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MUTUAL 2-2962

PENROSE PRODUCTION COMPANY
411 GULF BUILDING
MIDLAND, TEXAS 79704

May 22, 1964

New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

ATTENTION: Mr. A. L. Porter, Jr.

RE: Application of Penrose Production Company for Exception to Rule 303(a) in order to Commingle Crude Oil Production from the Drinkard and Blinebry Oil Pools on its Sunshine-State lease located in Sec. 19, T21S, R37E, Lea County, New Mexico

Gentlemen:

Penrose Production Company respectfully requests exception to Rule 303(a) to permit commingling as described above and submits the following:

1. Figure No. 1, which is a lease plat showing applicant's lease and offset leases.

2. Currently the Sunshine-State lease is developed with one well, the Sunshine-State No. 1, located 990' FNL & 2209' FWL of Section 19, T21S, R37E, Lea County, New Mexico. Well No. 1 will be a triple completion from the Penrose-Skelly, Blinebry and Drinkard oil pools. Permission for the triple completion has been given by the Commission Order No. R-2704 dated May 13, 1964. This well currently is in the process of completion and a production test has been taken only in the Drinkard oil zone. This test is shown on Exhibit 2. Also shown is a representative test from the Blinebry zone based on an actual production test in the Penrose - L. G. Warlick No. 2 well which is a direct West offset to the subject well. The L. G. Warlick No. 2 is a triple completion in the same manner as the subject well and permission to commingle in a similar manner as herein proposed has been granted by the Commission. (Order PC-209)

3. Applicant proposes to meter separately the production from the Sunshine-State No. 1 Blinebry zone as shown on the schematic diagram, Exhibit

No.3. The Drinkard oil production will be determined by the subtraction method. Please note on Exhibit No.3 that a separate test line is provided for calibrating the meter.

4. Ownership of all zones is common on this State acreage. Attached hereto is a copy of the commingling application submitted to the State Land Office.

5. The API gravity of the two crudes is almost identical, being between 37 and 38 degrees, and no change in value as a result of commingling is anticipated. Texas New Mexico Pipe Line Company, the crude transporter, and Sinclair Crude Oil Purchasing Company, the purchaser, have both given verbal approval of the proposed commingling.

6. Commingling of production will result in the prevention of waste and will not impair correlative rights.

7. The proposed installation will be operated in accordance with provisions of the New Mexico Oil Conservation Commission "Manual for the Installation and Operation of Commingling Facilities", including the requirement for a non-reset counter on the meter.

8. The Hobbs District Office of the Commission will be notified when the proposed installation is completed, in order that an inspection can be made of the facility before it is placed in operation.

Very truly yours,

PENROSE PRODUCTION COMPANY

Harold S. Winston

Harold S. Winston
Petroleum Engineer

HSW:lb
cc: NMOCC, Hobbs Office
NM State Land Office

atts.

