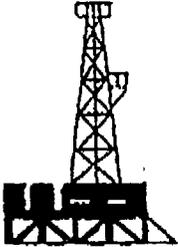


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# HUERFANO UNIT #549

In order to facilitate an economic Pictured Cliffs completion three requirements must be met. It is the combination of these three requirements that determines the economic status and completion method (PC single completion, PC-FTC Dual, PC-FTC commingle) utilized. These three requirements are as follows:

**RESERVES  $N_p(pc)$**

**FLOW RATE ( $Q_{pci}$ )**

**COSTS (Investment and Operating)**

Shown in the following example are the parameters and calculations used to determine Pictured Cliffs initial rate ( $Q_{pci}$ ), Pictured Cliffs Estimated Ultimate Recovery ( $N_p(pc)$ ), and Pictured Cliffs decline rate ( $D_{pc}$ ). Additionally, estimated costs associated with each completion method and economic sensitivities (figures 1-3) are attached to show the effects of PC reserves ( $N_p(pc)$ ), initial PC rates ( $Q_{pci}$ ), and completion method (costs).

This example is for the Huerfano Unit #549, but the methodology is applicable for each of the commingle applications submitted (Rhodes C #'s 101 & 102, Whitley A #100, McAdams #500, and the Rowley Com #500). The variations in the  $N_p(pc)$ 's are due to the specific drill block parameters (thickness, porosity, water saturation). Costs will be similar and the economic sensitivities are applicable for each case.

# HUERFANO UNIT #549

## MONTHLY GAS PRODUCTION ALLOCATION FORMULA

### GENERAL EQUATION

$$Q_t = Q_{ftc} + Q_{pc}$$

WHERE:  $Q_t$  = TOTAL MONTHLY PRODUCTION (MCF/MONTH)  
 $Q_{ftc}$  = FRUITLAND COAL (ftc) MONTHLY PRODUCTION  
 $Q_{pc}$  = PICTURED CLIFFS (pc) MONTHLY PRODUCTION (MCF/MONTH)

REARRANGING THE EQUATION TO SOLVE FOR  $Q_{ftc}$ :

$$Q_{ftc} = Q_t - Q_{pc}$$

ANY PRODUCTION RATE OVER WHAT IS CALCULATED FOR THE PICTURED CLIFFS (PC) USING THE APPLIED FORMULA IS FRUITLAND COAL (FTC) PRODUCTION.

ICTURED CLIFFS (PC) FORMATION PRODUCTION FORMULA IS:

$$Q_{pc} = Q_{pci} \times e^{-\{D_{pc}\} \times (t)}$$

WHERE:  $Q_{pci}$  = INITIAL PC MONTHLY FLOW RATE (CALCULATED FROM FLOW TEST)

$D_{pc}$  = PICTURED CLIFFS MONTHLY DECLINE RATE CALCULATED FROM:  
 $D_{pc} = (Q_{pci} - Q_{pcabd}) / N_{p(pc)}$   
 See Determination of  $Q_{pci}$  and PC Estimated Ultimate Recovery ( $N_{p(pc)}$ )  
 $Q_{pcabd} = 300$  MCF/M

WHERE:  $N_{p(pc)}$  = PICTURED CLIFFS ESTIMATED ULTIMATE RECOVERY (EUR)

$N_{p(pc)} = P \times 1.08 \text{ MMCF/PSI}^{**} \times R_f$   
 $P^*$  = INITIAL RESERVOIR PRESSURE (SIBHP)  
 $R_f$  = RECOVERY (FIELD ANALOGY): = 0.85  
 $**$  DETERMINED FROM MATERIAL BALANCE (FIELD ANALOGY) AND VOLUMETRIC RESERVES (LOG ANALYSIS)

By calculating  $N_{p(pc)}$  from SIBHP and determining  $Q_{pci}$ ,  $D_{pc}$  can then be calculated utilizing the previously described parameters. See derivation of  $D_{pc}$ , Item (c) on page 4.

THUS:  $Q_{ftc} = Q_t - Q_{pci} \times e^{-\{D_{pc}\} \times (t)}$

WHERE: (t) IS IN MONTHS

REFERENCE: Thompson, R. S., and Wright, J. D., "Oil Property Evaluation", pages 5-2, 5-3, 5-4.

