WALSH ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

7415 East Main
Farmington, New Mexico 87402
(505) 327-4892

July 14, 1998

Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Re: Application for Surface Commingling
Thompson Engineering
Hartman #1Z and Hartman #2 – A - 31N - 21N - 11W
Section 31, T29N, R11W
San Juan County, New Mexico
Fulcher Kutz Pictured Cliffs and Basin Fruitland Coal

Dear Ms. Wrotenbery,

This is a request on behalf of Thompson Engineering for approval to surface commingle the gas production from the above mentioned wells.

1. **Proposed System** The wells are commingled upstream of a single compressor and CPD meter so that they can reduce compression and measurement costs. The Hartman #1Z well will have an allocation meter on location. The Hartman #2 production is the difference between the CPD meter and the allocation meter. The gas flows into El Paso Natural Gas' gathering system and they maintain the CPD meter. Neither well produces liquid hydrocarbons.

2. **Location Map** Exhibit 1 is a topo map showing the location of the two wells.

3. **Wells, Locations, and Lease Numbers** Exhibit 2 is an acreage dedication plat. Both wells are located on a fee lease. The NW quarter of Section 31, T29N, R11W has been dedicated to the Hartman #1Z, and the N/2 has been dedicated to the Hartman #2. Exhibit 3 is a list of the royalty, overriding royalty, and working interests in both wells.

4. **Schematic Diagram** Exhibit 4 is a schematic diagram of the facilities.

5. **Fuel Gas** Each well has a separator that uses approximately 0.5 MCFD of fuel gas. The compressor uses approximately 10 MCFD of fuel gas.

6. **Mechanical Integrity** The flow line from the Hartman #2R to the CPD is 2" SDR-7 poly pipe with a pressure rating of 267 psig. This line and all of the connections will be tested to wellhead pressure which will be approximately 180 psig. The flow line from the Hartman #1Z is a 4-1/2" diameter buried steel pipeline with a pipe-wall thickness of 0.156" and wall strength of 1750 psi. The MAOP of El Paso's gathering system is 250 psig.

7. **Production - Gravity/BTU** The Hartman was first delivered in late May and produces approximately 400 MCFD of gas. The Hartman #1Z is not online so no data is available. Both wells should have Btu values in the 1000 MMBtu/MCF range.

8. **Allocation Formula** The Hartman #1Z well will have an allocation meter. The production assigned to this well will be the integrated volume from the allocation meter plus separator fuel gas and one - half of the compressor fuel gas. The volume of gas allocated to the Hartman #2 will be the total integrated volume from the CPD meter, minus the volume allocated to the #1Z, plus separator fuel gas and on - half of the compressor fuel gas.

9. **Line Purging** We do not anticipate purging the system very often, but if it is purged, the lost gas will be allocated equally to each of the two wells.

10. **Purged Fluids** Any fluids purged will be natural gas, and condensed water vapor.

11. **Meter Calibration Schedule** The allocation and CPD meters will be calibrated once each quarter. El Paso Field Services will maintain the CPD meter and Thompson will maintain the allocation meter.

12. **Gas Analysis Schedule** El Paso Field Service will analyze the gas from the commingled stream twice a year.

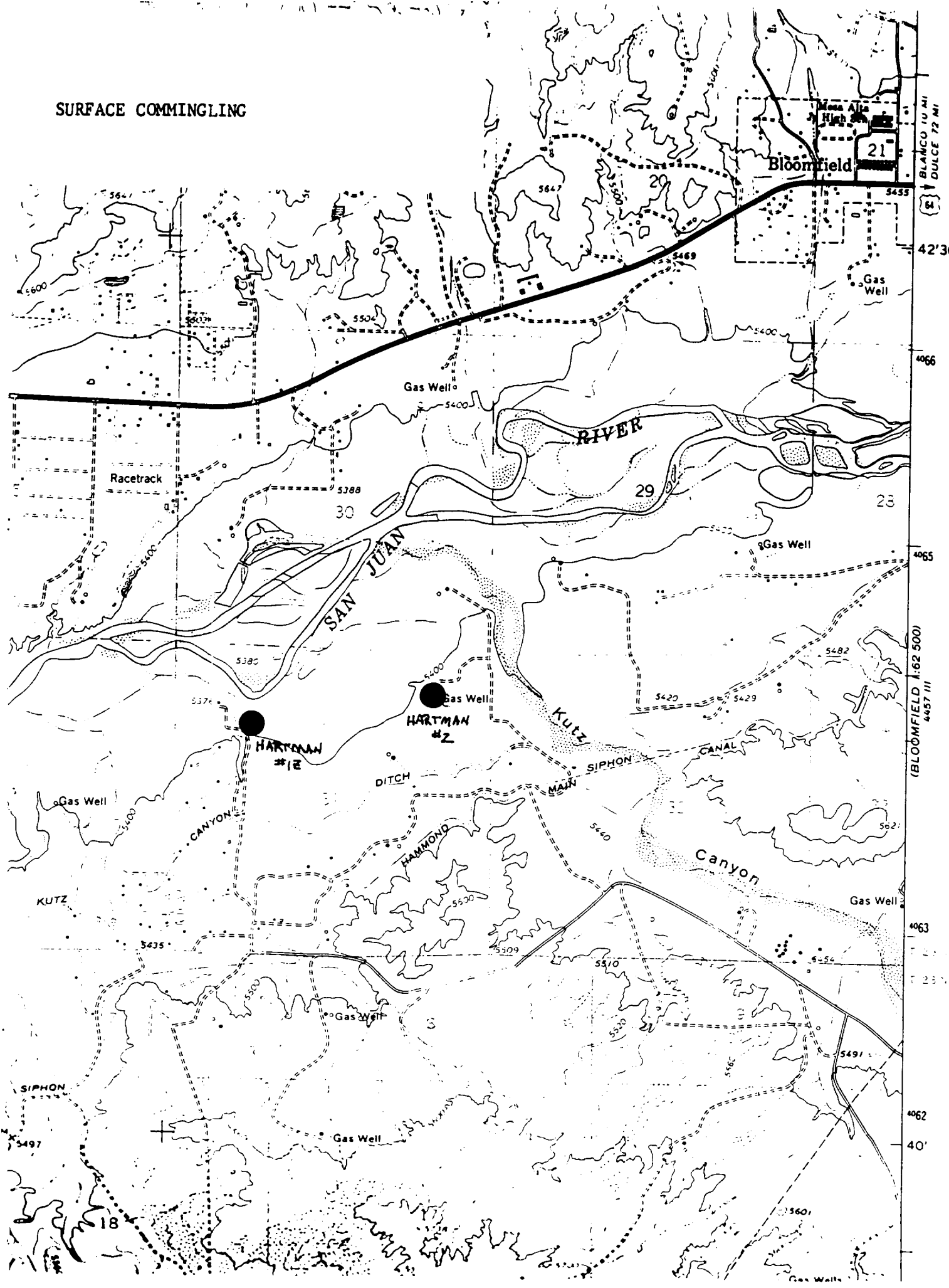
13. **Effective Date** The system will be placed in service as soon as this application is approved.

