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Jason Kellahin
Of Counsel

RECEIVED

December 14, 1987

DEC 15 1987

OIL CONSERVATION DIVISION

Mr. Michael E. Stogner
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

"Hand Delivered"

Re: Application of Mewbourne Oil Company
for Downhole Commingling
NMOCD Case 9269
Lea County, New Mexico

Dear Mr. Stogner:

At the hearing held on December 2, 1987 in the referenced case, you granted our request to leave the record open pending your receipt of additional information to be supplied by Mr. Bryan Montgomery, Mewbourne's Petroleum Engineer.

Mr. Montgomery desires to downhole commingle the production in the subject well from four zones; the Blinebry, Tubb, Drinkard and Abo formations. The issue you raised was whether the Tubb zone open in the subject well should cause a 160 acres to be dedicated to it pursuant to the Warren Tubb Gas Pool Rules. When Mewbourne originally considered perforating the Tubb zone they reviewed the Oil Proration Order A-261, copy attached to Mr. Montgomery's letter. That review lead them to erroneously believe that all of the Tubb completions in the immediate area were 40 acre oil wells. Mewbourne does not have available to it 160 acres for the Tubb dedication and I have recommended that they apply for administrative approval of a 40-acre non-standard spacing unit. You can see from Mr. Montgomery's December 9, 1987 letter, copy enclosed, that the production from the Tubb formation in the area is small and the GOR is less than 4,000 to 1.

I would appear to me and I would suggest that we apply for and create a 40-acre non-standard spacing unit for the Tubb rather than try to now dedicate 160 acres to

*Not needed
it is an oil well
I don't think the
other oil wells
have NSP's.
Rule 17.*

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the Tubb. If you concur I will prepare and circulate the required waivers to the working interest owners or operators in the balance of the quarter section, as required by Rule 2 of the Warren Tubb Gas Pool rules.

Please call me or Mr. Montgomery if you need anything further.

Very truly yours,

A handwritten signature in black ink, appearing to read "Tom Kellahin", written over the typed name.

W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Bryan Montgomery

MEWBOURNE OIL COMPANY

P. O. BOX 7698

TYLER, TEXAS 75711

214 - 561-2900

December 9, 1987

Mr. Tom Kellahin
117 North Guadalupe
P. O. Box 2265
Santa Fe, New Mexico 87504

Re: Gulf-State #1
Section 36, T20S-R38E
Lea County, New Mexico

Dear Mr. Kellahin:

Attached is a schedule for allowables in the Warren Tubb (Oil) Field. This field is on 40-acre spacing with top allowables of 142 BO/D and 284 MCF/D. I have highlighted the wells that offset the Mewbourne Oil Gulf-State #1 on this attachment. All of these wells are in the Conoco-Warren Tubb Unit in Sections 26 and 35 of T20S-R38E. Below is the Dwrights Energydata, Inc. oil lease history for these offset wells.

Well	Section	First Production Date	Last Production Date	Status	Cum Oil (Bbls)	Cum Gas (Mcf)	Cum GOR (scf/bbl)
64	26A	7-79	8-87	Active	12,834	27,339	2,130
56	26B	3-79	8-87	Active	64,916	47,597	733
53	26C	2-79	8-87	Active	96,002	293,417	3,056
57	26D	5-79	8-87	Active	36,679	24,117	658
54	26E	3-79	8-87	Active	31,683	63,512	2,005
48	26F	8-78	8-87	Active	88,372	416,395	4,712
55	26G	3-79	8-87	Active	27,893	28,046	1,005
49	26J	9-78	8-87	Active	57,834	61,686	938
46	26K	5-78	8-87	Active	55,502	188,991	2,937
59	26L	5-79	8-87	Active	17,903	486,341	27,165
44	26M	4-77	8-87	Active	54,371	297,609	5,474
45	26N	10-77	8-87	Active	31,220	269,384	8,629
79	35D	6-80	8-87	Active	25,537	48,090	1,883
Total					600,746	2,252,524	3,750

The cumulative GOR for all of these offsets as a whole is 3,750 scf/bbl. The wells closest to the Gulf-State #1 are well numbers 79, 45 and 49 (see attached map). These wells have current GOR's of 8,506 scf/bbl, 6,876 scf/bbl and 2,523 scf/bbl, respectively, based on the first 8 months of 1987 production.

