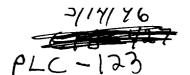


235



April 18, 1996

New Mexico Land Department P.O. Box 1148 Santa Fe, New Mexico 87504



Attn: Mr. Larry Kehoe

Director, Oil/Gas and Minerals Division

RE: OFF-LEASE STORAGE AND SURFACE COMMINGLING PERMIT APPLICATION

Remuda Basin 19 Fee Lease Remuda Basin State Lease Remuda Basin 19 Federal Lease Common Tank Battery located in Unit Letter F, Section 19, T-23-S, R-30-E Eddy County, New Mexico

Gentlemen:

Texaco Exploration and Production Inc. requests administrative approval for off-lease storage and surface commingling of production on the above leases. Attached is a similar request package on these leases to the United States Bureau of Land Management.

Three different royalty interest leases will produce into this common tank battery: one fee, one state, and one federal. There is presently one active Remuda Basin 19 Fee well and four active Remuda Basin State wells. Two Remuda Basin 19 Federal wells are in the process of being drilled.

Each royalty interest will produce into a three phase separator. The hydrocarbon streams (oil, gas) will be metered before they are commingled. The meters will be turbine meters with non-resettable counters and proving loops will be installed so that each meter can be proven as required.

A test separator will be installed to conduct monthly well tests. The State and Federal royalty interest wells will utilize the same test separator. Valves will be mechanically linked such that outgoing streams from the test vessel must return to the appropriate production vessel for metering prior to commingling.

There will be just one well producing into the Fee separator. This well will not be routed to the test separator.

Pressure will be regulated on the production separators by a single back pressure valve to ensure that all three vessels are operating at the same pressure. It will be necessary to install a back pressure valve on the test separator. The test separator will have to operate at a higher pressure than the production vessels in order to be able to dump back into them.

Fluids from the production separators will be combined in a FWKO for final treatment and separation of the two fluid phases. Fluids will be dumped to the appropriate tanks. A circulating pump will be installed to move water or bad oil from the tanks. The circulating pump will pump into the FWKO.

Total production at the battery will be allocated back to each royalty interest lease based on the production separator meters. Monthly production will then be allocated back to each well based on well tests and the amount of oil allocated back to each royalty interest lease.

All of the wells involved in this application are operated by Texaco Exploration and Production Inc. All of the Remuda Basin State wells have common schools as their state beneficiary. All mineral interest holders on the Remuda Basin 19 Fee lease have been notified of this proposal by copy application sent by certified mail.

At the battery, the oil will be transported by Texaco Trading & Transportation. The gas will be sold to Highlands Gathering & Processing. Water from the battery will be hauled to disposal wells. The facility installation will be in compliance with the "Manual for the Installation and Operation of Commingling Facilities", which is published by the NMOCD. Items attached for review are: N.M. State Land Dpt Commingle Pre-Application Acreage dedication plats for each well.

BLM surface commingling and off-lease storage request package. Plat showing well locations, lease boundaries, and battery. Copies of certified mail receipts to mineral interest holders. Schematics of proposed common tank battery and separator detail.

A check for \$30.00 for the filing fee is enclosed. If you have any questions concerning this request, please contact Monte Duncan at 397-0418. Thank you for your consideration of this proposal.

Sincerely, Pal

Russell Pool, Hobbs Operating Unit Senior Engineer

MCD/s Chrono, Attachments

cc: New Mexico Oil Conservation Division, Santa Fe
New Mexico Oil Conservation Division, District II Office
U. S. Bureau of Land Management; All Mineral Interest Holders

COMMINGLE PRE-APPLICATION

STATE LAND OFFICE RULES 1.053-1.055 APPLY TO COMMINGLING OIL AND GAS PRODUCTION FROM NEW MEXICO STATE LANDS. PLEASE PROVIDE THE FOLLOWING INFORMATION SO THAT WE CAN DETERMINE WHETHER OR NOT A COMMINGLE APPLICATION PACKAGE SHOULD BE SUBMITTED.

		PLEASI	E SI	3E 4	ATI	'ACH	ED	LETTE	R							
	2. St	2. FILL IN State wells goi							RMATIC	NATION FOR EACH			LL.			
	WEL NUM	L BER		EG!		TION	1	LESSEI RECOI	_	1	N.M.			FORMA	TION	Ţ
uda	Basin	State	#1	F-]	9-	23S-	30E	TEP	[F	-1306	N	ash	Draw-Br	ushy	Canyo
uda	Basin	State	#2	K-1	 9-	23S-	30E	TEP	 [F	-1306	N	ash	Draw-Br	ushy	Canyo
uda	Basin	State	#3	K-:	30-	23S-	30E	TEP	Ι	F	3-1306	For	ty N	liner Ri	dge	Delawa
uda	Basin	State	#4	N-	19-	23S-	30E	TEP	I	F	3-1306	N	ash	Draw-Br	ushy	Canyo
											•					
		_				Mont	e C	. Dunca	n, Eng	ineer's	s Assis	stant				
	NAM	E:														

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT THE OIL, GAS AND MINERALS DIVISION AT (505) 827-5744.

COMMINGLE PRE-APPLICATION

STATE LAND OFFICE RULES 1.053-1.055 APPLY TO COMMINGLING OIL AND GAS PRODUCTION FROM NEW MEXICO STATE LANDS. PLEASE PROVIDE THE FOLLOWING INFORMATION SO THAT WE CAN DETERMINE WHETHER OR NOT A COMMINGLE APPLICATION PACKAGE SHOULD BE SUBMITTED.