Sincerely,

Paul C. Thompson

Paul C. Thompson, P.E.

SURFACE COMMINGLING



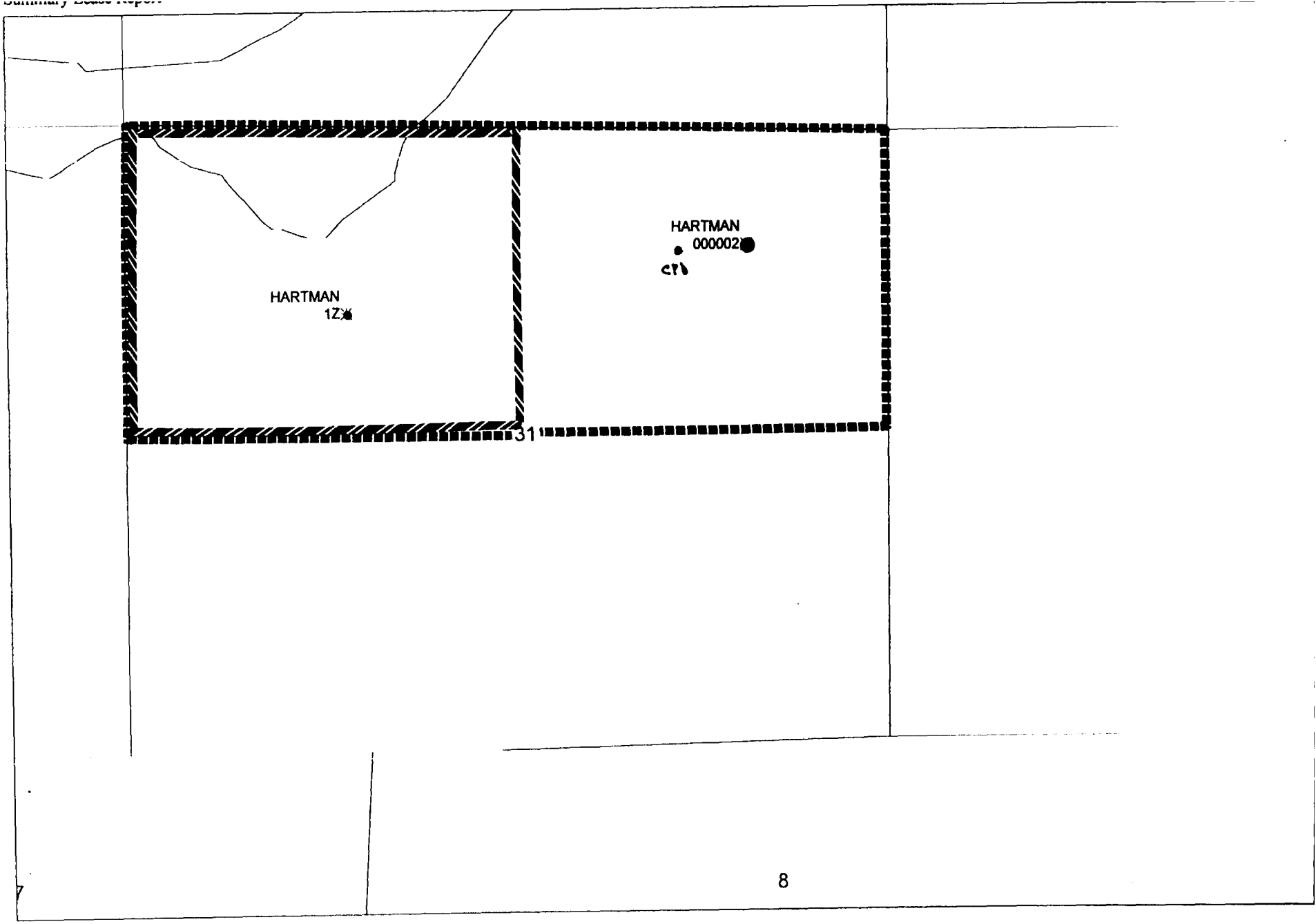

HARTMAN
HARTMAN
31
8

Exhibit 3

	Hartman #1Z	Hartman #2
Overrides:		
Gerry Thames	.2000	.2000
Working Interests:		
Clayton Investment Company	.6400	.6400
Peak Production	.1600	.1600
Total	1.0000	1.0000

EXHIBIT 4

SCHEMATIC OF SURFACE FACILITIES