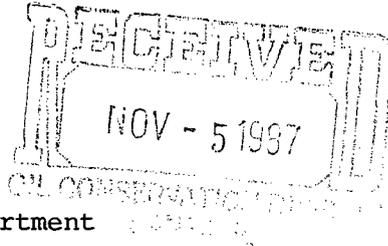


PENROC

Penroc Oil Corporation / P. O. Box 5970 / Hobbs, New Mexico 88241 / Telephone (505) 397-3596 / Telecopier (505) 393-7051

November 2, 1987



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

Subject: Application to Downhole Commingle
PENROC OIL CORPORATION CONOCO STATE No. 2
2086' FSL and 2086' FWL, Unit Letter K
Section 33, T-18-S, R-38-E
Hobbs Drinkard and Hobbs Blinebry Oil and Gas Pools
Lea County, New Mexico

Gentlemen:

Pursuant to the provisions of Rule 303-C, PENROC OIL CORPORATION respectfully requests administrative approval to commingle production within the borehole from the Drinkard and Blinebry oil and gas pools for the captioned well.

The Conoco State 2 was drilled and completed in 1971 as a Drinkard producer. In 1972 the Blinebry formation was perforated and treated and swabbed dry, with no production established. The Drinkard and Blinebry were isolated by a production packer and two separate strings of tubing. The Blinebry string was shut in, and the Drinkard string was producing. In October, 1987, PENROC OIL CORPORATION re-treated the Blinebry formation and established production. The Blinebry interval was potentialized for 4 BOPD + 5 BWPD + 25 MCFGPD. With the indicated production, installation of separate equipment cannot be justified. In the interest of conservation and the prevention of waste, PENROC OIL CORPORATION now proposes to downhole commingle the Blinebry and Drinkard formations.

This well qualifies for administrative approval in accordance with Statewide Rule 303-C; and in support thereof, the following facts are submitted:

- 1) The attached plat indicates the CONOCO STATE No. 2 Lease.
- 2) The latest tests are as follows:

<u>BLINEBRY</u>	10-27-87	4 BO + 5 BW + 25 MCF
<u>DRINKARD</u>	10-27-87	6 BO + 6 BW + 120 MCF

PENROC OIL CORPORATION

APPLICATION TO COMMINGLE PRODUCTION
CONOCO STATE NO. 2

- 3) Neither zone produces more water than the combined oil limit as determined by Rule 303-C, Section 1, paragraph (1).
- 4) PENROC OIL CORPORATION has commingled these fluids at the surface on an offset well, (Conoco State No. 1, Unit Letter G, Section 33, T-18-S, R-38-E) and has encountered no incompatibility problems; therefore, downhole commingling is not expected to result in reservoir damage (surface commingling authority: PC-432)
- 5) Surface commingling resulted in no reduction of oil value; therefore, downhole commingling will not reduce oil value.
- 6) Ownership of the two (2) pools to be commingled is common and correlative rights will not be violated.
- 7) The bottom-hole pressures are:

<u>Blinebry:</u>	400	psig	(24 hrs. SI)
<u>Drinkard:</u>	550	psig	(24 hrs. SI)

We do not anticipate crossflow of fluids since the well will be maintained at pumped off conditions.

- 8) Commingling will not jeopardize the efficiency of future secondary operations in either zone.
- 9) Recommended oil and gas allotments would be as follows:

<u>Blinebry:</u>	<u>Drinkard:</u>
40% Oil	60% Oil
17% Gas	87% Gas

- 10) Copies of the application have been furnished to all offset operators.

Other supporting data attached are a resume of the well's history, C-116 for each zone, a schematic of the present and proposed downhole configuration

If additional information is required, please let us know.

Sincerely,


M. Y. (Merch) Merchant
President

MYM/br

CC: State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88240

CONOCO STATE NO. 2

WELL HISTORY

11/71 Drilled and completed in the Drinkard Formation

10/72 Perforated Blinebry Formation and treat. No
production established.

10/87 Retreated Blinebry perforation and complete.

