

N.M. Oil Cons. Division
811 S. 1st Street
Artesia, NM 88210-2834

P REMIER OIL AND GAS, INC.

February 26, 2001

Bureau of Land Management
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201

RECEIVED
OCD - ARTESIA

RE: Surface Commingling of Dale H. Parke Leases

Gentlemen:

Premier Oil and Gas respectfully requests approval to combine crude oil produced from separate leases. Premier proposes to commingle Paddock production from the Dale H. Parke "B" Tract B (NM-034575), Dale H. Parke "A" Tract 2 (LC-029020-A), and Parke McIntyre Federal (NM-0384577) with the previously approved commingled production from the Dale H. Parke "A" (NM-0467930) and Dale H. Parke "C" (LC-029020C). Production would be commingled at the Dale H. Parke "A" tank battery located at approximately 990' FNL and 1650' FWL in Section 22 of T-17S, R-30E. Premier Oil and Gas, upon approval, will construct separate production facilities for each of these leases. The proposed facilities will include separate headers, heater treaters, and gas meters for each lease being commingled. A fourth heater treater and gas meter will be constructed to enable Premier to individually test commingled wells. All heater treaters will have a Halliburton flow meter installed. Production from the commingled leases would come to the Dale H. Parke "A" battery via flowlines from the proposed wells. Production would then enter a heater treater where production would be separated. The natural gas would flow out through the purchaser's meter and onto market. The produced water would dump into a common water tank and then onto disposal. The crude oil would pass through the Halliburton meter and onto the oil storage tanks. The commingled crude oil will be sold to the purchaser via a Lact Unit. The tank battery diagram is attached to aid in your review of the application. The Dale H. Parke "A" battery sells

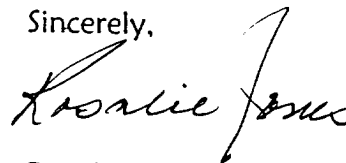
approximately 800 barrels of oil per day with an average corrected gravity of 38 degrees. By commingling production from the Dale H. Parke "B" Tract B, Dale H. Parke "A" Tract 2, and Parke McIntyre Federal, the production volume should increase by approximately 75-100 barrels per day. The gravity is expected to remain the same due to the close proximity of the commingled wells as well as being sourced from the same formation.

Currently, daily production is calculated at the Dale H. Parke "C" battery and then subtracted from the total production at the Dale H. Parke "A" battery to arrive at the production attributable to the Dale H. Parke "A" battery. The same method of allocation will be used for this commingling request. Premier proposes to utilize the Halliburton flow meter readings to allocate production back to the Dale H. Parke "B" Tract B, Dale H. Parke "A" Tract 2, and the Parke McIntyre Federal leases. Each lease will have its own gas meter and the test gas volumes will be added to the proper lease. We have notified all interest owners of this request via certified mail. There will be no reduction in royalties paid to the federal government as a result of combining this production.

Due to current marketing, arrangements in place at the Dale H. Parke "A" battery, not offered at the Dale H. Parke "B" Tract B, Dale H. Parke "A" Tract 2, and Parke McIntyre Federal, a great economic loss to all interest owners would result if commingling is not approved. Additionally, the risks involved with multiple tank batteries would be minimized, as well as surface damages. An approval now will be invaluable when secondary operations begin on this lease. A similar application for commingling approval has been submitted to the New Mexico Oil Conservation Division. A copy of their decision will be forwarded to the Roswell Field Office of BLM upon receipt of such.

Thank you and your staff for reviewing this application. If you find you need additional data, please do not hesitate to contact me.

Sincerely,



Rosalie Jones
President

RJ/mm

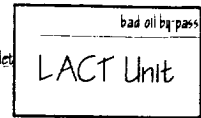
APPROVED
(ORIG. SGD.) **DAVID R. GLASS**

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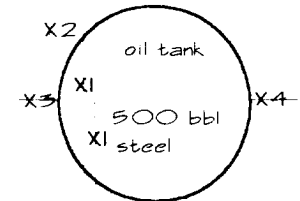
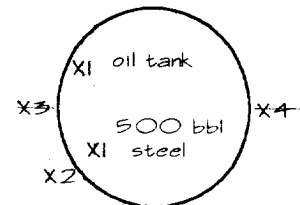
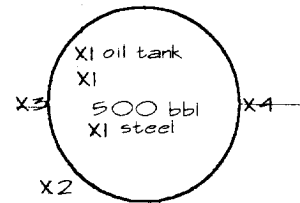
**AUTHORIZED OFFICER, MINERALS
DIVISION OF LAND MANAGEMENT**

