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TO: David Catanach
OF: Oil Conservation DivisionFROM: W. THOMAS KELLAHIN, Esq.

FAX NO: (505) 827-8177

SPECIAL INSTRUCTIONS:REF: NMOCD Case 11293
Order R-10400
State A-2 Well No. 4
Unit J, Sec 2, T25S, R37E,
Lea County, New Mexico**MESSAGE:**

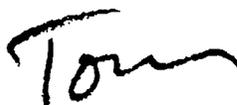
David:

When you get a chance, I would appreciate you double checking Order R-10400. This DHC case had two "unusual" items: (1) request for 6000-1 GOR and (2) request for a water rate exception. Your order approved the GOR request but I do not see that you made any decision about the water.

I have always had trouble figuring the water limit per Rule 303(C)(1)(a)(iii). It appear to me that Conoco would be limited to no more water than the total combined oil limit which is 40 BOPD [6-7,000 feet] x 3 zones = 120 BOPD max. Conoco believes the water rate will be 150-200 BOPD. If I did this correctly, then we may need further action by you.

So do we need to do anything to be allowed to produce this volume of water???

Regards,



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(3) Pursuant to Rule 303(F), Administrative Order DHC-886 authorized a 6000 to 1 GOR limit which is the limiting GOR established for both the Justis-Blinebry and Justis-Tubb-Drinkard pools.

(4) The well currently pumps 18 BOPD, 351 MCFGPD and 18 BWPD from the downhole commingled Justis-Blinebry and Justis Tubb-Drinkard pools.

(5) Conoco now seeks to downhole commingle in this wellbore any production from the North Justis-Abo Pool with the two previously approved pools.

(6) Pursuant to Rule 303(F), the addition of the Abo Pool, which is limited to a 2000 to 1 GOR, would require Conoco to reduce the GOR in this well to 2000 to 1 from the currently approved 6000 to 1.

(7) In addition, the North Justis-Abo Pool also produces water such that the total combined water production from the three pools in this wellbore would exceed 120 BWPD.

(8) Therefore, Conoco also seeks:

(a) an exception to Rule 303(F) to establish for this well a gas-oil ratio limit of 6,000 cubic feet of gas per barrel oil; and

(b) an exception to Rule 303(C)(1)(a)(iii) to allow for water production in excess of 120 BWPD for this well.

(9) The ownership is common for the well and its respective spacing and proration units in all three pools.

(10) In accordance with Division Rule 303-C-1.(b), the Applicant states and will demonstrate at hearing:

1. the downhole commingling in this wellbore is necessary because evidence indicates that the Abo production from this well in this well is expected to be marginally productive and

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IT IS THEREFORE ORDERED THAT:

(1) The applicant, Conoco Inc., is hereby authorized to downhole commingle North Justis-Abo Pool production with previously approved downhole commingled Justis-Blinebry and Justis Tubb-Drinkard Pool production (Division Order No. DHC-886) within the State A-2 Well No. 4 located 2130 feet from the South line and 1980 feet from the East line (Unit J) of Section 2, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico.

(2) The maximum amount of oil which may be produced from the subject well shall not exceed 40 barrels per day. The maximum amount of gas which may be produced from the subject well shall not exceed 642 MCF gas per day.

(3) Production from each of the pools within the subject well shall be allocated as follows:

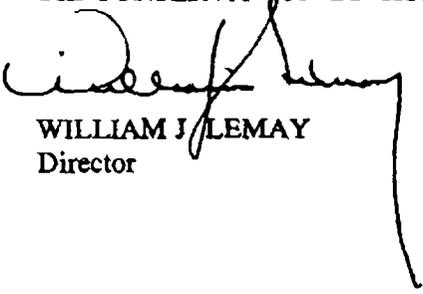
Production from the Blinebry/Tubb-Drinkard interval shall be determined by utilizing the production forecast tables presented as evidence in this case. Individual Blinebry and Tubb-Drinkard allocation shall be determined by utilizing the allocation percentages contained within Order No. DHC-886. North Justis-Abo Pool production shall be determined by subtracting Blinebry/Tubb-Drinkard production from the total well production.

(4) The operator should immediately notify the supervisor of the Hobbs District Office of the Division any time the subject well has been shut-in for seven consecutive days and shall concurrently present, to the Division, a plan for remedial action.

(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L