

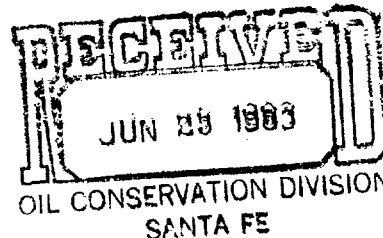


Mark K. Mosley
Division Manager
Production Department
Hobbs Division
North American Production

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

June 21, 1983

Bureau of Land Management
P. O. Box 1857
Roswell, New Mexico 88201



Attention: Mr. Jim Gillham

Dear Sir:

Application for Permission to Surface Commingle the Preston Federal Lease, SW/4, Section 35, T20S, R24E and E/2, Section 34, T20 1/2S, R24E, and Vicki Federal Lease, NE/4, Section 26, T20S, R24E - Eddy County, New Mexico

Conoco Inc. requests approval to surface commingle production from the Preston Federal and Vicki Federal Leases.

Each lease produces from the South Dagger Draw Upper Penn Zone. Fluid from the Preston Federal Nos. 1 and 4 will be taken to a 2-phase, free-water knockout where the oil and water will be separated. Please note that the Preston Federal No. 4 is a gas well; although it does not make any oil, it produces approximately 1,400 BWPd.

Preston Federal No. 1 currently produces 6 BOPD of 47.2° gravity, sour crude valued at \$29.00 per barrel, 570 BWPd, and 1,203 MCFGPD. Vicki Federal No. 1 currently produces 14 BOPD of 45° gravity, sour crude valued at \$29.00 per barrel, 803 BWPd, and 530 MCFGPD. After commingling, the oil should have a gravity of approximately 45.7° and be sold for \$29.00 per barrel.

The working interests as well as royalty interests, which will not be reduced through approval of the subject application since royalties will be paid on each well's production, are common between the two leases, but the overriding royalty interest differs. Therefore, production from each lease will be metered separately with turbine meters.

In addition, attached is the following supporting data for the referenced application: a letter of notification to Armour Properties, the only non-operating working interest owner involved; a map showing the lease numbers and location of all wells which will produce into the commingled battery; a letter of notification to Conoco Transportation, the purchaser; and a battery schematic of our commingling proposal.

Bureau of Land Management

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June 21, 1983

If you have any questions, please contact David G. Smylie, ext. 120 of this office.

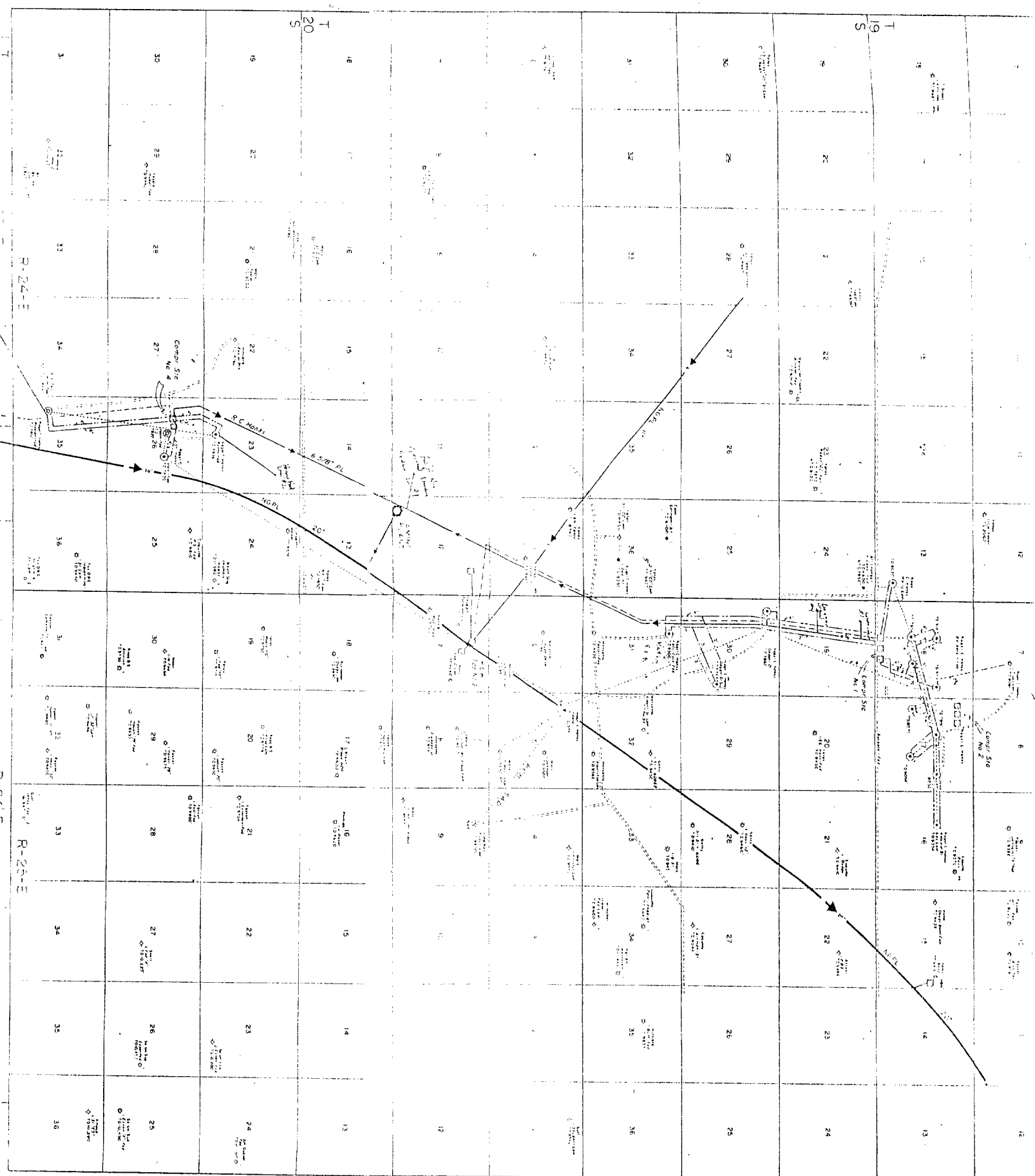
Yours very truly,

A handwritten signature in cursive script, appearing to read "M. Z. Mosley".

