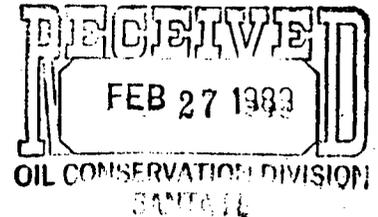


ROBERT L. BAYLESS

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
Kevin H. McCord
Petroleum Engineer

Enclosures

The undersigned has no objection to the above application.

P-R-O Management

By: *Thomas R. Dancy*

Date: 2-17-89



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
 OIL CONSERVATION DIVISION
 AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD
 AZTEC, NEW MEXICO 87410
 (505) 334-6178

OIL CONSERVATION DIVISION
 BOX 2088
 SANTA FE, NEW MEXICO 87501

DATE 3-28-89

RE: Proposed MC _____
~~Proposed DHC~~ X
 Proposed NSL X
 Proposed SWD _____
 Proposed WFX _____
 Proposed PMX _____

NSP X

*DHC-719
 FILE*

MAR 31 1989
 OIL CONSERVATION DIVISION

Gentlemen:

I have examined the application dated 3-13-89

for the Robert LeBayson Ruby #1 C-34-26N-12W
 Operator Lease and Well No. Unit, S-T-R

and my recommendations are as follows:

Approve

Yours truly,

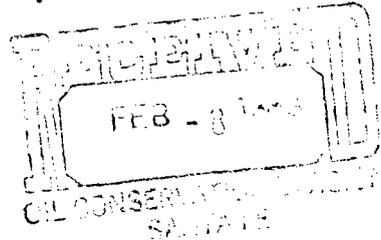
Ernest B. Boyd

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
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.

Ok by
E.B.
3-8-89

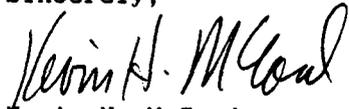
Mr. William LeMay
February 7, 1989
Page 2

- (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

GALLEGOS

NM0560222 NM:2027 State SF 080384 NM 33015 NOO-C-3625

T26N R12W

NM10246 NM:2028 NM12028 US NM12028 NOO-C-3626

NM0560223 NM0558240 NOO-C-5339 NM622 NM55113

TEXACO 29 DUGAN 28 NOO-C-8376 NOO-C-5340 MCHUGH 20 NOO-C-1250 DUGAN

ALEXANDER ENERGY 2 PC NOO-C-8377 SRM-1299 NM0557296A SRM-1531 PC NM26354 OPEN CELSIUS ENERGY 34 US

SCR-139 PC CHEVRON

DUGAN BAYLESS INEZ NOO-C-7469 BAYLESS RUBY NOO-C-7470

HIXON

CHEVRON NOO-C-7464 DUGAN NM0557296A

State

P-R-O MANAGEMENT HIXON

DUGAN

SF 078056 603-1448 NOO-C-8455

NOO-C-5369 NM25444

603-1292 603-323 603-321 603-1424 HIXON

HIXON

HIXON 603-1423 NM25443

AL BISTI

LOWER GALLUP UNIT

SF 078056 G 603-324 603-325

NM036254 A 603-326 603-1228

603-1449 NM-0-70322A

T25N R12W

603-324 603-325 603-326 603-1228 NM-0-70322A NM070322 SF078067

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

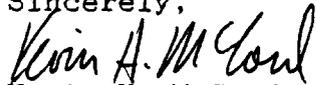
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Ruby #1
790' FNL & 1790' FWL
Section 34, T26N, R12W
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Sincerely,


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 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

February 7, 1989

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

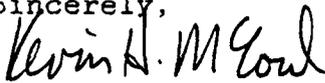
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Sincerely,


Kevin H. McCord
Petroleum Engineer

Enclosures

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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.
80001 Bollinger Canyon Rd.
San Ramon, California 94583

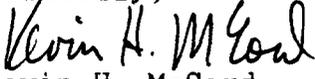
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Sincerely,


Kevin H. McCord
Petroleum Engineer

Enclosures

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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

