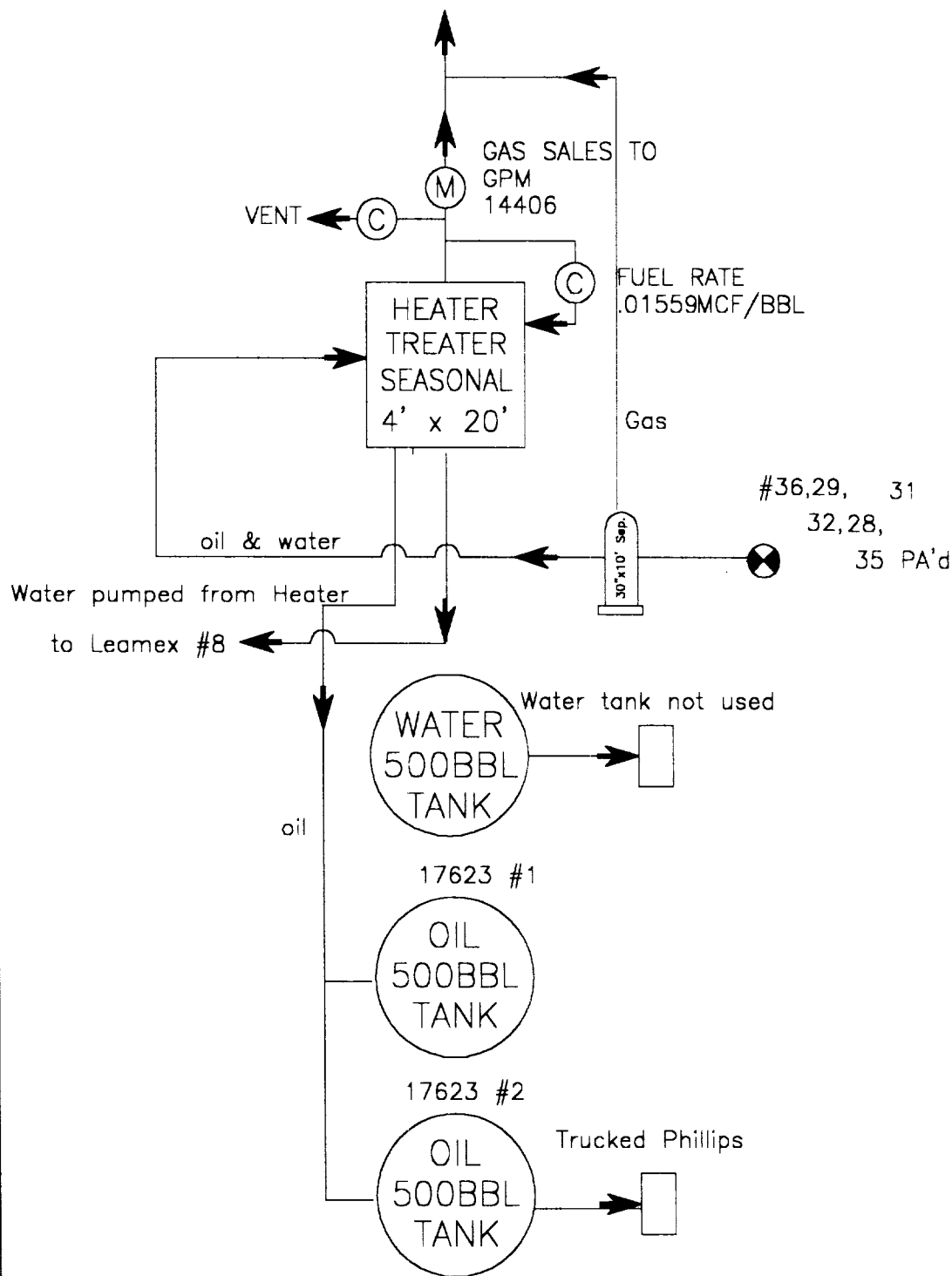
Nov 30, 1999


	Total Sulfur	API Gravity @ 60° F	Specific Gravity @ 60° F
Phillips State E 3 Battery	1.0079 wt. %	35.5	0.8473
Lea Mex #8 Battery	1.0381 wt. %	34.4	0.8529

Thank You,
Rolland Perry



NO.		REVISION		UPDATED	02/29/96		
				BY DGU	DATE	CHKD	APP'D
FOR BIDS		<div style="text-align: center;"> PHILLIPS PETROLEUM COMPANY  BARTLESVILLE, OKLAHOMA</div> <div>LEASE NAME: Lea Mex Batt. #8 LEASE CODE: 600018 NETWORK:</div>				JA NO.	FILE CODE
FOR APPR						APE NO.	SCALE
FOR CONST						NO	
DRAWN 02/29/96		DGU	FILE NAME: leamex8.DWG				
CHECKED			DWG NO. 1.0				
APP'D							



NO.		REVISION		UPDATED BY	02/29/96	DATE	CHKD	APP'D	
FOR BIDS		 PHILLIPS PETROLEUM COMPANY BARTLESVILLE, OKLAHOMA				JA NO.		FILE CODE	
FOR APPR						AFE NO.		SCALE	
FOR CONST								NO	
DRAWN 02/29/96		DGU		LEASE NAME: PHILLIPS STATE E BATTERY #3 LEASE CODE: 600096 NETWORK:				FILE NAME: PHILSTE3.DWG	
CHECKED								DWG NO. 1.0	
APP'D									

