EXXON COMPANY, U.S.A.
POST OFFICE BOX 3116 • MIDLAND, TEXAS 79702-3116

PRODUCTION DEPARTMENT
SOUTHWESTERN DIVISION

May 3, 1989

Penrose #4
Downhole Commingling

Jerry Sexton
Supervisor, District I
Hobbs District Office
Oil Conservation Division
Post Office Box 1980
Hobbs, New Mexico 88241-1980

Dear Mr. Sexton:

Per your discussion with Bill Duncan on April 26, 1989, we are taking action to add the Blinebry Oil and Gas pool in the Penrose #4. As you requested, I am including information on the completion procedure for the well thus far. I have included the actual morning report, a morning report summary for your convenience, Exhibit 14 for Case No. 9398 showing the proposed allocation formula, and Order No. R-8707, which called for separate testing of the Tubb zone in the Penrose #4.

As Bill Duncan discussed with you, we initially stabilized Wantz Granite Wash and Drinkard production. The 5-day average production for 3/9/89 - 3/13/89 was 45 bopd, 6 bwpd, and 167 mcfpd. We then set a cast-iron bridge plug above the Drinkard and Wantz Granite Wash on 3/16/89 and perforated the Tubb Oil and Gas pool. The 4-day average production for 4/11/89 - 4/14/89 was 32 bopd, 3 bwpd, 139 mcfpd. This production was much higher than was expected for the Tubb Oil and Gas pool and very similar to production data below the cast-iron bridge plug. Therefore, communication behind pipe was suspected. On 4/14/89 the cast-iron bridge plug was knocked to the bottom of the well. The 10-day average production for 4/16/89 - 4/23/89 and 4/25/89 - 4/26/89 was 34 bopd, 15 bwpd, 155 mcfpd. These results indicated communication behind pipe and verified that the Tubb produced small amounts of fluid and gas. Dynamometer analyses were run at points during the procedure and all of them indicated that the well was pumped off.

I feel that the percentages by zone shown by these tests so far are very similar to those proposed for the allocation formula in attached Exhibit No. 14. The Tubb produced very little oil, some water, and maybe a little bit of gas. Separately testing zones can be expensive (you can see from the morning report that we've already spent $93,175 before adding the Blinebry) and often uncertain, especially with production of small volumes. Therefore, at this point, I would recommend the same allocation formula percentages as shown in Exhibit 14. These were based on average production from each pool for a 9 section area surrounding the Penrose lease.

If you have any questions or desire any additional information, please feel free to call me at (915) 688-6740 or Bill Duncan at (915) 688-7538.

Sincerely,
Gary E. Gould

GEG04/blh

SOUTHWESTERN DIVISION
OPERATIONS REPORT

EXXON CO., U.S.A.

___ W.O. ___ D&C

DATE	JOB DESCRIPTION	CUM. COST
4-11-89	24 HOUR TEST 35 BO 3 BW 132 KCF	
4-12-89	24 HOUR TEST 36 BO 3 BW 140 KCF	
4-13-89	24 HOUR TEST 30 BO 5 BW 140 KCF	
4-14-89	20 HOUR TEST 24 BO 2 BW 120 KCF MIRU DIAMOND WSU. BLOW WELL DOWN. UNSEAT PUMP AND PULL RODS. INSTALL AND TEST BOP. PULL OUT OF HOLE WITH TUBING. TRIP IN HOLE WITH DRILL BAILER. KNOCK CIBP LOOSE AND DOWN TO BOTTOM. RUN KILL STRING. SION	91,400
4-15-89	FINISH RUNNING TUBING. SET ANCHOR. ND BOP AND FLANGE UP WELLHEAD. PICK UP 1¼ PUMP AND RUN RODS. HANG OFF. LOAD AND TEST TUBING - OK. RDMO WSU. LEAVE WELL PUMPING	93,175
4-16-89	16 HOUR TEST 28 Bbl 2 BW 119 KCF	
4-17-89	24 HOUR TEST 44 BO 48 BW 128 KCF	
4-18-89	24 HOUR TEST 41 BO 20 BW 147 KCF	
4-19-89	24 HR TEST 33 BO 17 BW 147 KCF	
4-20-89	24 HOUR TEST 25 BO 17 BW 155 KCF	
4-21-89	24 HOUR TEST 35 BO 6 BW 165 KCF	
4-22-89	24 HOUR TEST 30 BO 14 BW 175 KCF	
4-23-89	24 HOUR TEST 28 BO 10 BW 177 KCF (DYNAMOMETER INDICATES PUMP OFF)	
4-24-89	EMPTYING TEST TANK.	
4-25-89	ENGINEERING IS SEEKING REGULATORY APPROVAL TO ADD PAY IN THE BLINEBRY. 24 HOUR TEST 35 BO 17 BW 175 KCF	
4-26-89	24 HOUR PUMP TEST 30 BO 10 BW 165 KCF	