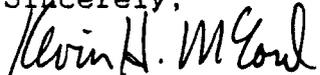
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Sincerely,



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 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659

February 7, 1989

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

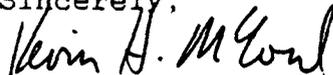
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Sincerely,



Kevin H. McCord
Petroleum Engineer

Enclosures

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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

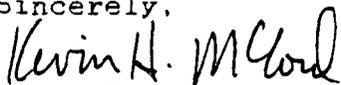
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Kevin H. McCord
Petroleum Engineer

Enclosures

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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
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Dallas, Texas 75231

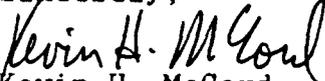
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Kevin H. McCord
Petroleum Engineer

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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

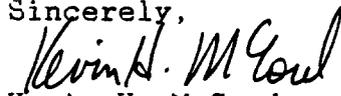
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Sincerely,


Kevin H. McCord
Petroleum Engineer

Enclosures

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objection to the above
application.

TEXACO

By: _____

Date: _____

P 294 981 909

RECEIPT FOR CERTIFIED MAIL

Alexander Energy
501 NW Expressway, Ste.600
Oklahoma City, OK 73118

.65

.85

.90

2.40

2/7/89 LMO

PS Form 3800 June 1985

P 294 981 910

RECEIPT FOR CERTIFIED MAIL

Celsius Energy Co.
P.O. Box 11070
Salt Lake City, UT 84147

.65

.85

.90

2.40

2/7/89 LMO

PS Form 3800 June 1985

P 294 981 917

RECEIPT FOR CERTIFIED MAIL

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

.65

.85

.90

2.40

2/7/89 LMO

PS Form 3800 June 1985

PS Form 3800 June 1985

P 294 981 911

RECEIPT FOR CERTIFIED MAIL

Dugan Production Corp.
P.O. Box 5820
Farmington, NM 87499

.65

.85

.90

2.40

2/7/89 LMO

PS Form 3800 June 1985

PS Form 3800 June 1985

P 294 981 912

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
EXCEPT 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 294 981 913

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
EXCEPT 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
EXCEPT FOR INTERNATIONAL MAIL
See Reverse

Sent to	
P-R-O Management	
Street and No.	
Box 158	
P.O. 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

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
EXCEPT FOR INTERNATIONAL MAIL
See Reverse

Sent to	
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

2/7/89

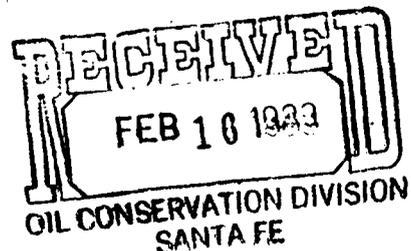
LMO

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

PS Form 3800, June 1985

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

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Sincerely,

Kevin H. McCord
Kevin H. McCord
Petroleum Engineer

Enclosures

The undersigned has no objection to the above application.

DUGAN PRODUCTION CORPORATION

By:

Thomas A. Dugan

Date:

2-8-89

ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87488
(505) 326-2659



February 7, 1989

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

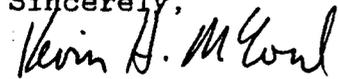
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Conservation Division for administrative approval of an
unorthodox location, unorthodox proration unit, and downhole
commingling of the Fruitland Coal and Pictured Cliffs
formations in the Ruby #1 well located in the NW/4 of
Section 34, T26N, R12W, 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.

HIXON DEVELOPMENT COMPANY

By: 

Aldrich L. Kuchera
President

Date: February 8, 1989

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

January 19, 1989

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

Robert L. Bayless
P.O. Box 168
Farmington, New Mexico 87499

Attention: Kevin H. McCord

Dear Mr. McCord:

Reference is made to your application dated December 30, 1988 for approval of a non-standard well location, non-standard proration unit, and downhole commingling on your Ruby Well No. 1, located in Section 34, Township 26 North, Range 12 West, NMPM, San Juan County, New Mexico. Please be advised that additional information is needed to process your application. As per the terms of Rule (13) contained in Division Order No. R-8768, downhole commingling may be approved provided that the information required by Rule 303 (C)(1)(b) of the Division Rules and Regulations is filed. I am enclosing a copy of Rule 303 (C)(1)(b) for your information.

