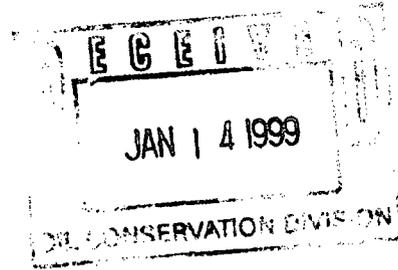


Collins & Ware, Inc.
508 W. Wall Avenue, Suite, 1200
Midland, Texas 79701-5076
(915)-687-3435

DHC 2/3/99
2179

December 22, 1998



State of New Mexico Energy, Minerals
and Natural Resources Department
Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88241-1980

Re: Downhole Commingling
State DA #4
API No. 30-025-06619

Gentlemen,

Collins & Ware, Inc. respectfully requests an exception for the State DA No.4 to Statewide Rule 303. This well is currently producing from the Blinebry Pro Gas Pool (72480) and the Drinkard Pool (19190).

In 1975 The above mentioned well was recompleted in the Blinebry and Drinkard formations. In November 1995 Amerada Hess Corporation downhole commingled the zones without filing for an exception to Rule 303. Collins and Ware, Inc. purchased this lease and took over operations July 1, 1996. Collins and Ware had planned a workover on this well which would have made it a single zone producer, however after reviewing offset recompletions the workover was never performed. Since this time a Downhole Commingling permit was never submitted. Collins and Ware would like to rectify this situation by submitting the permit for the Downhole Commingling of the two zones. In a letter dated September 25, 1996 from Chuck Sledge to Jerry Sexton proposed allocations for the two zones were submitted based on percentages of cumulative production from each zone as follows:

	<u>GAS</u>	<u>OIL</u>
Drinkard	51%	91%
Blinebry	49%	9%

We would like to continue with these allocations as previously submitted. Please find attached the Application for Downhole Commingling and the letter dated September 25, 1996

Please notify me if you have any questions or recommendations concerning this matter

Sincerely,


Erick W. Nelson

Operations Engineer

EXHIBIT "B" - CASE NO. 11353, ORDER NO. R-10470-A

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

811 South First St., Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd, Aztec, NM 87410

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

Operator Collins & Ware, Inc. Address 508 W. Wall, Suite 1200 Midland, TX 79701

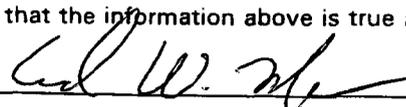
Lease State DA Well No. 4 Unit Ltr. - Sec - Twp - Rge I-16-21S-37E County Lea

OGRID NO. 004874 Property Code 19185 API NO. 30-025-06619 Spacing Unit Lease Types: (check 1 or more)
Federal ___ State X (land/or) Fee ___

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zones	Lower Zone
1. Pool Name and Pool Code	Blinebry Oil & Gas (Pro Gas) 72480 <small>107 0 928 6 4000 60R</small>		Drinkard 19190 <small>142 0 852 6 6000 60R</small>
2. Top and Bottom of Pay Section (Perforations)	5648-5925		6406-6501
3. Type of production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original	a. (Current) N/A	a.	a. N/A
	b. (Original) 2100	b.	b. 1800
6. Oil Gravity (°API) or Gas BTU Content	1178		1178
7. Producing or Shut-In?	Producing		Producing
Production Marginal? (yes or no) * If Shut-In, give date and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data * If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Yes		Yes
	Date: Rates: N/A	Date: Rates:	Date: Rates: N/A
	Date: 11/01/98 Rates: 16 MCFPD 0 BO, 0 BW	Date: Rates:	Date: 11/01/98 Rates: 14 MCFPD 0 BO, 0 BW
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 9% Gas: 49%	Oil: % Gas: %	Oil: 91% Gas: 51%

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. NMOC Reference Cases for Rule 303(C) 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  TITLE Operations Engineer DATE 12/23/98