DGS:jsi

Attachments

cc: New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501



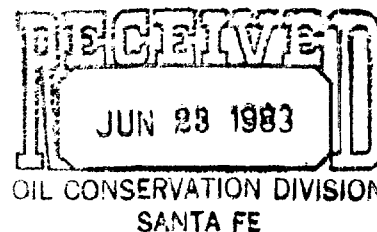


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June 21, 1983

Armour Properties
1107 Oil and Gas Building
Wichita Falls, Texas 76301



Gentlemen:

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Please be informed as of June 21, 1983, Conoco Inc. is applying to the Bureau of Land Management and New Mexico Oil Conservation Division for permission to surface commingle the Preston Federal and Vicki Federal Leases.

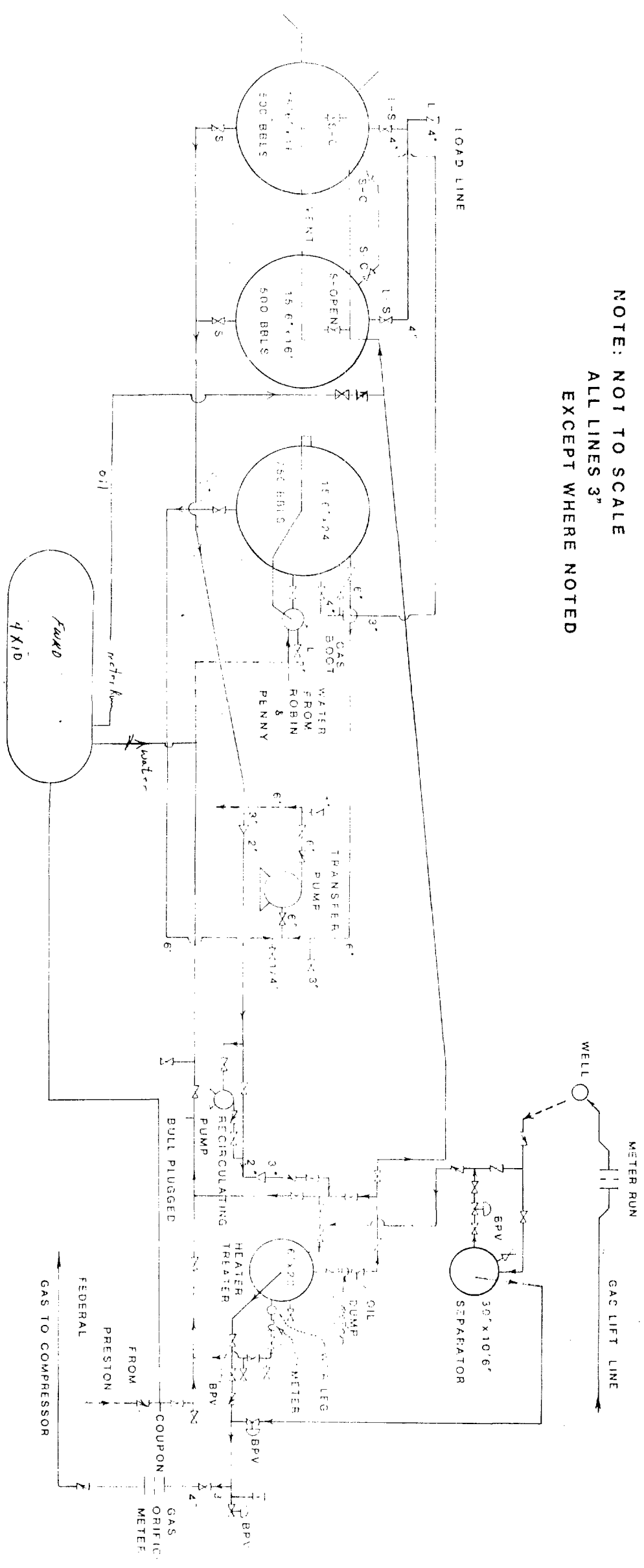
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Yours very truly,

DGS:jsi

Proposed Commingled Facility
 Preston & Viki Leases

NOTE: NOT TO SCALE
 ALL LINES 3"
 EXCEPT WHERE NOTED



CONOCO

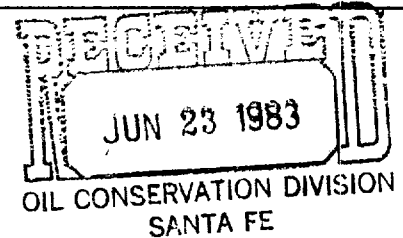
Interoffice Communication

To Rick Preston, Transportation, Hobbs

From M. K. Mosley, Production, Hobbs

Date June 21, 1983

Subject Surface Commingling Proposal of the Preston Federal Lease, SW/4, Section 35, T20S, R24E and E/2, Section 34, T20 1/2S, R24E, and Vicki Federal Lease, NE/4, Section 26, T20S, R24E - Eddy County, New Mexico



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M. K. Mosley
Division Manager

DGS:jsi