



**Pecos Production Company**  
**400 W. Illinois Suite 1070**  
**Midland, TX 79701**

December 20, 2004

New Mexico Oil Conservation Division  
1220 South St Francis Drive  
Santa Fe, NM 87505

RE: Application for Downhole Commingling  
Southpaw Federal No 1  
Watkins (Yates, 7R, Queen, Grayburg) and Young (San Andres) Fields  
Section 30, Twp 18-S Rge 32-E, Lea County, NM

Pecos Production respectfully submits the attached application for downhole commingling the above designated fields in the above referenced wellbore. The entire perforated interval in this well was thought to be included in the Watkins Field, it was discovered later that there is a separated designation for the San Andres Interval.

All requested data is supplied on the attached Form C-107-A, with the exception of a years production history on each zone. In place of this data and in support of the proposed fixed allocation percentages, Pecos submits the following:

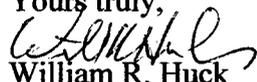
The San Andres zone swabbed 13 BO and 4 BLW in one day on March 11, 2004. The zone being tested showed very poor porosity and permeability, such that further stimulation would not increase production, however the zone could be expected to continue producing at this low rate, even if commingled with the shallower zone.

Average allocated production for the month of October for the Queen-Grayburg formation of 36 BO, 203 BWPD, and 44 MCFD. The San Andres was allocated 12 BOPD for this period.

The well was and is in a pumped off condition, so no cross-flow exists, although the low permeability in the San Andres probably would not take fluid below frac gradient anyway.

There are no offsetting wells producing in these zones, however notice has been sent to Offset operators of record.

Yours truly,



William R. Huck  
VP Engr & Opns.

District I  
1625 N. French Drive, Hobbs, NM 88240

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107A  
Revised June 10, 2003

District II  
1301 W. Grand Avenue, Artesia, NM 88210

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

APPLICATION TYPE  
Single Well  
Establish Pre-Approved Pools  
EXISTING WELLBORE  
Yes No

District III  
1000 Rio Brazos Road, Aztec, NM 87410

District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

APPLICATION FOR DOWNHOLE COMMINGLING

DHC-3385

PECOS PRODUCTION COMPANY

Operator Address

SOUTHPAW 30 FEDERAL

1

M-30-18S-32E

LEA

Lease Well No. Unit Letter-Section-Township-Range County  
OGRID No. 215758 Property Code 33346 API No. 30-025-36547 Lease Type: X Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	WATKINS; YATES-7RVS-QU-GB		YOUNG; SAN ANDRES
Pool Code	63680		65550
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	Perforated 3854'-4220'		Perforated 4697'-4706'
Method of Production (Flowing or Artificial Lift)	ARTIFICIAL LIFT		Swabbing
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	NA		NA
Oil Gravity or Gas BTU (Degree API or Gas BTU)	34.1° API, BTU- 1175		35° API
Producing, Shut-In or New Zone	PRODUCING		PRODUCING
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 10/2004 Rates: Average- 36 BO, 203 BW & 44 MCF	Date: Rates:	Date: 3/11/2004 Rates: Swab- 13 BO, 4 BLWPD & Gas TSTM
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil 80 % Gas 100%	Oil % Gas %	Oil 20% Gas 0%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes X No  
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? NA Yes No

Are all produced fluids from all commingled zones compatible with each other? Yes X No

Will commingling decrease the value of production? Yes No X

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes X No

NMOCD Reference Case No. applicable to this well: \_\_\_\_\_

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication. **Attachment I**
- 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 working, royalty and overriding royalty interests for uncommon interest cases. **Attachment II**
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools –
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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

SIGNATURE William R. Huck TITLE VP- ENGR & OPERATIONS DATE 12-21-04

TYPE OR PRINT NAME WILLIAM R. HUCK TELEPHONE NO. ( 432 ) 620-8480

E-MAIL ADDRESS billh@pecosproduction.com

DISTRICT I  
P.O. Box 1990, Hobbs, NM 88241-1990

DISTRICT II  
P.O. Drawer 80, Artesia, NM 88211-0719

DISTRICT III  
1000 Rio Brazos Rd., Artesia, NM 87410

DISTRICT IV  
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico  
Energy, Minerals and Natural Resources Department

**OIL CONSERVATION DIVISION**  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

Form C-102  
Revised February 10, 1994  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

AMENDED REPORT

API Number 30-025-36547	Pool Code 63680	Pool Name Watkins; Yates-7RVS-QN-GB
Property Code 33346	Property Name SOUTHPAW FEDERAL 30	Well Number 1
OGRID No. 215758	Operator Name PECOS PRODUCTION COMPANY	Elevation 3674'

Surface Location

UL or lot No.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
4	30	18-S	32-E		430'	SOUTH	690'	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

<table border="1"> <tr> <td style="width: 15%;">LOT 1</td> <td style="width: 15%;"></td> </tr> <tr> <td>41.07 AC LOT 2</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>41.09 AC LOT 3</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>41.11 AC</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>41.13 AC</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table> <div style="margin-top: 20px;"> <p>#1 SEE DETAIL</p> </div>	LOT 1						41.07 AC LOT 2						41.09 AC LOT 3						41.11 AC						41.13 AC						<p><b>OPERATOR CERTIFICATION</b></p> <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><i>William R. Huck</i> Signature</p> <p>William R. Huck Printed Name</p> <p>VP-Engr &amp; Operations Title</p> <p>12-5-03 Date</p> <hr/> <p><b>SURVEYOR CERTIFICATION</b></p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</i></p> <p>December 01, 2003 Date Surveyed</p> <p><i>Gary E. Gibson</i> Signature &amp; Seal</p> <p>GARY E. GIBSON Professional Surveyor NEW MEXICO</p> <p>12/2/03 03.14.13</p> <p>Certificate No. GARY E. GIBSON 12641</p>
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**WELL LOCATION AND ACREAGE DEDICATION PLAT**

AMENDED REPORT

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Property Code 33346	Property Name SOUTHPAW FEDERAL 30	Well Number 1
OGRID No. 215758	Operator Name PECOS PRODUCTION COMPANY	Elevation 3674'

Surface Location

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UL or lot No.	Section	Township	Range	Lot Mn	Feet from the	North/South line	Feet from the	East/West line	County
40									

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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<p>LOT 1</p> <p>41.07 AC LOT 2</p> <p>41.09 AC LOT 3</p> <p>41.11 AC LOT 4</p> <p>No. 1</p> <p>SEE DETAIL</p> <p>41.13 AC</p>	<p><b>GEODEIC COORDINATES</b> NAD 27 NME Y = 623271.5 N X = 660466.7 E LAT. = 32°42'44.59"N LONG. = 103°48'41.83"W</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><i>William R. Huck</i> Signature</p> <p>William R. Huck Printed Name</p> <p>VP-Engr &amp; Operations Title</p> <p>12-5-03 Date</p>
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		<p>Certification No. GARY EDISON 12641</p>
		<p>Professional Surveyor</p>

**PECOS PRODUCTION COMPANY  
SOUTHPAW 30 FEDERAL NO. 1  
INTEREST OWNERS**

MARSHAL & WINSTON, INC.  
PO BOX 50880  
MIDLAND, TX 79710-0880

JOHN KEFFLER  
110 W. LOUISIANA, SUITE 313  
MIDLAND, TX 79701

**OFFSET OPERATORS**

DEVON ENERGY  
20 NORTH BROADWAY, STE 1500  
OKLAHOMA CITY, OK 73102

MARBOB ENERGY  
PO BOX 227  
ARTESIA, NM 88211