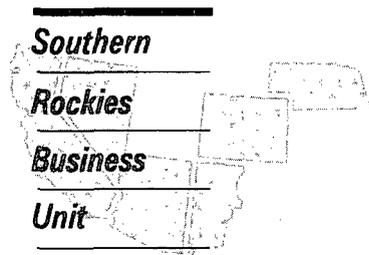
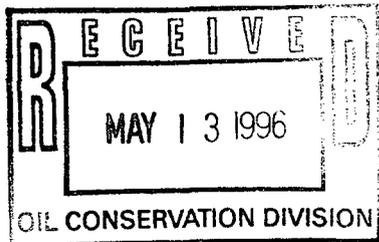


DHC

1299 6/3/96



May 3, 1996

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
2040 S. Pacheco Street
P. O. Box 6429
Santa Fe, NM 87505

**Application for Exception to Rule 303-C - Downhole Commingling
VCU #27 Well
Unit M Section 22-T28N-R4W
Basin Fruitland Coal and Choza Mesa Pictured Cliffs Pools
Rio Arriba County, New Mexico**

Enclosed please find an administrative application form (C-107-A) and attachments for downhole commingling for the captioned well. By copy of this application by certified mail, return receipt requested, Amoco is notifying all offset operators in the formations captioned above as well as all affected interest owners if the ownership of those formations is not common. The Division Director may approve the proposed downhole commingling in the absence of a valid objection from any offset operator or any interest owner in those instances where ownership is not common in the zones to be commingled within 20 days after the receipt of the application if, in his opinion, waste will not result thereby, and correlative rights will not be violated.

Should there be questions concerning this matter, please contact me at (303) 830-5344.

Sincerely,

Pamela W. Staley

Enclosures

cc: Mark Rothenberg
Patty Haefele
Wellfile
Proration File
Frank Chavez, Supervisor
NMOCD District III
1000 Rio Brazos Road
Aztec, NM 87410

Duane Spencer
Bureau of Land Management
1235 La Plata Hwy.
Farmington, NM 87401

DISTRICT I
P.O. Box 1980, Hobbs NM 88241-1980

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-A
New 3-12-96

OIL CONSERVATION DIVISION

APPROVAL PROCESS:

DISTRICT II
811 South First St., Artesia, NM 88210-2835

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Administrative Hearing

DISTRICT III
1000 Rio Brazos Rd. Aztec, NM 87410-1693

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE
 YES NO

Amoco Production Company P.O. Box 800 Denver, CO 80201

Operator VCU Well No. 27 Address M-22-28N-4W Unit Ltr. - Sec Twp - Rge Rio Arriba County

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 000778 Property Code 001191 API NO. 3003921595 Federal State (and/or) Fee

Table with 4 columns: The following facts are submitted in support of downhole commingling, Upper Zone, Intermediate Zone, Lower Zone. Rows include Pool Name and Pool Code, Top and Bottom of Pay Section (Perforations), Type of production (Oil or Gas), Method of Production (Flowing or Artificial Lift), Bottomhole Pressure, Oil Gravity, Producing or Shut-In?, Production Marginal?, and Fixed Percentage Allocation Formula.

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? Yes No. 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)

15. 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 NM-14916

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. SEE ATTACHED
* Notification list of all offset operators.
* Notification list of 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 [Signature] TITLE REGULATORY AFFAIRS REP DATE 5/3/96
TYPE OR PRINT NAME PAMELA W. STALEY TELEPHONE NO. (303) 830-5344

