

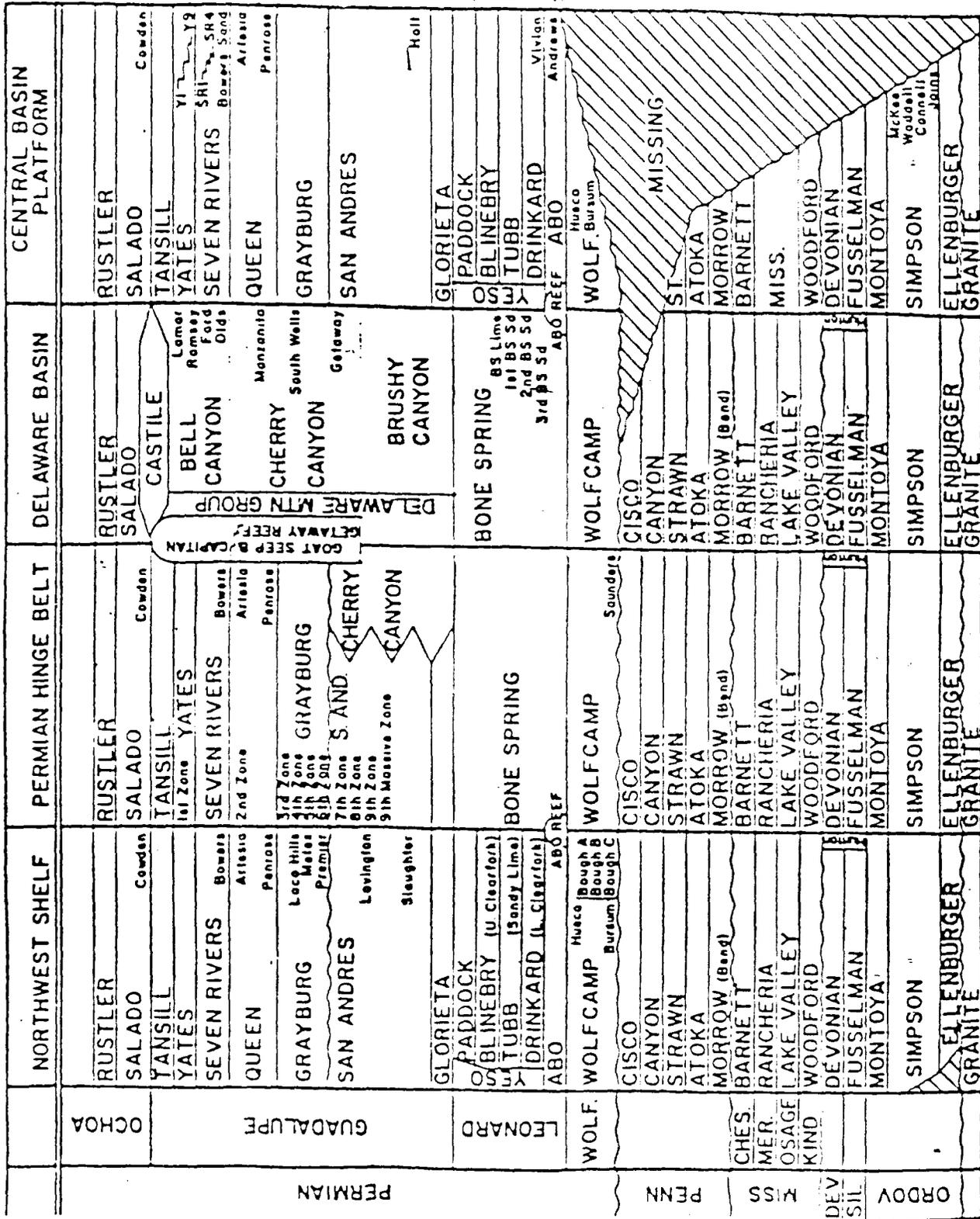
DOWNHOLE COMMINGLING ISSUES

IN

SOUTHEAST NEW MEXICO

RESERVOIRS

11353
COMING



CORRELATION CHART
SE NEW MEXICO

SEC 0-12 000

PROPOSED CHANGES TO RULE 303 - DOWNHOLE COMMINGLING

1. COULD INCREASE ULTIMATE RECOVERIES FROM MATURE POOLS IN SOUTHEAST NEW MEXICO

- * Relaxation of the DHC producing cap would allow for an acceleration in depletion of multiple zones.
- * Relaxed DHC requirements would encourage operators to seek DHC approvals, rather than discourage the application of DHC.
- * Marginal zones could be economically produced versus temporary or permanent abandonment to seek a stronger completion.