		PLE	ASE SEE	ATTAC	HED LETT	ER			
	2.				FOLLOWING		ATION FOR EAC	H WELL.	
	WEL	L L	LEG	GAL RIPTIO	LESS	EE OF	N.M. LEASE NUMBER	FORM	ATION
nuda	Basin	19	Federal #	/1 A-19	9-23S-30E	TEPI	NM-17056	Nash Draw-	-Brushy Cany
nuda	Basin	19	Federal #	2 B-19	9-23S-30E	TEPI	NM-17056	Nash Draw	Brushy-Cany
nuda	Basin	19	Fee #1	C-19	9-23S-30E	TEPI		Nash Draw	Brushy-Can
						· · · · · · · · · · · · · · · · · · ·	•		
	NAM	Œ:		_Mont	ce C. Dunca	an, Engine	er's Assistant		
						stion and	Production Inc.,	205 E. Bend	er, Hobbs,
	COM	PAI	YY:	<u>Texa</u>	aco Explora	ation and	roduction inc.,		•

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT THE OIL, GAS AND MINERALS DIVISION AT (505) 827-5744.

DISTRICT II P. O. Drawer DD, Artesia, NM 88210

DISTRICT III 1000 Rio Brazos Rd., Aztec, NN 67410

DISTRICT IV P. O. Box 2088, Sonta Fe, NM 87504-2088 State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION PO Box 2088 Santa Fe, NM 87504-2088 Form C-102 Revised February 10, 1994

Instructions on back

Submit to Appropriate District Office

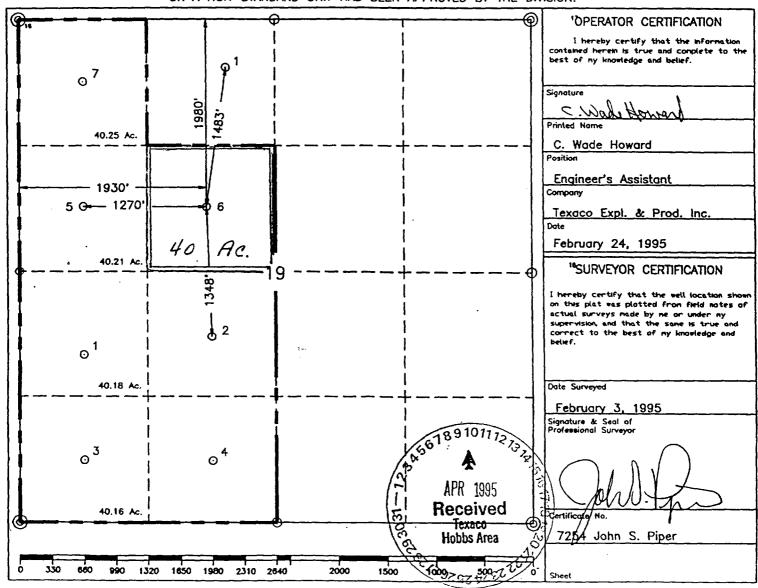
State Lease-4 copies Fee Lease-3 copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

, W	1 Number			² Pool Code			³ Pool Nan	ne			
30-015	- 289	422	475	45	NA.	NASH DRAW-BRUSHY CANYON					
Property Cod				⁵ Property Nome							
17551				Remudo Bosin State							
OGRID No.					*Operator N	lome			⁸ Elevation		
95321						& PRODUCTION,	INC.		3052		
					¹⁰ Surface L	ocation					
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County		
F	· 19	23 - S	30-E		1980'	North	1930'	West	Eddy		
			11 B	ottom Hol	le 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	7County		
¹² Dedicated Acres 40	1370	int or Infill	¹ Consolid	ation Code	¹⁵ Order No.	<u>L </u>	<u> </u>	<u> </u>			

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



DISTRICT II P. O. Drawer DD, Artesia, NM 88210

DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT 1V P. O. Box 2088, Santa Fe, NM 87504~2088 State of New Mexico
Energy, Minerals and Natural Resources Department

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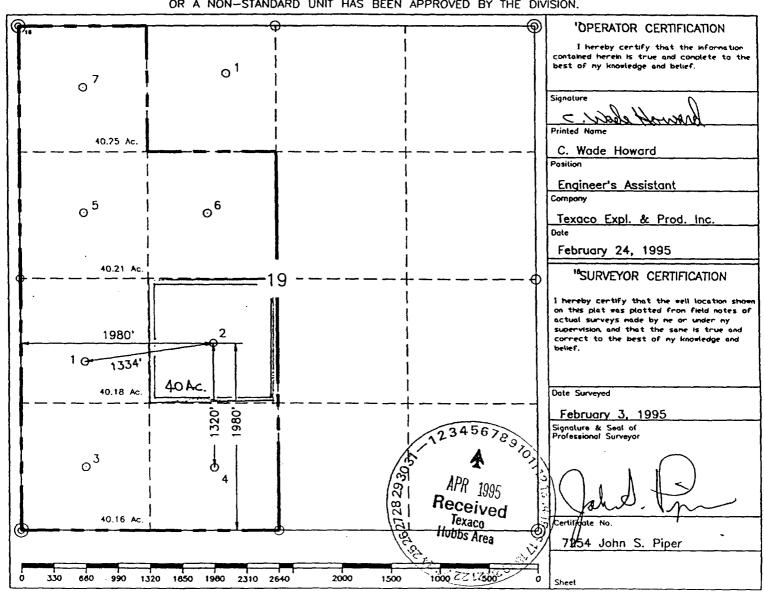
State Lease-4 copies fee Lease-3 copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API	Number			² Pool Code			³ Pool Nam	ne .	
30-01	5-284	00	4	7545		NASH DRAW-BR	USHY CANYON		
Property Code					⁵ Property N				Well Number
17551			_	R	Remuda Basin	State			2
OGRID No.					⁸ Operator N	ame			⁹ Elevation
33321				TEXACO	EXPLORATION	& PRODUCTION,	INC.		3047
					" Surface L				
UL or lot no.	Section 1	ownship	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	19	23-S	30-E		1980'	South	1980′	West	Eddy
			'' B	ottom Hol	e Location If	Different From	Surface		
UL or lot no.	Section 1	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	⁷ County
¹ Dedicated Acres 40	13 Joint	or Intill	¹tonsolid	lation Code	¹⁵ Order No.				