# HUERFANO UNIT #549

## DETERMINATION OF $Q_{pci}$ : (INITIAL PICTURED CLIFFS MONTHLY PRODUCTION)

$$\underline{Q_{pci} = Q_t(1) \times Q_{pc}(p) / \{Q_{pc}(p) + Q_{ftc}(p)\}}$$

### WHERE:

$Q_t(1)$  = FIRST MONTH TOTAL PRODUCTION (MCF)

$Q_{pc}(p)$  = FINAL PICTURED CLIFFS FLOW TEST (MCFPD)

$Q_{ftc}(p)$  = FINAL FRUITLAND COAL FLOW TEST (MCFPD)

## HUERFANO UNIT #549

### EXAMPLE DETERMINATION OF:

(a)  $N_p(pc)$ 

PC EUR

(b)  $Q_{pci}$ 

INITIAL PC MONTHLY FLOW RATE

(c)  $D_{pc}$ 

PC MONTHLY DECLINE RATE

### (a) DETERMINATION OF $N_p(pc)$

(see page 5 for  $N_p(pc)$  derivation)

$$N_p(pc) = 1.08 \text{ (MMCF/PSI)} \times P^* \text{ (PSI)} \times R_f$$

$$P^* = 300 \text{ PSI (FROM SIBHP)}$$

$$N_p(pc) = 1.08 \text{ MMCF/PSI} \times 300 \text{ PSI} \times 0.85$$

$$\underline{N_p(pc) = 275.4 \text{ MMCF}}$$

### (b) DETERMINATION OF $Q_{pci}$

$$Q_{pci} = Q_t(1) \times \{Q_{pc}(p) / (Q_{pc}(p) + Q_{ftc}(p))\}$$

$$Q_t(1) = 15,000 \text{ MCF}$$

1ST MONTH TOTAL PRODUCTION

$$Q_{pc}(p) = 500 \text{ MCF/D}$$

PC FLOW TEST

$$Q_{ftc}(p) = 400 \text{ MCF/D}$$

FTC FLOW TEST

$$Q_{pci} = 15,000 \text{ MCF/M} \times \{500 \text{ MCF/D} / (500 \text{ MCF/D} + 400 \text{ MCF/D})\}$$

$$\underline{Q_{pci} = 8,333 \text{ MCF/M}}$$

### (c) DETERMINATION OF $D_{pc}$

$$D_{pc} = (Q_{pci} - Q_{pcabd}) / N_p(pc)$$

$$Q_{pcabd} = 300 \text{ MCF/M}$$

$$D_{pc} = (8,333 \text{ MCF/M} - 300 \text{ MCF/M}) / (275,400 \text{ MCF})$$

$$\underline{D_{pc} = 0.029/M}$$

$$\underline{\text{THUS: } Q_{ftc} = Q_t(\text{MCF/M}) - 8,333(\text{MCF/M}) \times e^{-\{-(0.029(1/M))\}} \times t(\text{M})}$$

# HUERFANO UNIT #549

A. DETERMINATION OF PC RESERVES  $N_p(pc) = (HCPV \times B_g \times R_f)$   
 Volumetric Evaluation (averages are for subject 160 acre drill block)

a.	(t)	thickness	=	35.0	ft
b.	(phi)	porosity	=	15.0	%
c.	(Sw)	H2O saturation	=	55.0	%
d.	(Rf)	Recovery Factor	=	85.0	%
e.	(rcf)	Reservoir Cubic Feet	@	reservoir conditions	
f.	(scf)	Standard Cubic Feet	@	standard conditions	

1. HCPV = HYDROCARBON PORE VOLUME (rcf)

$$= t \text{ (ft)} \times a \text{ (ft}^2\text{)} \times \text{phi} \times (1 - S_w)$$

$$= 35 \text{ (ft)} \times 160 \text{ (acres)} \times 43,560 \text{ (ft}^2\text{/acre)} \times 0.15 \times (1 - 0.55)$$

$$= 16,465,680 \text{ ft}^3 \quad 1 \text{ mmrcf} = 1,000,000 \text{ ft}^3$$

HCPV = 16.466 mmrcf

2. Bg = FORMATION VOLUME FACTOR (scf/rcf)

UTILIZING THE REAL GAS LAW TO DETERMINE THE FORMATION VOLUME FACTOR (Bg):

REAL GAS LAW states:  $PV = ZnRT$   
 Rearranging to solve for n:  $n = PV / ZRT$

assuming:  $n_r = n_s$

WHERE:  $n_r$  = NUMBER OF MOLES OF GAS AT RESERVOIR CONDITION

$n_s$  = NUMBER OF MOLES OF GAS AT SURFACE CONDITIONS

THUS:  $P_r V_r / Z_r T_r R = P_s V_s / Z_s T_s R$

Rearranging:  $V_s / V_r = B_g = Z_s T_s P_r / Z_r T_r P_s$

assuming:

$Z_s$	=	1.00
$Z_r$	=	0.94
$T_s$	=	60 °F or 520 °R
$T_r$	=	100 °F or 560 °R
$P_s$	=	15.025 psia
$P_r$	=	Determined from build-up test

Bg = FORMATION VOLUME FACTOR (scf/rcf) =  $Z_s T_s P_r / Z_r T_r P_s$   
 = (scf/rcf)  $\{1.00 \times 520 \text{ (}^\circ\text{R)} \times P_r \text{ (psia)}\} / \{0.94 \times 560 \text{ (}^\circ\text{R)} \times 15.025 \text{ (psia)}\}$