EXAMPLES: State A-2 No. 4
 State A-2 No. 5

2. WOULD NOT CAUSE WASTE OR RESERVOIR DAMAGE

- * The majority of the pools that are being DHC are mature, low pressure, solution gas drive reservoirs that exhibit similar crude properties.
- * In addition, these pools have low permeability, such that wells are typically pumped off or carry a low fluid level. Cross flow is not a concern in this area.
- * With the development of new stimulation technology, many abandoned intervals may become economically attractive if they can be commingled downhole.

3. PREAPPROVED DHC FOR PROPOSED DRILLING WELLS WOULD ENCOURAGE ADDITIONAL RECOVERY IN MARGINAL ZONES

- * Many pools are not economically attractive to drill new wells due to the amount of time required to establish production from individual zones and the prohibitive cost of dual completions.
- * Preapproved DHC would allow for multiple zones to be completed initially, resulting in a significant cost savings, a quicker payback on the investment, and increased ultimate recovery of reserves.

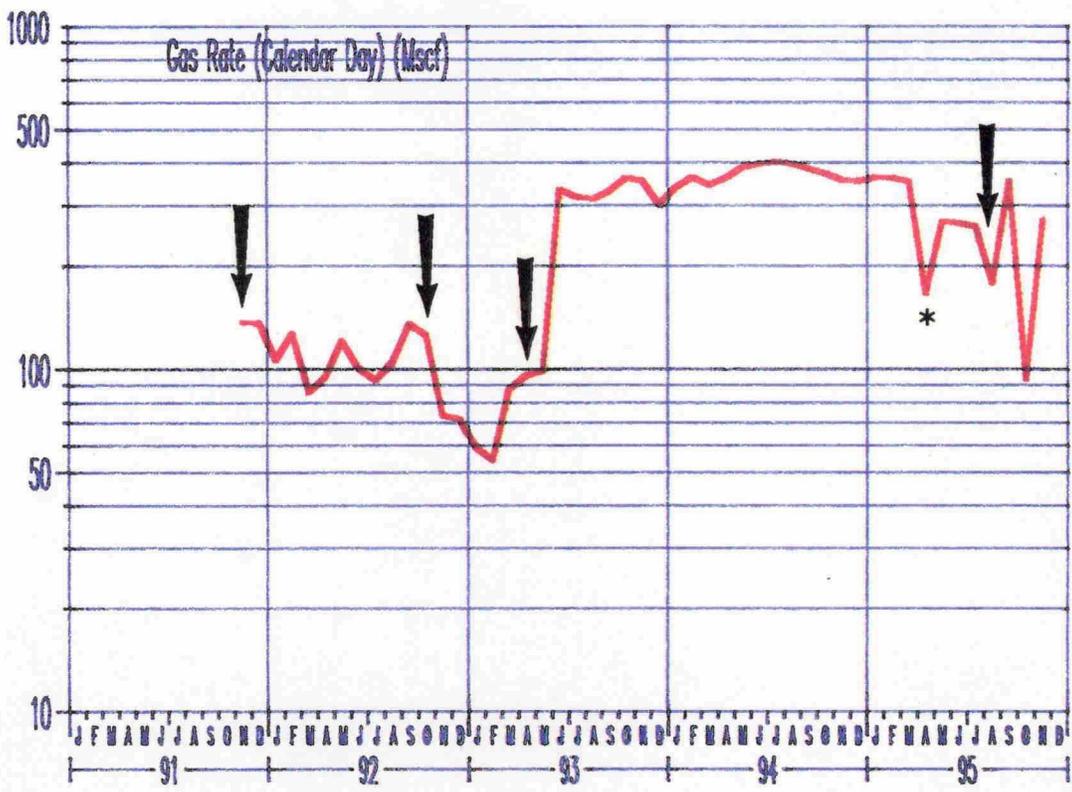
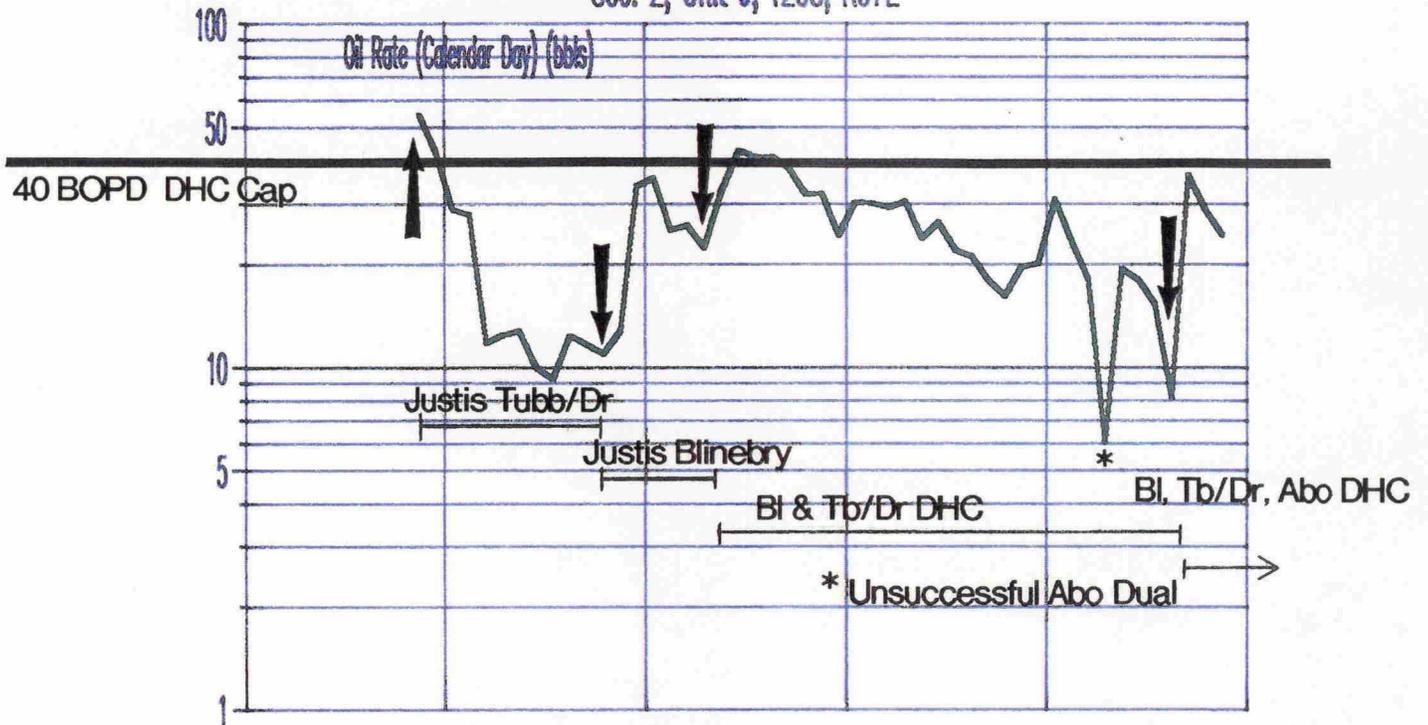
State A-2 No. 4 Well History

