



WALSH

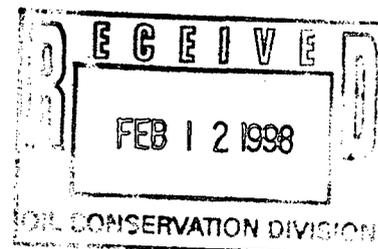
ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

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

January 21, 1998

Ms. Kathleen Garland
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87504-2088



Re: Application for Downhole Commingling
Thompson Engineering and Production Corp.
Hartman #2
990' FNL, 990' FEL, Section 31, T29N R11W
San Juan County, New Mexico
Basin Fruitland Coal and Fulcher-Kutz PC

Dear Ms. Garland,

This is a request for administrative approval for downhole commingling of the production from the Basin Fruitland Coal and Fulcher Kutz Pictured Cliffs pools.

I have attached for your review, an acreage plat outlining the dedicated acreage, offset wells and offset operators. I have also included a proposed allocation formula with a short discussion of the history of the well.

The offset operators are being notified of this application by certified return receipt mail. Copies of these letters are enclosed.

Thank you for your consideration and approval of this application. If you have any questions please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson, P.E.
President

ABOVE THIS LINE FOR DIVISION USE ONLY

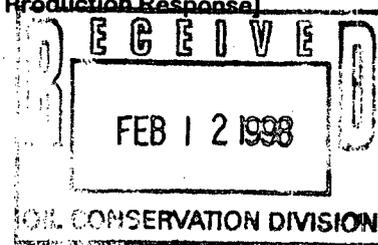
NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]



[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
- NSL NSP DD SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
- DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
- WFX PMX SWD IPI EOR PPR

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **INFORMATION / DATA SUBMITTED IS COMPLETE** - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

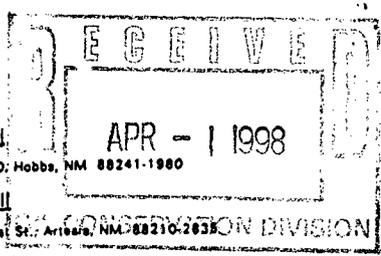
Paul C. Thompson
Print or Type Name

Paul C. Thompson
Signature

PRESIDENT
Title

1/27/98
Date

DHC 4/21/98



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

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

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

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

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

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

APPROVAL PROCESS:

Administrative Hearing

EXISTING WELLBORE

YES NO

APPLICATION FOR DOWNHOLE COMMINGLING

THOMPSON ENGR. & PROD. CORP. 7415 E. Main Farmington, New Mexico 87402
Operator Address

Hartman 2 A 31 29N 11W San Juan
Lease Well No. Unit Tr. - Sec - Twp - Rge County

OGRID NO. 037581 Property Code 22356 API NO. 30 - 045 - 07730 Federal State (and/or) Fee

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Basin Fruitland Coal		Fulcher - Kutz PC
2. Top and Bottom of Pay Section (Perforations)	1432 - 1452		1456 - 1492 OH
3. Type of production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Pumping		Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original	a. (Current) 150 Est.	a.	a. 150 Est.
	b. (Original)	b.	b. 152 on 11/79
6. Oil Gravity (°API) or Gas BTU Content	N/A		
7. Producing or Shut-in?	Shut-In	Waiting on Surface Facilities	Shut In
Production Marginal? (yes or no)	Unknown		Yes
* If Shut-in, give date and oil/gas/water rates of last production <small>Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data</small>	Date: New Zone Rates: See Attached Offset Production	Date: Rates:	Date: 8/89 Rates: 10 MCF/MO.
	Date: Rates:	Date: Rates:	Date: Rates:
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: Rates:	Date: Rates:	Date: Rates:
8. Fixed Percentage Allocation Formula - % for each zone	Greater than 3MCF/D Oil: % Gas: %	Oil: % Gas: %	0 - 3 MCF/D Oil: % Gas: %

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)

14. 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

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S) _____

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.
 - 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 Paul C. Thompson TITLE President DATE 3/27/98

TYPE OR PRINT NAME Paul C. Thompson TELEPHONE NO. (505) 327-4892

OFFSET FRUITLAND COAL PRODUCTION

<u>WELL NAME</u>	<u>LOCATION</u>	<u>3/97 MCFD</u>	<u>CUMMLATIVE MMCF</u>
Gallegos Canyon Unit #410	K 35 - 29N - 12W	203	499
Gallegos Canyon Unit #414	18 - 28N - 11W	387	404
Gallegos Canyon Unit #412	M 12- 28N - 12W	214	288



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(505) 327-4892

January 21, 1998

Ms. Kathleen Garland
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87504-2088

RECEIVED

JAN 29 1998

MINING & MINERALS DIV.