Bg = 0.0657 {scf/ (rcf psia)} X Pr (psia)

3. EUR = HCPV X Bg X Rf

= 16.466 (mmrcf) X 0.0657 {scf/(rcf psia)} X Pr (psia) X 0.85

Np(pc) = 1.08 (mmscf/psia) X Pr (psia) X 0.85

# HUERFANO UNIT #549

## B. PICTURED CLIFFS DRILLING /COMPLETION COST SUMMARY

### 1. STAND ALONE SINGLE PC COMPLETION

ESTIMATED COSTS:	TANGIBLE (M\$)	INTANGIBLE (M\$)	TOTAL (M\$)
	183.39	136.12	319.51

### 2. FTC/PC DUAL COMPLETION\*

ESTIMATED COSTS:	TANGIBLE (M\$)	INTANGIBLE (M\$)	TOTAL (M\$)
	173.49	93.67	267.16

### 3. FTC/PC COMMINGLE COMPLETION\*

ESTIMATED COSTS:	TANGIBLE (M\$)	INTANGIBLE (M\$)	TOTAL (M\$)
	91.69	93.67	185.36

\*PICTURED CLIFFS COSTS ONLY

## C. ECONOMIC SUMMARY

### FIGURES 1-3 PICTURED CLIFFS RESERVES VS RATE OF RETURN (%)

THREE CASES PER FIGURE (FTC/PC COMMINGLE, FTC/PC DUAL, PC SINGLE)

