

PETROLEUM PRODUCTION MANAGEMENT, INC.
P.O. BOX 957
CROSSROADS, NEW MEXICO
88114

July 14, 1989

State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

RECEIVED

JUL 17 1989

OIL CONSERVATION DIV.
SANTA FE

Re: Downhole Commingle Abo and Penn
State "8" No. 1
UL "A", Sec. 8, T-10-S, R-34-E
Lea County, New Mexico

Gentlemen:

Petroleum Production Management, Inc. respectfully requests administrative approval to commingle production downhole between the Abo and Penn zones in the referenced well. Submitted in support of this application are the following exhibits: (1) Schematic Diagram of Well Bore; and (2) Lease Plat.

This well was originally completed in the Penn zone but had declined to an average of 3BOPD and no gas sales prior to re-completion in the Abo zone during April, 1989. On a 24 hour initial potentiation test, dated April 30, 1989 after recompleting in the Abo, the well produced 19 barrels of oil, 2 barrels of water and 24 mcf gas. Production has declined to 11 BOPD, 1 BWPD and 16 mcf per day at present.

Oil gravity of Abo production based on two sales has averaged 43.9 degrees API at 60 degrees F. Oil gravity of Penn production on the last sale from this zone on December 22, 1988 was 59.8 degrees API at 60 degrees F. Anticipated oil gravity for commingled production is 56.4 degrees API at 60 degrees F. All oil sales from the Petroleum Production Management, Inc. wells in Southeastern New Mexico are on contract to Sun Refining and Marketing Company. Our contract with Sun provides that there will be no gravity penalty for high gravity crude below 60 degrees API gravity. Therefore, neither the Penn, Abo nor a combination of the two would result in a gravity penalty and the oil price would be identical.

The attached Exhibit No. 1 Lease Plat shows our State "8" lease in the NE/4 of Section "8", T-10-S, R-34-E of Lea County, New Mexico highlighted in yellow with Well No. 1 being the only well

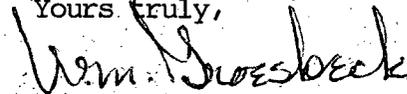
on the lease circled in red signifying Abo production. The closest Penn producers are highlighted in yellow and the closest Abo producer is circled in red. As may be seen, the closest Penn producer is our Holt State No. 1 located in Section 4 being one mile to the north and the closest Abo producer is 3 1/4 miles to the west in Section 2, T-10-S, R-33-E. There is no direct off setting lease with established production.

As shown by attached Exhibit 2 Schematic Diagram of Well Bore, a retrievable bridge plug set at 9313' depth separates the Abo and Penn zones in the referenced well. We desire to retrieve the retrievable bridge plug, lower tubing and pump to bottom and to produce commingled production from the two zones.

Your consideration and approval of this request will be appreciated.

Should you require additional data concerning this application, please contact me.

