



Donald W. Johnson
Division Manager
Production Department
Hobbs Division
North American Production

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

March 14, 1985

OK w/
Dist III
5-13-85

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 88501

PLC - #70

Attention Mr. Gilbert Quintana

Gentlemen:

By the attached copy of our application to the Bureau of Land Management, we are requesting your approval of your proposal to surface commingle production from all Conoco-operated leases in the Dagger Draw area. Approval from the BLM was obtained on February 26, 1985.

If you have any questions, please call Coleen Bose at ext. 120 of this office.

Yours very truly,

T 19 & 20 South

R 24 & 25 E

RCB:jr

Attachments
cc: NMOCD-Hobbs



Donald W. Johnson
Division Manager
Production Department
Hobbs Division
North American Production

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

December 27, 1984

Bureau of Land Management
P. O. Box 1778
Carlsbad, NM 88220

Attention Charles Dahlen

Gentlemen:

Application for Permission to Surface Commingle Production from All Conoco-Operated Leases in the Dagger Draw Area, Section 19, T-19S, R-25E, and Section 26, T-20S, R-24E, Eddy County, New Mexico

Conoco Inc. requests approval to surface commingle all Conoco-operated production in the Dagger Draw Area. Production in the north end of Dagger Draw will be commingled at a common tank battery located in the NE/4 of the NW/4 of Section 19, T-19S, R-25E, Eddy County. Production in the south end of Dagger Draw will be commingled at a common tank battery located in the SE/4 of the NW/4 of Section 26, T-20S, R-24E, Eddy County. In support thereof Conoco Inc. submits the following data.

1. The Dagger Draw Area consists of leases listed on Exhibit 1. Also shown on Exhibit 1 is the legal description and the producing formation for each well. Leases in the Dagger Draw Area are single well properties.
2. Exhibits 2 and 3 are maps showing each Conoco-operated lease in the Dagger Draw Area along with lease numbers and wells. Also shown are the locations of the proposed surface commingled tank batteries.
3. Quality of the crude is virtually identical and commingling will not reduce the commercial value. The value of the crude is as follows:

<u>Zone</u>	<u>Gravity</u>	<u>Daily Volume for Battery</u>	<u>Value per Barrel</u>
North Dagger Draw Upper Penn	45.2	774	\$ 28.00
South Dagger Draw Penn	42.0	29	28.00
Gemetary Morrow	54.8	0.5	28.00

Bureau of Land Management

December 27, 1984

Page 2

4. Oil production will be metered at each well using positive displacement temperature compensated metering equipment. Production will be allocated back to each lease based on metered volumes. Gas from each well will continue to be metered just as it is now.
5. A letter ballot dated May 9, 1984 was submitted to all working interest and royalty and overriding royalty interest owners requesting their approval or disapproval of this proposal. A no reply, as stated in the letter ballot, is considered as the interest owner's approval. Forty-nine out of 94 letter ballots were returned with affirmative replies. No disapprovals to our proposal were received.
6. Mineral rights under the Dagger Draw Area leases are held by Federal, State and Fee owners. Royalty owners are therefore varied. However, the metering of production at each lease will ensure proper royalty and overriding royalty disbursements to all interest owners.
7. A schematic of the existing treating and storage facilities are enclosed (Exhibit 4). These facilities will be expanded as each lease's production is brought to each location. Economic justification will determine what leases will be added to the existing facilities. Each lease will be evaluated separately to determine if economics justify adding the lease to the system. Therefore, no proposed treating and storage facility schematics are available. An updated schematic will be forwarded to your office as each lease is added to the facilities.

Conoco's expenses in the Dagger Draw Area can be reduced by combining production into two treating and storage facilities instead of the single well lease system currently being used. This will allow each well to have a longer economic life, thus generating more revenue to Conoco and to royalty and overriding royalty owners.

Your early consideration of this project is requested. Should you have any questions concerning the above, contact Jimmy D. Carlile at the above address.

Yours very truly,



Donald W. Johnson
Division Manager

JDC:jr

EXHIBIT 1

North Dagger Draw

<u>Lease</u>	<u>Legal Description</u>	<u>Producing Formation</u>
Barbara Federal No. 1	H, Sec 18, T-19S, R-25E	North Dagger Draw Upper Penn
Barbara Federal No. 2	K, Sec 18, T-19S, R-25E	North Dagger Draw Upper Penn
Barbara Federal No. 3	F, Sec 17, T-19S, R-25E	North Dagger Draw Upper Penn
Barbara Federal No. 4	L, Sec 17, T-19S, R-25E	North Dagger Draw Upper Penn
Barbara Federal No. 6	J, Sec 18, T-19S, R-25E	North Dagger Draw Upper Penn
Barbara Federal No. 7	J, Sec 17, T-19S, R-25E	North Dagger Draw Upper Penn
Dagger Draw No. 1	D, Sec 30, T-19S, R-25E	North Dagger Draw Upper Penn
State No. 1	J, Sec 36, T-19S, R-24E	Secretary Morrow
Julie Com No. 1	H, Sec 17, T-19S, R-25E	North Dagger Draw Upper Penn
Dedewick A No. 1	C, Sec 19, T-19S, R-25E	North Dagger Draw Upper Penn
Dagger Draw No. 4	L, Sec 19, T-19S, R-25E	North Dagger Draw Upper Penn

Handwritten notes: "Fed NM 0559175" with a checkmark, and a bracket labeled "Fee" spanning rows 1 through 4.

South Dagger Draw

Robin Federal No. 1	F, Sec 26, T-20S, R-24E	South Dagger Draw Penn
Weston Federal No. 1	L, Sec 35, T-20S, R-24E	South Dagger Draw Penn
Wicki Federal No. 1	G, Sec 26, T-20S, R-24E	South Dagger Draw Penn
Weston Federal No. 2	G, Sec 34, T-20S, R-24E	South Dagger Draw Penn
Penny Federal No. 2	G, Sec 23, T-20S, R-24E	South Dagger Draw Penn

Handwritten notes: "State" with an arrow pointing to the South Dagger Draw section.