FIGURE 1 INITIAL RATE = 100 MCF/D

FIGURE 2 INITIAL RATE = 200 MCF/D

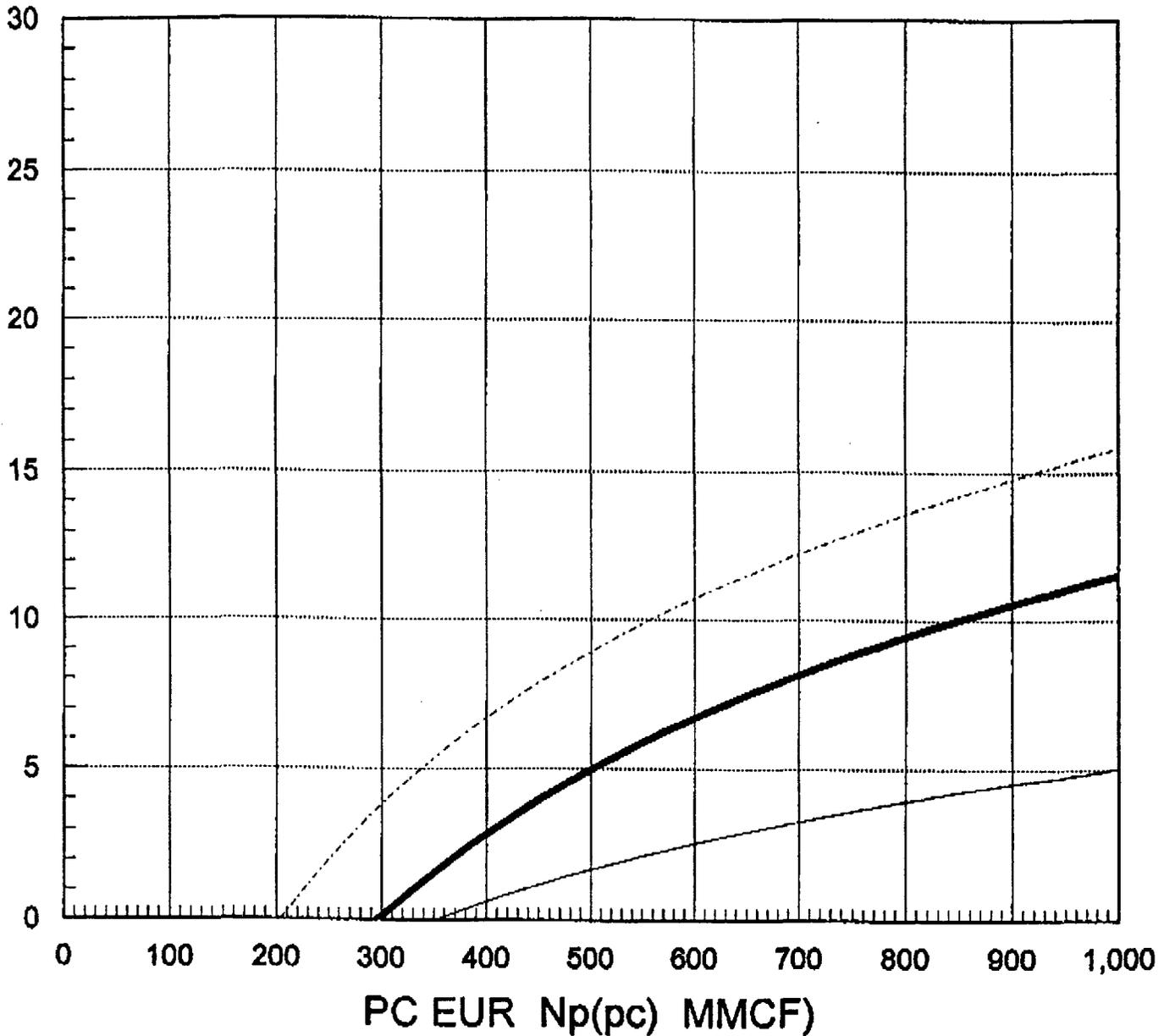
FIGURE 3 INITIAL RATE = 300 MCF/D

# PICTURED CLIFFS

## ECONOMIC EVALUATION

### COMPLETION TECHNIQUE SENSITIVITY

RATE OF RETURN (%)



PC    PC-FTC    PC-FTC  
SINGLE    DUAL    COMMINGLE

INITIAL RATE (Q<sub>pc1</sub>) = 100 MCF/D  
OR 3,000 MCF/M

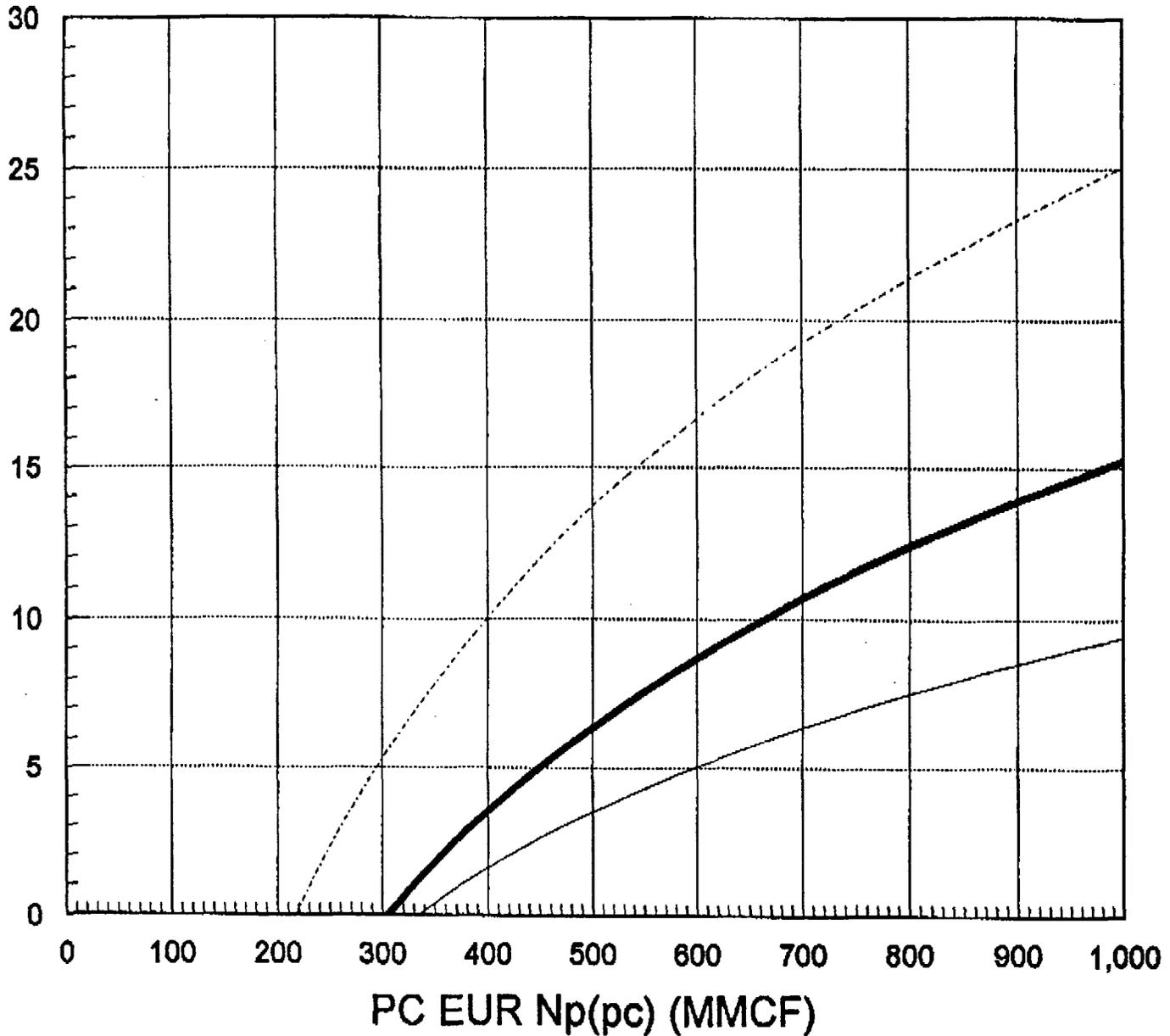
FIGURE 1

# PICTURED CLIFFS

## ECONOMIC EVALUATION

### COMPLETION TECHNIQUE SENSITIVITY

RATE OF RETURN (%)



