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KERN COUNTY LAND COMPANY

SUITE 418 FIRST STATE BANK BUILDING
MIDLAND, TEXAS 79701

TELEPHONE MUTUAL 3-4641

July 11, 1966

MAIN OFFICE 0000

'66 JUL 13 AM 7 38

State of New Mexico
Oil & Gas Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico

Commingling Production From
Federal Oil & Gas Lease NM 0108997-A
insofar as lease covers S/2 Sec. 26,
and Federal Oil & Gas Lease NM 0127782
insofar as lease covers NE/4 NE/4 and
S/2 NE/4 Section 27, all in T7S, R33E,
NMPM, Roosevelt County, New Mexico
Chaveroo Field, KCL No. 2121

Gentlemen:

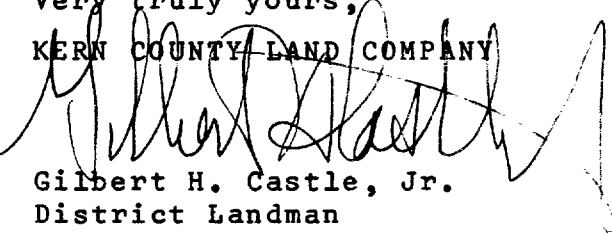
Kern County Land Company as operator has drilled and completed, on 40 acre proration unit spacing, eleven (11) wells to a depth of approximately 4300 feet in the San Andres formation on the above described portions of two federal oil and gas leases aggregating 440 acres. It has been deemed in the best interests of all parties concerned that the production from portions of said leases be commingled into a single storage facility prior to transportation by a pipeline to the buyer.

Enclosed you will find two copies of an Agreement to Commingle Production which has been executed by all parties in interest - royalty, overriding royalty, working interest, and operating interest owners. The agreement was prepared in counterpart and you have before you a composite of all of the signature pages and the notarial jurats. All parties in interest on both leases are represented. The State of New Mexico has no interest in said lands or leases.

In addition you will find attached one copy each of a Facility Location Plat and a Schematic Diagram of the Commingling Facilities. We trust your office will approve our plans and installation and that you will furnish us with written evidence thereof at your early convenience in order that we may proceed with sales from the facility.

Very truly yours,

KERN COUNTY LAND COMPANY

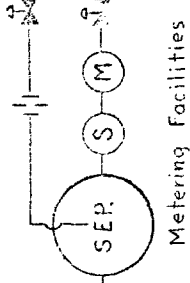
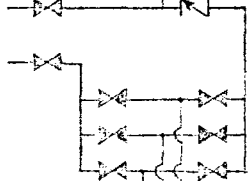

Gilbert H. Castle, Jr.
District Landman

GHC:yl
Enc.

Portable Well Tester Connections

FEDERAL 27
LEASE

Wells
1
2
3



Portable Well Tester Connections

FEDERAL 26
LEASE

Wells
1
2
3
4
5
6
7
8

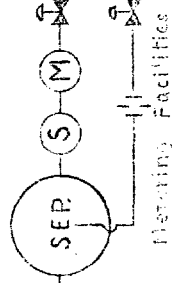
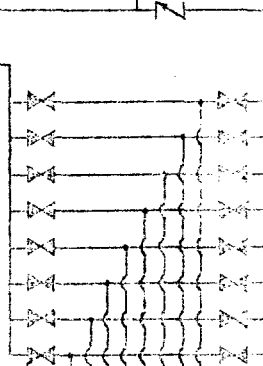


EXHIBIT A.

