

EX. 4

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 1541
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

May 23, 1984

New Mexico Oil Conservation
Division
P.O. Box 2088
Santa Fe, NM 87501

Case 8238

Attn: Mr. Joe Ramey

RE: Request for Surface Commingling
Hearing, Robert L. Bayless
Jicarilla 363 B #4 & #5 Wells
South Blanco Pictured Cliffs
Section 16, T24N, R4W
Rio Arriba County, New Mexico

Gentlemen:

We hereby request a hearing for surface commingling of our Jicarilla 363 B #4 and Jicarilla 363 B #5 South Blanco Pictured Cliffs wells located in Section 16, T24N, R4W, Rio Arriba County, New Mexico.

The Jicarilla 363 B #4 well (790' FNL & 1850' FWL, Section 16, T24N, R4W) was drilled and completed in the Pictured Cliffs formation by Bayless on July 27, 1982 for an AOF of 1013 MCFGPD. Northwest Pipeline evaluated this well and assigned enough reserves to it to justify a pipeline and meter installation. This well was first delivered on February 24, 1983. As of April 1, 1984, this well has produced 8423 MCFG and is now making approximately 25 MFCFDP.

The Jicarilla 363 B #5 well (1000' FNL & 1850' FEL, Section 26, T24N, R4W) was drilled and completed in the Pictured Cliffs formation by Bayless on May 19, 1983 for an AOF of 1263 MCFGPD. Northwest Pipeline evaluated this well and assigned reserves to it that did not justify either a pipeline or a meter installation.

Northwest did agree, however, to have a meter set at the Jicarilla 363 B #4 location if we would pay a non-refundable \$25,000 to them for the meter installation and we would be responsible for laying the pipeline between wells. We felt this proposal was unreasonable because the log quality of the Jicarilla 363 B #5 is much better than the Jicarilla 363 B #4 and the AOF test for the new well indicates it is a better well than the old. However, Northwest assigned fewer reserves to the new well, which they explained

New Mexico Oil Conservation Division
May 24, 1983
Page 2

accounted for their decision not to finance the pipeline and meter installation for the new well.

As an alternate method to sell gas on the Jicarilla 363 B #5 well, we proposed to lay a surface line from the Jicarilla 363 B #5 well approximately 1200 feet to the meter facility at the Jicarilla 363 B #4 well. At this point, the two wells could be produced by alternating production from one well with the other shut-in. This plan was approved by the Bureau of Land Management for a one year period and by the Aztec Office of NMOCD for a six month period. However, the Aztec office stated that each well must be metered individually and arrangements must be made with the pipeline to report the volumes attributable to each well.

We presented this alternate proposal to Northwest Pipeline and they stated that it would be too confusing to their switchers to allocate the production between wells, and therefor did not agree to our proposal.

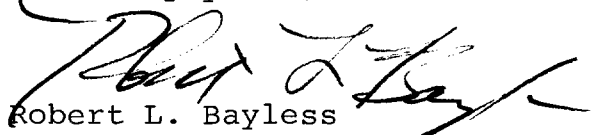
We feel that the only permanent economic solution to this problem is to have both wells commingled on the surface and metered at the existing facilities on the Jicarilla 363 B #4 location. Periodic well tests can be taken to allocate production between the two wells. Both wells are on the same lease, i.e., Jicarilla Contract 363 and have the same ownership. The Jicarilla 363 B #4 is now receiving Section 103 gas prices and the Jicarilla 363 B #5 is approved to receive Section 103 gas prices.

We feel that surface commingling of these two wells will maximize the economic gas production from these two wells without violating correlative rights. Without this surface commingling, the cost of producing gas from the Jicarilla 363 B #5 will be burdensome.

We have enclosed a plat showing the location of the subject wells along with copies of the approval letters mentioned previously.

Should any questions arise on this matter, please contact me.

Sincerely yours,


Robert L. Bayless

RLB/lb

Enclosures