

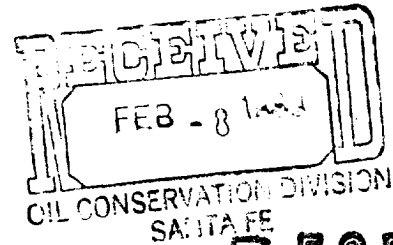
*Attn: E. Busch*

ROBERT L. BAYLESS

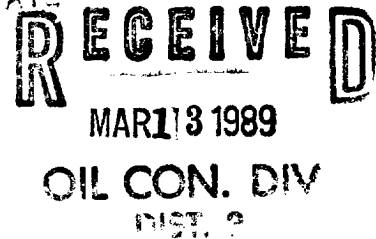
PETROLEUM PLAZA BUILDING  
P. O. BOX 68  
FARMINGTON, NEW MEXICO 87499  
(505) 326-2659

February 7, 1989

Mr. William J. LeMay  
NM Oil Conservation Division  
310 Old Santa Fe Trail, Room 206  
Santa Fe, New Mexico 87503



RE: Ruby #1  
790' FNL & 1790' FWL  
Section 34, T26N, R12W  
San Juan County, NM



Dear Mr. LeMay:

This shall serve as a follow-up letter to our request of December 30, 1988, for administrative approval of an unorthodox location, unorthodox proration unit, and downhole commingling of the Fruitland Coal and Pictured Cliffs formations for the above referenced well. Mr. David Catanach has requested further information from us on this matter in his letter of January 19, 1989.

The Ruby #1 meets the conditions of downhole commingling rule 303 (C)(1)(b) as follows:

- (1) The downhole commingling of the Fruitland Coal and Pictured Cliffs formations in this well is necessary to produce the Pictured Cliffs zone that otherwise would not be economically producible. Before the Ruby #1 was re-perforated in the Fruitland Coal, the Pictured Cliffs zone in this well was capable of making approximately 1 MCFGPD which was uneconomical. After the Fruitland Coal interval was perforated in March of 1988, the well is now capable of producing approximately 7 MCFGPD. We would propose to allocate production to each of these zones in this same proportion, i.e. 14% to the Pictured Cliffs formation and 86% to the Fruitland Coal formation.
- (2) There should not be any crossflow between the commingled zones. A surface shut-in pressure of 50 psi was recorded on 3/21/88 with only the Pictured Cliffs zone open. After the Fruitland Coal was perforated, the shut-in pressure recorded on this well was 75 psi on 3/22/88. The downhole pressures are similar for these zones and crossflow should not occur.
- (3) The Pictured Cliffs zone in this well is not a fluid-sensitive sand. Cement was circulated from TD to the surface when casing was run on this well. All non-producing formations encountered in this well are isolated from the wellbore by cement. It should be noted that this well makes very little water (less than 1/4 BWPD) from both the Fruitland Coal and the Pictured Cliffs formation. This small amount of water should not hurt any producing formation.

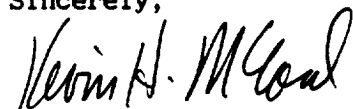
Mr. William LeMay  
February 7, 1989  
Page 2

- (4) The fluids from each zone in this well are compatible with each other. As stated in (3), the volume of water produced by this well is too small to cause any damage to either formation. In this area, there is little difference between Fruitland Coal gas and Pictured Cliffs gas. Therefore, gases should not cause damage to either formation. The information indicating the similarity of Fruitland Coal gas and Pictured Cliffs formation gas was presented as testimony in NMOCD Case No. 9420, the basis for Order No. R-8768.
- (5) The Ruby #1 has common working interest, royalty interest, and overriding royalty interest in both the Fruitland Coal and the Pictured Cliffs formations, for the existing 160 acre proration unit.
- (6) As stated in (2) above, the bottomhole pressures in the Fruitland Coal and Pictured Cliffs formations in this well are very similar. the bottomhole pressure of the lower pressure zone (Pictured Cliffs - approximately 50 psi) is not less than 50 percent of the bottomhole pressure of the higher pressure zone (Fruitland Coal - approximately 75 psi).