AFE# 629 JOB DESCRIPTION ADD PAY

COST ESTIMATE _____ SUPPLEMENT AMT. _____

LAST TEST ___ BO, ___ BW, ___ kCFPD EXPECTED PRODUCTION ___ BO, ___ BW, ___ kCFPD

FIELD BDT LEASE N.G. PENROSE WELL# #4

FIELD SUPT. G. PACE PRODUCTION ENGR. M. ROFFALL

ANY CHANGES IN TUBING STRING? ___ NO (SAME LENGTH: NO REPLACEMENTS)
___ YES

IF "YES", FILL OUT THE FOLLOWING.

___ JOINTS OF _____ "ORIGINALLY IN THE HOLE

+ ___ JOINTS OF _____ "TRANSFERRED TO THE WELL (CONDITION ___)

− ___ JOINTS OF _____ "TRANSFERRED FROM THE WELL (CONDITION ___)

SOUTHWESTERN DIVISION
OPERATIONS REPORT

EXXON CO., U.S.A.

W.W.O. ___ D&C

DATE	JOB DESCRIPTION	CUM. COST
3-22-89	BLOW WELL DOWN. UNSEAT PKR AND TRIP OUT WITH TUBING. PICK UP PUMPING BHA AND TRIP BACK IN W/TBG. SLOTTED MA W/BP, SN & TBG 2 7/8" TA, 184 JOINTS 2 7/8" TK36, SET TA. NIPPLE DOWN BOP AND FLANGE UP WELLHEAD. STON S.N. AT 6250 Ft. M.A. AT 6082 Ft.	72,990
3-23-89	BLEED WELL DOWN. RIH WITH RODS 10-7/8", 119-3/4" 62-7/8", 59-1" PONY RODS 8'-2'-1", LOAD TEST OK RIG DOWN KICK WELL ON.	
3-24-89	24 Hr Pump Test 35 BO 28 BW	
3-25-89	24 Hr Pump Test 39 BO 25 BW 110 KCF	
3-26-89	24 Hrs Pump Test 40 BO 19 BW 125 KCF	
3-27-89	24 HR PUMP TEST 40 BO 13 BW	
3-28-89	24 HR PUMP TEST 39 BO 13 BW 72 KCF	
3-29-89	24 HR PUMP TEST 36 BO 2 BW 130 KCF	
3-30-89	24 HR PUMP TEST 39 BO 3 BW 132 KCF RAN DYNO/FLUID FLUID LEVEL AT 5513 FT SN AT 6250	
	DROP WELL FROM MONTHLY REPORT PUMP TUBB PAY UNTIL DECISION TO COMINGLE IS MADE	88,275

AFE# 629 JOB DESCRIPTION ADD PAY

COST ESTIMATE _____ SUPPLEMENT AMT. _____

LAST TEST ___ BO, ___ BW, ___ kCFPD EXPECTED PRODUCTION ___ BO, ___ BW, ___ kCFPD

FIELD BDT LEASE N.G. Penrose WELL# #4

FIELD SUPT. C. Pace PRODUCTION ENGR. M. Raffaul

ANY CHANGES IN TUBING STRING? ___ NO (SAME LENGTH: NO REPLACEMENTS)
___ YES

IF "YES", FILL OUT THE FOLLOWING.

