

COLLINS & WARE, INC.

508 WEST WALL AVENUE, SUITE 1200
MIDLAND, TEXAS 79701-5076

(915) 687-3435

958

October 31, 1997

David Catanach
State of New Mexico
Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, New Mexico 87505-5472

NOV - 6 1997

Re: Surface Commingling
Payday Lease ID No. 20034
Lea County, New Mexico

Dear Mr. Catanach:

Collins & Ware, Inc. respectfully requests an exception to Rule 303A "Segregation Of Production From Pools". Under Rule 303B, we request an administrative approval to Surface Commingle production from the Blinebry and Tubb formations in the dually completed Payday Well No. 1.

The Payday Well No. 1 has been dually completed in the East Warren Tubb and Blinebry Oil & Gas pools using two strings of tubing with a packer set between, isolating each zone. Currently the Tubb is flowing up the long string tubing from below the packer to the existing Tubb production facility. The Blinebry oil and water is being pumped up the short string tubing set above the packer with a sucker rod pump and delivered into temporary test tanks. The gas will be flowed up the casing/tubing annulus as a conventional pumping oil well. The gas from each pool will be delivered to separate sales meters.

We propose to surface commingle the oil from these pools into a common storage facility and meter Blinebry oil production with a permanently installed one barrel dump vessel. Tubb production volume would then be calculated by subtracting the one barrel dump vessel volume from total battery oil production. It is our opinion that surface commingling of these pools is the best option to produce this wellbore both economically and environmentally.

An oil analysis of each pool was taken, copy attached, which indicates the oil gravity of each pool. The oil from the East Warren Tubb pool was tested at 37.6° gravity, the Blinebry Oil & Gas pool was tested at 39.6° gravity. The price base would remain the same whether the oil was sold separately or commingled.

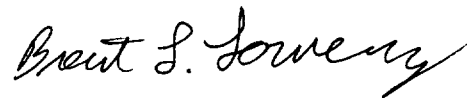
Payday #1
Surface Commingling
- Page 2 -

The ownership for both zones in this wellbore are common before payout and will be common after payout as well.

A schematic of the storage facility area shows the location of the well in relation to the storage facility is attached for your reference. Also a plat of the location of the well is included.

If you have any questions or need additional information, please call me at (915) 687-3435 or contact me at the letterhead address. Your assistance in this matter is greatly appreciated.

Sincerely,

A handwritten signature in black ink, reading "Brent L. Lowery". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Brent L. Lowery
Operations Engineer

BLL/ds
enclosures
cc: Hobbs NMOCD

**Laboratory Services, Inc.**

1331 Taskor Drive
Hobbs, New Mexico 88240
Telephone: (505) 397-3713

SULFUR IN CRUDE OIL

Collins & Ware, Inc.
Attention: Mr. Jack Bledsoe
508 W. Wall, Suite 1200
Midland, Texas 79701-5076

Oct 22, 1997

	Sulfur	API Gravity @ 60° F	Specific Gravity @ 60° F
State A #5 Bln.	0.8772 wt. %	34.7	0.8378
State A #5 Drk.	0.3197 wt. %	42.3	0.8142
State ECC #1	0.2913 wt. %	43.5	0.8086
Payday #1 Tubbs	0.5016 wt. %	37.6	0.8368
Payday #1 Blinebry	0.3839 wt. %	39.6	0.8270
St. M & M #1	0.5599 wt. %	22.8	0.9170
St. M & M #2, 3, & 4	0.3699 wt. %	42.2	0.8146

Thank you,
Rolland Perry

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1	API Number 30-025-33706	2	Pool Code	3	Pool Name
4	Property Code 20034	5	Property Name PAYDIRY	6	Well Number 1
7	OGRID No. 004874	8	Operator Name Collins & Ware, Inc.	9	Elevation 3570

¹⁰Surface Location

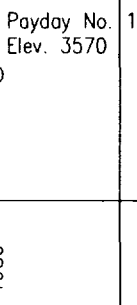
UL or lot no. L	Section 24	Township 20 S	Range 38 E	Lot Idn	Feet from the 1980	North/South line South	Feet from the 660	East/West line West	County Lea
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¹¹Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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12	Dedicated Acres	13	Joint or Infill	14	Consolidation Code	15	Order No.
	40						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNITL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16			
PAYDAY #1 TUBE O&G BENEBA O&G PROD L-1980S/660W			
 <p style="margin-left: 40px;">Payday No. 1 Elev. 3570</p>			

