

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling

☐ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☒ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☒ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☒ Notification and/or Concurrent Approval by BLM or SLO

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

LAYTON ENTERPRISES, Inc.

DONALD R. LAYTON

Print or Type Name

Donald R. Layton
Signature

PRESIDENT
Title

12-1-96
Date



December 1, 1996

State of New Mexico
Energy and Minerals Dept.
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: State C Lease No. B-9949
State B Lease No. B-9950
State AO Lease No. E-6696 } Now Commingled CTB-358

Gentlemen:

We are the operator of three Oil and Gas Leases in the Bagley Permo Penn, North field in Lea County as captioned above.

Under the provisions of Rule 309-B, we request authority to commingle production from the State C Lease No. B-9949 with production from the State AO Lease No. E-6696 in the upgraded gathering facilities of the State AO Lease. This will provide for more efficient and economic operation of the small stripper wells on these leases.

The producing zone, lease stipulations, and all interest owners are identical for all leases. The attached data sheet and lease plats give pertinent details.

We certify that on this date we are notifying all interest owners and purchasers by copies of this application.

Very truly yours,

LAYTON ENTERPRISES, INC.

A handwritten signature in black ink, appearing to read 'Donald R. Layton', is written over the typed name and title.
Donald R. Layton
President

DRL/bw1

LEASE COMMINGLING DATA SHEET

<u>Lease Name</u>	<u>State AO</u>	<u>State B</u>	<u>State C</u>
State Lease No.	E-6696	B-9950	B-9949
Location of Wells	<u>#1-C:</u> 660' FNL, 1980' FWL Sec 4, T 12S, R 33E (Lea County, NM) <u>#2-F:</u> 1980' FNL, 1980' FWL Sec 4, T 12S, R 33E (Lea County, NM)	<u>#4-J:</u> 1980' FSL, 1980' FEL Sec 4, T12S, R 33E (Lea County, NM)	<u>#1-A:</u> 660' FNL, 660' FEL Sec 4, T 12S, R 33E (Lea County, NM) <u>#2-H:</u> 1980' FNL, 660' FEL Sec 4, T 12S, R 33E (Lea County, NM)
Location of Tank Battery:	NENW¼ Sec 4, T 12S, R 33 E (Lea County, NM)		
Oil Transporter	Amoco Pipeline Company		
Oil Purchaser	Amoco Production Company		
Gas Purchaser	Warren Petroleum Company		
<u>Interest Owners:</u>			
State of New Mexico RI	.125000	.125000	.125000
Bert H. Murphy ORRI	.020000	.020000	.020000
Ann Murphy Daily ORRI	.005000	.005000	.005000
Mark B. Murphy ORRI	.005000	.005000	.005000
D.R. Layton et ux M.L. Layton WI	.845000	.845000	.845000
	1.000000	1.000000	1.000000

Field

Bagley Permo Penn, North

Method of Allocation

Monthly Well Tests



December 1, 1996

Commissioner of Public Lands
State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico 87504

Attn: Oil, Gas, & Minerals Division
Attn: Mr. Pete Martinez

Re: Lease No. B-9949
Lease No. B-9950
Lease No. E-6696 — Now Commingled CTB-358

Gentlemen:

Attached is our Pre-Application for commingling production from the captioned leases. Also attached is a copy of our application to the Oil Conservation Division with pertinent information and plats.

Approval of this application will allow us to utilize the upgraded gathering facility of Lease No. E-6696 for handling production from Lease No. B-9949 which will include the economic disposal of produced water. We intend to upgrade production equipment on lease No. B-9949 which will, of course, generate additional income to the State of New Mexico. Without such approval, the cost of upgrading production equipment, gathering and separation equipment, and the continual operating cost of trucking produced water will not be economically justified and the wells will be subject to abandonment.

Your early consideration of this matter will be appreciated and approval will be of mutual benefit to all concerned.

Very truly yours,

LAYTON ENTERPRISES, INC.

A handwritten signature in dark ink, appearing to read 'Donald R. Layton', is written over the typed name and title.
Donald R. Layton
President

DRL/bwl

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.