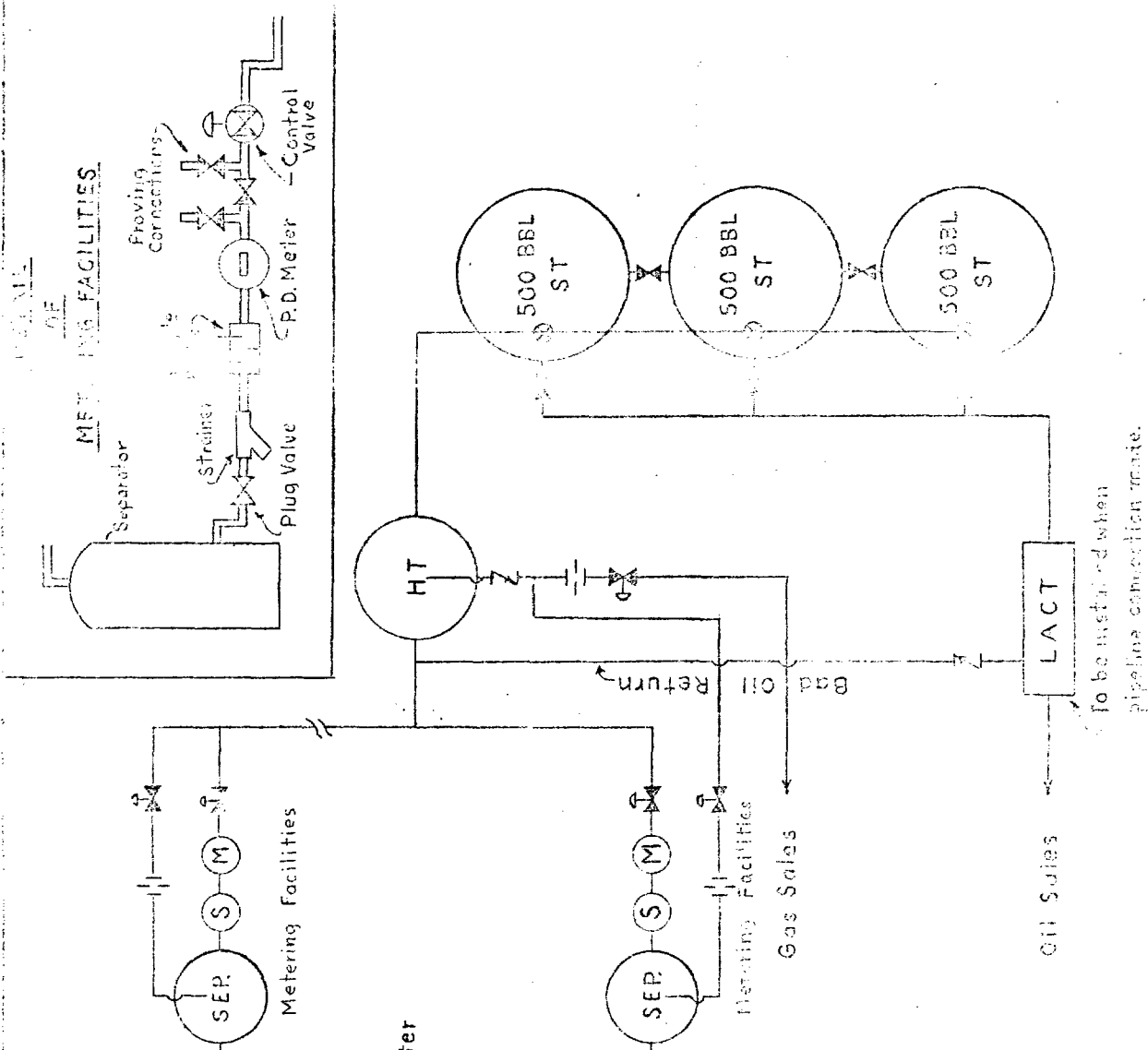
KERN COUNTY LAND CO.

SCHEMATIC DIAGRAM
OF
COMMINGLING FACILITIES

CHAVEZCOO FIELD
SAN JOSE, TEXAS

Revised by Kern County, New Mexico

Page 1 of 1



To be metered when
pipeline connection made.