___ JOINTS OF ___ "ORIGINALLY IN THE HOLE

+ ___ JOINTS OF ___ "TRANSFERRED TO THE WELL (CONDITION ___)

− ___ JOINTS OF ___ "TRANSFERRED FROM THE WELL (CONDITION ___)

= ___ JOINTS OF ___ "RUN IN THE HOLE AT THE END OF WORKOVER

SOUTHWESTERN DIVISION
OPERATIONS REPORT

EXXON CO., U.S.A.

W.W.O. ___ D&C

DATE	JOB DESCRIPTION	CUM. COST
3-13-89	24 HR PUMP TEST 45 BO 7 BW	
3-14-89	MIRU DIAMOND WSU. BLOW WELL DOWN. PULL RODS + PUMP. UNSEAT ANCHOR + INSTALL BOP. RUN TEST PLUG + TEST BOP + WELLHEAD. TRIP OUT OF HOLE WITH TUBING. SET RBP AT 6308 FT. SION	50,450
3-15-89	PULL KILL STRING. SET RBP W/ WIRELINE AT 6308 FT. ATTEMPT TO BAIL 1/2 SACK SAND ON PLUG. PLUG HAD UNSEATED AND FELL DOWN HOLE. RIG DOWN WIRELINE AND RUN TUBING TO RETRIEVE RBP. RUN KILL STRING. SION	53,275
3-16-89	PULL KILL STRING. SET CIBP AT 6308 FT. LOAD CSG AND TEST PLUG TO 500#. TESTED OK. PERF WELL AS PER PROCEDURE. 6078 FT THRU 6297 FT. TOTAL OF 140 SHOTS AT 1 SPF. MADE 7 PERF RUNS. PICK UP PPI PACKER AND TRIP IN HOLE. SION	58,185
3-17-89	BLOW WELL DOWN. SET PPI PACKER. RUN STANDING VALVE ON WIRELINE. ATTEMPT TO TEST TUBING + PACKER. COULD NOT HOLD ANY PSI. UNSEAT PACKER AND TOH. PACKER SLIPS HAD FAILED. PICK UP NEW PACKER + HYDRO TEST IN HOLE. SION	61,170
3-18-89	TEST PACKER, TUBING AND BACKSIDE. ALL OK. PUMP PPI ACID JOB FOR NEW PERFS. 1 BBL ACID PER PERF. DISPLACE TUBING AND BACKSIDE W/ 2% KCL. SET PKR AT 6014 FT. FISH FLUID DART. PREPARE TO SWAB BACK LOAD. (275 BBLS LOAD). SWAB. STARTING FLUID LEVEL AT 3700. SWABBED 3½ HRS. ENDING FLUID LEVEL AT 4200 FT. RECOVERED 5 BO 45 BW. SION	68,590
3-19-89	SI - SUNDAY	
3-20-89	SITP 700#. BLOW WELL DOWN. PREPARE TO SWAB. STARTING FLUID LEVEL SCATTERED 4200 FT TO SN. HAD TO LET WELL BLOW DOWN AFTER EACH SWAB RUN. RECOVERED 46 BBLS TOTAL FLUID. FINAL FLUID LEVEL SCATTERED 4200 FT TO SN. SION	
3-21-89	SI - BAD WEATHER	

AFE# 629 JOB DESCRIPTION ADD PAY

COST ESTIMATE 69,300 SUPPLEMENT AMT. ___

LAST TEST ___ BO, ___ BW, ___ KCFPD EXPECTED PRODUCTION ___ BO, ___ BW, ___ KCFPD

FIELD BDT LEASE NG PENROSE WELL# #4

FIELD SUPT. G. PACE PRODUCTION ENGR. M. ROFFALL

ANY CHANGES IN TUBING STRING? ___ NO (SAME LENGTH: NO REPLACEMENTS)
___ YES

IF "YES", FILL OUT THE FOLLOWING.