PC SINGLE    PC-FTC DUAL    PC-FTC COMMINGLE

INITIAL RATE (Q<sub>pc1</sub>) = 200 MCF/D

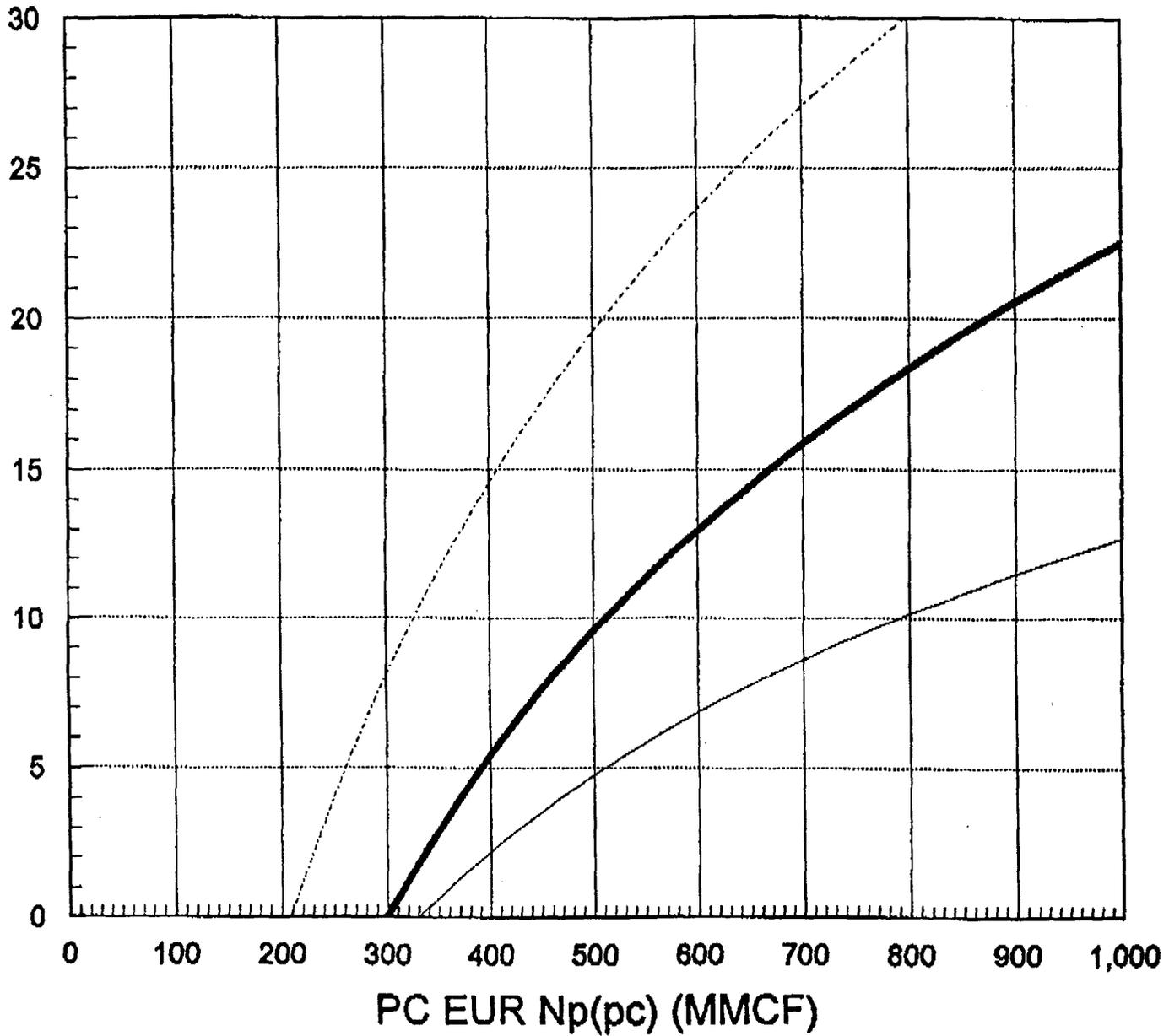
OR 6,000 MCF/M

FIGURE 2

# ECONOMIC EVALUATION

## COMPLETION TECHNIQUE SENSITIVITY

RATE OF RETURN (%)

