



REGIONAL OFFICE
MIDLAND, TEXAS 79701

P. O. BOX 4067
1509 WEST WALL STREET

TEL. 915-684-5584
TWX. 910-895-5324

September 17, 1980

Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

RE: Application for Exception to
Statewide Rule No. 303-C
Downhole Commingle Production
Penrose/Skelly/Grayburg and
Paddock, Elliott B-15 Well No. 2
Lea County, New Mexico

Gentlemen:

Sun Texas Company respectfully requests administrative approval to downhole commingle Penrose/Skelly/Grayburg and Paddock production in the Elliott B-15 Well No. 2. This well is located 660 feet FNL, 660 feet FEL, Section 15, T-22-S, R-37-E, Lea County, New Mexico.

Pertinent well information is as follows:

- (a) The Penrose/Skelly/Grayburg (upper zone) is perforated from 3587'-3830'. The Paddock (lower zone) is perforated from 5063'-5153' and has been TA'd since 7/72.
- (b) A production decline curve is attached for each zone. (See Attachments I and II).
- (c) Both zones are classified as oil zones and require artificial lift.
- (d) The combined total daily production from these zones does not exceed 30 BOPD as allowed for the deepest perforations in the lower zone.
- (e) BHP for each zone:

Penrose/Skelly/Grayburg (upper): 115 psi @ midperf
Paddock (lower): 147 psi @ midperf

- (f) The Penrose/Skelly/Grayburg oil is 34.5° API @ 90° F and the Paddock oil is 34.6° API @ 87° F.
- (g) Production tests on Form C-116 are attached showing the amount of oil, gas and water produced. (See Attachments III and IV).
- (h) A computation follows showing that the value of the commingled production will not be less than the sum of the values of the individual streams:

Before commingled -

Penrose Crude - 4 BOPD @ \$35.82/bbl.

Paddock Crude - TA'd

$(4 \text{ BOPD} \times \$35.82/\text{bbl}) = \$143.28/\text{day}$

After Commingled -

Paddock Crude - 13 BOPD @ \$40.75/bbl.

$(13 \text{ BOPD} \times \$40.75) + (4 \text{ BOPD} \times 35.82) = \$673.03/\text{day}$

Although Paddock oil production was somewhat less than 13 BOPD in 1971 and 1972, (due to the well sanding up from an unsuccessful frac on the upper zone) a workover of the lower zone will take place after the downhole commingling permit has been received, with anticipated production being 13 BOPD.

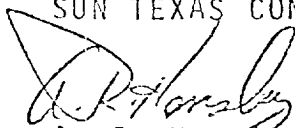
It is requested that production allocation for each zone after commingling be based on the recoverable reserves attributed to each zone. (See Attachments I and II).

By commingling downhole, operating costs would be reduced to the point where producing the Paddock would be economically feasible. This action would prevent underground waste and protect our correlative rights.

All offset operators have been notified by copy of this request. including the United States Geological Society.

Yours very truly,

SUN TEXAS COMPANY



A. R. Hensley
Regional Engineer