___ JOINTS OF ___ " ORIGINALLY IN THE HOLE

+ ___ JOINTS OF ___ " TRANSFERRED TO THE WELL (CONDITION ___)

− ___ JOINTS OF ___ " TRANSFERRED FROM THE WELL (CONDITION ___)

= ___ JOINTS OF ___ " RUN IN THE HOLE AT THE END OF WORKOVER

HAVE THE APPROPRIATE TRANSFERS BEEN WRITTEN? ___ YES ___ NO

SOUTHWESTERN L VISION
OPERATIONS REPORT

EXXON CO., U.S.A.

__ W.W.O. __ D&C

DATE	JOB DESCRIPTION	CUM. COST
2-28-89	SITP 900#. BLOW WELL DOWN TO FRAC TANK. UNSEAT PKR AND TRIP OUT. PICK UP PUMPING BHA AND TRIP IN HOLE. BP, SLOTTED MA, SN, 40 JTS 2 7/8, TA, 191 JOINTS 2 7/8. SET ANCHOR. NU BOP AND FLANGE UP WELLHEAD. PICK UP 1 1/4 PUMP AND START RUNNING RODS. SION BP AT 7544 FT, SN AT 7513 FT, TA AT 6211 FT	45,550
3-1-89	FINISH RUNNING RODS. 53 - 1 INCH, 75 - 7/8 INCH, 161 - 3/4 INCH 10 - 1 INCH FALL RODS. LOAD + TEST - OK. SPACE OUT AND HANG OFF. LEAVE WELL PUMPING TO FRAC TANK.	48,250
3-2-89	24 HR PUMP TEST 80 BO 8 BW	48,750
3-3-89	24 HR PUMP TEST 62 BO 12 BW	48,750
3-4-89	24 HR PUMP TEST 66 BO 5 BW	48,750
3-5-89	24 HR PUMP TEST 31 BO 6 BW	
3-6-89	24 HR PUMP TEST 28 BO 0 BW	
3-7-89	NO TEST - TEST TANKS FULL	
3-8-89	NO FLUID TEST TEST TANK FULL, GAS RATE 175 MCF	
3-9-89	24 HR Pump Test 47 BO 8 BW 169 MCF	48,250
3-10-89	24 Hr Pump Test 44 BO 8 BW 166 MCF	48,250
3-11-89	24 Hr Pump Test 45 BO 6 BW 167 MCF	48,250
3-12-89	24 Hr Pump Test 45 BO 3 BW 166 MCF	48,250
	FRW 3/12/89	

AFE# 629 JOB DESCRIPTION ADD PAY

COST ESTIMATE 69,300 SUPPLEMENT AMT. ____

LAST TEST ____ BO, ____ BW, ____ MCFPD EXPECTED PRODUCTION ____ BO, ____ BW, ____ MCFPD

FIELD BDT LEASE NG PENROSE WELL# #4

FIELD SUPT. G PACE PRODUCTION ENGR. M ROFFAL

ANY CHANGES IN TUBING STRING? ____ NO (SAME LENGTH: NO REPLACEMENTS)
____ YES

IF "YES", FILL OUT THE FOLLOWING.

____ JOINTS OF ____ " ORIGINALLY IN THE HOLE

+ ____ JOINTS OF ____ " TRANSFERRED TO THE WELL (CONDITION ____)

− ____ JOINTS OF ____ " TRANSFERRED FROM THE WELL (CONDITION ____)

= ____ JOINTS OF ____ " RUN IN THE HOLE AT THE END OF WORKOVER

SOUTHWESTERN DIVISION
OPERATIONS REPORT

EXXON CO., U.S.A.

