

PETROLEUM PRODUCTION MANAGEMENT, INC.
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August 10, 1989

State of New Mexico
Energy, Minerals and Natural Resources Dept.
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Attn: David Catanach

Re: Downhole Commingling - State "8" No. 1

Dear Mr. Catanach:

In response to your letter of August 9, 1989, this is an attempt to comply with the highlighted portions of Division Rule No. 303 (C) (2).

As called for in sub-paragraph (d), a current 24 hour production test on Form C-116 is attached. This zone, the Abo, is continuing to show decline and it is because of this that we desire to commingle Abo and Penn zones in this well.

To comply with sub-paragraph (e), production decline curves are submitted for each of the two zones open in this well bore. Since the Abo zone was completed in April, 1989, the production history is of insufficient duration to establish a reliable decline rate. The production history for the Penn zone is erratic and of little use in establishing a reliable decline rate.

Since our acquisition of this lease from Champlin Petroleum Company in September, 1979, we have done no treating of the Penn zone. On initial completion in July, 1968, Champlin Petroleum Company reported on C-105 that they perforated the Penn in the interval 9908'-9916' with two 0.42" holes per foot and treated with 500 gallons of 15% HCl acid. Treatment of the Abo was submitted in detail on C-103 on May 16, 1989. Should you need more detail, please let me know.

With downhole commingling, it is anticipated that the well will have an economic life of five years or less. The Abo is declining rapidly. Normal decline for the Penn is 13% annually.