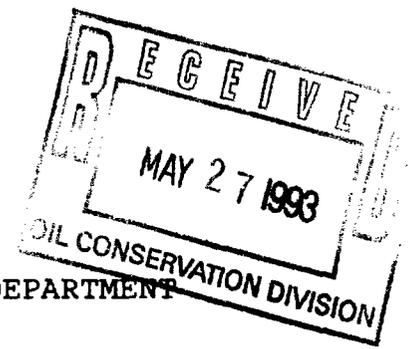


PC SINGLE    PC-FTC DUAL    PC-FTC COMMINGLE

INITIAL RATE (Q<sub>pcl</sub>) = 300 MCF/D  
OR 9,000 MCF/M

FIGURE 3

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



IN THE MATTER OF THE APPLICATION OF  
MERIDIAN FOR DOWNHOLE COMMINGLING  
OF THE BALLARD-PICTURED CLIFFS POOL  
AND BASIN-FRUITLAND COAL GAS POOL  
FOR THE HUERFANO UNIT AREA,

Case No. 10753<sup>35</sup>

Applicant.

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted on behalf of Gas Company of New Mexico ("GCNM") as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

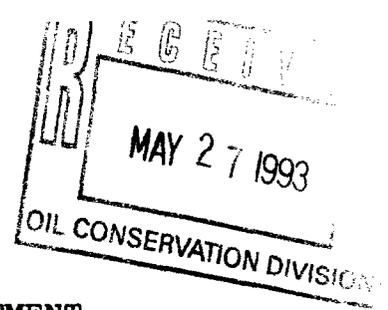
Opponent:	Gas Company of New Mexico Alvarado Square Albuquerque, New Mexico 87158
Contact Person:	Paul Mollo Manager Contract Compliance (505) 848-2651
Attorney:	H. Ward Camp Keleher & McLeod, P.A. Post Office Drawer AA Albuquerque, New Mexico 87103 (505) 842-6262

OPPONENT'S STATEMENT OF OPPOSITION

GCNM is presently purchasing gas from wells producing from the formations that are the subject matter of this Application. GCNM may be adversely affected by the commingling of these formations.

OPPONENT'S PROPOSED EVIDENCE

GCNM must first analyze Applicant's evidence to see if any basis exists to support or oppose the Application.



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

IN THE MATTER OF THE APPLICATION OF  
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Alvarado Square  
Albuquerque, New Mexico 87158

Contact Person: Paul Mollo  
Manager Contract Compliance  
(505) 848-2651

Attorney: H. Ward Camp  
Keleher & McLeod, P.A.  
Post Office Drawer AA  
Albuquerque, New Mexico 87103  
(505) 842-6262

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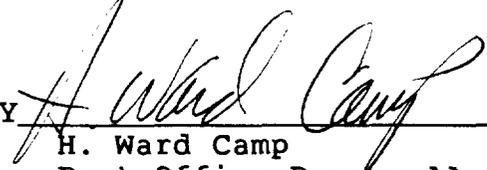
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Respectfully submitted,

KELEHER & McLEOD, P.A.

BY



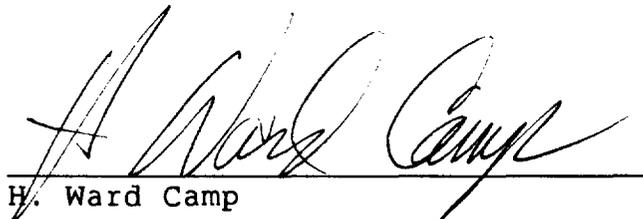
H. Ward Camp  
Post Office Drawer AA  
Albuquerque, New Mexico 87103  
(505) 842-6262

Attorneys for Gas Company of  
New Mexico, a division of Public  
Service Company of New Mexico

CERTIFICATE OF SERVICE

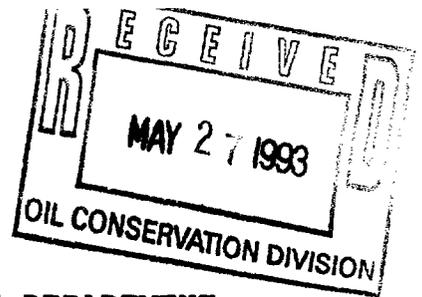
I certify that on the 27th day of May, 1993, a copy of  
this Pre-Hearing Statement was hand-delivered to:

W. Thomas Kellahin  
Kellahin & Kellahin  
117 N. Guadalupe  
Santa Fe, New Mexico



H. Ward Camp

WPPHWC-461



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

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(505) 842-6262

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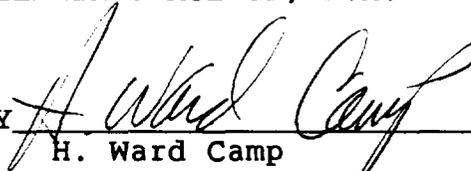
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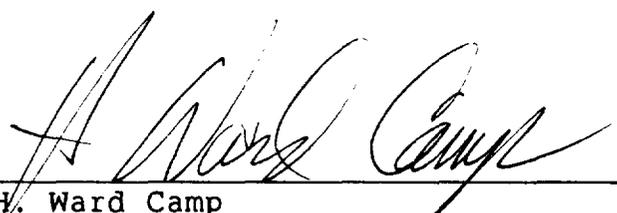
  
