

EXXON COMPANY, U.S.A.

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May 16, 1988

PRODUCTION DEPARTMENT
SOUTHWESTERN DIVISION

Downhole Commingling
N. G. Penrose Well No. 3
Unit G, Section 13, T22S, R37E
Lea County, New Mexico

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

Attention: Mr. David R. Catanach

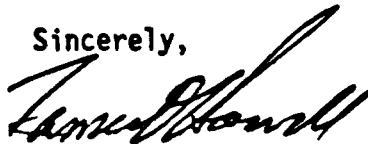
By your letter dated April 5, 1988 the New Mexico Oil Conservation Division Administrative Order No. DHC-195 was amended to allow the Drinkard, Wantz Granite Wash and Blinebry Oil and Gas Pools to be downhole commingled in the captioned wellbore, conditional upon separately testing of the ~~Granite Wash~~ Blinebry before commingling. Due to the marginal economics of the work, Exxon Corporation requests that this condition be removed. Since you indicated that this type of relief would not be granted administratively, please set our request for consideration at the June 8, 1988 examiner hearing.

At the June 8, 1988 hearing, we will present evidence to support the following allocation of production to each zone.

	Expected Oil Production		Expected Gas Production	
	Oil (BOPD)		Gas (MCFPD)	
Blinebry Oil & Gas	4.6	(30%)	84.9	(79%)
Drinkard	7.6	(49%)	13.9	(13%)
Wantz Granite Wash	3.2	(21%)	8.3	(8%)
Commingled Total	15.4	(100%)	107.1	(100%)

All offset operators have been notified by copy of this letter.

Sincerely,


J. D. Howell

JDH:dkw

Certified Mail

c: Mr. James Bruce
Offset Operators
Mr. Jerry Sexton, NMOCD, Hobbs, NM
2 copies to addressee

Exxon Corporation
Exhibit No. 2C
Cases 9398 & 9399
June 8, 1988 docket

**OFFSET OPERATORS TO
EXXON'S N. G. PENROSE LEASE**

**Mabee Petroleum Corp.
400 W. Illinois, Ste. 1500
Midland, Texas 79701**

**Zachary Oil Operating Co.
1212 Commerce Bldg.
Fort Worth, Texas 76102**

**Marathon Oil Company
Box 522
125 W. Missouri St.
Midland, Texas 79702**

**Fina Oil & Chemical Company
6 Desta Drive
Midland, Texas 79705**

**Texaco Producing, Inc.
Box 3109
500 N. Lorraine
Midland, Texas 79701**

**Sun Exploration & Production Co.
Box 1861
Midland, Texas 79702**

**Sohio Petroleum Company
10 Desta Drive, Ste. 600 West
Midland, Texas 79705**

**J. H. Hendrix Corp.
223 W. Wall
525 Midland Tower Bldg.
Midland, Texas 79701**