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DISTRIC | I

P.O. Box 1980, Hobbs, NM 88241-1980 DISTRICT II

P.O. Box Drawer DD, Artesia, NM 88211-0719

1000 Rio Brazos Rd., Aztec, NM 87410 DISTRICT IV

P.O. Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

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Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015-28401	Pool Code 96477	³ Pool Name FORTY NINER RIDGE DELAWAR	E
Property Code 17551	•	erty Name BASIN STATE	⁵ Well No. 3
7 OGRID Number 022351	•	rator Name ION & PRODUCTION INC.	⁹ Elevation 3074

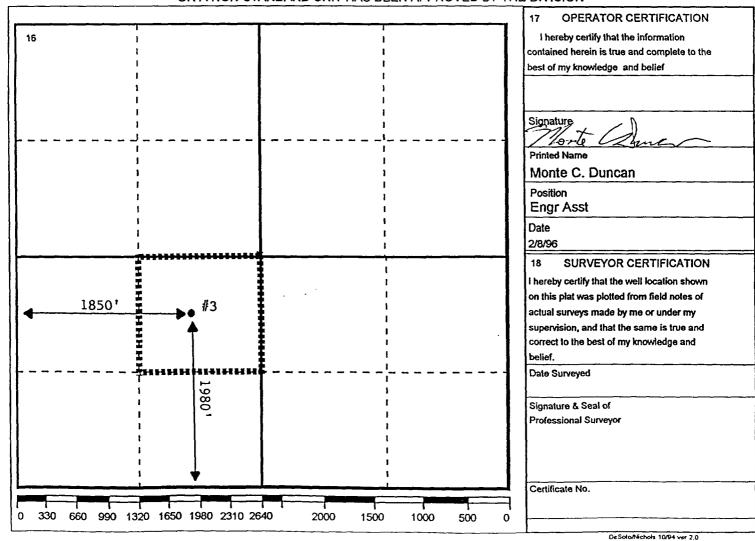
¹⁰ Surface Location

Ul or lot no.	Section	Township	Range	Lot.ldn	Feet From The	North/South Line	Feet From The	East/West Line	County
К	30	23-8	30-E		1980	SOUTH	1980	WEST	EDDY

¹¹ Bottom Hole Location If Different From Surface

				Dollon Flor	C LOCATION	וטוו	ilerent i tom oc	iiiace		
Ul or lot no.	Section	Township	Range	Lot.ldn	Feet From	The	North/South Line	Feet From The	East/West Line	County
12 Dedicate 40	d Acres	13 Joint or Infill No		14 Consolidation	n Code	15 Or	der No.		<u></u>	

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DISTRICT II
P. Q. Drawer DO, Artesio, NM 88210
DISTRICT III

1000 Rio Brozos Rd., Aztec, NM 87410

DISTRICT IV P. O. Box 2088, Santa Fe, NM 87504-2088 State of New Mexico
Energy, Minerals and Natural Resources Department

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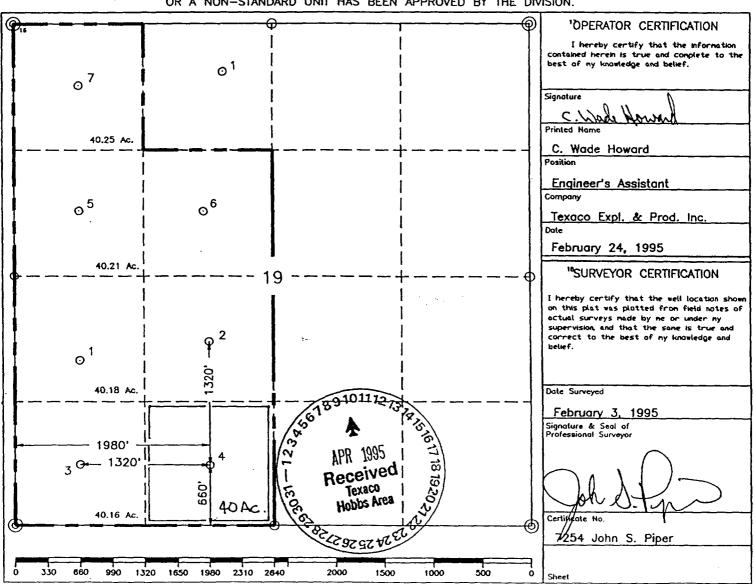
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Num	ber	² Pool Code	³ Pool Name	
30-015-	28420	47545	NASH DRAW-BRUSHY CANYON	
Property Code			Property Name	Well Number
17551		Remudo	Basin State	4
OGRID No.			Operator Name	⁹ Elevation
97321		TEXACO EXPLO	RATION & PRODUCTION, INC.	3041