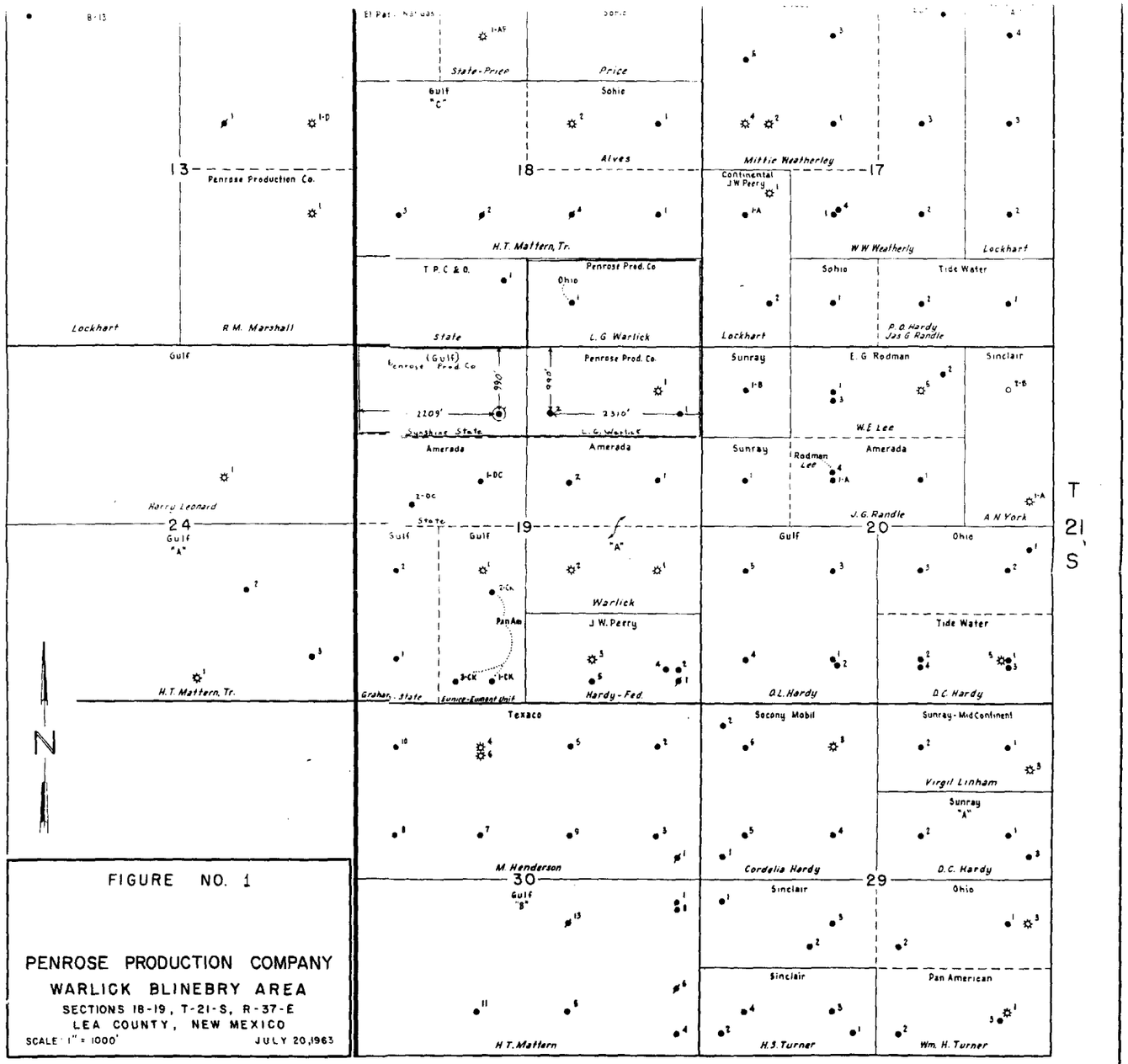


FIGURE NO. 1

PENROSE PRODUCTION COMPANY
WARLICK BLINEBRY AREA
SECTIONS 18-19, T-21-S, R-37-E
LEA COUNTY, NEW MEXICO
SCALE: 1" = 1000' JULY 20, 1963

LARGE FORMAT EXHIBIT HAS BEEN REMOVED AND IS LOCATED IN THE NEXT FILE

EXHIBIT NO. 2

Penrose Production Company - Sunshine State Lease

24-Hour Well Test

Zone	Date	Choke	TP	Oil Bbls.	Water Bbls.	Gas Volume, MCF	GOR	API Gravity
Drinkard	5/21/64	15/64"	575	495	21	537	1086	37
Blinebry*	--	24/64"	200	95	0	387	4100	38