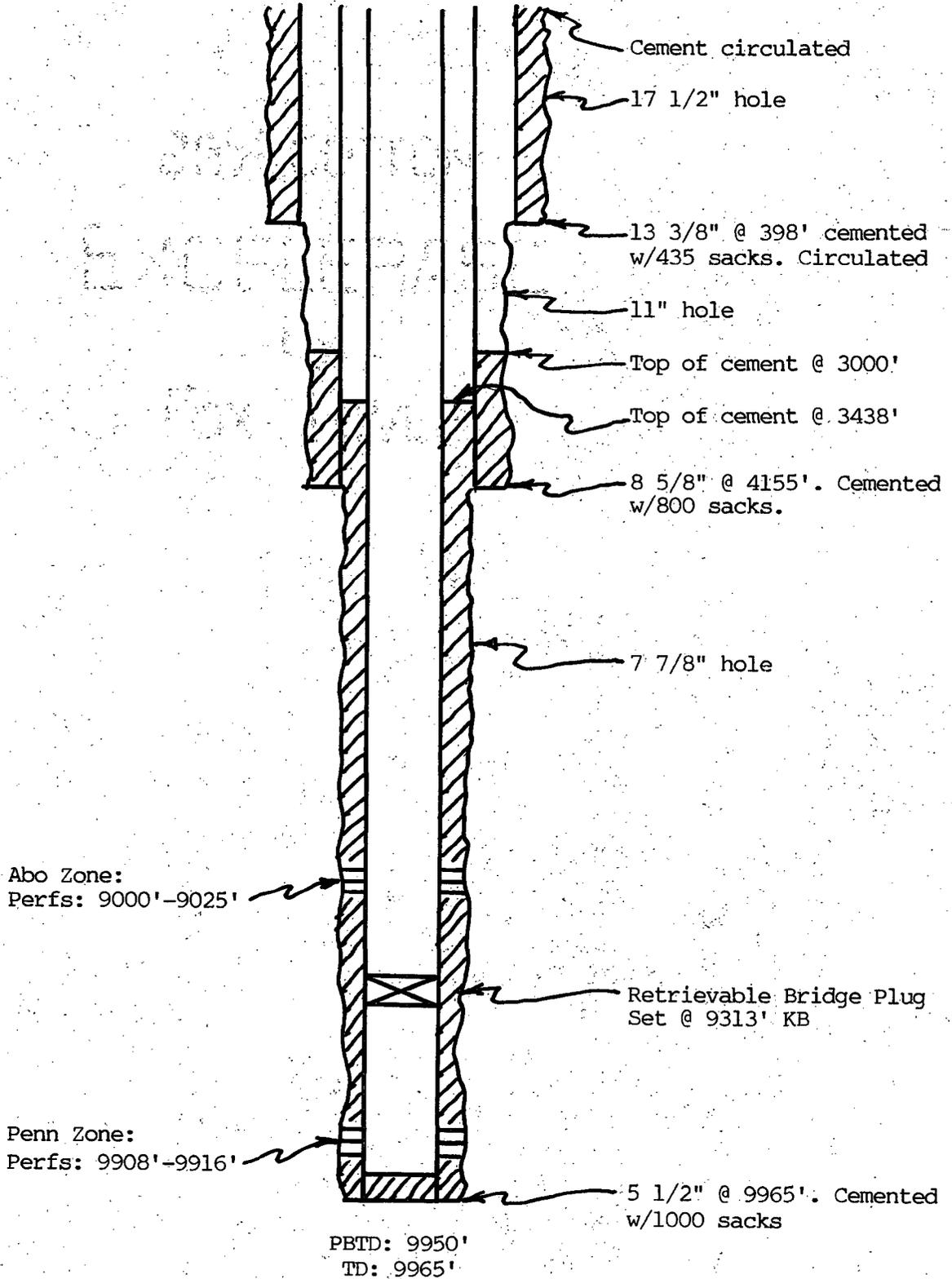
Yours truly,



W.M. Groesbeck
District Engineer

WMG/ts
2 attachments

EXHIBIT NO. 2
PETROLEUM PRODUCTION MANAGEMENT, INC.
P.O. BOX 957
CROSSROADS, NEW MEXICO
88114





STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
 OIL CONSERVATION DIVISION
 HOBBS DISTRICT OFFICE

7-17-89

GARREY CARRUTHERS
 GOVERNOR

POST OFFICE BOX 1980
 HOBBS, NEW MEXICO 88241-1980
 (505) 393-6161

OIL CONSERVATION DIVISION
 P. O. BOX 2088
 SANTA FE, NEW MEXICO 87501

RE: Proposed:

- MC _____
- DHC _____
- NSL _____
- NSP _____
- SWD _____
- WFX _____
- PMX _____

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JUL 21 1989
 OIL CONSERVATION DIV.
 SANTA FE

Gentlemen:

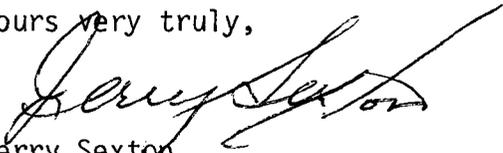
I have examined the application for the:

Petroleum Prod. Mgt. Inc. State 8 #1-A 8-10-34
 Operator Lease & Well No. Unit S-T-R

and my recommendations are as follows:

OK

Yours very truly,


 Jerry Sexton
 Supervisor, District 1

/ed

State of New Mexico



W.R. HUMPHRIES
COMMISSIONER

Commissioner of Public Lands

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

July 26, 1989

Petroleum Production Management, Inc.
P.O. Box 957
Crossroads, New Mexico 88114

RE: Request for Approval to Downhole Commingle
Lea County, New Mexico
T-10-S, R-34-E, Section 8
State "8" No. 1 Well

ATTN: W.M. Groesbeck

Gentlemen:

Reference is made to your letters of July 14, 1989 and July 20, 1989 wherein you request approval for downhole commingling of oil production on New Mexico State Lease K-3430. We received your complete application package including the \$30.00 filing fee.

Please be advised that the correct New Mexico State Lease number for the above described land is LG-6974-1.

Approval is hereby granted to commingle the oil produced from the Abo and Penn zones in the No. 1 well as described above. Please be advised that any deviation from your proposed request will be grounds to rescind our approval. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

If you have any questions, please do not hesitate to call Susan Howarth at (505) 827-5749. Please note that if you include a telephone number on your correspondence, we will call you to advise you on the status of your requests.

W.R. HUMPHRIES,
COMMISSIONER OF PUBLIC LANDS

BY: *Floyd D. Prando*
FLOYD D. PRANDO, Director
Oil and Gas Division
(505) 827-5749

enclosure