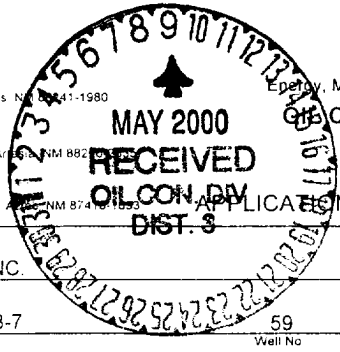


DISTRICT I
 P.O. Box 1980 Hobbs, NM 8841-1980
 DISTRICT II
 811 South First St. Artesia, NM 88220
 DISTRICT III
 1000 Rio Brazos Rd. Lordsburg, NM 87450



State of New Mexico
 Energy, Minerals and Natural Resources Department
CONSERVATION DIVISION
 2040 S. Pacheco
 Santa Fe, New Mexico 87505-6429

Form C-107-A
 New 3-12-96
 APPROVAL PROCESS:
 ___ Administrative ___ Hearing
 EXISTING WELLBORE
 X YES ___ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Operator **CONOCO, INC.** Address **P.O. BOX 2197 HOUSTON, TX 77252**

Lease **SAN JUAN 28-7** Well No **59** Unit Ltr - Sec - Twp - Rge **B 29 T28N R7W** County **RIO ARRIBA**

OGRID NO. **005073** Property Code **016608** API NO. **30-039-07334** Spacing Unit Lease Types (check 1 or more) Federal State ___ (and/or) Fee ___

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	BASIN FRUITLAND COAL 71629	BLANCO PICTURED CLIFF 72359	BLANCO MESAVERDE 72319
2. Top and Bottom of Pay Section (Perforations)	PROPOSED 2463'-2734'	PROPOSED 2739'-2812'	4330'-5018'
3. Type of production (Oil or Gas)	GAS - EXPECTED	GAS - EXPECTED	GAS
4. Method of Production (Flowing or Artificial Lift)	EXPECTED TO FLOW	EXPECTED TO FLOW	FLOWING
5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original	a. (Current) 1,167	a. 1,119	a. 540
	b. (Original) 1,167	b. 1,119	b. 1,250
6. Oil Gravity (°API) or Gas BTU Content	1,045	1,189	1,250
7. Producing or Shut-In?	TO BE COMPLETED	TO BE COMPLETED	PRODUCING
Production Marginal? (yes or no)	YES	YES	YES
* If Shut-In, give date and oil/gas/water rates of last production. Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data. * If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date Rates ESTIMATED 150-250MCFD	Date Rates ESTIMATED 200-300MCFD	Date Rates APPROX. CURRENT 90MCFD
8. Fixed Percentage Allocation Formula - % for each zone	Allocate by prod. Oil % Gas %	Allocate by prod. Oil % Gas %	Subtraction Allocate Oil % Gas %

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.
10. Are all working, overriding, and royalty interests identical in all commingled zones?
 If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No
 Have all offset operators been given written notice of the proposed downhole commingling? Yes No
11. Will cross-flow occur? ___ Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. ___ Yes ___ No (If No, attach explanation)
12. Are all produced fluids from all commingled zones compatible with each other? Yes ___ No
13. Will the value of production be decreased by commingling? ___ Yes No (If Yes, attach explanation)
14. If this well is on, or communitized with, state, or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes ___ No
15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S) _____

16. ATTACHMENTS:
 * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
 * Production curve for each zone for at least one year. (If not available, attach explanation.)
 * For zones with no production history, estimated production rates and supporting data.
 * Data to support allocation method or formula.
 * Notification list all offset operators.
 * Notification list of all working, overriding, and royalty interests for uncommon interest cases.
 * Any additional statements, data, or documents required to support commingling

I hereby certify that the information above is true and complete to the best of my knowledge and belief

SIGNATURE Deborah Marberry TITLE REGULATORY ANALYST DATE 04/19/2000

TYPE OR PRINT NAME DEBORAH MARBERRY TELEPHONE NO. () (281)293-1005