UL or lot no.	Section	Township	Ronge	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	19	23-S	30~E		660'	South	1980'	West	Eddy
			11 B	ottom Hol	e 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	7County
						<u></u>			
12Dedicated Acres	13 Joi	nt or Infill	1*Consolid	ation Code	¹⁵ Order No.				
40	l l								

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DISTRICT II P. O. Drawer DO, Artesia, NM 88210

DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410

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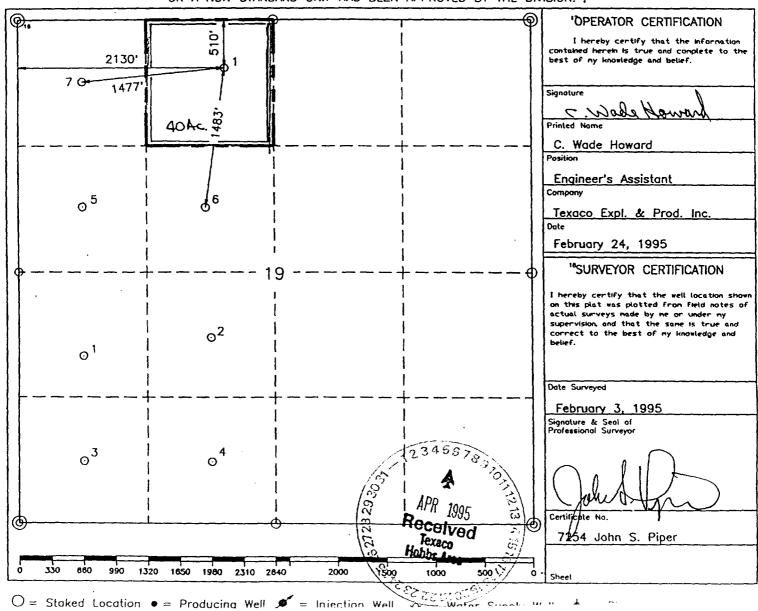
■ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

30-015-		NASH DRAW-BRUSHY	CANYON Name	
Property Code 16859		⁵ Property Name Remuda Basin "19" Fee		 Well Number
OGRID No.	TEXAC	*Operator Name CO EXPLORATION & PRODUCTION, IN	IC.	⁹ Elevation 3054

UL or lot no.	Section	Township	Range	Lot Idn	feet from the	North/South line	Feet from the	Eost/West line	County County
C	19	23 - S	30-E		510'	North	2130'	West	Eddy
			'' B	ottom Hol	e 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	⁷ County
						<u>[</u>	<u> </u>	<u> </u>	<u> </u>
12Dedicated Acres	1270	nt or Intilit	1 Consolid	lation Code	15Order No.				
40									

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



O = Staked Location • = Producing Well 🖋 = Injection Well

DISTRICT II P. O. Drower DD, Artesia, NM 88210

DISTRICT III 1000 Rio Bruzos Rd., Aztec, NN 87410

Stated In-

P. O. Box 2088, Sonta Fe, NM 87504-2088

State of New Mexico Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

PO Box 2088 Santa Fe, NM 87504-2088

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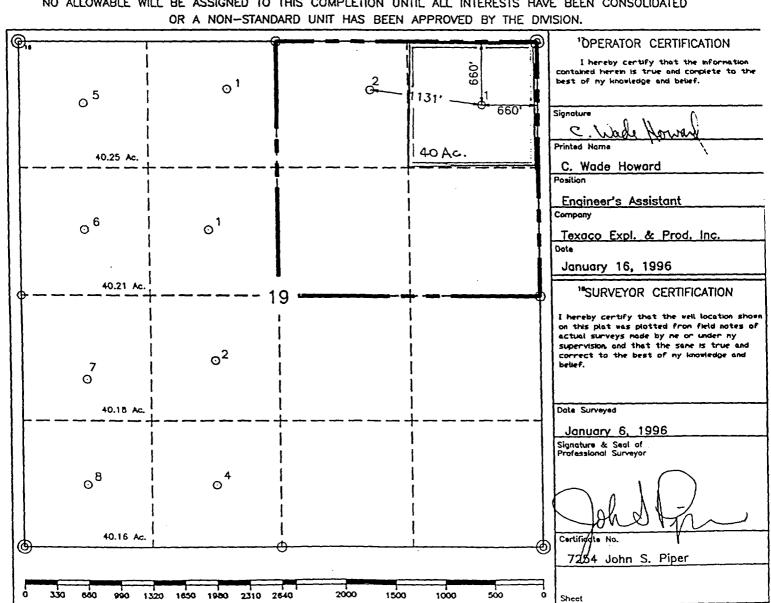
State Lease-4 copie Fee Lease-3 copie

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

30-015-28901 ³ Pool Name ²Pool Code NASH DRAW-BRUSHY CANYON 47545 Property Code Property Name Well Number Remuda Basin "19" Federal 1 18768 Operator Name Devotion 3104 35351 TEXACO EXPLORATION & PRODUCTION, INC. 10 Surface Location UL or lot no. North/South line Section Township Range Feet from the East/West line County Feet from the Eddy 30-E 660' 19 23-S Α 660' North East Bottom Hole Location If Different From Surface UL or lot no. Section Lot idn Feet from the North/South line East/West line ⁷County 13 Joint or Infill 16Order No. 12Dedicated Acres 14Convolidation Code 40

