



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

December 14, 1998



Arco Permian
P.O. Box 1610
Midland, Texas 79702-1610

Ms. Elizabeth A. Casbeer

Re: Application received by the New Mexico Oil Conservation Division ("Division") on November 20, 1998 for administrative approval to downhole commingle the Red Lake-Queen Grayburg San Andres (Oil-51300) and the Northeast Red Lake-Glorieta Yeso (Oil-96836) Pool production in the Red Lake "3" Federal Well No. 1 (API No. 30-015-29801) and the Red Lake "3" Federal Well No. 2 (API No. 30-015-29802) both located in Unit Letter E, Section 3, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico.

Dear Ms. Casbeer:

Reference is made to your recent applications for exceptions to Rule 303.A. of the Division Rules and Regulations to permit the downhole commingling of the above described wells from the subject pools.

Pursuant to Division Rule 303.C.(1)(a)(iii), the total water production from all commingled zones shall not exceed twice the oil limit, or 160 BWPD. Since the applications state the daily water production is 202 and 186 BWPD respectively, the applications cannot be approved administratively.

The Division allows for a hearing before a Division appointed examiner for applications that cannot be approved administratively. Please advise if Arco Permian would like to set the above described applications to hearing.

If you have any questions, please contact me at (505) 827-8183.

Sincerely,

Mark Ashley

cc: Oil Conservation Division - Artesia
U.S. Bureau of Land Management - Carlsbad