



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
HOBBS DISTRICT OFFICE

February 25, 1997

POST OFFICE BOX 1880
HOBBS, NEW MEXICO 88241-1880
(505) 383-8161

Joel F. Martin
Nadel and Gussman Permian, L. L. C.
3200 First National Tower
Tulsa, Oklahoma 74103

Re: Peery Federal #2, Sec. 29, T15S, R30E

Dear Mr. Martin:

We have received and reviewed your request to exempt the above referenced well from the requirements of Rule 402, annual shut in pressure test. The well currently produces from the Little Lucky Lake-Morrow Gas Pool.

The information you have submitted confirms that shutting in the well for the test is detrimental to the well and recovery of gas from the Morrow formation.

You are therefore granted the exemption from performing the annual shut in pressure test.

Very truly yours

OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Jerry Sexton".

Jerry Sexton
Supervisor, District I

JS:bp

cc: David Catanach
File

NADEL AND GUSSMAN PERMIAN, L.L.C.
3200 FIRST NATIONAL TOWER
TULSA, OK 74103
(918) 583-3333 (P)
(918) 583-0888 (F)

December 11, 1996

Mr. Jerry Sexton
District I Supervisor
New Mexico Oil and Gas Association
1000 W. Broadway, P.O. Box 1980
Hobbs, NM 88240

Re: Peery Federal #2
Little Lucky Lake (Morrow) Field
29-15S-30E, Chaves, NM
Request For Exemption From Statewide Rule 402, Natural Gas Well Yearly Shut-in
Pressure Test

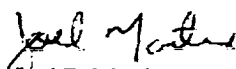
Dear Mr. Sexton:

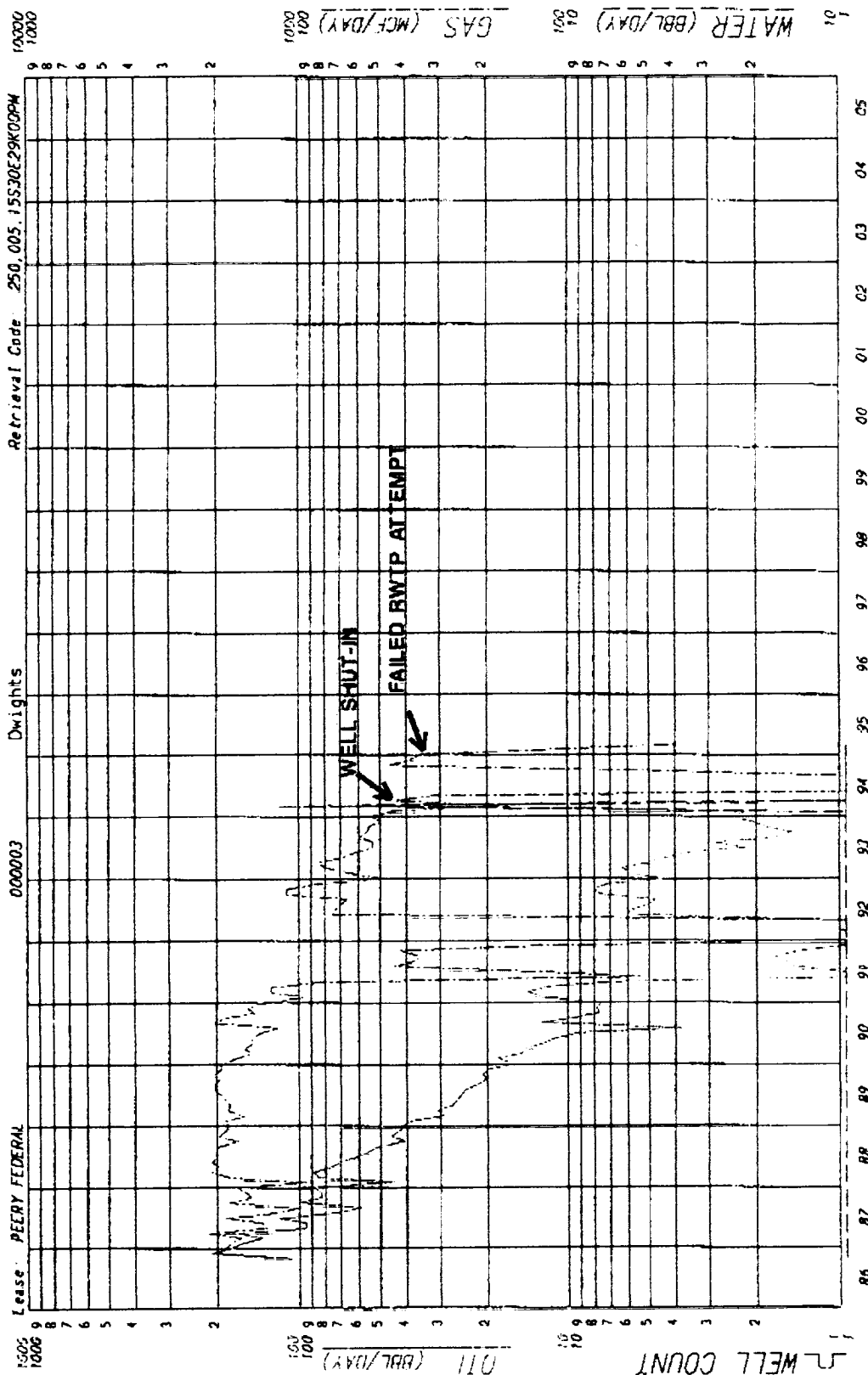
Morrow wells in the Little Lucky Lake field are very fluid sensitive, and wells are sometimes lost when production is completely curtailed (especially when reservoir pressures are lower), as is necessary when complying with Rule 402. As an example, please see the attached plot on the Peery Federal #3. The well was making about 500 mcf/d when Paloma Resources recompleted the Peery Federal #2 to the Morrow in early 1994. As both wells were located in the south half of the section, Paloma shut-in the #3 pending a ruling by the New Mexico Oil and Gas Association. When approval to return the well to production was given, Paloma was unable to get the well to produce again, despite repeated swab runs. The well has never again produced from the Morrow.

It is unknown exactly why the Morrow is so sensitive to being shut-in. One probable reason is that the reservoir exhibits retrograde condensate behavior, and the gas relative permeability is reduced near the wellbore, where the pressure is lowest and the condensate level is highest. Shutting the well in allows the condensate to fall back on the formation, further reducing the relative permeability to gas. At any rate, wells that are shut-in are sometimes lost permanently.

Nadel and Gussman, LLC has purchased the Peery Federal lease, and therefore has a significant investment in this well. It is also not in the interests of the State of New Mexico to prematurely lose production from the Peery Federal #2. We hereby respectfully request that the New Mexico Oil and Gas Association grant the well an exception from Statewide Rule 402.

Sincerely,


Joel F. Martin, P.E.



County: CHAVES State: NM
 Field: LITTLE LUCKY LAKE (MORROW) PH
 Reservoir: MORROW
 Operator: PALOMA RESOURCES INC
 Oil Cum: 94224 Gas Cum: 3346756
 Location: 29K 15S 30E

Date: 10-03-96

F P Date 10-86