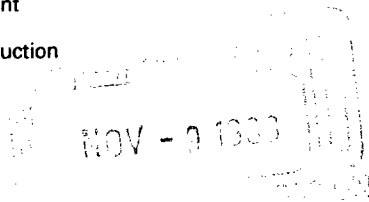




David L. Wacker
Division Manager
Production Department
Hobbs Division
North American Production

Conoco Inc.
726 East Michigan
P.O. Box 460
Hobbs, NM 88241
(505) 397-5800



November 4, 1988

Mr. William LeMay
State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87504-2088

Dear Mr. LeMay:

Request for Approval to Surface Commingle the North Dagger Draw Upper Penn Production from the Lodewick A lease, NW/4 Section 19, T19S, R25E, and the Lehman Federal lease, SW/4 Section 18, T19S, R25E, Eddy County, New Mexico

Conoco Inc. requests approval to surface commingle the North Dagger Draw Upper Penn production from the subject leases. Conoco previously had approval to surface commingle all production in the Dagger Draw area under Commingling Order PLC-70. In September, 1987, Conoco requested an amendment to PLC-70 and at that time CTB-332 was issued. Conoco is again referencing PLC-70 due to the fact that all interest owners were contacted at that time and no disapprovals to our previous proposal were received.

Since both leases will be producing from the North Dagger Draw Upper Penn, the quality of the crude is expected to be identical and commingling will not reduce the commercial value. Also, the production from each lease will be metered separately at the battery using positive displacement temperature compensated meters for the oil and temperature compensated gas meters.

In addition, Conoco requests approval for off-lease storage for the Lehman Federal. The battery to be used for this proposed commingling is located at the Lodewick A No. 1, Unit C, Section 19, T19S, R25E.

Conoco's expenses for these leases will be reduced by combining production from them. This should allow each lease to have a longer economic life, thus generating more revenue to all interest owners.

Mr. William LeMay
Page 2
November 4, 1988

A lease plat and battery schematic are attached. Your early consideration of these requests would be appreciated. Should you have any questions concerning this matter, please contact Ms. Ceal Yarbrough at (505) 397-5825.

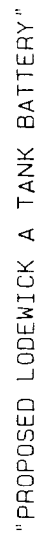
Yours very truly,

A handwritten signature in cursive script, reading "David L. Wacker".

David L. Wacker
Division Manager

Enc
COY:jd
cc/enc:
Bureau of Land Management
P. O. Box 1778
Carlsbad, NM 88220

Commissioner of Public Lands
P. O. Box 1148
Santa Fe, NM 87504-1148



LODEWICK
A #1



TONEY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

COMMINGLING ORDER PLC-70

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Conoco Inc.
P. O. Box 460
Hobbs, New Mexico 88240

Attention: Donald W. Johnson

The above-named company is hereby authorized to commingle North Dagger Draw Upper Penn and South Dagger Draw Penn pool production from the following leases:

Lease Name: Barbara Federal, NM 1372
Description: Sec. 17 and 18, T-19-S, R-25-E, NMPM

Lease Name: Federal NM 0559175
Description: Sec. 30, T-19-S, R-25-E, NMPM,

Lease Name: Robin and Vicki Federal, NM 045275
Description: Sec. 26, T-20-S, R-24-E, NMPM

Lease Name: Preston Federal, NM 045276
Description: Secs. 34 and 35, T-20-S, R-24-E, NMPM

Lease Name: Penny Federal, NM 045274
Description: Sec. 23, T-20-S, R-24-E, NMPM

Lease Name: Julie-Fee
Description: Sec. 17, T-19-S, R-25-E, NMPM,

Lease Name: Lodewick and Dagger Draw - Fee
Description: Sec. 19, T-19-S, R-25-E, NMPM,

All in Eddy County, New Mexico.

Production shall be allocated to each lease by separately metering the production from each well prior to commingling.