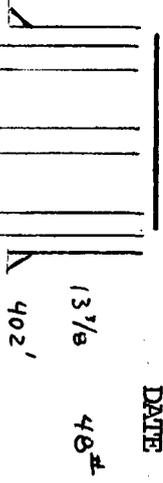
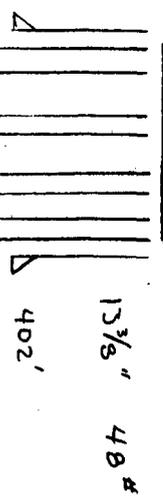
MECHANICAL CONFIGURATION

WELL CONOCO STATE #2

PRESENT

PROPOSED

FIELD HOBBS DRINKARD
DATE SEPTEMBER, 1987



S830-S952 Blineby
6681-6963 DRINKARD

S830-S952 Blineby
6681-6963 DRINKARD

TD @ 7075' 7" 23#

TD @ 7075' 7" 23#

GAS-OIL RATIO TESTS

Operator		Pool		County														
PENROC OIL CORPORATION		HOBBS DRINKARD & HOBBES BLINEBRY		LEA														
Address		Type of Test - (X)		Completion		Special												
P. O. BOX 5970 HOBBS, NM 88241		<input checked="" type="checkbox"/> Scheduled <input type="checkbox"/> Unscheduled		<input type="checkbox"/> Completed <input type="checkbox"/> Incomplete		<input checked="" type="checkbox"/> Special <input type="checkbox"/> Normal												
LEASE NAME	WELL NO.	LOCATION				DATE OF TEST	CHOKE SIZE	TBG. PRESS.	DAILY ALLOW. ABLE	LENGTH OF TEST HOURS	PROD. DURING TEST			GAS - OIL RATIO CU. FT./BBL.				
		U	S	T	R						WATER BBL.	GRAV. OIL BBL.	GAS M.C.F.					
Cerroco State	2	K	33	18S	38E	10-27-87 P				24	11	10	145	14500				
															Drinkard Blinebry	60%	6	BOPD
															Drinkard Blinebry	40%	4	BOPD
									100%	10	BOPD							
									83%	120	MCF							
									17%	25	MCF							
									100%	145	MCF							

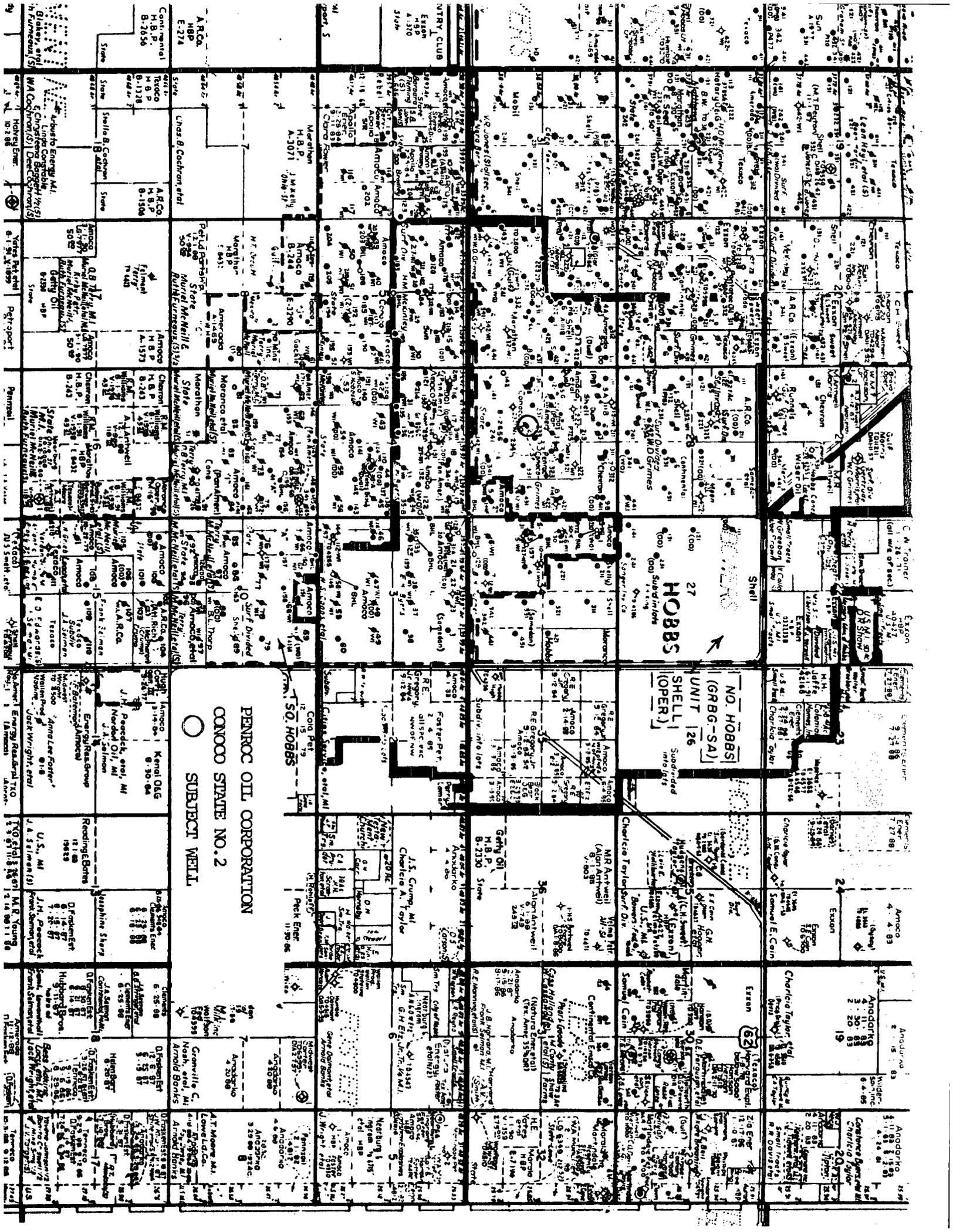
No well will be assigned an allowable greater than the amount of oil produced on the official test.
 During gas-oil ratio test, each well shall be produced at a rate not exceeding the top unit allowable for the pool in which well is located by more than 25 percent. Operator is encouraged to take advantage of this 25 percent tolerance in order that well can be assigned increased allowables when authorized by the Division.
 Gas volumes must be reported in MCF measured at a pressure base of 15.025 psia and a temperature of 60° F. Specific gravity base will be 0.60.

