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July 31, 1985

State of New Mexico  
Energy & Minerals Department  
P. O. Box 1980  
Hobbs, New Mexico 88240

Attn: Mr. Jerry Sexton

Re: Request for Reduced  
Allowable, State UTP #3  
Section 16, T-15-S, R-32-E,  
Lea County, New Mexico

Dear Jerry,

Recently we received a shut-in order from Santa Fe on the subject well directing us to cease production until cumulative overproduction of 40,281 MCF could be made up. This is to request that we be allowed to continue producing the well at a reduced rate of 2,000 barrels of oil per month and 18,870 MCF gas pending the outcome of a hearing to obtain an increased gas-oil ratio limit for this well.

On September 13, 1984 we submitted Form C-122 for the initial potential test on the subject well as an oil well recognizing that the GOR on the initial potential was 5,320:1. Your return letter of September 17, 1984 indicated that wells in the Feather Morrow oil pool appeared to have increasing GOR's. In a telephone conversation with Jean Mills of our office on September 18, 1984, you suggested that we might want to produce the well for a while to determine its GOR behavior to generate data necessary for a hearing. Apparently, we misunderstood that you meant 30-60 days and as a result we continued to produce the well exceeding our gas allowable and have, as a result, built up an overproduction of some 40,000 MCF. The GOR during the last ten months on this well has increased from 5,320:1 to 9,434:1.

This afternoon I contacted our attorney in Santa Fe, Mr. Ernie Padilla, and requested that he file for an increased GOR limit hearing immediately. If we are able to advertise the hearing on Tuesday, Ernie predicts that it can be held near the end of August. If you would permit us to leave the well on production at a limited rate until the hearing we will be able to determine the GOR performance of the well at the lower rate while making up some of the overproduction.

I apologize for our misunderstanding of your suggestion. I will see to it that it does not occur in the future. Thank you.

Yours truly,



Les Skinner  
Operations Manager

LDS:ps  
cc: Ernie Padilla