

Oil Conservation Division  
Palmillo State No. 1  
March 19, 1981  
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In January, 1981, we noticed that the Form C-104 had not been received from you. At this time, you indicated that you had not received the approval for off-lease storage and commingling. We contacted Mr. Lopez in Santa Fe who assured us that he had approved our application. Mr. Nutter had earlier said he was waiting to hear from Public Lands, so we continued to produce assuming our application was tied up in the mail. In February, again we discussed the situation with you and assumed that everything was being processed through channels. On March 13, 1981, you contacted me regarding our producing without the NMOCD's consent. We decided to bring everything to a halt and investigate all the facts concerning our initiating production from the Wolfcamp. This brings us to date.

There are several points to be brought out in the interim. First, Mr. Lopez approved only the land portion of our commingling and off-lease storage application. Mr. Ray Graham must also approve of the oil and gas portion of our application. Two approvals were needed (a fact of which we were unaware). While waiting for Mr. Graham to return following surgery, the rules regarding our application were slightly changed requiring another form to be filed. We were not notified of this. In addition to these two points, during installation of the dual equipment, we conducted a packer leakage test. However, through miscommunication with field personnel, the test was not properly conducted as required by the NMOCD. The pressures were not recorded by a dual pen recorder---meaning we had no documented proof for filing of the packer leakage test.

Before continuing to produce, we would like to correctly file all of the required data and to receive the proper consent from the NMOCD. Let me state that Bass in no way meant to circumvent the rules and regulations of the NMOCD. Because of the complexity of application (dual completion, commingling, off-lease storage, business leases, etc.) we inadvertently precipitated formal approval, based on verbal approval of what we thought was the proper filing. In retrospect, Bass certainly understands the desirability of avoiding such a situation in the future.

We are in the process of rectifying the problem and seek your counsel on any further steps which need to be taken. Enclosed are the C-116 (GOR test) and the C-124 (reservoir pressure report) that you requested on the Wolfcamp completion. We are in the process of obtaining a valid packer leakage test and correcting the gas production on the C-115 and will submit both when they are available. If you have any questions or recommendations concerning our application and installation, please contact us at the letter-head address. We appreciate your time and patience in dealing with this matter.

Very truly yours,

  
J. E. Pullig  
Division Manager

JEP:JRG/gp  
Attachments