Also please be advised that in order to process your application for a non-standard proration unit, we request that you send an offset lease ownership plat, and proof of notification to all such offset operators as required by Rule (6), also contained in said Order No. R-8768.

If you have any questions, please contact Mr. David Catanach or Mr. Mike Stogner at (505) 827-5800.

Sincerely,

A handwritten signature in cursive script that reads "David Catanach".

David Catanach

xc: M. Stogner

ROBERT L. BAYLESS

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

December 30, 1988

Mr. William J. LeMay
NM Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

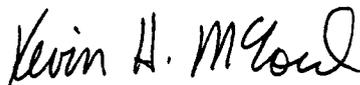
RE: Ruby #1
790' FNL & 1790' FWL
Section 34, T26N, R12W
San Juan County, New Mexico

Dear Mr. LeMay:

We hereby request administrative approval of an unorthodox location, unorthodox proration unit, and downhole commingling of the Fruitland Coal and the Pictured Cliffs formations for the above-referenced well. These changes are necessitated by Order No. R-8768 regarding the Basin-Fruitland Coal Gas Pool. Enclosed please find an updated C-102 and C-104 for your approval.

If you need any further information in this regard, please advise.

Yours truly,



Kevin H. McCord
Petroleum Engineer

KHM/lmo

Enclosures

cc: NMOCD - Aztec w/encls.

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-107
Revised 10-1-78

All distances must be from the corner boundaries of the Section.

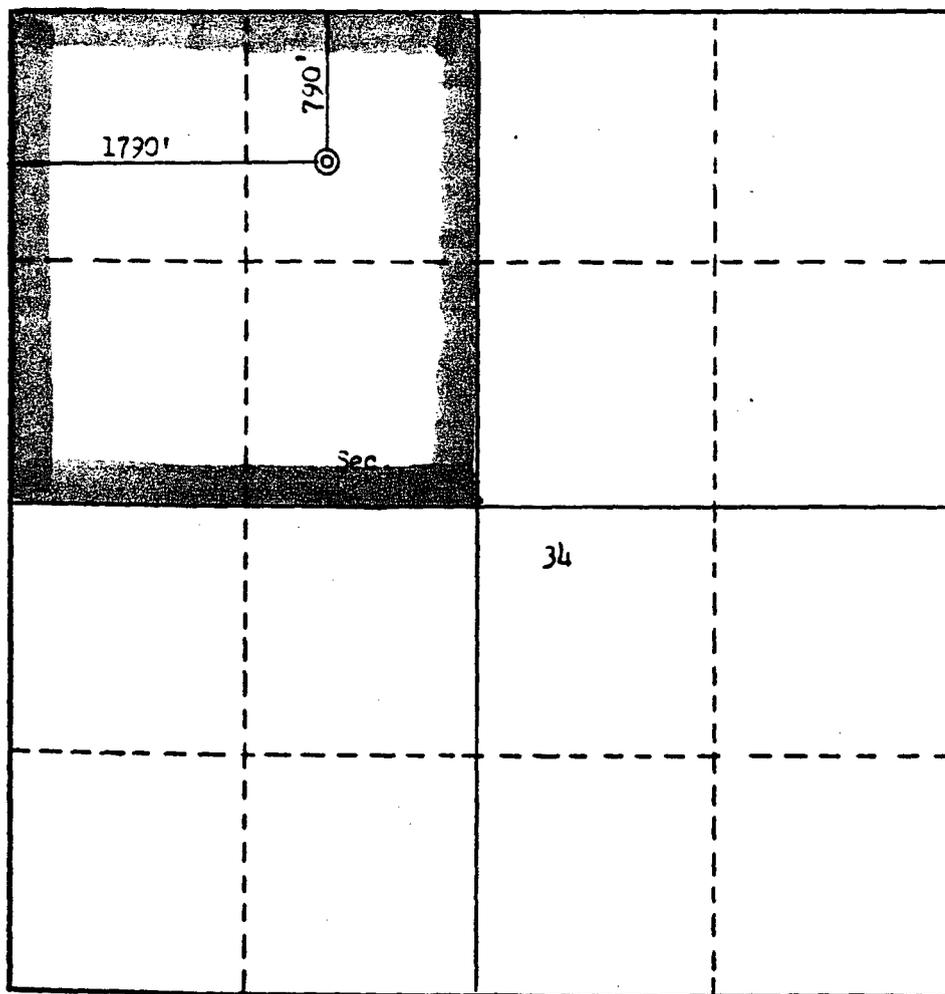
Operator ROBERT L. BAYLESS		Lease RUBY		Well No. 1
Unit Letter C	Section 34	Township 25N	Range 12W	County San Juan
Actual Footage Location of Well: 790 feet from the North line and 1790 feet from the West line				
Ground Level Elev. 6173	Producing Formation Fruitland Coal	Pool Basin-Fruitland Coal	Dedicated Acreage: 160 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