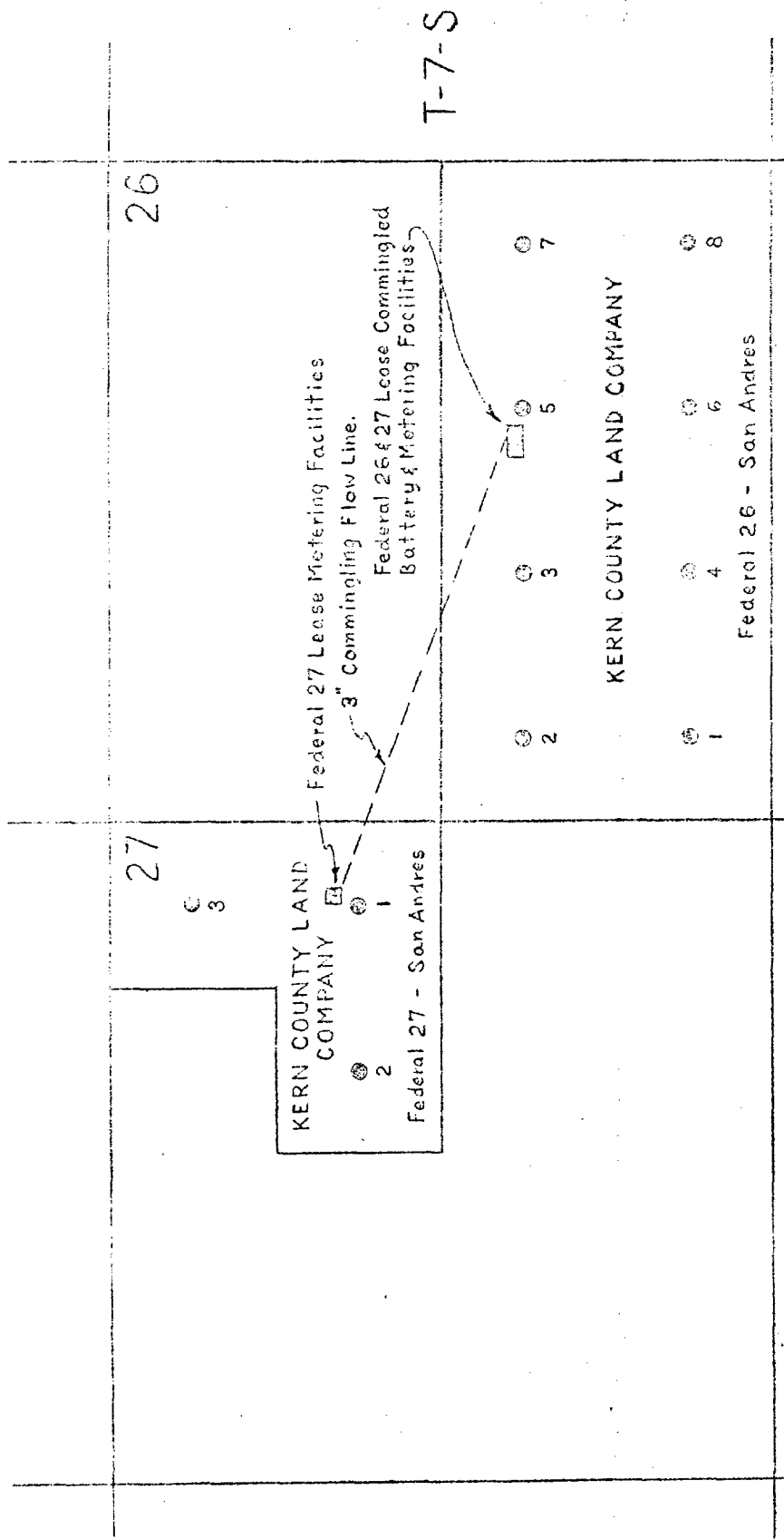


EXHIBIT B.	
KERN COUNTY LAND CO.	
LEASE COMMINGLING-WELL AND FACILITY LOCATION PLAT.	
CHAUEROO FIELD	
San Andres Formation	
Roosevelt County, New Mexico	
8-7-66	C.F. Eaton

