

The Division Director
New Mexico Oil Conservation Commission
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- (e) A production decline curve for each zone.

See Attachment No. 2.

- (f) BHP for each zone

Penrose-Skelly	205 psi @ - 166'*
Blinebry	634 psi @ -2313'*
Drinkard	579 psi @ -3115'*

* Subsea datum @ midpoint of perforations

- (g) A description of fluid characteristics of each zone showing that the fluids will not be incompatible in the well-bore.

Blinebry and Drinkard oil is 34.4° API @ 58° Fahrenheit
Penrose-Skelly-Grayburg oil is 35.3° API @ 78° Fahrenheit
These three zones are downhole commingled in L.G. Warlick
No. 3 as authorized by order number R-6210, on December 21, 1979.

- (h) A computation showing that the value of the commingled production will not be less than the sum of the values of the individual streams.

Blinebry-sweet crude-4 BOPD @ \$39.40/bbl.
Drinkard-sweet crude-16 BOPD @ \$39.40/bbl.
Penrose-Skelly-Grayburg-sour crude-3 BOPD @ \$35.86/bbl.

$$(4 \text{ BOPD} \times \$39.40/\text{bbl.}) + (16 \text{ BOPD} \times \$39.40/\text{bbl.}) + (3 \text{ BOPD} \times \$35.86/\text{bbl.}) \\ = \$895.58/\text{day}$$

$$\text{If commingled: } (23 \text{ BOPD} \times \$39.40/\text{bbl.}) = \$906.20/\text{day}$$

The value would actually be increased and operational problems significantly decreased. By commingling downhole, we could eliminate two strings of tubing, two packers, one rod string, one pumping unit, and all the problems associated with them. We could produce the same amount of fluid through one string of tubing using only one rod string and one pumping unit.

It is presently uneconomic to return the Drinkard zone to production since it will not flow and would require pumping equipment. However, if granted premission to commingle production downhole, we could return the Drinkard zone to production and prevent underground waste and protect our correlative rights.