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED



DISTRICT # P. O. Drawer DO, Artesia, NM 86210

DISTRICT III

1000 Rie Brazos Rd., Aztec, NM 87410

P. O. Box 2088, Sonto Fe, NM 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION PO Box 2088 Santa Fe, NM 87504-2088

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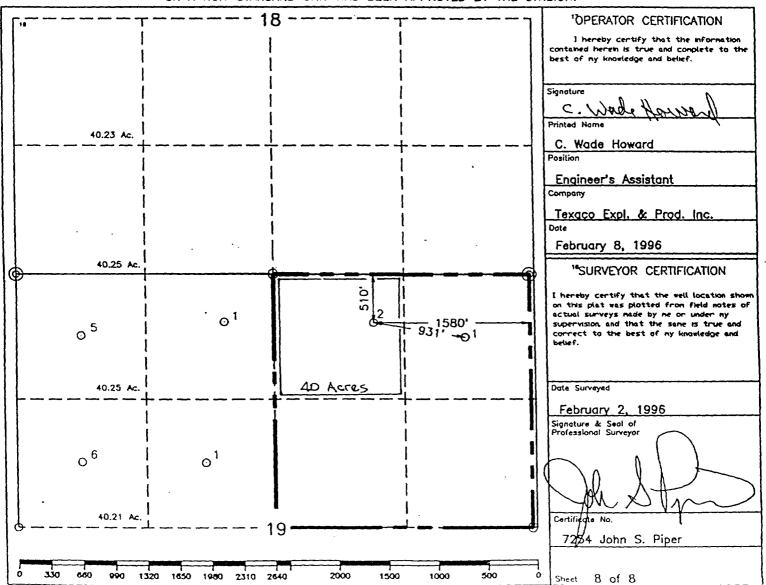
State Lease-4 copies Fee Lease-3 copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

30-015-28902	² Pool Code 47545					
Property Code 18768		Property Name Basin "19" Federal	⁶ Well Number 2			
OGRID No.		Operator Name	8 Elevation			
22321	TEXACO EXPLO	RATION & PRODUCTION, INC.	3083*			
	10 St	urface_Location				

East/West line County 19 30-E 23-S 510 В North 1580 **East** Eddy Bottom Hole Location If Different From Surface UL or lot no. Section East/West line Township Range Feet from the North/South line Feet from the ²County 12Dedicated Acres 13 Joint or Infill ¹Consolidation Code 15Order No. 40

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



Form 3160-5 (June 1990)

UNITED STATES DEPARTMENT OF THE INTERIOR **BUREAU OF LAND MANAGEMENT**

FORM APPROVED

Budget Bureau No. 1004-0135

Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

5. Lease Designation and Serial No. NM-17056

6. If Indian, Alottee or Tribe Name
7. If Unit or CA, Agreement Designation
8. Well Name and Number REMUDA BASIN 19 FEDERAL LEASE
9. API Well No.
10. Field and Pool, Exploaratory Area NASH DRAW-BRUSHY CANYON
11. County or Parish, State EDDY , NM
eport, or Other Data
YPE OF ACTION
Change of Plans New Construction Non-Routine Fracturing Water Shut-Off Conversion to Injection LING Dispose Water (Note: Report results of multiple completion on Well Completion or Recompletion Report and Log Form.)
Y

Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*.

Texaco Exploration and Production Inc. requests permission to construct a common tank battery for the above lease in Unit Letter F, Section 19, T-23-S. R-30-E in Eddy County, N.M. TEPI also requests permission to surface commingle production from this federal lease with the production from Remuda Basin 19 Fee lease and the Remuda Basin State lease. There is presently one active Remuda Basin 19 Fee well and four active Remuda Basin State wells. Two Remuda Basin 19 Federal wells are presently being drilled. Each royalty interest will produce into a three phase separator. The hydrocarbon streams (oil, gas) will be metered before they are commingled. The meters will be turbine meters with non-resettable counters and proving loops will be Installed so that each meter can be proven as required. A test separator will be installed to conduct monthly well tests. The State and Federal royalty interest wells will utilize the same test separator. Valves will be mechanically linked such that outgoing streams from the test vessel must return to the appropriate production vessel for metering prior to commingling. There will be one well producing into the Fee separator. This well will not be routed to the test separator. Pressure will be regulated on the production separators by a single back pressure valve to ensure that all three vessels are operating at the same pressure. It will be necessary to install a back pressure valve on the test separator. The test separator will have to operate at a higher pressure than the production vessels in order to be able to dump back into them. Fluids from the production separators will be combined in a FWKO for final treatment and separation of the two fluid phases. Fluids will be dumped to the appropriate tanks. A circulating pump will be installed to move water or bad oil from the tanks. The circulating pump will pump into the FWKO. Total production at the battery will be allocated back to each royalty interest lease based on the production separator meters. Monthly production will then be allocated back to each well based on well tests and the amount of oil allocated back to each rovalty interest lease.

Attached for the BLM's information are:

- 1. A map showing the lease and location of all the wells that will contribute production to the facility.
- 2. A battery schematic diagram showing the change to one production separator for both pools.
- 3. A BLM application for surface commingling and measurement approval.