R-33-E

AGREEMENT TO COMMINGLE PRODUCTION

WHEREAS, KERN COUNTY LAND COMPANY, a corporation, hereafter sometimes referred to as "KCL", is one of the owners of the oil and gas operating rights under and pursuant to those oil and gas leases from the United States of America which are more particularly described on Exhibit A attached hereto and made a part hereof for all purposes, insofar as said oil and gas leases cover the tracts of land described on said Exhibit A, and, as between the respective owners of said oil and gas operating rights, has been designated as Operator for the conduct of oil and gas operations on the land described on said Exhibit A; and

WHEREAS, Pan American Petroleum Corporation is the owner of record title to all of said oil and gas leases which are described on said Exhibit A, and is also one of the owners of the oil and gas operating rights in and to the land described on said Exhibit A; and

WHEREAS, the other undersigned parties are the owners of leasehold interests, royalty, overriding royalty or other interests in production obtained pursuant to said oil and gas leases; and

WHEREAS, it is the desire of KCL as operator to meter all of the production from wells drilled pursuant to said oil and gas leases on the land described on Exhibit A, and to store all said production in a common tank or in common tanks in order more efficiently to operate said oil and gas leases with a minimum amount of shrinkage or loss occurring with respect to such production during such storage as a result of vapor loss;

NOW, THEREFORE, the undersigned parties for a valuable consideration, the receipt of which is acknowledged by each party hereto, do hereby agree that production of oil from each well drilled pursuant to said oil and gas leases on the land described on Exhibit A shall be measured at the wellhead of each such well, or in reasonable proximity thereto, by means of positive displacement meters, and following such measurement, shall be stored in a common tank or in common tanks. It is further agreed that oil production from other leases or proration units in the vicinity of the land described on Exhibit A may also be stored in the same common tank or tanks, under a similar arrangement with the parties owning interests in the oil production from such other leases or proration units, provided, that accurate equipment be installed to meter such production prior to its entering such common tank or tanks.

As a part of the consideration for this agreement, KCL agrees to maintain accurate records of production obtained from each lease and from each proration unit. Such production shall be measured by positive displacement meters. KCL further agrees to gauge production sold and to take an inventory of production remaining in each tank after each sale thereof, and to keep accurate records of all quantities of production sold and remaining on hand as inventory.

For purposes of calculating the amount of production allocable to each respective lease or proration unit from which production is being commingled into any common tank or tanks, each respective lease or proration unit will be given credit for the proportion of the total production sold from said common tank or tanks that the amount of production metered from said lease or proration unit bears to the total production metered from all leases and proration units producing and being transferred into the common tank or tanks subsequent to the date of the last sale. Such amount shall be adjusted by the production in the tank or tanks allocable to each such respective lease or proration unit immediately after the last or the immediately preceding sale. Any difference in the total amount metered and the total amount of production on hand at the time of sale as a result of shrinkage from vapor loss shall be deducted proportionately from the production otherwise allocable to each such lease or proration unit; i.e., production in the common tankage shall be credited to the respective leases or proration units in the proportion that the amount metered from each lease or proration unit bears to the amount metered from all leases and all proration units, and if after a sale thereof, production remains in such common tankage as inventory, such production shall continue to be owned in the same manner and, after calculating the amount of additional production from each lease or proration unit added to the common tankage, the ownership of the next sales proceeds will be computed so as to give effect to the ownership of inventory production remaining on hand immediately after the last or the immediately preceding sale of production.

This instrument may be executed in a number of counterparts with the same force and effect as if all parties hereto had executed one and the same instrument, and it shall be binding upon the parties who execute same, regardless of the failure of any other interested party to execute and be bound hereby.