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature _____

Printed Name _____

Title _____

Date _____

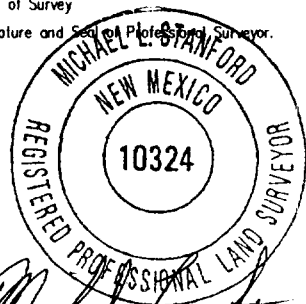
SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

October 24, 1996

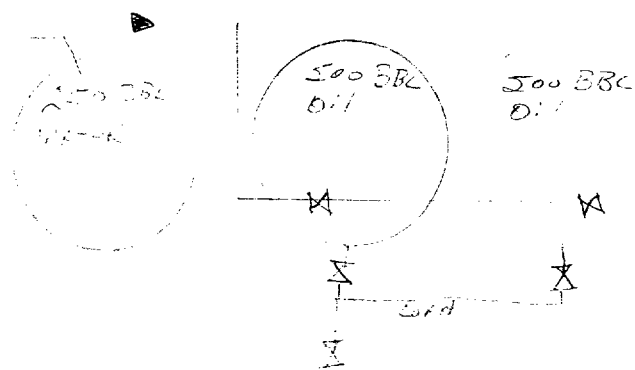
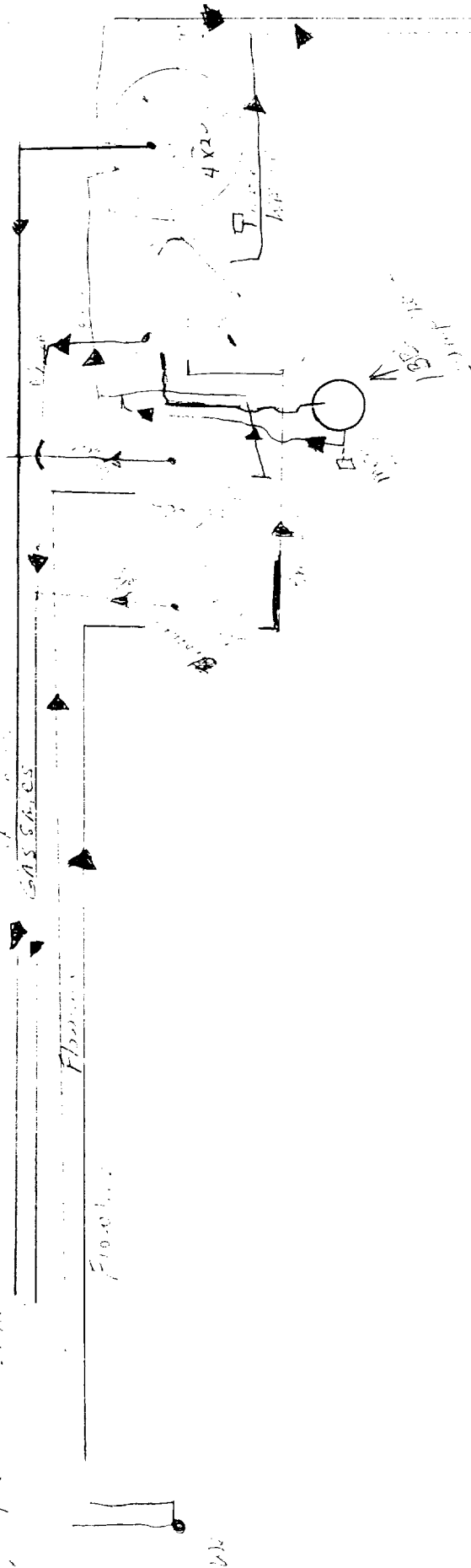
Date of Survey _____

Signature and Seal of Professional Surveyor.


Michael L. Stanford

Certificate Number 10324

W. L. 1/2 - 1/2



PANDAY #1
UL "L", SEC 24, T20S, R38E
1980' FSL & 660' FWL
LEA COUNTY NEW MEXICO