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

sell line

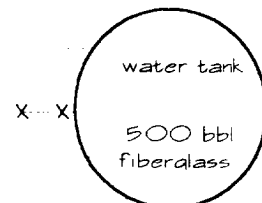


Transfer line from Dale H Parke C tank bottom



PRODUCTION PHASE
Valves #1 & #2 open
Valves #3 & #4 closed and sealed

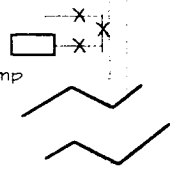
SALES PHASE
Valves #1 #2 #4 closed and sealed
Valves #3 open



transfer pump

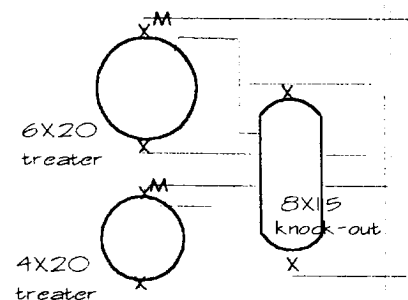
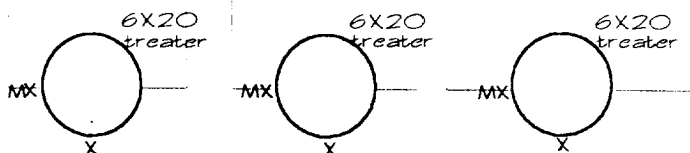
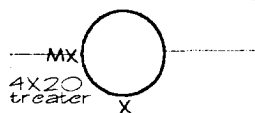
filter

circulating pump



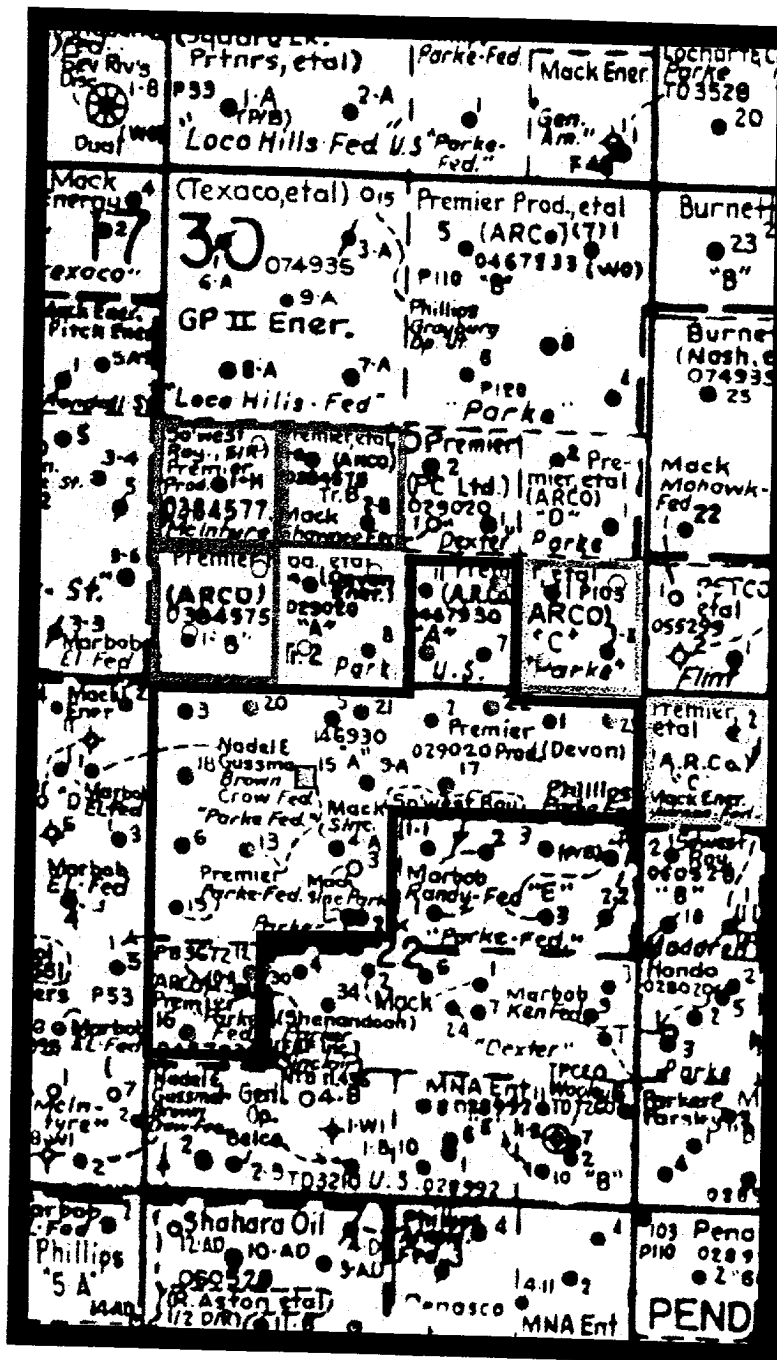
— crude oil
— produced water
— natural gas
— combined fluids








X valve
M meter



NM034575 header X NM0384577 header X X X X X LC-029020-A X X X X

NM03 header X X X X



-  Dale H Parke "B" Tract B NM 034575
-  Dale H Parke "A" Tract 2 LC-029020-A
-  McIntyre Federal NM 0384577
-  Dale H Parke "C" LC-029020-C
-  Dale H Parke "A" Tract 1 NM-0467930
-  Planned Loco Hills Paddock Pool wells
-  Producing Loco Hills Paddock Pool wells