This agreement shall constitute a covenant running with the leases described on Exhibit A, and shall be binding upon the parties hereto, their respective heirs, representatives, successors and assigns.

EXECUTED as of the 14th day of June, 1966.

KERN COUNTY LAND COMPANY

ATTEST:

By

E. P. C. L. Co.
Vice-President

MANAGER-OIL PRODUCTION

Assistant Secretary

UNITED STATES OF AMERICA

By

Regional Supervisor United States
Geological Survey

STATE OF CALIFORNIA Y
City And COUNTY OF SAN FRANCISCO

The foregoing instrument was acknowledged before me this
16th day of June, 1966, by E. P. BURTCHAELL MANAGER-OIL PRODUCTION
~~Vice President~~ of KERN COUNTY LAND COMPANY, a corporation, on
behalf of said corporation.

LEONIE J. BRADLEY
NOTARY PUBLIC - CALIFORNIA
PRINCIPAL OFFICE IN
SAN FRANCISCO COUNTY

Leonie J. Bradley
Notary Public in and for San Francisco County,
California LEONIE J. BRADLEY

State of California
Principal Office, San Francisco County
MY COMMISSION EXPIRES FEBRUARY 18, 1968

My Commission Expires:

STATE OF NEW MEXICO Y
COUNTY OF CHAVES X

On this _____ day of _____, 1966, before me appeared
_____, to me personally known, being by me
duly sworn, did say that he is Regional Supervisor of the GEOLOGICAL
SURVEY OF THE UNITED STATES OF AMERICA, and that said instrument
was signed in behalf of said Survey, and said _____
acknowledged said instrument to be the free act and deed of said
Survey.

Notary Public in and for Chaves County, New Mexico

My Commission Expires:

THE STATE OF TEXAS Y
COUNTY OF LUBBOCK X

The foregoing instrument was acknowledged before me this
_____ day of _____, 1966, by _____,
Agent and Attorney-in-Fact for PAN AMERICAN PETROLEUM CORPORATION,
on behalf of said corporation and in the capacity and for the con-
sideration therein stated.

Notary Public in and for Lubbock County, Texas

My Commission Expires:



NORMAN L. STEVENS, JR.



MARIANNE S. STEVENS

C. L. HEAD

HEAD

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1966, by CHARLES B. READ and wife,

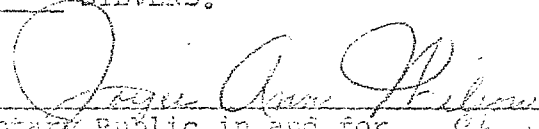
READ.

Notary Public in and for _____
County, State of _____

My Commission Expires:

STATE OF New Mexico
COUNTY OF Chaves

The foregoing instrument was acknowledged before me this
14th day of June, 1966, by NORMAN L. STEVENS, JR. and
wife, MARIANNE S. STEVENS.


Notary Public in and for Chaves
County, State of New Mexico

My Commission Expires:
June 10, 1967

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1966, by C. B. READ and wife, _____

READ.

Notary Public in and for _____
County, State of _____

My Commission Expires:

NORMAN L. STEVENS, JR.

STEVENS

C L Head

C. L. HEAD

William S. Head

HEAD

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1966, by CHARLES B. READ and wife,
_____ READ.

Notary Public in and for _____
County, State of _____

My Commission Expires:

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1966, by NORMAN L. STEVENS, JR. and
wife, _____ STEVENS.

Notary Public in and for _____
County, State of _____

My Commission Expires:

STATE OF Colorado
COUNTY OF Adams

The foregoing instrument was acknowledged before me this
15th day of June, 1966, by C. L. READ and wife, _____
Myself READ.

Judith E. Zith
Notary Public in and for Adams
County, State of Colorado

My Commission Expires:

My Commission expires Mar. 4, 1970

PAN AMERICAN PETROLEUM CORPORATION

By _____
Attorney-in-Fact

TOM BROWN DRILLING CO., INC.