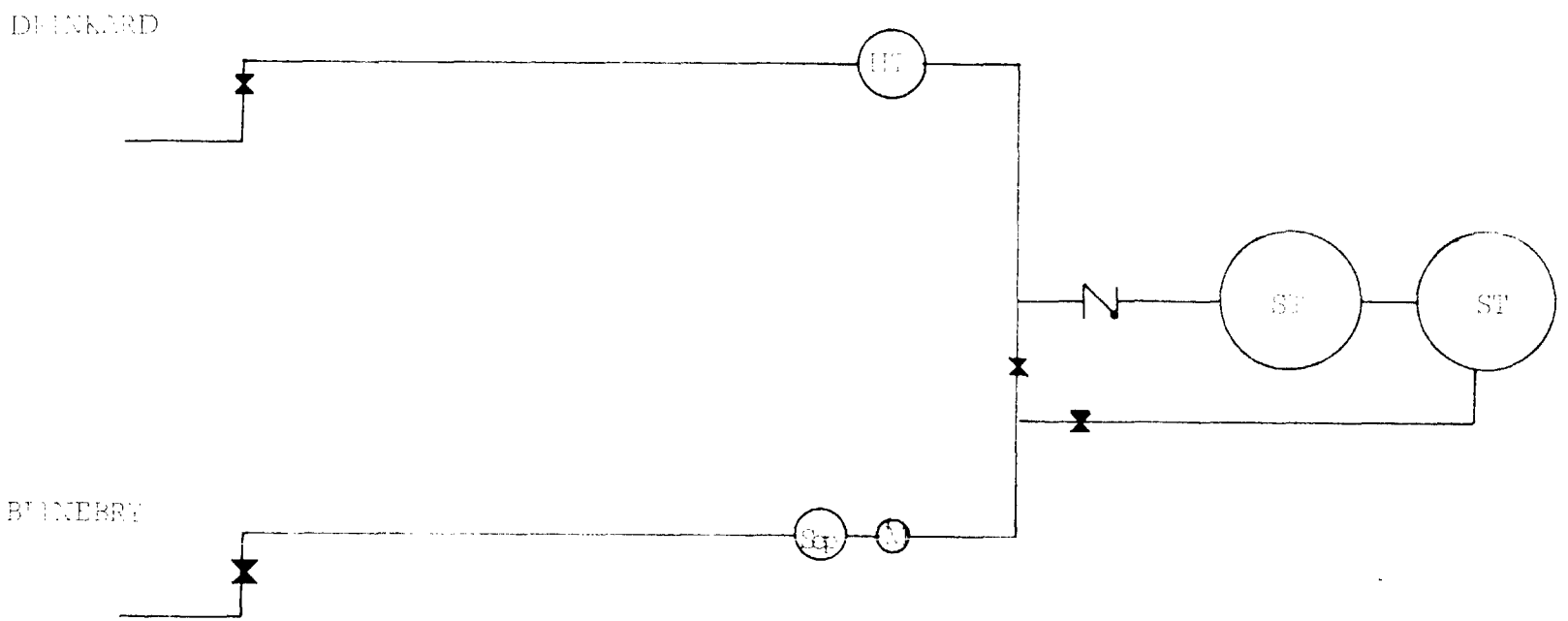
*Estimated from offset Penrose - L. G. Warlick No. 2 well.

SCHEMATIC DIAGRAM

PROPOSED COMMINGLING INSTALLATION

Penrose Production Company - Sunshine-State Lease

EXHIBIT NO. 3



SYMBOLS

- Check Valve
- Block Valve
- HT - Heater Treater
- ST - Stock Tank
- M - Meter
- Sep - Separator

PENROSE PRODUCTION COMPANY
411 Gulf Building
Midland, Texas
79704

Area Code 915
MUtual 2-2962

May 22, 1964

New Mexico State Land Office
State Land Office Building
Santa Fe, New Mexico

ATTENTION: Mr. Bilberry

RE: New Mexico State Lease No. B-1732
N/2 NW/4 Section 19, T21S, R37E,
Lea County, New Mexico

Gentlemen:

Penrose Production Company is the operator of the subject acreage under farmout from Gulf Oil Corporation.

We have just completed drilling our No. 1 well on the subject acreage, and a copy of Form C-128 is attached. Also attached is a copy of our application to the New Mexico Oil Conservation Commission for permission to commingle the Blinebry and Drinkard oil production from the subject lease. The commingling facility has been designed to comply with the requirements of the Commission and has been approved by them for the offset lease.

We respectfully request your approval of the proposed commingling installation and your advice of such approval to the New Mexico Oil Conservation Commission, Attention Mr. A. L. Porter, Jr. Please also send a copy of your approval letter to the undersigned at the above address. Your approval of this request will result in maximum revenue to the State of New Mexico, inasmuch as operating costs will be lowered by the proposed installation, thereby lowering the economic limit of production and increasing the producing life. As soon as we receive your approval and that of the Commission, we can start production and selling of hydrocarbon products.

If you have any questions or comments regarding this request, please do not hesitate to call the undersigned Collect at the Midland number given above. Your early attention to this request will be sincerely appreciated.

Very truly yours,

PENROSE PRODUCTION COMPANY

Harold S. Winston

Harold S. Winston
Petroleum Engineer

HSW:lb
atts.