W.W.O. ___ D&C

DATE	JOB DESCRIPTION	CUM. COST
2-21-89	MIRU DIAMOND WSU, UNSEAT PUMP + TOH WITH RODS, INSTALL BOP. SION	1200
2-22-89	TEST BOP + WELLHEAD, UNSEAT ANCHOR, HOT OIL TUBING TO CLEAN OUT PARAFIN, PULL OUT OF HOLE WITH TUBING, INSTALL WIRELINE BOP, RIG UP BELL WIRELINE, TRIP IN WITH PERF GUN TO SHOOT PERFS, MADE 5 RUNS, NO PROBLEMS, RUN IN HOLE WITH KILL STRING, SION	4550
2-23-89	FINISH PERFORATE GRANITE WASH, ABO + DRINKARD FORMATIONS. 6314 FT THRU 7412 FT, 1 SPF TOTAL OF 422 SHOTS, RD WIRELINE PICK UP PPI PKR W/10 FT SPACING, TRIP IN HOLE. SION	11,250
2-24-89	HELD 5-MIN SAFETY MTG. RIH AND SET PACKER AT 6250. TESTED BACKSIDE TO 500 #- OK. TESTED TUBING AND TOOLS TO 5000 - OK. LOWERED PKR TO 7415 AND SPOTTED ACID ACROSS THE PERFS. SD 32 MIN. TREATED PERFS FROM 7412 - 7066 WITH 1 GAL 15% NE FE HCL PER PERF. FISHED FLUID CONTROL VALVE. FLUSHED TAG AND ANNULUS WITH 2% KCL. SION.	38,150
2-25-89	HELD 5-MIN SAFETY MTG. RAN PKR BACK INTO PERFS AND TREATED REMAINING PERFS (7066 - 6314) PULLED ABOVE PERFS AT 6220. FISHED ORIT VALVE AND PUMPED 100 BBL FLUSH DOWN ANNULUS. SET PACKER AND PUMP 40 BBL FLUSH DOWN TUBING. SION. MAX TREATING PSI - 3000 AVG RATE - 3 BPM AVG PSI - 2350 TOTAL LOAD TO RECV - 799 BBL	39,350
2-26-89	SD SUNDAY	
2-27-89	1250 # SITP. OPENED WELL UP AND IT FLOWED FOR 2 HOURS MADE 6 SWAB RUNS AND FOUND FLUID SCATTERED FROM SN TO SURFACE (WELL VERY GASSY AND TRYING TO FLOW). RECVD TOTAL OF 60 BO 39 BW (760 BLWTR) SION PREPARING TO PUMP TUESDAY.	39,350

AFE# 629 JOB DESCRIPTION Add Pay

COST ESTIMATE 69,300 SUPPLEMENT AMT. ___

LAST TEST ___ BO, ___ BW, ___ MCFPD EXPECTED PRODUCTION ___ BO, ___ BW, ___ MCFPD

FIELD BDT LEASE NA Penrose WELL# 4

FIELD SUPT. G Pace PRODUCTION ENGR. ___ Check Procedure

ANY CHANGES IN TUBING STRING? ___ NO (SAME LENGTH: NO REPLACEMENTS)
___ YES

IF "YES", FILL OUT THE FOLLOWING.