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 309-B of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

REMARKS: This administrative order does not include the Dee

State Lease as the original application requested.
This order shall apply only to the following list
of wells on the above-described acreage:

North Dagger Draw

<u>Lease</u>	<u>Legal Description</u>	<u>Producing Formation</u>
Barbara Fed No. 1	H, Sec. 18, T19S, R25E,	North Dagger Draw Upper Penn
Barbara Fed No. 2	K, Sec. 18, T19S, R25E,	North Dagger Draw Upper Penn
Barbara Fed No. 3	F, Sec. 17, T19S, R25E	North Dagger Draw Upper Penn
Barbara Fed No. 4	L, Sec. 17, T19S, R25E,	North Dagger Draw Upper Penn
Barbara Fed No. 6	J, Sec. 18, T19S, R25E,	North Dagger Draw Upper Penn
Barbara Fed No. 7	J, Sec. 17, T19S, R25E,	North Dagger Draw Upper Penn
Dagger Draw No. 1	D, Sec. 30, T19S, R25E,	North Dagger Draw Upper Penn
Julie Com No. 1	H, Sec. 17, T19S, R25E,	North Dagger Draw Upper Penn
Lodewick A No. 1	C, Sec. 19, T19S, R25E,	North Dagger Draw Upper Penn
Dagger Draw No. 4	L, Sec. 19, T19S, R15E,	North Dagger Draw Upper Penn

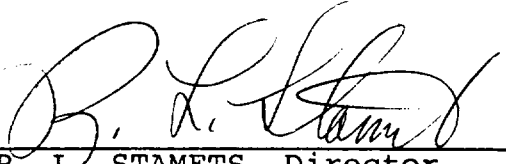
South Dagger Draw

Robin Fed No. 1	F, Sec. 26, T20S, R24E,	South Dagger Draw Penn
Preston Fed No. 1	L, Sec. 35, T20S, R24E,	South Dagger Draw Penn
Vicki Fed No. 1	G, Sec. 26, T-20S, R24E	South Dagger Draw Penn

Preston Fed No. 2 G, Sec. 34, T-20S, R24E, South Dagger
Draw Penn

Penny Fed No. 2 G, Sec. 23, T20S, R24E, South Dagger
Draw Penn

DONE at Santa Fe, New Mexico, on this 10th day of June,
1985.



R. L. STAMETS, Director

cc: OCD - Artesia



Donald W. Johnson
Division Manager
Production Department
Hobbs Division
North American Production

Conoco Inc.
P.O. Box 460
726 East Michigan
Hobbs, NM 88240
(505) 393-4141

March 14, 1985

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 88501

Attention Mr. Gilbert Quintana

Gentlemen:

By the attached copy of our application to the Bureau of Land Management, we are requesting your approval of your proposal to surface commingle production from all Conoco-operated leases in the Dagger Draw area. Approval from the BLM was obtained on February 26, 1985.

If you have any questions, please call Coleen Bose at ext. 120 of this office.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Donald W. Johnson".

RCB:jr

Attachments
cc: NMOCD-Hobbs



Donald W. Johnson
Division Manager
Production Department
Hobbs Division
North American Production

Conoco Inc.
P.O. Box 460
726 East Michigan
Hobbs, NM 88240
(505) 393-4141

December 27, 1984

Bureau of Land Management
P. O. Box 1778
Carlsbad, NM 88220

Attention Charles Dahlen

Gentlemen:

Application for Permission to Surface Commingle Production from All
Conoco-Operated Leases in the Dagger Draw Area, Section 19, T-19S, R-25E,
and Section 26, T-20S, R-24E, Eddy County, New Mexico

Conoco Inc. requests approval to surface commingle all Conoco-operated production in the Dagger Draw Area. Production in the north end of Dagger Draw will be commingled at a common tank battery located in the NE/4 of the NW/4 of Section 19, T-19S, R-25E, Eddy County. Production in the south end of Dagger Draw will be commingled at a common tank battery located in the SE/4 of the NW/4 of Section 26, T-20S, R-24E, Eddy County. In support thereof Conoco Inc. submits the following data.