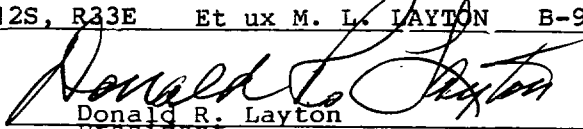
1. BRIEFLY DESCRIBE WHAT YOU PROPOSE TO DO.

We propose to commingle oil and gas production from State C Lease No. B-9949,
wells #1 & #2, with production from State AO Lease No. E-6696, wells #1 & #2,
and State B Lease No. B-9950, well #4, by installing a flowline from the
State C wells to the gathering and separating facilities presently in use on
the State AO lease. (State AO & State B are currently commingled per CTB-358.)

2. FILL IN THE FOLLOWING INFORMATION FOR EACH WELL.

WELL NUMBER	LEGAL DESCRIPTION	LESSEE OF RECORD	N.M. LEASE NUMBER	FORMATION
(Lea County, New Mexico)				
State AO #1	Unit C Sec 4, T12S, R33E	D. R. LAYTON Et ux M. L. LAYTON	E-6696	Permo Penn
State AO #2	Unit F Sec 4, T12S, R33E	D. R. LAYTON Et ux M. L. LAYTON	E-6696	Permo Penn
State B #4	Unit J Sec 4, T12S, R33E	D. R. LAYTON Et ux M. L. LAYTON	B-9950	Permo Penn
State C #1	Unit A Sec 4, T12S, R33E	D. R. LAYTON Et ux M. L. LAYTON	B-9949	Permo Penn
State C #2	Unit H Sec 4, T12S, R33E	D. R. LAYTON Et ux M. L. LAYTON	B-9949	Permo Penn

NAME:


Donald R. Layton
President

COMPANY:

LAYTON ENTERPRISES, INC.

PHONE NUMBER:

806/745-4638

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

KKCS 06-04-91

E C O N O M I C A N A L Y S I S

The State C Lease No. B-9949, Wells Nos. 1 & 2, has produced only marginal amounts of oil or gas during the past three years, and for all purposes is at economic limit. Income to the State of New Mexico has averaged approximately \$125.00 monthly.

With upgraded production equipment at the wells and approval of commingling with Lease No. E-6696, we anticipate that income to the State of New Mexico will increase to approximately \$1,000.00 monthly.

STATE LAND OFFICE RULE 1.055

COMMINGLING AND OFF LEASE STORAGE OF OIL AND GAS
ON STATE TRUST LANDS

1.055 Application for Permission to Commingle or Off Lease Store Production. Applications for permission to commingle or off lease store production shall be directed to the Commissioner and shall include:

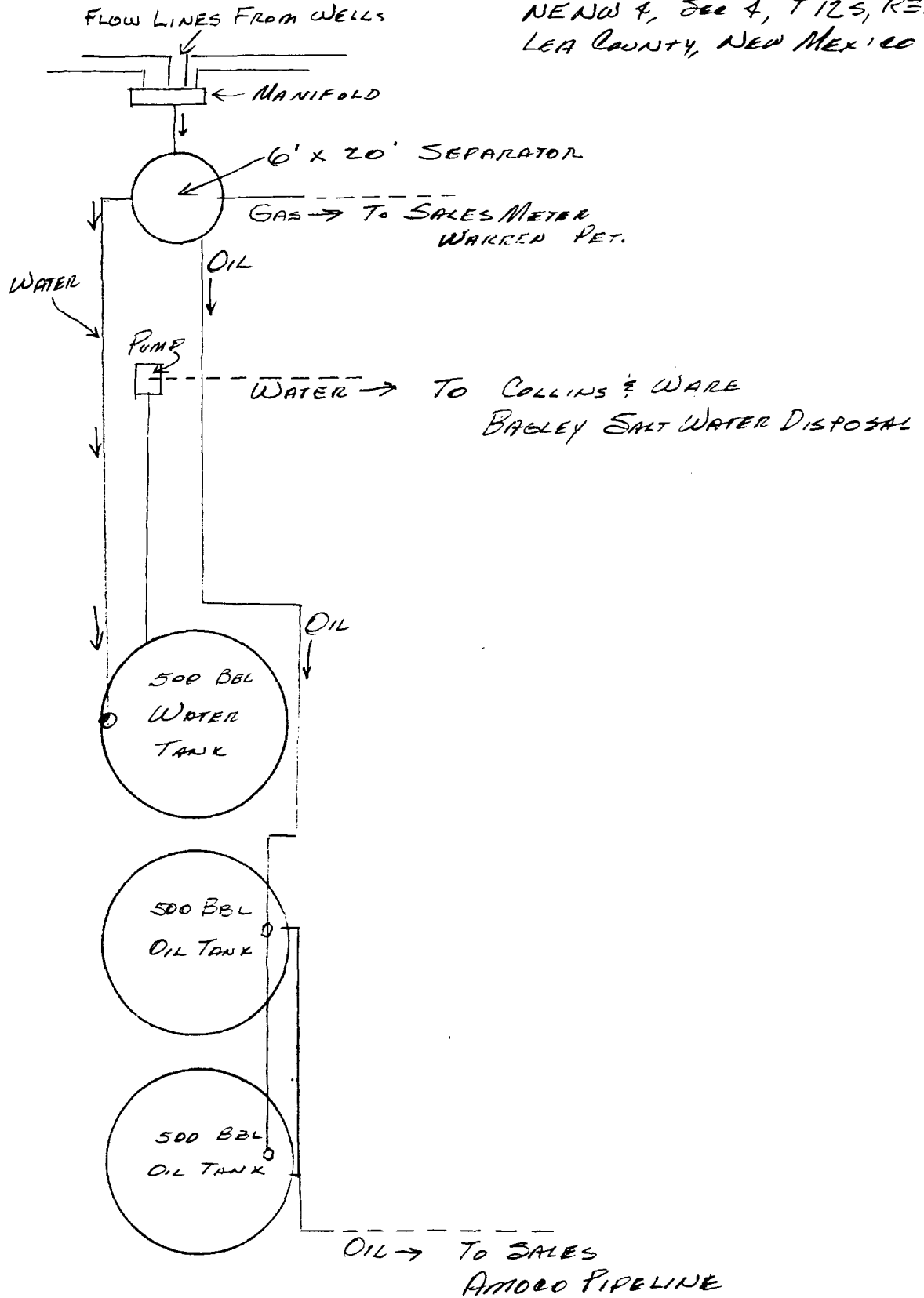
- ✓ A. Formal application stating the type of permission desired and the reason therefor, accompanied by an application fee of thirty dollars (\$30.00).
- ✓ B. Plat showing the location of leases, wells, flow lines and common tankage. All plats and diagrams should differentiate between surface and underground pipe.
- ✓ C. A list of the involved leases arranged by their State Land Office Lease Number, their legal description, and including state beneficiaries.
- ✓ D. A designation of the pool from which each well produces.
- ✓ E. An economic analysis of proposed operation showing profit or loss to the State of New Mexico.
- ✓ F. Schematic diagram of entire system from production manifold to pipeline connection showing position of all components of flow stream.
- NONE G. Detail drawing(s) of any component which is specifically fabricated; i.e., not commercially available.
- ✓ H. Description of the operating sequence explaining the complete operation.
- NONE I. Any other pertinent data that will assist the Commissioner in deciding upon the application.

* We have **NOT** received this information as of _____
(New Mexico State Land Office - Oil and Gas Division.)