Mewbourne Oil Company did swab-test the Tubb zone alone (6612'-6761') after treating it with 3000 gallons of 15% NE-FE acid. The zone swab-tested 1/2 BO in 10 hours with a fair show of gas. Since the Blinebry zone was producing 17 Mcf/D before any commingling and the stabilized gas production for all four zones is 21 Mcf/D, the maximum gas production that could be coming from the Tubb zone is 4 Mcf/D. This would result in a GOR of 3333 scf/bbl (using 1.2 BO/D from swab test). This agrees with the current GOR of the closest of the offset wells.

The Drinkard and Abo were treated and swab tested together. They produced 30 BO and no show of gas during the 3 days of swab testing.

Using the oil production allocation and the stabilized production rates as submitted in previous exhibits and the GOR information stated above, the following gas allocation is submitted for approval.

	Oil Allocation (%)	Oil Allocation (BO/D)	Estimated GOR (scf/bbl)	Gas Allocation (Mcf)	%
Blinebry	35	3.15	3,850 (1)	12.1	58
Tubb	15	1.35	3,333	4.5	21
Drinkard	15	1.35	978 (2)	1.3	4
Abo	35	3.15	978 (2)	3.1	15
Stabilized Rate For All Four Zones		<u>9</u>		<u>21</u>	

(1) GOR based on 1987 production before commingling.

(2) 21 Mcf/D - (12.1 Mcf/D + 4.5 Mcf/D) = 4.4 Mcf/D remaining gas production for Drinkard and Abo zones.

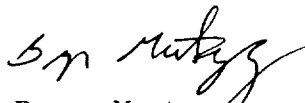
$$\frac{4.4 \text{ Mcf/D}}{(1.35 \text{ BO/D} + 3.15 \text{ BO/D})} = 978 \text{ scf/bbl}$$

The above table represents a more rigorous attempt to comply with requirements 4, 5, 8 and 9 of Rule 303C of the State of New Mexico Rules and Regulations.

If you require any additional information, please feel free to give me a call.

Very truly yours,

MEWBOURNE OIL COMPANY


Bryan Montgomery
Engineer

BM:gt
Attachment

SEPTEMBER THRU DECEMBER, 1987
MARKET DEMAND
PERCENTAGE FACTOR: 100%

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

ORDER NO. A-261
SCHEDULE NO. 46
VOLUME I HOBBS DISTRICT

OIL PRODUCTION ORDER

VOLUME I OF THE PRODUCTION SCHEDULE COVERS ALL PRODUCING OIL WELLS
IN DIVISION DISTRICT I WHICH COMPRISES LEA, ROOSEVELT, AND CURRY
COUNTIES AND THAT PORTION OF CHAVES COUNTY LYING EAST OF THE NORTH-
SOUTH LINE SEPARATING RANGES 29 AND 30 EAST, NMPM

GAS-OIL RATIO TEST SCHEDULE FOR SEPTEMBER THRU DECEMBER, 1987, ON PAGES 1 THRU 4

LEGEND

* EFFECTIVE GAS-OIL RATIO
** NON-EFFECTIVE GAS-OIL RATIO
() AMOUNT OF OIL PRODUCED ON
MOST RECENT TEST

THE DISTRICT SUPERVISOR SHOULD BE NOTIFIED OF ANY ERROR IMMEDIATELY

HOBBS DISTRICT OFFICE, 1900 WEST BROADWAY, HOBBS, NEW MEXICO 88240

POST OFFICE BOX 1980

TELEPHONE (505) 393-6161