We have attached to this letter an offset lease ownership plat and proof of notification to all offset operators of the Ruby #1 well. It is important to note that the rework (re-perforating) performed on this well in March of 1988 was in full compliance with the rules and regulations of the WAW-Fruitland Pictured Cliffs Pool rules at that time. The rule changes brought about by Division Order No. R-8768 affect this well, but should not create an administrative burden on marginally economic wells such as this.

We trust that you now have sufficient information to process this application. Your prompt attention to this matter would be appreciated.

Sincerely,



Kevin H. McCord  
Petroleum Engineer

KHM/lmo

Enclosures

[illegible]

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING  
P. O. BOX 168  
FARMINGTON, NEW MEXICO 87499  
(505) 326-2659

February 7, 1989

Alexander Energy  
501 NW Expressway, Suite 600  
Oklahoma City, Oklahoma 73118

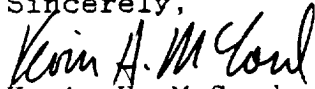
RE: Administrative Approval of an  
Unorthodox Location, Unorthodox  
Proration Unit, and Downhole  
Commingle of the Fruitland Coal  
and Pictured Cliffs Formations  
Ruby #1  
790' FNL & 1790' FWL  
Section 34, T26N, R12W  
San Juan County, NM

Gentlemen:

Robert L. Bayless has applied to the New Mexico Oil  
Conservation Division for administrative approval of an  
unorthodox location, unorthodox proration unit, and downhole  
commingling of the Fruitland Coal and Pictured Cliffs  
formations in the Ruby #1 well located in the NW/4 of  
Section 34, T26N, R12W, San Juan County, New Mexico. A copy  
of this application has been enclosed for your information.

Bayless has determined that you are an operator of offset  
acreage that could possibly be affected by the granting of  
this application by the NMOCD. We request your support and  
approval of this application. Please indicate this by  
signing and dating this letter and mailing one copy to NMOCD  
and one copy to our office in the envelopes provided. The  
original may be retained for your files.

Sincerely,



Kevin H. McCord  
Petroleum Engineer

Enclosures

The undersigned has no  
objection to the above  
application.

ALEXANDER ENERGY

By: \_\_\_\_\_

Date: \_\_\_\_\_

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING  
P. O. BOX 1613  
FARMINGTON, NEW MEXICO 87499  
(505) 326-2639

February 7, 1989

Celsius Energy Company  
P.O. Box 11070  
Salt Lake City, Utah 84147

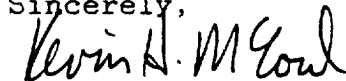
RE: Administrative Approval of an  
Unorthodox Location, Unorthodox  
Proration Unit, and Downhole  
Commingling of the Fruitland Coal  
and Pictured Cliffs Formations  
Ruby #1  
790' FNL & 1790' FWL  
Section 34, T26N, R12W  
San Juan County, NM

Gentlemen:

Robert L. Bayless has applied to the New Mexico Oil  
Conservation Division for administrative approval of an  
unorthodox location, unorthodox proration unit, and downhole  
commingling of the Fruitland Coal and Pictured Cliffs  
formations in the Ruby #1 well located in the NW/4 of  
Section 34, T26N, R12W, San Juan County, New Mexico. A copy  
of this application has been enclosed for your information.

Bayless has determined that you are an operator of offset  
acreage that could possibly be affected by the granting of  
this application by the NMOCD. We request your support and  
approval of this application. Please indicate this by  
signing and dating this letter and mailing one copy to NMOCD  
and one copy to our office in the envelopes provided. The  
original may be retained for your files.

Sincerely,



Kevin H. McCord  
Petroleum Engineer

Enclosures

The undersigned has no  
objection to the above  
application.