14. I hereby certify that the foregoing is tru SIGNATURE	and compar	DATE	4/18/96
TYPE OR PRINT NAME	Monte C. Duncan		
(This space for Federal or State office use)			
APPROVED BY	TITLE	DATE	
CONDITIONS OF APPROVAL,	F ANY:		
Title 18 U.S.C. Section 1001, makes it	a crime for any person knowingly and willfully to make to any department or agency of	the United States any false, fictitious or fraudulent stat	tements or

CRA BLM FORMAT

APPLICATION FOR SURFACE COMMINGLING, OFF LEASE STORAGE AND MEASUREMENT

To: Bureau of Land Management

P.O. Box 1778

Remuda Basin State #4

Carlsbad, New Mexico 88221-1778

Texaco E & P Inc. (Operator's name) is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s) on Federal Lease No. NM-17056; Lease Name: REMUDA BASIN 19 FEDERAL

<u>Well</u>				•	
No.	Loc.	Sec.	<u>awT</u>	Rng.	Formation Programme 1
D 1 D 1 D 7 1 H2	-	•			
Remuda Basin 19 Fed #1	A	<u>19</u>	<u>23-S</u>	<u> 30-E</u>	Nash Draw-Brushy Canyon
Remuda Basin 19 Fed #2	B	<u>19</u>	<u>23-S</u>	<u> 30-E</u>	Nash Draw-Brushy Canyon
with hydrocarbon productive well(s) on <u>Fee</u> lease No.			_		
Well					
No.	Loc.	Sec.	Twp.	Rng.	Formation
Remuda Basin 19 Fee #1	<u>C</u>	<u>19</u>	23-S	30-E	Nash Draw-Brushy Canyon
with hydrocarbon productive well(s) on Fee lease No.			_		
Well					
No.	Loc.	Sec.	Twp.	Rng.	Formation
Remuda Basin State #1	F	<u>19</u>	<u>23-S</u>	<u> 30-E</u>	Nash Draw-Brushy Canyon
<u>Remuda Basin State #2</u>	K	<u>19</u>	<u>23-S</u>	30-E	Nash Draw-Brushy Canyon
Remuda Basin State #3	K	<u>30</u>	<u>23-S</u>	<u> 30-E</u> F	orty Niner Ridge Delaware

<u> 19</u>

23-S

30-E

Nash Draw-Brushy Canyon

N

Production from the wells involved is as follows:

Well Name and No.	BOPD	Oil Gravity	MCFPD	<u>Choke</u>
Remuda Basin 19 Fed #1	To be drille	ed after #2	_	_
Remuda Basin 19 Fed #2	Drilling	-	-	-
Remuda Basin 19 Fee #1	132	<u>43.9</u>	<u> 256</u>	26/64
Remuda Basin State #1	<u> 161</u>	<u>40.8</u>	412	26/64
Remuda Basin State #2	<u>137</u>	41.0	<u>570</u>	24/64
Remuda Basin State #3	106	42.2	<u>83</u>	-
Remuda Basin State #4	<u>74</u>	<u>41.8</u>	<u> 393</u>	-

The proposed operation is described in detail on the attached diagrams.

A map is enclosed showing the lease numbers and location of all leases and wells that will contribute production to the proposed commingling/common storage facility. All unitized/ communitized areas, producing zones/pools are also clearly illustrated.

A schematic diagram is also attached which clearly identifies all equipment that will be utilized.

The storage and measuring facility is located at <u>Unit Ltr. F, Section 19, T-23-S, R-30-E</u>, on lease No. <u>B-1306, Eddy</u> County, New Mexico. BLM will be notified if there is any future change in the facility location.

Details of the proposed method for allocating production to contribution sources is as follows:

Please see the attached diagram depicting the lease commingling facility installation. This installation is in compliance with the "Manual for the Installation and Operation of Commingling Facilities" which is published by the New Mexico Oil Conservation Division. There is presently one active Remuda Basin 19 Fee well and four active Remuda Basin State wells. Two Remuda Basin 19 Federal wells are presently being drilled. Each royalty interest will produce into a three phase separator. The hydrocarbon streams (oil, gas) wil be metered before they are commingled. The meters will be turbine meters with non-resettable counters and proving loops will be installed so that each meter can be proven as required. A test separator will be installed to conduct monthly well tests. The State and Federal royalty interest wells will utilize the same test separator. Three way valves will be

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The working interest owners have been notified of the proposal.

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production.

The proposed commingling is necessary for continued operation of the above referenced Federal leases.

We understand that the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. And we will submit within 30 days an application for right-of-way approval to the BLM's Realty Section in your office if we have not already done so.

Additional well require additional commingling approvals.

Signature: Monte Clina

Name:

Monte C. Duncan

Title:

Engr's Assistant

Date:

April 19, 1996

Remuda Basin Consolidated Tank Battery

Process Description

Three different royalty interest leases will produce into this battery (Federal, State, Fee). Each royalty interest will produce into a three phase separator. The hydrocarbon streams (oil, gas) will be metered before they are commingled. The meters will be turbine meters with non-resettable counters and proving loops will be installed so that each meter can be proven as required.

