

CONSERVATION DIVISION
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COMMERCIAL RESOURCES
(505)-827-5724

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SURFACE RESOURCES
(505)-827-5793

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

**State of New Mexico
Commissioner of Public Lands**

Ray Powell, M.S., D.V.M.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5713

PLANNING
(505)-827-5752

November 26, 1996

Primal Energy Corporation
222 Pennbright, Suite 116
Houston, Texas 77090

Attn: Mr. John Abernethy

Re: Application for Downhole Commingling
Hale State Well No. 2
Unit Letter G, Section 2-25S-37E
Lease No. B-2317-8
Blinebry, Tubb Drinkard, Devonian & Fusselman Pools
Lea County, New Mexico

Dear Mr. Abernethy:

This office is in receipt of your application requesting our approval to downhole commingle the production from the above subject well from the Blinebry, Tubb Drinkard, Devonian and Fusselman Pools in Lea County, New Mexico.

It is our understanding that production from the subject well will be allocated by a fixed percentage allocation formula for each zone:

Since it appears that there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request for downhole commingling the production from the above-mentioned well is hereby approved. Any deviation from the substance of your request will be sufficient grounds for rescinding our approval. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Please submit your filing fee in the amount of \$30.00.

Primal Energy Corporation

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November 26, 1996

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
LARRY KEHOE, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/LK/cpm

Enclosure

cc: Reader File

OCD--Santa Fe--David Catanach and Ben Stone

B-2317-8

DHC 12/2/96
1417

DISTRICT I
PO Box 1980, Hobbs, NM 88240
DISTRICT II
811 South First St., Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department
OIL CONSERVATION DIVISION
2040 S. Pacheco
Santa Fe, NM 87505-6429
APPLICATION FOR DOWNHOLE COMMINGLING

Form C-107-A
New 3-12-96

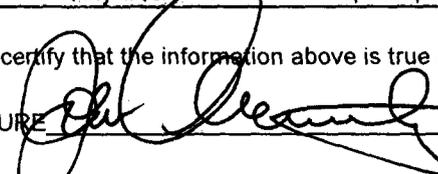
APPROVAL PROCESS
 Administrative Hearing
EXISTING WELLBORE
 YES NO

Primal Energy Corporation 222 Pennbright, Suite #116, Houston, TX 77090
OPERATOR ADDRESS
Hale State 2 G-2-T25S-R37E Lea
LEASE WELL NO. UNIT LTR.-SEC.-TWP.-RGE. COUNTY
OGRID NO. 154303 Property Code 18949 API NO. 30-025-11405
Spacing Unit Lease Types: (check 1 or more)
Federal State Indian Fee

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	<i>Jush</i> - Blinebry (34200)	<i>Jush</i> - Tubb Drinkard (35280)	Devonian <i>U. Jush</i> Fusselman (34790)
2. Top and Bottom of Pay Section (Perforations)	5335-5696'	5932-6156'	7056-91' 7182-7252'
3. Type of Production (Oil or Gas)	il	il	il il
4. Method of Production (Flowing or Artificial Lift)	AL	AL	AL AL
5. Bottomhole Pressure	a. (Current) 800psi	a. 900psi	a. 1100psi 1800psi
Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated or Measured Original	b. (Original)	b.	b.
6. Oil Gravity (^o API or Gas BTU Content)	37.3	35.9	35.8 36.9
7. Producing or Shut-in?	P	SI	SI SI
Production Marginal? (yes or no) If Shut-in, give date and oil/gas/water rates of last production	Y	Y	Y Y
Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data	Date: Rates:	Date: 2/69 Rates: 37 BO, 209 MCF, 1 BW (for month)	Date: 5/64 3/64 Rates: 329 BO/71 MCF 728 BO & 20 BW (for month) 242 M/4185
If producing, give date and oil/gas/water rates of recent test (within 90 days)	Date: 10/25/96 Rates: 4 BO/45 MCF/1 BW	Date: Rates:	Date: Rates:
8. Fixed Percentage Allocation Formula- % for each zone	Oil 10 Gas 69 %	Oil 3 Gas 15 %	Oil 27/60 Gas 4/12 %

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.
10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes No
If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No
Have all offset operators been given written notice of the proposed downhole commingling? Yes No
11. Will cross-flow occur? Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable? Yes No (If no, attach explanation.)
12. Are all produced fluids from all commingled zones compatible with each other? Yes No
13. Will the value of production be decreased by commingling? Yes No (If yes, attach explanation.)
14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes No
15. NMOCD Reference Cases for Rule 303(C) Exceptions: ORDER NO(S): _____
16. ATTACHMENTS:
* C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
* Production curve for each zone for at least one year. (If not available, attach explanation.)
* For zones with no production history, estimated production rates and supporting data.
* Data to support allocation method or formula.
* Notification list of all offset operators.
* Notification list of working, overriding, and royalty interests for uncommon interest cases.
* Any additional statements, data, or documents required to support commingling.

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

SIGNATURE  TITLE Manager, Operations & Engineering DATE November 6, 1996

TYPE OR PRINT NAME John Abernethy TELEPHONE NO. (281) 875-5100

List of Offset Operators - Hale State #2

Citation Oil & Gas Corp.
8223 Willow Pl. - Suite 250
Houston, TX 77070

Collins & Ware, Inc.
508 W. Wall, Suite 1200
Midland, TX 79701-5076

Conoco, Inc.
10 Desta DR, Suite 100W
Midland, TX 79705-4500

Samson Resources Co.
Two West Second Street
Tulsa, OK 74103

OXY USA Inc.
6 Desta Dr.-Suite 6000
Midland, TX 79710

Texaco Exploration & Production, Inc.
PO Box 1404
Houston, TX 77251-1404

LEASE : HALE STATE
 WELL : #2
 FIELD : JUSTIS, N. (FUSSELMAN)
 OPERATOR: E. C. HALE
 LOCATION: LEA, NM
 CUM 29.028 MBBL 8.289 MMCF
 Q1= 0 N= 0 DEC= 0

