

PETROLEUM PRODUCTION MANAGEMENT, INC.
P.O. BOX 957
CROSSROADS, NEW MEXICO
88114

July 14, 1989

State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Re: Downhole Commingle Abo and Penn
State "8" No. 1
UL "A", Sec. 8, T-10-S, R-34-E
Lea County, New Mexico

Gentlemen:

Petroleum Production Management, Inc. respectfully requests administrative approval to commingle production downhole between the Abo and Penn zones in the referenced well. Submitted in support of this application are the following exhibits: (1) Schematic Diagram of Well Bore; and (2) Lease Plat.

This well was originally completed in the Penn zone but had declined to an average of 3BOPD and no gas sales prior to re-completion in the Abo zone during April, 1989. On a 24 hour initial potentation test, dated April 30, 1989 after recompleting in the Abo, the well produced 19 barrels of oil, 2 barrels of water and 24 mcf gas. Production has declined to 11 BOPD, 1 BWPD and 16 mcf per day at present.

Oil gravity of Abo production based on two sales has averaged 43.9 degrees API at 60 degrees F. Oil gravity of Penn production on the last sale from this zone on December 22, 1988 was 59.8 degrees API at 60 degrees F. Anticipated oil gravity for commingled production is 56.4 degrees API at 60 degrees F. All oil sales from the Petroleum Production Management, Inc. wells in Southeastern New Mexico are on contract to Sun Refining and Marketing Company. Our contract with Sun provides that there will be no gravity penalty for high gravity crude below 60 degrees API gravity. Therefore, neither the Penn, Abo nor a combination of the two would result in a gravity penalty and the oil price would be identical.

The attached Exhibit No. 1 Lease Plat shows our State "8" lease in the NE/4 of Section "8", T-10-S, R-34-E of Lea County, New Mexico highlighted in yellow with Well No. 1 being the only well

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