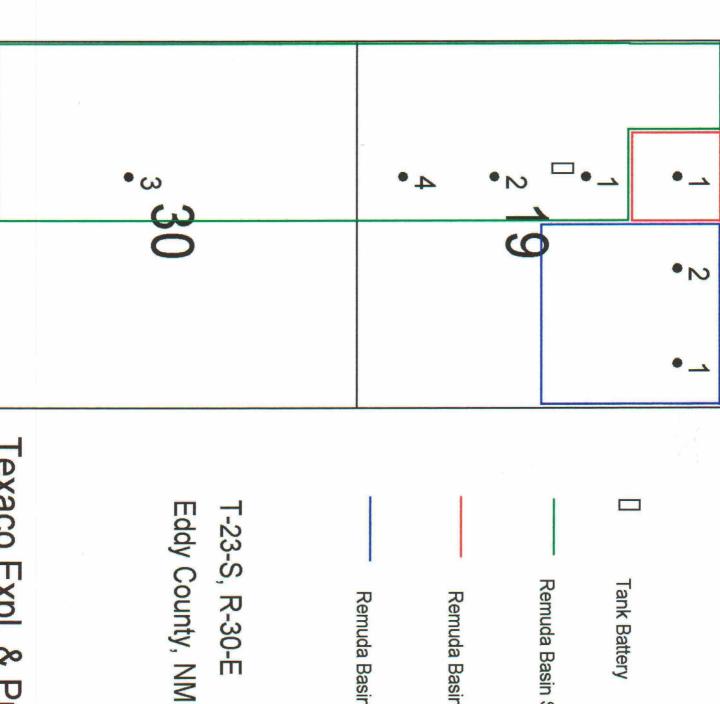
A test separator will be installed to conduct monthly well tests. The State and Federal royalty interest wells will utilize the same test separator. Three way valves will be mechanically linked such that outgoing streams from the test vessel must return to the appropriate production vessel for metering prior to commingling.

There will be one well producing into the Fee separator. This well will not be routed to the test separator.

Pressure will be regulated on the production separators by a single back pressure valve to ensure that all three vessels are operating at the same pressure. It will be necessary to install a back pressure valve on the test separator. The test separator will have to operate at a higher pressure than the production vessels in order to be able to dump back into them.

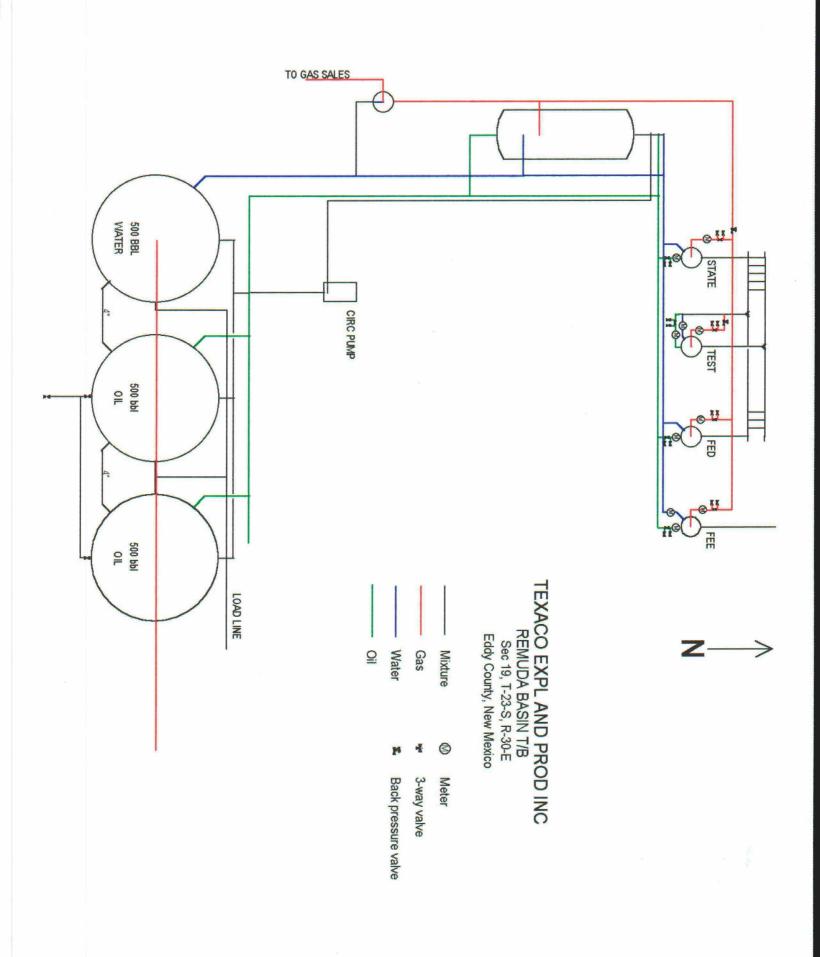
Fluids from the production separators will be combined in a FWKO for final treatment and separation of the two fluid phases. Fluids will be dumped to the appropriate tanks. A circulating pump will be installed to move water or bad oil from the tanks. The circulating pump will pump into the FWKO.

Total production at the battery will be allocated back to each royalty interest lease based on the production separator meters. Monthly production will then be allocated back to each well based on well tests and the amount of oil allocated back to each royalty interest lease.



T-23-S, R-30-E Tank Battery Remuda Basin State Remuda Basin '19' Federal Remuda Basin '19' Fee

Texaco Expl. & Prod. Inc.



S X X STATE X X XB TEST XX FED FEE

Separator Detail

CERTIFIED MAIL

April 18, 1996

To: MINERAL INTEREST HOLDERS

Subject: Mineral Interest Holder Notification

Application for Surface Commingling and Off-Lease Storage

Remuda Basin 19 Fee Lease Remuda Basin State Lease

Remuda Basin 19 Federal Lease Common Tank Battery located in

Unit Letter F, Section 19, T-23-S, R-30-E

Eddy County, New Mexico

Attached are copies of Texaco Exploration and Production Inc.'s applications to the United States Bureau of Land Management and the New Mexico Oil Conservation Division for surface commingling and off-lease storage of production from the Remuda Basin 19 Fee lease, Remuda Basin State lease, and the Remuda Basin 19 Federal lease. Also attached, for your information, is a brief explanation and description of the lease commingling process.