CELSIUS ENERGY COMPANY

By: \_\_\_\_\_

Date: \_\_\_\_\_

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING  
P. O. BOX 168  
FARMINGTON, NEW MEXICO 87499  
(505) 326-2659

February 7, 1989

Chevron U.S.A. Inc.  
60001 Bollinger Canyon Rd.  
San Ramon, California 94583

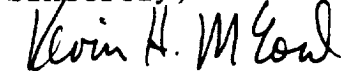
RE: Administrative Approval of an  
Unorthodox Location, Unorthodox  
Proration Unit, and Downhole  
Commingling of the Fruitland Coal  
and Pictured Cliffs Formations  
Ruby #1  
790' FNL & 1790' FWL  
Section 34, T26N, R12W  
San Juan County, NM

Gentlemen:

Robert L. Bayless has applied to the New Mexico Oil  
Conservation Division for administrative approval of an  
unorthodox location, unorthodox proration unit, and downhole  
commingling of the Fruitland Coal and Pictured Cliffs  
formations in the Ruby #1 well located in the NW/4 of  
Section 34, T26N, R12W, San Juan County, New Mexico. A copy  
of this application has been enclosed for your information.

Bayless has determined that you are an operator of offset  
acreage that could possibly be affected by the granting of  
this application by the NMOCD. We request your support and  
approval of this application. Please indicate this by  
signing and dating this letter and mailing one copy to NMOCD  
and one copy to our office in the envelopes provided. The  
original may be retained for your files.

Sincerely,



Kevin H. McCord  
Petroleum Engineer

Enclosures

The undersigned has no  
objection to the above  
application.

CHEVRON U.S.A. INC.

By: \_\_\_\_\_

Date: \_\_\_\_\_

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING  
P. O. BOX 168  
FARMINGTON, NEW MEXICO 87499  
(505) 326-2659

February 7, 1989

Dugan Production Corporation  
P.O. Box 5820  
Farmington, New Mexico 87499

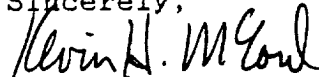
RE: Administrative Approval of an  
Unorthodox Location, Unorthodox  
Proration Unit, and Downhole  
Commingling of the Fruitland Coal  
and Pictured Cliffs Formations  
Ruby #1  
790' FNL & 1790' FWL  
Section 34, T26N, R12W  
San Juan County, NM

Gentlemen:

Robert L. Bayless has applied to the New Mexico Oil  
Conservation Division for administrative approval of an  
unorthodox location, unorthodox proration unit, and downhole  
commingling of the Fruitland Coal and Pictured Cliffs  
formations in the Ruby #1 well located in the NW/4 of  
Section 34, T26N, R12W, San Juan County, New Mexico. A copy  
of this application has been enclosed for your information.

Bayless has determined that you are an operator of offset  
acreage that could possibly be affected by the granting of  
this application by the NMOCD. We request your support and  
approval of this application. Please indicate this by  
signing and dating this letter and mailing one copy to NMOCD  
and one copy to our office in the envelopes provided. The  
original may be retained for your files.

Sincerely,



Kevin H. McCord  
Petroleum Engineer

Enclosures

The undersigned has no  
objection to the above  
application.

DUGAN PRODUCTION CORPORATION

By: \_\_\_\_\_

Date: \_\_\_\_\_

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING  
P. O. BOX 1661  
FARMINGTON, NEW MEXICO 87499  
(505) 326-2659

February 7, 1989

Hixon Development Co.  
P.O. Box 2810  
Farmington, New Mexico 87401


RE: Administrative Approval of an  
Unorthodox Location, Unorthodox  
Proration Unit, and Downhole  
Commingle of the Fruitland Coal  
and Pictured Cliffs Formations  
Ruby #1  
790' ENL & 1790' FWL  
Section 34, T26N, R12W  
San Juan County, NM

Gentlemen:

Robert L. Bayless has applied to the New Mexico Oil  
Conservation Division for administrative approval of an  
unorthodox location, unorthodox proration unit, and downhole  
commingle of the Fruitland Coal and Pictured Cliffs  
formations in the Ruby #1 well located in the NW/4 of  
Section 34, T26N, R12W, San Juan County, New Mexico. A copy  
of this application has been enclosed for your information.

