



DISCOVERY OPERATING, INC.
EXPLORATION - DEVELOPMENT - OPERATING
MIDLAND, TEXAS



RECEIVED
OIL CONSERVATION
DIVISION
MAY 11 1991

May 3, 1991

Energy, Minerals, and Natural Resources Department
Oil Conservation Division
P.O. Box 2088
Sante Fe, New Mexico 87504

Re: Commingling Request
New Mexico State B #1 & #2

Gentlemen:

Tipperary Oil and Gas Corporation formally requests permission to surface commingle the New Mexico State B #1 well and the New Mexico State B #2 well.

The New Mexico State B #1, which produces from the Devonian formation and the New Mexico B #2, which produces from the Permo Penn formation, are both marginal wells. The production from each individual well does not justify separate batteries. We expect both wells to produce about 8 BOPD each. The allocation of production to each well will be monitored with periodic production tests. The API gravities of the oil produced from both wells are virtually the same. Please see the attached lab analysis report of the oil samples from the two wells. The samples were obtained at the wellhead. In addition, the commingled gravity tested to be close to the gravities of the individual wells.

We propose to commingle the production at a common tank battery. Also note that the Permo Penn production was being commingled with the San Andres production on the lease by permit. The San Andres production is sour and the Permo Penn production is sweet. Tipperary has discontinued commingling the Permo Penn with the San Andres and has received a cancellation of that commingling order. Tipperary wants to receive the higher sweet crude price that they could get by being allowed to commingle the Permo Penn with the Devonian production. The crude price of the commingled oil will be the same as that of both wells individually.

Please find enclosed the appropriate plat and schematic. Also included is the approval letter from the Commissioner of Public Lands for the State of New Mexico. If you have any questions, please call me at (915) 683-5203.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jeff Sparks".

Jeff Sparks, Agent
Tipperary Oil and Gas Corporation

WJS/hs
Enclosures