Report casing pressure in lieu of tubing pressure for any well producing through casing.
 Well original and one copy of this report to the district office of the New Mexico Oil Conservation Division in accordance with Rule 305 and appropriate pool rules.

I hereby certify that the above information is true and complete to the best of my knowledge and belief.

Mohammed Yamin Merchant

Mohammed Yamin Merchant
 (Signature)
 President



PENROCK OIL CORPORATION
CONOCO STATE NO. 2
SUBJECT WELL

NO. HOBBBS
(GRBG-SA)
UNIT 126
SHELL
(OPER.)

Shell
HOBBBS
27

SO. HOBBBS

Map containing numerous small text blocks with owner names and acreage, including: A.R.C.O., Mobil, Amoco, Shell, Exxon, Conoco, and various individual names like J.S. Camp, M.R. Young, and J.A. Selmon.

OFFSET OPERATORS

PENROC OIL CORPORATION - CONOCO STATE NO. 2

Amoco Production Company
P. O. Box 68
Hobbs, New Mexico 88240

Conoco, Inc.
P. O. Box 460
Hobbs, New Mexico 88240

P 497 963 193

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED - NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to Amco Production Co	
Street and No. PO Box 68	
P.O. State and ZIP Code Hobbs, New Mexico 88240	
Postage	\$ 5.6
Certified Fee	.75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	.70
Return Receipt Showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.01
Postmark or Date	

PS Form 3800, Feb. 1982

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional services requested.

1. Show to whom delivered, date, and addressee's address.
2. Restricted Delivery.

3. Article Addressed to:
Amco Production Company
P.O. Box 68
Hobbs, New Mexico 88240

4. Article Number: **P 497-963-193**

Type of Service:
 Registered
 Certified
 Insured
 COD
 Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

9. Signature - Addressee X

10. Signature - Agent X

P 497 963 194

RECEIPT FOR CERTIFIED MAIL

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 Registered
 Certified
 Insured
 COD
 Express Mail

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8. Addressee's Address (ONLY if requested and fee paid)

9. Signature - Addressee X

10. Signature - Agent X

11. Date of Delivery

PS Form 3811, Feb. 1985



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

NOV 20 1987 11-6-87

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 _____

Gentlemen:

I have examined the application for the:

Penroc oil Corp. *Conoco State # 2-K* *33-18-38*
 Operator Lease & Well No. Unit S-T-R

and my recommendations are as follows:

OKJ

Yours very truly,

Jerry Sexton
 Jerry Sexton
 Supervisor, District 1

/ed



Amoco Production Company

Houston Region
501 WestLake Park Boulevard
Post Office Box 3092
Houston, Texas 77253

713-556-2000

James F. Trickett
Regional Environmental
Affairs and Safety Manager

December 10, 1987

File: JCA-986.51-5253

Re: Downhole Commingling
Conoco State No. 2
Hobbs Drinkard and Blinebry Oil Pools
2086' FSL and 2086' FWL
Section 33, T-18-S, R-38-E
Lea County, New Mexico

State of New Mexico
Energy and Minerals Department
Oil Conservation Divison
P. O. Box 2088
Santa Fe, New Mexico 8750-2088

Gentlemen:

As an offset operator, Amoco Production Company has no objection to Penroc Oil Corporation's request to commingle production within the well bore from the Drinkard and Blinebry oil and gas pools for the captioned well.

Yours very truly,

MLC/ewm

cc: Penroc Oil Corporation
P. O. Box 5970
Hobbs, New Mexico 88241