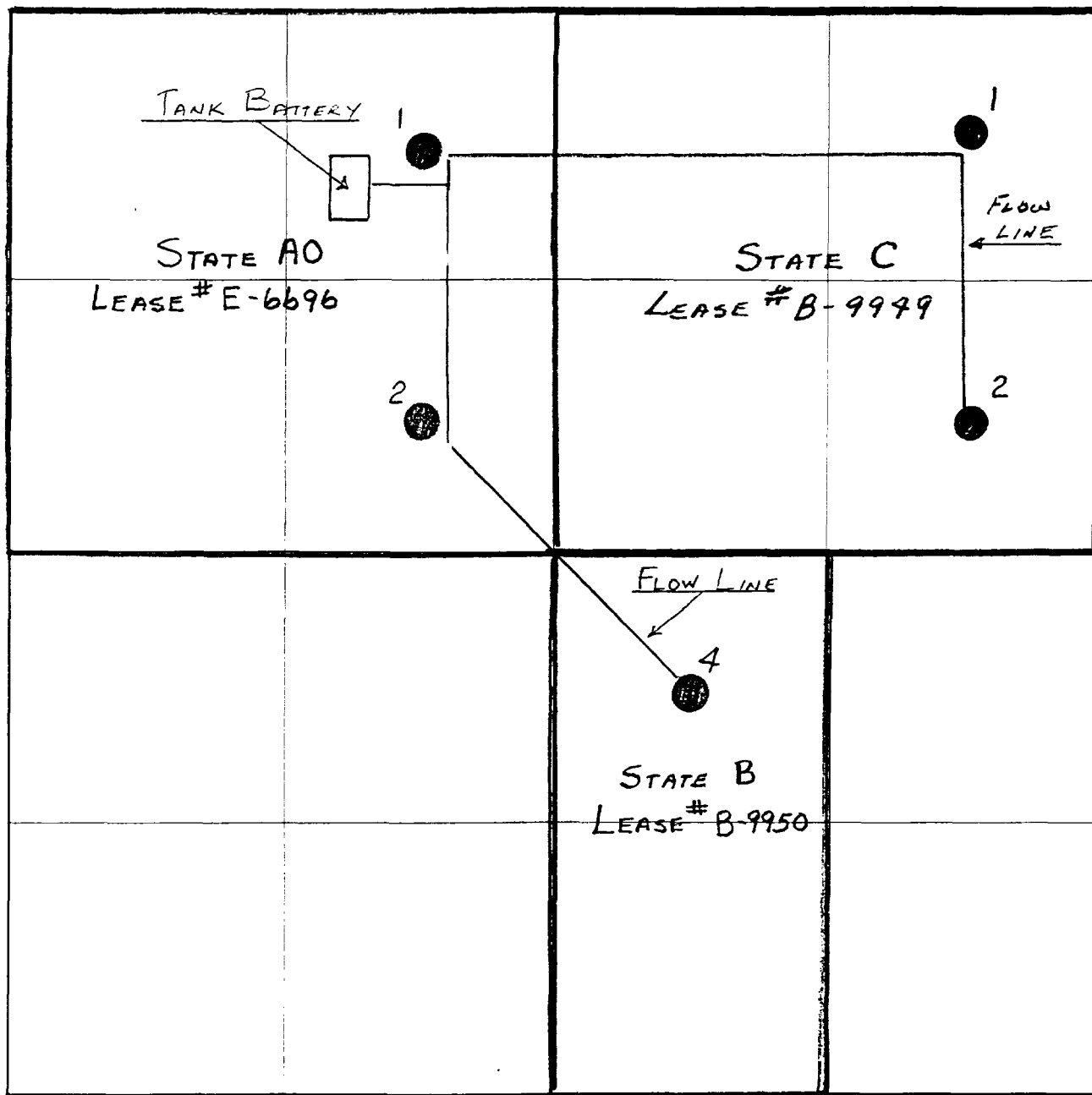
O P E R A T I N G S E Q U E N C E

All wells will be operated individually using time clocks to provide necessary operating time dictated by fluid volumes. Oil, gas, and water produced will travel from the well heads through the flow lines to the tank battery production manifold. From the manifold all production will pass through the separator which will separate oil, water, and gas. Oil will then go to one of the two 500 barrel tanks, and when the tank is full will be sold via Amoco Pipeline. Gas will go directly to the sales meter of Warren Petroleum Company. Produced water will go to the 500 barrel water storage tank, and is then periodically pumped into the Bagley Salt Water Disposal System operated by Amerada Hess.

STATE AD LEASE # E-6696
TANK BATTERY No. 1
BAGLEY PERMO PENN NORTH F
NE NW 4, Sec 4, T 12 S, R 3 E
LEA COUNTY, NEW MEXICO



SECTION 4 TOWNSHIP 12 S RANGE 33 E COUNTY LEA STATE NEW MEXICO



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