\_\_\_\_\_  
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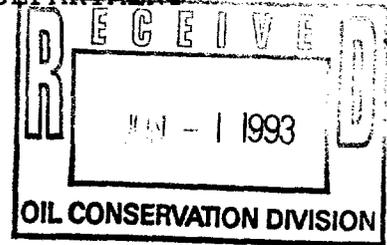
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\_\_\_\_\_  
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WPPHWC-461

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:

CASE NO. 10735

APPLICATION OF MERIDIAN OIL INC.  
FOR DOWNHOLE COMMINGLING AND FOR  
AN ADMINISTRATIVE DOWNHOLE COMMINGLING  
PROCEDURE WITHIN THE HUERFANO UNIT AREA,  
SAN JUAN COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by MERIDIAN OIL  
INC. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

MERIDIAN OIL INC.  
P. O. Box 4289  
Farmington, N.M. 87499  
Attn: Alan Alexander  
(505) 326-9757

ATTORNEY

W. Thomas Kellahin  
KELLAHIN AND KELLAHIN  
P.O. Box 2265  
Santa Fe, NM 87504  
(505) 982-4285

Pre-Hearing Statement  
Case No. 10735  
Page 2

OPPOSITION

Gas Company of New Mexico  
Alvarado Square  
Albuquerque, N.M. 87158

ATTORNEY

H. Ward Camp  
Keleher & McLeod  
P. O. Drawer AA  
Albuquerque, N.M. 87103

**STATEMENT OF CASE**

APPLICANT:

Meridian Oil Inc. seeks an administrative procedure to downhole commingle Ballard Pictured Cliffs Gas Pool and Basin-Basin-Fruitland Coal Gas Pool production within the Huerfano Unit with the three initial wells for downhole commingling being the Huerfano Unit Wells 46, 59, and 549, San Juan County New Mexico. As set forth in its application, Meridian will establish, among other things, that:

(1) Ownership is different between the spacing units because there are different participating areas for each pool which are not identical. However, correlative rights will not be impaired;

(2) Huerfano Unit Well #46 and #59 are existing Ballard Pictured Cliffs Gas Pool wells to be recompleted and commingled with Basin Fruitland Coal Gas Pool production. Huerfano Unit Well #549 is a proposed new well;

(3) It is not otherwise economic to attempt to drill and separately complete wells in the unit for either the Ballard-Pictured Cliffs Pool production or for Basin-Fruitland Coal

Gas Pool production within the Huerfano Unit;

(4) No reservoir damage will occur;

(5) Approval will allow the economic recovery of gas which might otherwise be left in the reservoirs thereby preventing waste.

**OPPONENT:**

See GCNM pre-hearing statement which states:

"GCNM is presently purchasing gas from wells producing from the formations that are the subject matter of this Application. GCNM may be adversely affected by the commingling of these formations."

**PROPOSED EVIDENCE**

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Tom Yersak (geologist)	20 min.	2
Alan Alexander (landman)	15 min.	4
Scott Daves (petroleum engineer)	20 min.	2

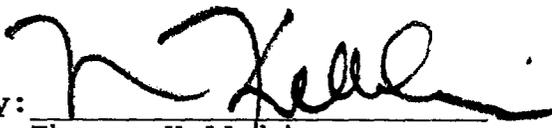
OPPONENT:

None disclosed by Opponent.

**PROCEDURAL MATTERS**

Applicant objects to the appearance of GCNM in this case. GCNM is not a working interest owner, royalty interest owner, or an overriding royalty interest owner within the Huerfano Unit. GCNM does not purchase gas from any of the wells in which Applicant proposes to downhole commingle production. GCNM is not an interested party, does not having any property interest in the Huerfano Unit or the subject wells, is not an offsetting interest owner and is not affected by any decision made in the case. Therefore has no standing to appear or participate in this case.

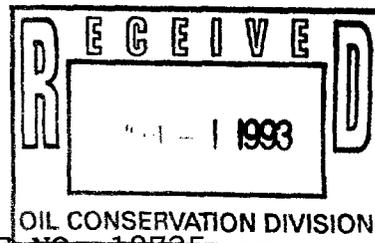
KELLAHIN AND KELLAHIN

By: 

W. Thomas Kellahin  
P.O. Box 2265  
Santa Fe, New Mexico 87504  
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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
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OPPONENT:

None disclosed by Opponent.