___ JOINTS OF ___ " ORIGINALLY IN THE HOLE

+ ___ JOINTS OF ___ " TRANSFERRED TO THE WELL (CONDITION ___)

− ___ JOINTS OF ___ " TRANSFERRED FROM THE WELL (CONDITION ___)

= ___ JOINTS OF ___ " RUN IN THE HOLE AT THE END OF WORKOVER

PENROSE #4 COMPLETION
MORNING REPORT SUMMARY

2-21-89	Moved in and rigged up.
2-22-89	Tested BOP and wellhead. Hot oiled tubing to clean out paraffin. Pulled out of hole with tubing. Tripped in with perf guns to perforate Wantz Granite Wash and Drinkard.
2-23-89	Finished perforating Wantz Granite Wash and Drinkard.
2-24-89	Spotted acid across perfs with 1 bbl 15% NEFE HCl per perf. Flushed tubing and annulus with 2% KCl.
2-25-89	Finished acidizing perfs.
2-26-89	Shut down on Sunday.
2-27-89	Swabbed 60 BO, 39 BW. (Wantz Granite Wash and Drinkard)
2-28-89	Started putting well on pump.
3-01-89	Finished putting well on pump.
3-02-89	24 hour pump test. 80 BO 8 BW. (Wantz Granite Wash and Drinkard)
3-03-89	24 hour pump test. 62 BO 12 BW. (Wantz Granite Wash and Drinkard)
3-04-89	24 hour pump test. 66 BO 5 BW. (Wantz Granite Wash and Drinkard)
3-05-89	24 hour pump test. 31 BO 6 BW. (Wantz Granite Wash and Drinkard)
3-06-89	24 hour pump test. 28 BO 0 BW. (Wantz Granite Wash and Drinkard)
3-07-89	No Test - Test tanks full.
3-08-89	No Test - Test tanks full.
3-09-89	24 hour pump test. 47 BO 8 BW 169 MCF. (Wantz Granite Wash and Drinkard)
3-10-89	24 hour pump test. 44 BO 8 BW 166 MCF. (Wantz Granite Wash and Drinkard)
3-11-89	24 hour pump test. 45 BO 6 BW 167 MCF. (Wantz Granite Wash and Drinkard)
3-12-89	24 hour pump test. 45 BO 3 BW 166 MCF. (Wantz Granite Wash and Drinkard)
3-13-89	24 hour pump test. 45 BO 7 BW. (Wantz Granite Wash and Drinkard)
3-14-89	Moved in and rigged up. Tested BOP and wellhead. Tripped out of hole with tubing.

3-15-89	Set retrievable bridge plug with wireline above Drinkard and Wantz Granite Wash. Plug unseated and fell down hole. Rigged down wireline and ran tubing to retrieve retrievable bridge plug. Ran kill string.
3-16-89	Pulled kill string. Set cast-iron bridge plug above Drinkard and Wantz Granite Wash. Perforated Tubb Oil and Gas.
3-17-89	Set PPI packer. Did not hold pressure. Unseated PPI packer and took out of hole. Packer slips had failed. Picked up new PPI packer and tested OK in hole.
3-18-89	Pumped PPI acid job for Tubb Oil and Gas perforations. Flushed tubing and annulus with 2% KCl. Swabbed 5 BO, 45 BW. (Tubb Oil and Gas).
3-19-89	Shut down on Sunday.
3-20-89	Swabbed 4 BO, 42 BW. (Tubb Oil and Gas)
3-21-89	Shut down due to weather.
3-22-89	Tripped out with Tubing. Tripped in with bottom hole assembly and tubing.
3-23-89	Ran in hole with rods.
3-24-89	24 hour pump test. 35 BO 28 BW. (Tubb Oil and Gas)
3-25-89	24 hour pump test. 39 BO 25 BW 110 MCF. (Tubb Oil and Gas)
3-26-89	24 hour pump test. 40 BO 19 BW 125 MCF. (Tubb Oil and Gas)
3-27-89	24 hour pump test. 40 BO 13 BW. (Tubb Oil and Gas)
3-28-89	24 hour pump test. 39 BO 13 BW 72 MCF. (Tubb Oil and Gas)
3-29-89	24 hour pump test. 36 BO 2 BW 130 MCF. (Tubb Oil and Gas)
3-30-89	24 hour pump test. 39 BO 3 BW 132 MCF. (Tubb Oil and Gas)
3-31-89-4-10-89	Well taken off morning report. Daily production was not recorded. Daily average was 31 BO 11 BW 110 MCF.
4-11-89	24 hour pump test. 35 BO 3 BW 132 MCF. (Tubb Oil and Gas)
4-12-89	24 hour pump test. 36 BO 3 BW 140 MCF. (Tubb Oil and Gas)
4-13-89	24 hour pump test. 30 BO 5 BW 140 MCF. (Tubb Oil and Gas)
4-14-89	20 hour pump test. 24 BO 2 BW 120 MCF. (Tubb Oil and Gas) Moved in and rigged up. Unseated pump and pulled rods. Installed and tested BOP. Pulled out of hole with tubing. Tripped in hole with drill bailer. Knocked cast-iron bridge plug to bottom.