Bayless has determined that you are an operator of offset  
acreage that could possibly be affected by the granting of  
this application by the NMOCD. We request your support and  
approval of this application. Please indicate this by  
signing and dating this letter and mailing one copy to NMOCD  
and one copy to our office in the envelopes provided. The  
original may be retained for your files.

Sincerely,

  
Kevin H. McCord  
Petroleum Engineer

Enclosures

The undersigned has no  
objection to the above  
application.

HIXON DEVELOPMENT COMPANY

By: \_\_\_\_\_

Date: \_\_\_\_\_

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING  
P. O. BOX 168  
FARMINGTON, NEW MEXICO 87499  
(505) 326-2659

February 7, 1989

Jerome McHugh  
650 S. Cherry St., Suite 1225  
Denver, Colorado 80222

RE: Administrative Approval of an  
Unorthodox Location, Unorthodox  
Proration Unit, and Downhole  
Commingling of the Fruitland Coal  
and Pictured Cliffs Formations  
Ruby #1  
790' FNL & 1790' FWL  
Section 34, T26N, R12W  
San Juan County, NM

Gentlemen:

Robert L. Bayless has applied to the New Mexico Oil  
Conservation Division for administrative approval of an  
unorthodox location, unorthodox proration unit, and downhole  
commingling of the Fruitland Coal and Pictured Cliffs  
formations in the Ruby #1 well located in the NW/4 of  
Section 34, T26N, R12W, San Juan County, New Mexico. A copy  
of this application has been enclosed for your information.

Bayless has determined that you are an operator of offset  
acreage that could possibly be affected by the granting of  
this application by the NMOCD. We request your support and  
approval of this application. Please indicate this by  
signing and dating this letter and mailing one copy to NMOCD  
and one copy to our office in the envelopes provided. The  
original may be retained for your files.

Sincerely,

  
Kevin H. McCord  
Petroleum Engineer

Enclosures

The undersigned has no  
objection to the above  
application.

Jerome McHugh

By: \_\_\_\_\_

Date: \_\_\_\_\_

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING  
P. O. BOX 168  
FARMINGTON, NEW MEXICO 87499  
(505) 326-2659

February 7, 1989

P-R-O Management  
Glen Lakes Tower 1313  
Box 158  
Dallas, Texas 75231

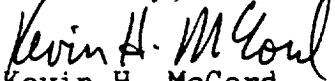
RE: Administrative Approval of an  
Unorthodox Location, Unorthodox  
Proration Unit, and Downhole  
Commingling of the Fruitland Coal  
and Pictured Cliffs Formations  
Ruby #1  
790' FNL & 1790' FWL  
Section 34, T26N, R12W  
San Juan County, NM

Gentlemen:

Robert L. Bayless has applied to the New Mexico Oil  
Conservation Division for administrative approval of an  
unorthodox location, unorthodox proration unit, and downhole  
commingling of the Fruitland Coal and Pictured Cliffs  
formations in the Ruby #1 well located in the NW/4 of  
Section 34, T26N, R12W, San Juan County, New Mexico. A copy  
of this application has been enclosed for your information.

Bayless has determined that you are an operator of offset  
acreage that could possibly be affected by the granting of  
this application by the NMOCD. We request your support and  
approval of this application. Please indicate this by  
signing and dating this letter and mailing one copy to NMOCD  
and one copy to our office in the envelopes provided. The  
original may be retained for your files.

Sincerely,

  
Kevin H. McCord  
Petroleum Engineer

Enclosures

The undersigned has no  
objection to the above  
application.