ATTEST:

By Thomas C. Brown
President

Kay Nill
Secretary

MIDWEST OIL CORPORATION

ATTEST:

By _____
Vice President

Assistant Secretary

MUCKLERCY McDONNOLD, JR.

SHIRLEY J. McDONNOLD

WILLIAM F. PIPES

LUCILE W. PIPES

CHARLES B. READ

READ

THE STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this
20th day of March, 1966, by Thomas C. Brown
President of TOM BROWN DRILLING CO., INC., a corporation,
on behalf of said corporation.

Glenn E. Allen
Notary Public in and for Midland County, Texas

My Commission Expires:

June 1, 1967

THE STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this
____ day of _____, 1966, by MUCKLERoy McDONNOLD, JR.
and wife, SHIRLEY J. McDONNOLD.

Notary Public in and for Midland County, Texas

My Commission Expires:

THE STATE OF TEXAS
COUNTY OF BEXAR

The foregoing instrument was acknowledged before me this
____ day of _____, 1966, by WILLIAM F. PIPES and wife,
____ PIPES.

Notary Public in and for Bexar County, Texas

My Commission Expires:

PAN AMERICAN PETROLEUM CORPORATION

By

J. H. Hunter
Attorney-in-Fact



TOM BROWN DRILLING CO., INC.

ATTEST:

By

President

Secretary

MIDWEST OIL CORPORATION

ATTEST:

By

Vice President

Assistant Secretary

MUCKLERoy McDONNOLD, JR.

SHIRLEY J. McDONNOLD

WILLIAM F. PIPES

LUCILE W. PIPES

CHARLES B. READ

 READ

STATE OF CALIFORNIA /
COUNTY OF SAN FRANCISCO

The foregoing instrument was acknowledged before me this
day of , 1966, by
Vice President of KERN COUNTY LAND COMPANY, a corporation, on
behalf of said corporation.

Notary Public in and for San Francisco County,
California

My Commission Expires:

STATE OF NEW MEXICO /
COUNTY OF CHAVES

On this day of , 1966, before me appeared
, to me personally known, being by me
duly sworn, did say that he is Regional Supervisor of the GEOLOGICAL
SURVEY OF THE UNITED STATES OF AMERICA, and that said instrument
was signed in behalf of said Survey, and said
acknowledged said instrument to be the free act and deed of said
Survey.

Notary Public in and for Chaves County, New Mexico

My Commission Expires:

THE STATE OF TEXAS /
COUNTY OF HUBBOK TARRANT

The foregoing instrument was acknowledged before me this
23 day of June, 1966, by J. L. ROYT, JR.,
Agent and Attorney-in-Fact for PAN AMERICAN PETROLEUM CORPORATION,
on behalf of said corporation and in the capacity and for the con-
sideration therein stated.

Dorothy E. Middleton
Notary Public in and for Hubbok County, Texas
TARRANT

My Commission Expires:

DOROTHY E. MIDDLETON

June 1, 1967

PAN AMERICAN PETROLEUM CORPORATION

By _____
Attorney-in-Fact

TOM BROWN DRILLING CO., INC.

ATTEST:

By _____
President

Secretary

MIDWEST OIL CORPORATION

By _____
Vice President

PAID
BY
CASH
100

ATTEST:

Assistant Secretary

ILLEGIBLE

MUCKLEROV McDONNOLD, JR.

SHIRLEY J. McDONNOLD

WILLIAM F. PIPES

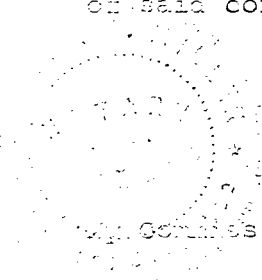
LUCILE W. PIPES

CHARLES B. READ

READ

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
____ day of _____, 1966, by _____
President of MIDWEST OIL CORPORATION, a corporation, on behalf
of said corporation.