1. The Dagger Draw Area consists of leases listed on Exhibit 1. Also shown on Exhibit 1 is the legal description and the producing formation for each well. Leases in the Dagger Draw Area are single well properties.
2. Exhibits 2 and 3 are maps showing each Conoco-operated lease in the Dagger Draw Area along with lease numbers and wells. Also shown are the locations of the proposed surface commingled tank batteries.
3. Quality of the crude is virtually identical and commingling will not reduce the commercial value. The value of the crude is as follows:

<u>Zone</u>	<u>Gravity</u>	<u>Daily Volume for Battery</u>	<u>Value per Barrel</u>
North Dagger Draw Upper Penn	45.2	774	\$ 28.00
South Dagger Draw Penn	42.0	29	28.00
Cemetary Morrow	54.8	0.5	28.00

Bureau of Land Management

December 27, 1984

Page 2

4. Oil production will be metered at each well using positive displacement temperature compensated metering equipment. Production will be allocated back to each lease based on metered volumes. Gas from each well will continue to be metered just as it is now.
5. A letter ballot dated May 9, 1984 was submitted to all working interest and royalty and overriding royalty interest owners requesting their approval or disapproval of this proposal. A no reply, as stated in the letter ballot, is considered as the interest owner's approval. Forty-nine out of 94 letter ballots were returned with affirmative replies. No disapprovals to our proposal were received.
6. Mineral rights under the Dagger Draw Area leases are held by Federal, State and Fee owners. Royalty owners are therefore varied. However, the metering of production at each lease will ensure proper royalty and overriding royalty disbursements to all interest owners.
7. A schematic of the existing treating and storage facilities are enclosed (Exhibit 4). These facilities will be expanded as each lease's production is brought to each location. Economic justification will determine what leases will be added to the existing facilities. Each lease will be evaluated separately to determine if economics justify adding the lease to the system. Therefore, no proposed treating and storage facility schematics are available. An updated schematic will be forwarded to your office as each lease is added to the facilities.

Conoco's expenses in the Dagger Draw Area can be reduced by combining production into two treating and storage facilities instead of the single well lease system currently being used. This will allow each well to have a longer economic life, thus generating more revenue to Conoco and to royalty and overriding royalty owners.

Your early consideration of this project is requested. Should you have any questions concerning the above, contact Jimmy D. Carlile at the above address.