P-R-O Management

By: \_\_\_\_\_

Date: \_\_\_\_\_

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING

P. O. BOX 168

FARMINGTON, NEW MEXICO 87499

(505) 326-2659

February 7, 1989

Texaco  
P.O. Box EE  
Cortez, Colorado 81321

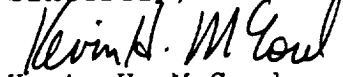
RE: Administrative Approval of an  
Unorthodox Location, Unorthodox  
Proration Unit, and Downhole  
Commingling of the Fruitland Coal  
and Pictured Cliffs Formations  
Ruby #1  
790' FNL & 1790' FWL  
Section 34, T26N, R12W  
San Juan County, NM

Gentlemen:

Robert L. Bayless has applied to the New Mexico Oil  
Conservation Division for administrative approval of an  
unorthodox location, unorthodox proration unit, and downhole  
commingling of the Fruitland Coal and Pictured Cliffs  
formations in the Ruby #1 well located in the NW/4 of  
Section 34, T26N, R12W, San Juan County, New Mexico. A copy  
of this application has been enclosed for your information.

Bayless has determined that you are an operator of offset  
acreage that could possibly be affected by the granting of  
this application by the NMOCD. We request your support and  
approval of this application. Please indicate this by  
signing and dating this letter and mailing one copy to NMOCD  
and one copy to our office in the envelopes provided. The  
original may be retained for your files.

Sincerely,

  
Kevin H. McCord  
Petroleum Engineer

Enclosures

The undersigned has no  
objection to the above  
application.

TEXACO

By: \_\_\_\_\_

Date: \_\_\_\_\_

P 294 981 910

P 294 981 910

Alexander Energy

501 NW Expressway, Ste.600

Oklahoma City, OK 73118

.65

.85

.90

2.40

2/7/89 LMO

Celsius Energy Co.

P.O. Box 11070

Salt Lake City, UT 84147

.65

.85

.90

2.40

2/7/89 LMO

P 294 981 917

RECEIPT FOR CERTIFIED MAIL

U.S. POSTAL SERVICE  
See Remarks

Chevron U.S.A., Inc.

60001 Bollinger Canyon Rd.

San Ramon, CA 94583

.65

.85

.90

2.40

2/7/89

LMO

P 294 981 911

RECEIPT FOR CERTIFIED MAIL

U.S. POSTAL SERVICE  
See Remarks

Dugan Production Corp.

P.O. Box 5820

Farmington, NM 87499

.65

.85

.90

2.40

2/7/89

LMO

P 294 981 912

## RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
FOR INTERNATIONAL MAIL  
See Reverse

Hixon Development Co.

P.O. Box 2810

Farmington, NM 87499

.65

.85

.90

2.40

2/7/89

LMO

U.S.G.P.O. 1985-480-794

PS Form 3800, June 1985

P 294 981 915

## RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
FOR INTERNATIONAL MAIL  
See Reverse

Jerome McHugh

650 S. Cherry St., Ste. 1225

Denver, CO 80222

.65

.85

.90

2.40

2/7/89

LMO

U.S.G.P.O. 1985-480-794

PS Form 3800, June 1985

P 294 981 914

## RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
FOR INTERNATIONAL MAIL  
See Reverse

P-R-O Management

Street and No.

Box 158

City, State and ZIP Code

Dallas, TX 75231

Postage

.65

Certified Fee

.85

Special Delivery Fee

Restricted Delivery Fee

Return Receipt showing  
to whom and Date Delivered

.90

Return Receipt showing to whom  
Date and Address of Delivery

TOTAL Postage and Fees

2.40

Postmark or Date

2/7/89

LMO

U.S.G.P.O. 1985-480-794

PS Form 3800, June 1985

P 294 981 915

## RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
FOR INTERNATIONAL MAIL  
See Reverse

Texaco

Street and No.

P.O. Box EE

P.O. State and ZIP Code

Cortez, CO 81321

Postage

.65

Certified Fee

.85

Special Delivery Fee

Restricted Delivery Fee

Return Receipt showing  
to whom and Date Delivered

.90

Return Receipt showing to whom  
Date and Address of Delivery

TOTAL Postage and Fees

2.40

Postmark or Date

2/7/89

LMO

U.S.G.P.O. 1985-480-794

PS Form 3800, June 1985