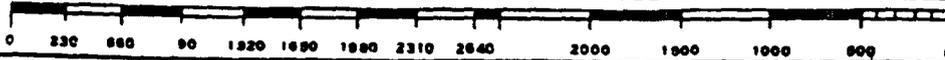
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Kevin H. McCord

Name Kevin H. McCord
Position Petroleum Engineer
Company Robert L. Bayless
Date 12/30/88

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed June 5, 1979
Registered Professional Engineer and/or Land Surveyor <i>Fred E. Gervais</i>
Certificate No. 3950



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

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U.S.G.S.	
LAND OFFICE	
TRANSPORTER	OIL
	GAS
OPERATOR	
PROBATION OFFICE	

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-104
Revised 10-01-78
Format 08-01-83
Page 1

REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

I.

Operator
Robert L. Bayless

Address
P.O. Box 168, Farmington, NM 87499

Reason(s) for filing (Check proper box)

<input type="checkbox"/> New Well	Change in Transporter of:	<input type="checkbox"/> Dry Gas	Other (Please explain) Change in Pool Name
<input type="checkbox"/> Recompletion	<input type="checkbox"/> Oil	<input type="checkbox"/> Condensate	
<input type="checkbox"/> Change in Ownership	<input type="checkbox"/> casinghead Gas		

If change of ownership give name and address of previous owner _____

II. DESCRIPTION OF WELL AND LEASE

Lease Name Ruby	Well No. 1	Pool Name, including Formation Basin-Fruitland Coal	Kind of Lease State, Federal or Fed. Navajo Allotted	Lease No. N00-C-14-20-7470
Location Unit Letter C : 790 Feet From The north Line and 1790 Feet From The west				
Line of Section 34 Township 26N Range 12W , NMPM, San Juan County				

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

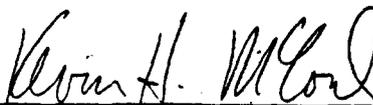
Name of Authorized Transporter of Oil <input type="checkbox"/> or Condensate <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)			
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or Dry Gas <input checked="" type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)			
El Paso Natural Gas	P.O. Box 990, Farmington, NM 87499			
If well produces oil or liquids, give location of tanks.	Unit	Sec.	Twp.	Range
	Is gas actually connected?			When
	yes			6/4/80

If this production is commingled with that from any other lease or pool, give commingling order number: _____

NOTE: Complete Parts IV and V on reverse side if necessary.

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given is true and complete to the best of my knowledge and belief.


 Kevin H. McCord (Signature)
 Petroleum Engineer (Title)
 12/30/88 (Date)

OIL CONSERVATION DIVISION

APPROVED _____, 19 _____
 BY _____
 TITLE _____

This form is to be filed in compliance with RULE 1104.
 If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.
 All sections of this form must be filled out completely for allowable on new and recompleted wells.
 Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter or other such change of condition.
 Separate Forms C-104 must be filed for each pool in multiply completed wells.

