

STEVENS OPERATING CORPORATION

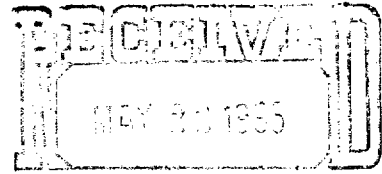
FIRST NATIONAL TOWER - SUITE 1250

P. O. BOX 2203

ROSWELL, NEW MEXICO 88201

505 622-7273

May 21, 1985



OIL CONSERVATION DIVISION
SANTA FE

Mr. Richard L. Stamets, Director
State of New Mexico
Energy & Mineral Dept.
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Verbal OK
on 7-15-85

Re: Commingling of Leases
Sales by LACT

Gentlemen:

Stevens Operating Corporation is hereby applying for administrative approval to commingle the production from the following leases:

1. O'Brien "R" Well No. 1
Unit O Sec. 21 T8S R29E
Red Lake Ridge San Andres ✓
2. O'Brien "LLL" Well No. 1 & 2
Unit N Sec. 21 T8S R29E
Unit K Sec. 21 T8S R29E
Red Lake Ridge San Andres
3. O'Brien "P" Well No. 1, 2 & 3
Unit C Sec. 28 T8S R29E
Unit D Sec. 28 T8S R29E
Unit E Sec. 28 T8S R29E
Red Lake Ridge San Andres ✓
4. Lynx Well No. 1
Unit G Sec. 19 T8S R29E
Wildcat Fusselman ✓
5. Huber State Well No. 1
Unit N Sec. 16 T8S R29E
Red Lake Ridge San Andres
6. Red Lake Ridge Well No. 1
Unit C Sec. 21 T8S R29E
Red Lake Ridge San Andres ✓

Exclude
Huber State
well
-ok

6-10-85
Forwarded to
Ray

Excluded
From applic.

The commingle facility and LACT will be located in the SW/4SE/4 of Section 21, Township 8 South, Range 29 East. The fluid from each well will go through a free water knock out and then through two-way separators. This will separate the water, oil, and gas from each lease. The oil, gas, and water from each lease will then be measured through provable meters with non-resetable counters.

The oil will be measured through a net oil computer with a 0-50% BS&W range probe assembly. This will give an accurate measurement of oil being produced from each lease. The oil will then be commingled and sent through another meter for total fluid and then go through a settling tank and into a 500 barrel storage tank to be sold through a LACT.

After measurement, the gas from each lease will then be commingled and sent through a check meter for total gas produced. It will then be sent to the sales point.

The produced water, after measurement from each lease, will be commingled and sent through a settling tank and storage tank for disposal. The produced water will be measured for total water produced and pumped to the White Lake Ranch produced water disposal.

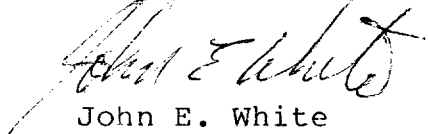
The condensate production from the Lynx No. 1 will be transferred from the lease through a provable meter with a non-resetable counter. This meter will be proved once a month for accuracy. The gas will not be commingled but sold at the lease to Liquid Energy.

A map and schematic diagram of the proposed installation is enclosed for your information.

If you have any further questions or need additional information, please do not hesitate to contact me.

Sincerely,

STEVENS OPERATING CORPORATION

A handwritten signature in dark ink, appearing to read "John E. White", is written over the typed name.

John E. White

JEW/ceh
enclosures