New Mexico Oil Conservation Division regulations require any objections to this proposal be made within twenty days of the receipt of this letter. If you have any questions concerning this proposal, please contact Monte Duncan at (505) 397-0418.

Thank you for your consideration of this proposal.

Sincerely,

Monte C. Duncan Engineer Assistant Hobbs Operating Unit

MCD/s File Chrono

Attachments

Mineral Interest Holders:

Please indicate your approval for our request as detailed in the attached package by signing the waiver form below. Please return the signed waiver in the enclosed self-addressed envelope.

Thank you for your cooperation in this matter.

WAIVER TO OBJECTION

TEXACO EXPLORATION AND PRODUCTION INC.

Application for the
Surface Commingling and Off-Lease Storage
Remuda Basin 19 Fee Lease
Remuda Basin State Lease
Remuda Basin 19 Federal Lease
Common Tank Battery located in
Unit Letter F, Section 19, T-23-S, R-30-E
Eddy County, New Mexico

I do hereby waive any objection to Texaco Exploration and Production Inc.'s request for NMOCD Administrative Approval of surface commingling and Off-Lease Storage of the above lease as outlined in the application package.

ny:		
ny:		

Lease Commingling

Texaco Exploration and Production Inc. has sent applications to the United States Bureau of Land Management and the New Mexico Oil Conservation Division for surface commingling and off-lease storage of production from the Remuda Basin 19 Fee lease, Remuda Basin State lease, and the Remuda Basin 19 Federal lease in a common tank battery located in Unit letter F, Section 19, Township 23 South, Range 30 East in Eddy County, New Mexico (please refer to the map of this area, which is included with the attached application).

Lease commingling is a process commonly used in the oil industry whereby production from one lease gets mixed or *commingled* with production from a different lease in a common storage facility. State regulations **require** the operator to meter production from each lease separately prior to commingling. The installation of commingling facilities is required to comply with the "Manual for the Installation and Operation of Commingling Facilities" published by the New Mexico Oil Conservation Division. The operator can officially apply (to the NMOCD) for lease commingling if the subject facility installation is in compliance with this manual.

Texaco believes that the commingling of production from these three leases into one commingled tank battery will save approximately \$150,000 in comparsion to constructing three separate tank batteries. This savings will benefit the operator and the royalty holders by decreasing lease expenses and thus increasing the economic life of the overall project.

Texaco believes that the proposed facility installation will provide a fail-safe means to accurately measure produced hydrocarbons from the each of the three leases prior to commingling. This installation (please see the diagram in the application) is designed for increased accuracy above and beyond the minimum requirements outlined in the "Manual for the Installation and Operation of Commingling Facilities" published by the NMOCD.

Mineral Interest Owners Remuda Basin 19 Fee Lease

Frank Briones 333 East Main Farmington, NM 87401

Hugh Hanagan Betty Hanagan PO Box 329 Roswell, NM 88202

Charles James 1207 West Riverside Carlsbad, NM 88220

Robert James PO Box 855 Carlsbad, NM 88221

Dianne Mary Truitt 15006 Falling Creek Dr. Houston, TX 77068

Michael R. Broderick 701 NW Station Dr. Lees Summit, MO 64063

Perry R. Bass, Trustee Attn: J. Smitherman 6 Desta Dr, Ste 3700 Midland, TX 79702

Lee M. Bass, Inc. Attn: J. Smitherman 6 Desta Dr, Ste 3700 Midland, TX 79702 Felix Briones Jr. 333 East Main Farmington, NM 87401

Debra Hill PO Box 329 Roswell, NM 88202

T.T. Sanders Jr. PO Box 550 Roswell, NM 88202

James Kaucher 727 Park Wind Drive Katy, Texas 77450

Robert Kaucher 3425 Foxridge Dr. Colorado Springs, CO 80916

Christopher A. Broderick 2204 NE Chipman Road Lees, Summit, MO 64063

Thru Line, Inc. Attn: J. Smitherman 6 Desta Dr, Ste 3700 Midland, TX 79702

Sid R. Bass, Inc. Attn: J. Smitherman 6 Desta Dr, Ste 3700 Midland, TX 79702 Robert Hanagan PO Box 329 Roswell, NM 88202

Cynthia Ann Kelly 4807 64th Street Lubbock, TX 79414

Alice Eubank 2007 Gwenda Drive Carlsbad, NM 88220

Richard Kaucher 15705 Sierra Houston, TX 77040

Kathleen George 2004 SW Brighton PL Blue Springs, MO 64015

Ross E. Broderick 3106 East 87th Street Kansas City, KS 64132

Keystone, Inc.
Attn: J. Smitherman
6 Desta Dr, Ste 3700
Midland, TX 79702

US Postal Service

Receipt for Certified Mail

Cynthia Ann Kelly Lubbock, TX 79414 4807 64th Street

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Receipt for Certified Mail

Robert Hanagan

PO Box 329

Roswell, NM 88202

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TOTAL Postage & Fees

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Felix Briones Jr. 333 East Main

Farmington, NM 87401

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Houston, TX 77040

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James Kaucher 727 Park Wind Drive Katy, Texas 77450

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Carlsbad, NM 88221 Robert James PO Box 855

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6 Desta Dr, Ste 3700
Midland, TX 79702

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