

Jicarilla 96 #7
Unit M, Section 1, T 26 N, R 3 W
Rio Arriba Co., N.M.

Subject: Economic Justification To Downhole Commingle

Current Oil Price -- \$12.00
Current Gas Price -- \$1.20 Net less gathering & processing

The Gavilan Pictured Cliffs side of this dual completion has extreme liquid loading problems. Operationally, the well requires unloading every 3-4 days to keep the well producing at its average rate. When the well is blown, it will flow at 30 MCFD for one day and load up and die in several days. In addition, it is intended to add additional Mesa Verde pay in the Lewis Shale Interval. Since all the downhole equipment must be removed to do the completion work, it is the ideal time to improve the mechanical condition of the well. Commingling will allow lowering of the tubing string to the bottom perforations, and the installation of a plunger system to stabilize to flowstream and utilize the Mesa Verde gas to keep the well unloaded.

Current Pictured Cliffs Rate:	14 MCFD
Projected Pictured Cliffs Rate:	30 MCFD
Projected MV uplift	70 MCFD & ½ BO

Incremental Uplift:	86 MCFD & ½ BO
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Increased Revenue Stream

Gas Revenue	$86 * 1.20 * 30 =$	\$3096
Oil Revenue	$\frac{1}{2} * 12.00 * 30 =$	<u>\$180</u>
Increased Monthly Revenue		\$3276

Increased Royalty	\$410 per month
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Downhole commingling will eliminate the waste of venting gas to the atmosphere to keep the well unloaded, stabilize the flowstream and extend the life of the well through increased efficiencies.