Re: Application for Downhole Commingling
Thompson Engineering and Production Corp.
Hartman #2
990' FNL, 990' FEL, Section 31, T29N R11W
San Juan County, New Mexico
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Thank you for your consideration and approval of this application. If you have any questions please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson, P.E.
President

District I
 PO Box 1900, Hobbs, NM 88241-1900
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos 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 10, 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		Pool Code	Pool Name
		71629	Basin Fruitland Coal
Property Code	Property Name		Well Number
	Hartman		2
OGRID No.	Operator Name		Elevation
037581	THOMPSON ENGINEERING & PROD. CORP.		5360' GL

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
A	31	29N	11W		990	North	990	East	San Juan

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 Deduct: Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
320	Y		

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

16					<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Paul C. Thompson</i></p> <p>Signature Paul C. Thompson Printed Name President Title 1/23/98 Date</p>
					<p>Certificate Number</p>

District I
 PO Box 1900, Hobbs, NM 88241-1900
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 PO Drawer DD, Artesia, NM 88211-0719
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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-045-07730		2 Pool Code 77200		3 Pool Name Fulcher - Kutz Pictured Cliffs	
4 Property Code		4 Property Name Hartman			4 Well Number 2
5 GRID No. 037581		6 Operator Name THOMPSON ENGR. & PROD. CORP			7 Elevation 5360' GL

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
A	31	29N	11W		990	North	990	East	San Juan

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 Dedication Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.

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	<p>18 SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Original on file</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p>			
			Certificate Number	

Hartman #2
Downhole Commingling Application

Allocation Formula

The Fulcher Kutz Pictured Cliffs was completed by a previous operator, Haynes Drilling Company, in 1953. The well has not produced since 1989. Cumulative production is 161,116 MCF. 5-1/2" casing was set above the Pictured Cliffs and the Pictured Cliffs was completed open hole.

Thompson Engineering proposes to set a plug above the Pictured Cliffs and complete the Basin Fruitland coal. It is anticipated that the Fruitland Coal will require a pump to remove produced water. The open hole portion of the well is needed for rat hole for the installation of the pump.

Both zones have very similar bottom hole pressures (approximately 150 psig) so cross flow will not be a factor. While the Fruitland Coal is expected to produce more water, neither zone is fluid sensitive and the fluids from the two zones are compatible.

The ownership, including working interest, royalty and overriding royalty interests, is common.

Since the Pictured Cliffs is not currently capable of production and it will not be restimulated, it is not anticipated that it will contribute very much to the total production stream. The Pictured Cliffs will, however, still be open in the well and pumping off the produced water may have some beneficial effect on its production. Absent any additional data, Thompson Engineering proposes to allocate the first 3 MCFD to the Pictured Cliffs and anything over that to the Basin Fruitland Coal.

Thompson Engineering
Hartman #2
990' FNL & 990' FEL
Sec. 31, T29N, R11W
San Juan County, New Mexico

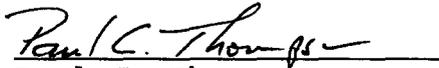
The following offset Operators have received written notice of the proposed downhole commingling application.

Land Manager
Amoco Production Company
P.O. Box 800
Denver, CO 80201-0800

Land Manager
Conoco, Inc.
10 Desta Dr. W Suite 100W
Midland, TX 79705

David H. Arrington
P.O. Box 2071
Midland, TX 79702

I certify that copies of the Application for a non-standard Fruitland Coal well has been mailed to the above Operators.


Paul C. Thompson

San Juan County)
) ss
State of New Mexico)

The following instrument was acknowledged before me this 22nd day of January 1998 by Paul C. Thompson.


Notary Public

My Commission Expires:

July 31, 2001



WALSH

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

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

CERTIFIED- RETURN RECEIPT

January 21, 1998

Mr. David H. Arrington
P.O. Box 2071
Midland, TX 79702

Re: Downhole Commingling Application
Thompson Engineering
Hartman #2
990' FNL, 990' FEL
Section 31, T29N R11W
San Juan County, NM
Fulcher Kutz Pictured Cliffs and Basin Fruitland Coal

Dear Arrington,

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. As an offset operator you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to Ms. Lori Wrotenberry, Director, New Mexico Oil Conservation Division, Santa Fe, New Mexico, within 20 days from the receipt of this notice. If you have no objection to the proposal, no action is required on your part.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson, P.E.

**WALSH**

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
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January 21, 1998

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10 Desta Dr. W Suite 100W
Midland, TX 79705Re: Downhole Commingling Application
Thompson Engineering
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Fulcher Kutz Pictured Cliffs and Basin Fruitland Coal

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(505) 327-4892

CERTIFIED- RETURN RECEIPT

January 21, 1998

Land Manager
Amoco Production Company
P.O. Box 800
Denver, CO 80201-0800

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Thompson Engineering
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990' FNL, 990' FEL
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