Sec. 2, Unit J, T25S, R37E

Well proposed as a dual completion in North Justis Abo and Justis Tubb/Drinkard with Justis Blinebry as a future recompletion. Drilled well to recover remaining reserves that could not be recovered through the State A-2 No. 2, a tubingless triple completion.

1. August 1991 Set 7" casing through Abo. Abo would not flow and was abandoned.
2. October 1991 Completed as a single in Justis Tubb/Drinkard.
3. November 1992 Temporarily abandon Tubb/Drinkard, recompleted to Blinebry
4. April 1993 DHC Blinebry with Tubb/Drinkard -- Administrative Order No. DHC-886.
5. April 1995 Failed in attempt to dual well with flowing Abo completion.
6. August 1995 DHC North Justis Abo with Division Order No. R-10400.

State A-2 No. 4
 Sec. 2, Unit J, T25S, R37E



State A-2 No. 5 Well History

Sec. 2, Unit O, T25S, R37E

Well proposed as a single completion in Justis Tubb/Drinkard with Blinebry and Paddock as future recompletions. Drilled well as offset to No. 3, also a tubingless triple completion.

1. January 1994 completed as a single in Justis Tubb/Drinkard.
2. August 1995 temporarily abandoned Tubb/Drinkard (21 BOPD, 363 MCFD), recompleted to Blinebry.

State A-2 No. 5
 Sec. 2, Unit 0, T25S, R37E