Yours very truly,



Donald W. Johnson
Division Manager

JDC:jr

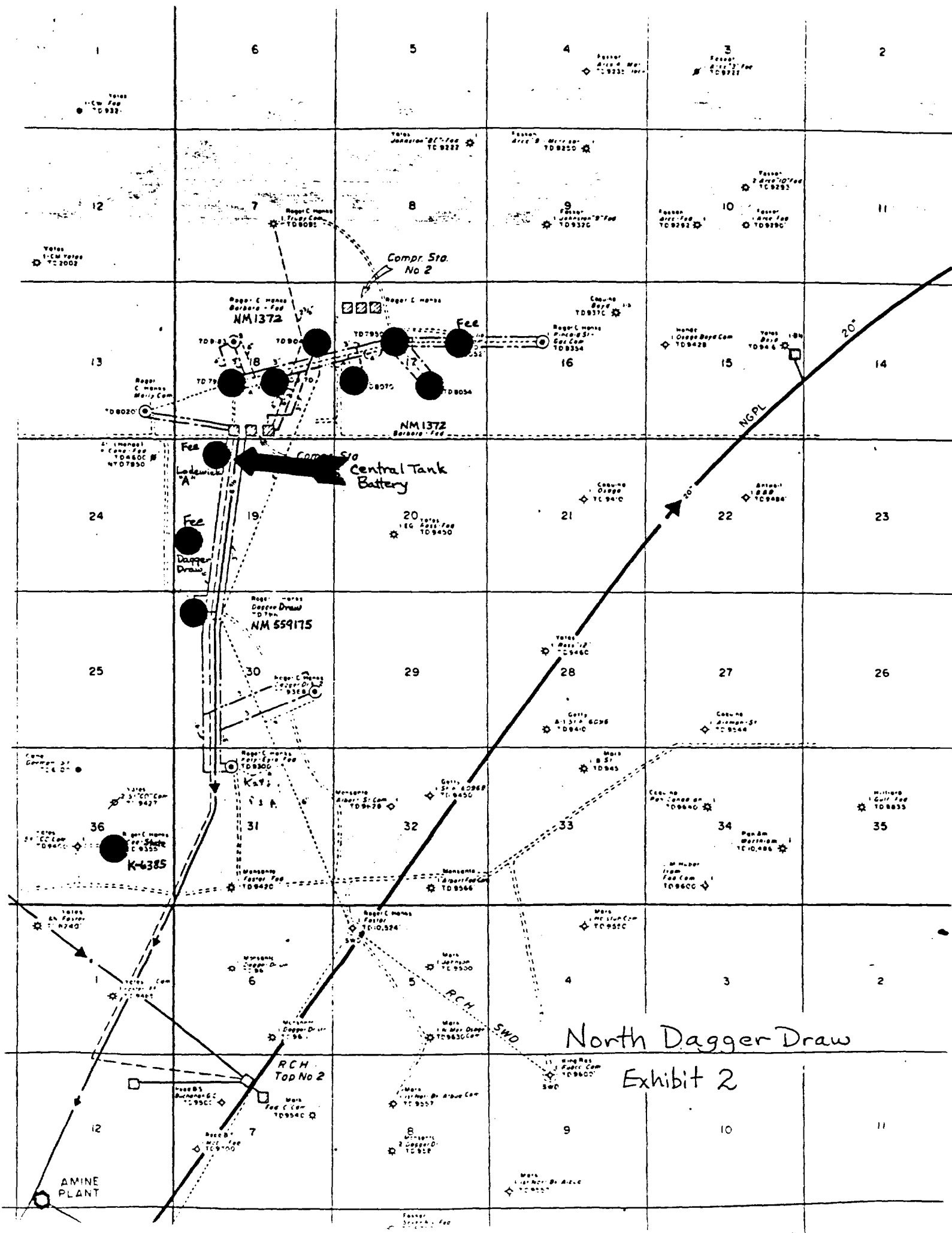
EXHIBIT 1

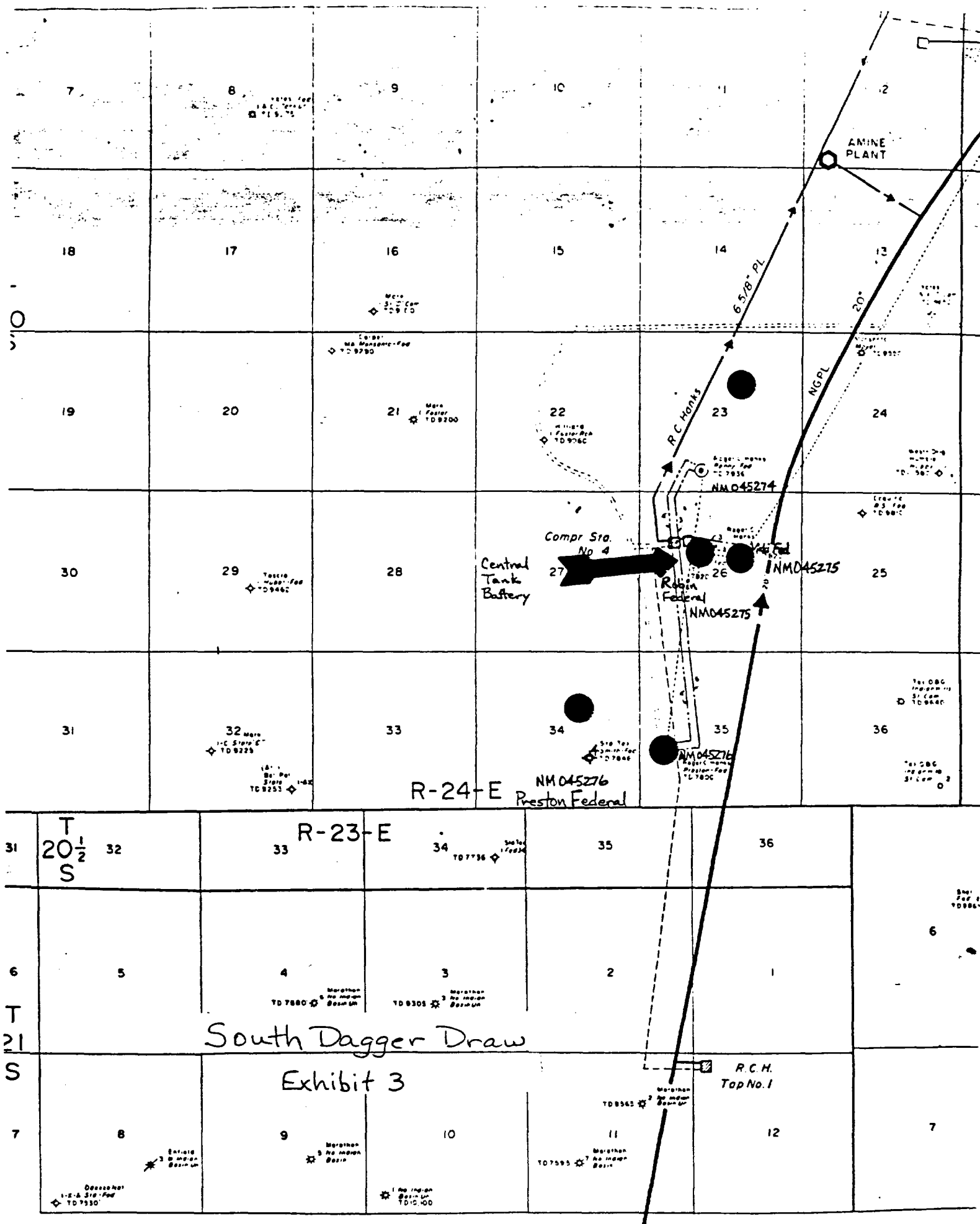
North Dagger Draw

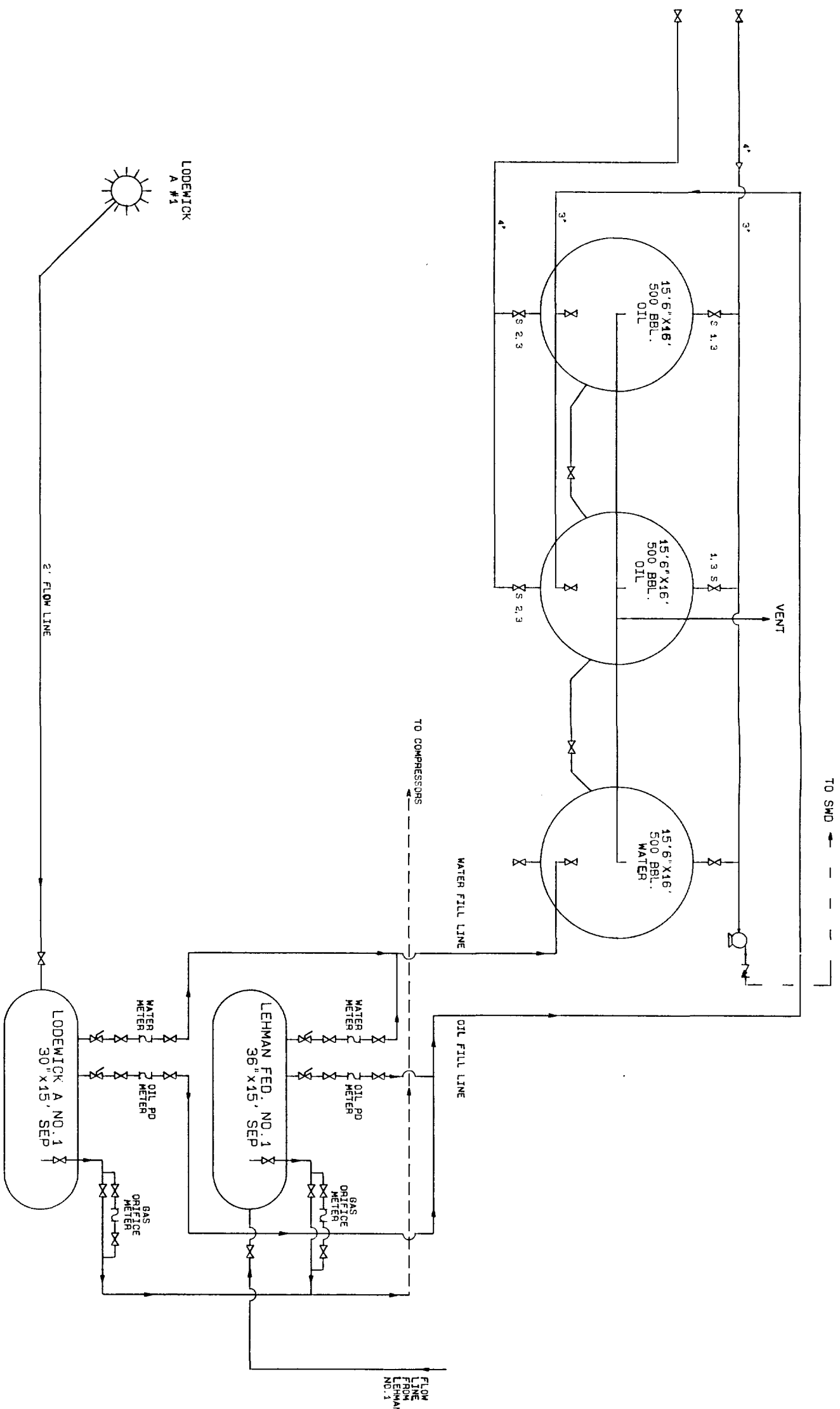
<u>Lease</u>	<u>Legal Description</u>	<u>Producing Formation</u>
Barbara Federal No. 1	H, Sec 18, T-19S, R-25E	North Dagger Draw Upper Penn
Barbara Federal No. 2	K, Sec 18, T-19S, R-25E	North Dagger Draw Upper Penn
Barbara Federal No. 3	F, Sec 17, T-19S, R-25E	North Dagger Draw Upper Penn
Barbara Federal No. 4	L, Sec 17, T-19S, R-25E	North Dagger Draw Upper Penn
Barbara Federal No. 6	J, Sec 18, T-19S, R-25E	North Dagger Draw Upper Penn
Barbara Federal No. 7	J, Sec 17, T-19S, R-25E	North Dagger Draw Upper Penn
Dagger Draw No. 1 - Fee	D, Sec 30, T-19S, R-25E	North Dagger Draw Upper Penn
De State No. 1	J, Sec 36, T-19S, R-24E	Cemetery Morrow
Elie Com No. 1	H, Sec 17, T-19S, R-25E	North Dagger Draw Upper Penn
Dedewick A No. 1 - Fee	C, Sec 19, T-19S, R-25E	North Dagger Draw Upper Penn
Dagger Draw No. 4 - Fee	L, Sec 19, T-19S, R-25E	North Dagger Draw Upper Penn