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form O-107
Revised 1-6-66

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

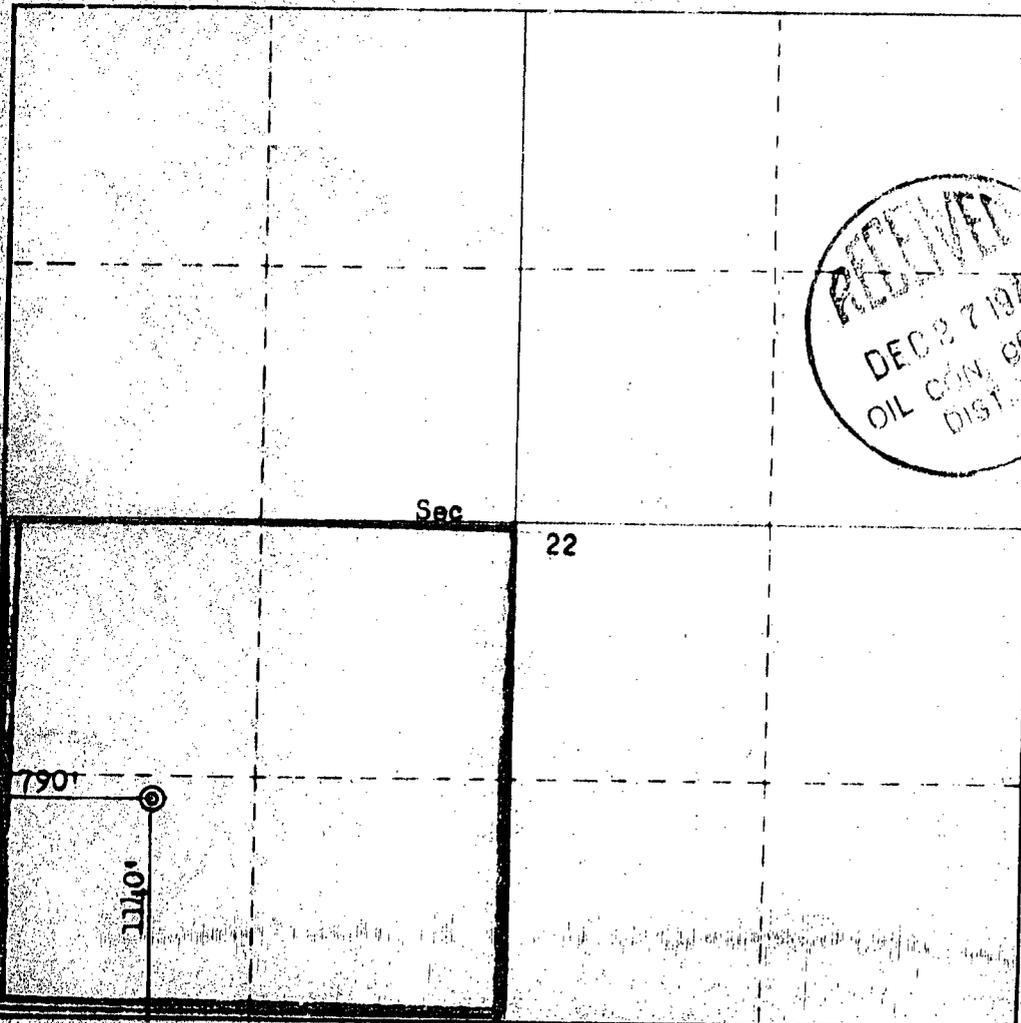
Operator Amoco Production Company		Lease Valencia Canyon Unit		Well No. 27
Unit Letter M	Section 22	Township 28N	Range LW	County Rio Arriba
Actual Footage Location of Well: 1140 feet from the South line and 790 feet from the West line				
Ground Level Elev. 7282	Producing Formation Pictured Cliffs	Pool Choza Mesa Pictured Cliffs	Dedicated Acreage: 160 Acre	

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.



RECEIVED
DEC 27 1977
OIL CON. DIST.

CERTIFICATION

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

[Signature]

Name
J. L. KRUPKA

Position
AREA ENGINEER

Company
AMOCO PRODUCTION COMPANY

Date
DECEMBER 14, 1977

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

Date Surveyed
December 9, 1977

Registered Professional Engineer and/or Land Surveyor
[Signature]

Fred B. Kerr Jr.

Certificate No.
3950



District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Hrasos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-039-21595		Pool Code 71629	Pool Name Fruitland Coal
Property Code	Property Name Valencia Canyon Unit		Well Number 27
OGRID No. 000778	Operator Name Amoco Production Company		Elevation 7282' GR