4-15-89	Ran tubing. Flanged up wellhead. Ran pump and rods.
4-16-89	16 hour pump test. 28 BO 2 BW 119 MCF. (Wantz Granite Wash, Drinkard, and Tubb Oil and Gas)
4-17-89	24 hour pump test. 44 BO 48 BW 122 MCF. (Wantz Granite Wash, Drinkard, and Tubb Oil and Gas)
4-18-89	24 hour pump test. 41 BO 20 BW 147 MCF. (Wantz Granite Wash, Drinkard, and Tubb Oil and Gas)
4-19-89	24 hour pump test. 33 BO 17 BW 147 MCF. (Wantz Granite Wash, Drinkard, and Tubb Oil and Gas)
4-20-89	24 hour pump test. 25 BO 17 BW 155 MCF. (Wantz Granite Wash, Drinkard, and Tubb Oil and Gas)
4-21-89	24 hour pump test. 35 BO 6 BW 165 MCF. (Wantz Granite Wash, Drinkard, and Tubb Oil and Gas)
4-22-89	24 hour pump test. 30 BO 14 BW 175 MCF. (Wantz Granite Wash, Drinkard, and Tubb Oil and Gas)
4-23-89	24 hour pump test. 28 BO 10 BW 177 MCF. (Wantz Granite Wash, Drinkard, and Tubb Oil and Gas)
4-24-89	No Test - Test tanks full.
4-25-89	24 hour pump test. 35 BO 17 BW 175 MCF. (Wantz Granite Wash, Drinkard, and Tubb Oil and Gas)
4-26-89	24 hour pump test. 30 BO 10 BW 165 MCF. (Wantz Granite Wash, Drinkard, and Tubb Oil and Gas)

PENROSE ALLOCATION FORMULAS

Well & Zone		Oil %	Oil BOPD	Gas %	Gas MCFPD	Wtr %	Wtr BWPD
Penrose #1							
* Blinebry Oil & Gas		52	4.6	41	84.9	70	4.5
* Drinkard		39	3.5	33	68.3	19	1.2
* Tubb Oil & Gas	✡	9	0.8	26	54.8	11	0.7
		100	8.9	100	208.0	100	6.4
Penrose #2							
* Blinebry Oil & Gas		52	4.6	41	84.9	70	4.5
* Drinkard		39	3.5	33	68.3	19	1.2
* Tubb Oil & Gas	✡	9	0.8	26	54.8	11	0.7
		100	8.9	100	208.0	100	6.4
Penrose #3							
* Blinebry Oil & Gas		30	4.6	79	84.9	85	4.5
** Drinkard		49	7.6	13	13.9	15	0.8
** Wantz Granite Wash		21	3.2	8	8.3	0	0.0
		100	15.4	100	107.1	100	5.3
Penrose #4							
* Blinebry Oil & Gas		20	4.6	29	84.9	70	4.5
* Drinkard		15	3.5	23	68.3	19	1.2
* Tubb Oil & Gas	✡	3	0.8	19	54.8	11	0.7
※ Wantz Granite Wash		62	14.0	29	85.0	0	0.0
		100	22.9	100	293.0	100	5.3
Grand Total:			56.1		816.1		24.5

* - From 1986 Average Production, Per Completion, In Study Area.
** - 1987 Average Production.
※ - Reported Production Rate Prior To Well Dieing.