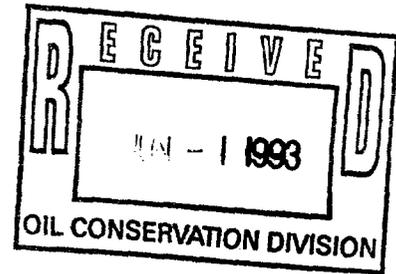
**PROCEDURAL MATTERS**

Applicant objects to the appearance of GCNM in this case. GCNM is not a working interest owner, royalty interest owner, or an overriding royalty interest owner within the Huerfano Unit. GCNM does not purchase gas from any of the wells in which Applicant proposes to downhole commingle production. GCNM is not an interested party, does not having any property interest in the Huerfano Unit or the subject wells, is not an offsetting interest owner and is not affected by any decision made in the case. Therefore has no standing to appear or participate in this case.

KELLAHIN AND KELLAHIN

By: 

W. Thomas Kellahin  
P.O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285



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:

CASE NO. 10735

APPLICATION OF MERIDIAN OIL INC.  
FOR DOWNHOLE COMMINGLING AND FOR  
AN ADMINISTRATIVE DOWNHOLE COMMINGLING  
PROCEDURE WITHIN THE HUERFANO UNIT AREA,  
SAN JUAN COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by MERIDIAN OIL  
INC. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

MERIDIAN OIL INC.  
P. O. Box 4289  
Farmington, N.M. 87499  
Attn: Alan Alexander  
(505) 326-9757

ATTORNEY

W. Thomas Kellahin  
KELLAHIN AND KELLAHIN  
P.O. Box 2265  
Santa Fe, NM 87504  
(505) 982-4285

Pre-Hearing Statement  
Case No. 10735  
Page 2

OPPOSITION

Gas Company of New Mexico  
Alvarado Square  
Albuquerque, N.M. 87158

ATTORNEY

H. Ward Camp  
Keleher & McLeod  
P. O. Drawer AA  
Albuquerque, N.M. 87103

STATEMENT OF CASE

APPLICANT:

Meridian Oil Inc. seeks an administrative procedure to downhole commingle Ballard Pictured Cliffs Gas Pool and Basin-Basin-Fruitland Coal Gas Pool production within the Huerfano Unit with the three initial wells for downhole commingling being the Huerfano Unit Wells 46, 59, and 549, San Juan County New Mexico. As set forth in its application, Meridian will establish, among other things, that:

(1) Ownership is different between the spacing units because there are different participating areas for each pool which are not identical. However, correlative rights will not be impaired;

(2) Huerfano Unit Well #46 and #59 are existing Ballard Pictured Cliffs Gas Pool wells to be recompleted and commingled with Basin Fruitland Coal Gas Pool production. Huerfano Unit Well #549 is a proposed new well;

(3) It is not otherwise economic to attempt to drill and separately complete wells in the unit for either the Ballard-Pictured Cliffs Pool production or for Basin-Fruitland Coal

Gas Pool production within the Huerfano Unit;

(4) No reservoir damage will occur;

(5) Approval will allow the economic recovery of gas which might otherwise be left in the reservoirs thereby preventing waste.

**OPPONENT:**

See GCNM pre-hearing statement which states:

"GCNM is presently purchasing gas from wells producing from the formations that are the subject matter of this Application. GCNM may be adversely affected by the commingling of these formations."

**PROPOSED EVIDENCE**

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Tom Yersak (geologist)	20 min.	2
Alan Alexander (landman)	15 min.	4
Scott Daves (petroleum engineer)	20 min.	2

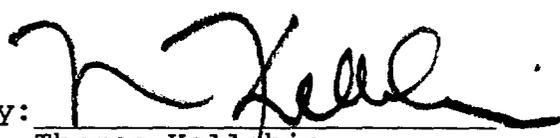
OPPONENT:

None disclosed by Opponent.

**PROCEDURAL MATTERS**

Applicant objects to the appearance of GCNM in this case. GCNM is not a working interest owner, royalty interest owner, or an overriding royalty interest owner within the Huerfano Unit. GCNM does not purchase gas from any of the wells in which Applicant proposes to downhole commingle production. GCNM is not an interested party, does not have any property interest in the Huerfano Unit or the subject wells, is not an offsetting interest owner and is not affected by any decision made in the case. Therefore has no standing to appear or participate in this case.

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(505) 982-4285



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING  
GOVERNOR

ANITA LOCKWOOD  
CABINET SECRETARY

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

July 9, 1993

KELLAHIN AND KELLAHIN  
Attorneys at Law  
P. O. Drawer 2265  
Santa Fe, New Mexico 87504

RE: CASE NO. 10735  
ORDER NO. R-9921

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

*Sally Leichtle*

Sally E. Leichtle  
Administrative Secretary

cc: BLM - Farmington  
Donna McDonald - OCD  
OCD Aztec Office  
Steve Keene - TRD  
H. Ward Camp