¹⁰ Surface Location

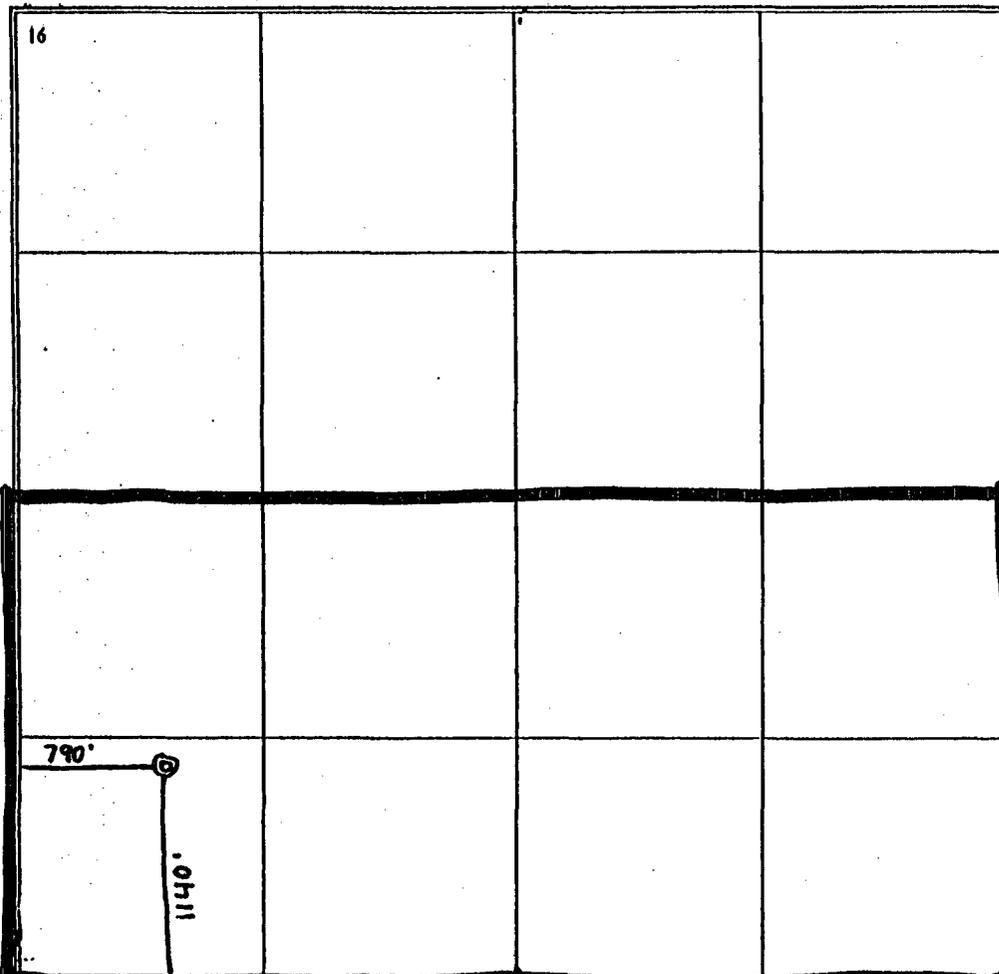
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	22	28N	4W	M	1140	South	790	West	Rio Arriba

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



¹⁷ OPERATOR CERTIFICATION

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

Patty Haeefe
Signature
Patty Haeefe
Printed Name
Business Associate
Title
1-26-95
Date

¹⁸ SURVEYOR CERTIFICATION

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 belief.

12/14/77
Date of Survey
Signature and Seal of Professional Surveyor:

On File

3950
Certificate Number

Dwights

Lease: VALENCIA CANYON UNIT 000027

Retrieval Code: 251,039,28N04W22M00PC

04/09/96

10^3
 10^3
 10^3

10^4

10^2
 10^2

10^3

10
10

10^2

1
1

10

1978 1980 1982 1984 1986 1988 1990 1992 1994

Oil (bbl/mo)

Gas (mcf/mo)

Water (bbl/mo)

County: RIO ARRIBA, NM F.P. Date: 09/78

Field: CHOZA MESA (PICTURED CLIFFS) Oil Cum: 490 bbl

Reservoir: PICTURED CLIFFS Gas Cum: 101.0 mmmcf

Operator: AMOCO PRODUCTION CO Location: 22M 28N 4W

VCU #27

OFFSET OPERATORS

Meridian Oil, Inc.
P.O. Box 4289
Farmington, NM 87499

PROPOSED ALLOCATION METHOD

The VCU #27 has been producing since 1978 from the Pictured Cliffs formation. The Pictured Cliffs has a stable decline curve as evidenced in the attached production curve. In 1995, we perforated the Fruitland to determine if it we could inject air and produce the formation. Now we propose placing the Fruitland on production and commingling it with the Pictured Cliffs.

The proposed allocation method would be by the subtraction method. The attached production curve shows the average production on an annual basis for the Pictured Cliffs formation. We propose that the following production schedule be used for the Pictured Cliffs until the economic limit of 10 MCFD is reached (estimated to be 2015). Total production minus the scheduled production listed below would be the production attributed to the Fruitland Coal. All liquid should be attributed 100% to the Pictured Cliffs formation.

1996 - 15 MCFD
1997 - 15 MCFD
1998 - 15 MCFD
1999 - 14 MCFD
2000 - 14 MCFD
2001 - 14 MCFD
2002 - 14 MCFD
2003 - 13 MCFD
2004 - 13 MCFD
2005 - 13 MCFD
2006 - 13 MCFD
2007 - 12 MCFD
2008 - 12 MCFD
2009 - 12 MCFD
2010 - 12 MCFD
2011 - 11 MCFD
2012 - 11 MCFD
2013 - 11 MCFD
2014 - 11 MCFD
2015 - 10 MCFD POTENTIAL ECONOMIC LIMIT