✡ - Designates Gas Completion In A Prorated Gas Pool.

EXXON CORP.
Exhibit No. 14
Case No. 9398 & 9399
June 8, 1988 Docket

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

PENROSE #1, 2, & 4

CASE NO. 9398
Order No. R-8707

APPLICATION OF EXXON CORPORATION FOR DOWNHOLE COMMINGLING, SIMULTANEOUS DEDICATION AND AN UNORTHODOX GAS WELL LOCATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 8, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 4th day of August, 1988, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Division Case Nos. 9398 and 9399 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Exxon Corporation, seeks approval to commingle production from the Drinkard, Tubb Oil and Gas, and Blinebry Oil and Gas Pools within the wellbore of its N. G. Penrose Wells Nos. 1 and 2 located, respectively, 660 feet from the North line and 1980 feet from the East line (Unit B) and 1980 feet from the North line and 660 feet from the East line (Unit H), of Section 13, Township 22 South, Range 37 East, NMPM, and to commingle production from the

(10) The applicant proposes to perforate and complete the Drinkard zone and selectively perforate and complete additional Blinebry oil pay within the wellbores of its N.G. Penrose Wells Nos. 1 and 2 and also proposes to perforate and complete the Blinebry, Tubb, and Drinkard zones within the wellbore of its N.G. Penrose Well No. 4.

(11) The applicant further proposes to perforate and complete the zones described in Finding No. (10) above without separately testing the productive capabilities of these zones.

(12) The applicant presented evidence and testimony which indicate that a requirement by the Division to separately test each newly completed zone in the subject wells prior to commingling would result in a substantially greater expense which would consequently make the proposed downhole commingling uneconomic.

(13) As an alternate method of allocating production to each zone within the subject wellbores, the applicant proposes to utilize ratios calculated from 1986 average production data obtained from wells producing from these zones and located in the area of the N.G. Penrose Lease.

(14) The evidence presented indicates that the Tubb zone, which will be produced from the N.G. Penrose Wells Nos. 1, 2, and 4, will be classified as gas zones and therefore subject to the General Rules for the Prorated Gas Pools of New Mexico as promulgated by Order No. R-8170, as amended.

(15) While the allocation method proposed by the applicant represents a reasonable method of allocating production to the non-prorated pools within the subject wells, a more accurate method of determining Tubb Oil and Gas Pool production is necessary in order to ensure the protection of correlative rights of the various operators in said pool.

Pools within the wellbore of its N. G. Penrose Well No. 4 located 350 feet from the North line and 660 feet from the East line (Unit A) of said Section 13, all in Lea County, New Mexico.

PROVIDED HOWEVER THAT, prior to commingling the production within the N.G. Penrose Well No. 4, the applicant shall separately test the Tubb zone until such time as the production rate has stabilized.

PROVIDED FURTHER THAT, the Director of the Division shall require the subject wells to be shut in should the subject gas proration unit become overproduced in the Tubb Oil and Gas Pool in accordance with the terms and conditions of Rule 11 (b)(2) of the General Rules for the Prorated Gas Pools in New Mexico as promulgated by Order No. R-8170, as amended.

(2) An unorthodox gas well location in the Tubb Oil and Gas Pool is hereby approved for the applicant's N.G. Penrose Well No. 4 located as described above.

(3) A standard 160-acre gas spacing and proration unit consisting of the NE/4 of said Section 13 shall be simultaneously dedicated to the N.G. Penrose Wells Nos. 1, 2, and 4, as described above, within the Tubb Oil and Gas Pool.

(4) Upon completion of the workover operations in the subject wells, the applicant shall consult with the supervisor of the Hobbs district office of the Division to make adjustments and/or corrections to the allocation percentages submitted as evidence in this case.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.