



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
1649 South Paseo Street
Santa Fe, New Mexico 87508
(505) 827-7121

April 10, 1997

Yates Petroleum Company
105 South Fourth Street
Artesia, New Mexico 88210

Attn: Mr. Morris Keith

Re: Recent Application for Downhole Commingling.

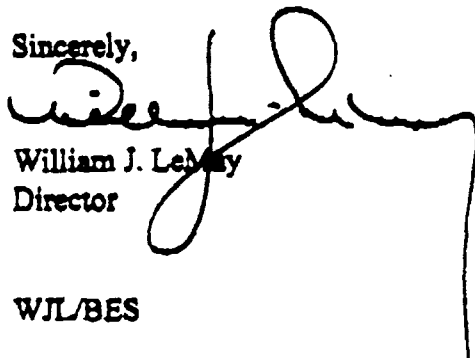
Dear Mr. Keith:

Reference is made to your application to downhole commingle production on your Pawnee 'APW' State Well No.1. Your application includes a Grayburg interval to which no production would be allocated. It has been the long held policy of the Division to not allow downhole commingling in a case which one of the proposed intervals is not productive of oil or gas. With the intent of maintaining such policy, the application is hereby denied and, the subject well shall be shut-in upon receipt of this letter.

The Division recommends the following actions be considered. The Grayburg interval in the wellbore may be properly cement squeezed in a manner satisfactory to the supervisor of the Hobbs District Office of the Division, and an application submitted for the downhole commingling of the remaining two zones, or, the matter may be set for an examiner hearing.

Please inform the Division of your intentions at your earliest convenience.

Sincerely,



William J. LeMay
Director

WJL/BES

cc: Oil Conservation Division - Hobbs
file

BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 11781 Exhibit No. 3

Submitted by: Yates Petroleum Corporation

Hearing Date: May 15, 1997