South Dagger Draw

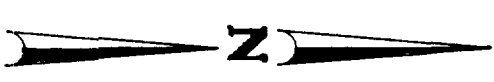
Robin Federal No. 1	F, Sec 26, T-20S, R-24E	South Dagger Draw Penn
Reston Federal No. 1	L, Sec 35, T-20S, R-24E	South Dagger Draw Penn
Rocki Federal No. 1	G, Sec 26, T-20S, R-24E	South Dagger Draw Penn
Reston Federal No. 2	G, Sec 34, T-20S, R-24E	South Dagger Draw Penn
Shenny Federal No. 2	G, Sec 23, T-20S, R-24E	South Dagger Draw Penn







"PROPOSED LODEWICK A TANK BATTERY"



THIS FACILITY IS IN COMPLIANCE WITH CONOCO INC. HOBBS DIVISION SITE SECURITY PLAN. PLAN LOCATED AT CONOCO INC. OFFICE P.O. BOX 460--726 EAST MICHIGAN HOBBS, NEW MEXICO 88240	VALVE LEGEND: POSITION/MODE 1. CLOSED/SALE 2. OPEN/SALE 3. CLOSED/PRODUCTION 4. OPEN/PRODUCTION	REVISIONS		DATE: 4-2-83 DRAWN BY: A.D.R. INC. DESIGN BY: CHECKED BY: APPROVED BY: SCALE: NOT TO SCALE	PRODUCTION DEPARTMENT Conoco LODEWICK A TANK BATTERY UNIT C-19-T19S-R2SE EDDY COUNTY, NEW MEXICO FED LEASE NO: DRAWING NO: HOB-1196
		NO.	DESCRIPTION	DATE	