Notary Public in and for _____
County, State of _____

My Commission Expires:

PAN AMERICAN PETROLEUM CORPORATION

By _____
Attorney-in-Fact

TOM BROWN DRILLING CO., INC.

ATTEST:

By _____
President

Secretary

MIDWEST OIL CORPORATION

ATTEST:

By _____
Vice President

Assistant Secretary

MUCKLERoy McDONNOLD, JR.

SHIRLEY J. McDONNOLD

WILLIAM F. PIPES

LUCILE W. PIPES



CHARLES B. READ



JEAN READ

STATE OF New Mexico

COUNTY OF Chaves

The foregoing instrument was acknowledged before me this
30th day of June, 1966, by CHARLES B. READ and wife,
JEAN READ.

Jayce Ann Wilson
Notary Public in and for Chaves
County, State of New Mexico

My Commission Expires:

June 10, 1967

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this
____ day of _____, 1966, by NORMAN L. STEVENS, JR. and
wife, _____ STEVENS.

Notary Public in and for _____
County, State of _____

My Commission Expires:

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this
____ day of _____, 1966, by C. L. HEAD and wife, _____
____ HEAD.

Notary Public in and for _____
County, State of _____

My Commission Expires:

PAN AMERICAN PETROLEUM CORPORATION

By _____
Attorney-in-Fact

TOM BROWN DRILLING CO., INC.

ATTEST: By _____
President

Secretary

MIDWEST OIL CORPORATION

ATTEST: By _____
Vice President

Assistant Secretary

Muckleroy McDonnold, Jr.
MUCKLERoy McDONNOLD, JR.

Shirley J. McDonnold
SHIRLEY J. McDONNOLD

William F. Pipes
WILLIAM F. PIPES

Lucile W. Pipes
LUCILE W. PIPES

CHARLES B. READ

READ

THE STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this
____ day of _____, 1966, by _____,
President of TOM BROWN DRILLING CO., INC., a corporation,
on behalf of said corporation.

Notary Public in and for Midland County, Texas

My Commission Expires:

THE STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this
14th day of June, 1966, by MUCKLERoy McDONNOLD, JR.
and wife, SHIRLEY J. McDONNOLD.

Notary Public in and for Midland County, Texas

My Commission Expires:

June 1, 1967

THE STATE OF TEXAS
COUNTY OF BEXAR

The foregoing instrument was acknowledged before me this
8th day of July, 1966, by WILLIAM F. PIPES and wife,
Lucile W. Pipes PIPES.

Notary Public in and for Bexar County, Texas

My Commission Expires:

June 1, 1967

ILLEGIBLE



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

June 29, 1966

Kern County Land Company
Suite 418
First State Bank Building
Midland, Texas 79701

Attention: Mr. Gilbert H. Castle, Jr.

Gentlemen:

Your letter of June 23 requests approval to commingle the San Andres oil and gas production from the wells completed on that portion of lease New Mexico 0108997-A described as the S $\frac{1}{2}$ sec. 26, T. 7 S., R. 33 E., with that produced from the wells completed on the NE $\frac{1}{4}$ NE $\frac{1}{4}$ and S $\frac{1}{2}$ NE $\frac{1}{4}$ sec. 27, T. 7 S., R. 33 E., a portion of lease New Mexico 0127782.

The method of measuring and commingling the oil and gas production, as described by your letter and depicted by the diagrams attached thereto, is hereby approved. Please notify our Hobbs office when the installation is completed so that a field inspection of the system can be made.

Returned herewith, unapproved, are four copies of an instrument entitled "Agreement to Commingle Production" previously furnished this office. Approval of such agreement is unnecessary since the desired objective is achieved by your application and this approval letter.

Sincerely yours,

JOHN A. ANDERSON
Regional Oil and Gas Supervisor

OFFICE 001

66 JUL 13 AM 7 3