TYPE OR PRINT NAME Eric Nelson TELEPHONE NO. (915) 687-3435

DISTRICT I
P.O.Box 1980, Hobbs, NM 88241-1980
DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719
DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410

OIL CONSERVATION DIVISION
2040 Pacheco St.
Santa Fe, NM 87505

Filing Instructions
Bottom of Page

APPLICATION FOR MULTIPLE COMPLETION

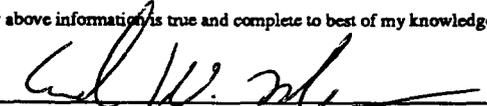
Collins & Ware, Inc. 508 W. Wall Ave., Suite 1200 Midland, TX 79701
Operator Address
State DA 4 I-16-21S-37E Lea
Lease Well No. Unit Ltr. - Sec - Twp - Rge County

API # 30-025-06619

All applicants for multiple completion must complete Items 1 and 2 below.

1. The following facts are submitted:	Upper Zone	Intermediate Zone	Lower Zone
a. Name of Pool and Formation	Blinebry Oil & Gas Blinebry		Drinkard Drinkard
b. Top and Bottom of Pay Section (Perforations)	56#8-5925		6406-6501
c. Type of production (Oil or Gas)	Gas		Gas
d. Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
e. Daily Production <input type="checkbox"/> Actual <input checked="" type="checkbox"/> Estimated Oil Bbls. Gas MCF Water Bbls.	0 BO 16 MCF 0 BW		0 BO 14 MCF 0 BW

2. The following must be attached:
- Diagrammatic Sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location and type of packers and side door chokes, and such other information as may be pertinent.
 - Plat showing the location of all wells on applicant's lease, all offset wells on offset leases, and the names and addresses of operators of all leases offsetting applicant's lease.
 - Electrical log of the well or other acceptable log with tops and bottoms of producing zones and intervals of perforation indicated thereon. (If such log is not available at the time application is filed it shall be submitted as provided by Rule 112-A.)

OPERATOR:
I hereby certify above information is true and complete to best of my knowledge, and belief.
Signature 
Printed Name & Title Eric Nelson/Operations Engineer
Date 12/23/98 Telephone (915) 687-3435

OIL CONSERVATION DIVISION
Approved by: _____
Title: _____
Date: _____

NOTE: If the proposed multiple completion will result in an unorthodox well location and/or a non-standard proration unit in one or more of the producing zones, then separate applicaiton for approval of the same should be filed simultaneously with this application.

- FILING INSTRUCTIONS:**
- District Approval -- See rule 112-A-B -- Submit 4 copies of Form C-107 with attachments to appropriate district office.
 - Division Director Administrative Approval -- See Rule 112-C -- Submit 2 copies of Form C-107 with attachments to Division office in Santa Fe and 2 copies of Form C-107 with attachments to appropriate district office.
 - Multiple completions not qualifying for District or Division Director approval may be set for hearing as outlined in Rule 112-A-E.

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-102
 Revised October 18, 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

¹ API Number 30-025-06619		² Pool Code 72480		³ Pool Name Blinebry Oil & Gas	
⁴ Property Code 19185		⁵ Property Name State DA			⁶ Well Number 4
⁷ OGRID No. 004874		⁸ Operator Name Collins & Ware, Inc.			⁹ Elevation 3466 GL

¹⁰ Surface Location

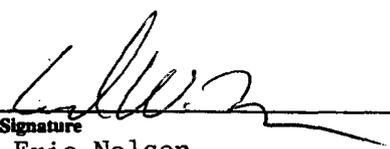
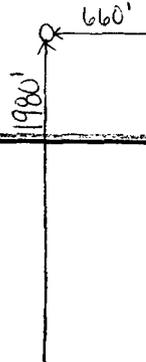
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	16	21S	37E		1980	South	660	East	Lea

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 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
--------------------------------------	-------------------------------	----------------------------------	-------------------------

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					¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i>  Signature Eric Nelson Printed Name Operations Engineer Title 12/23/98 Date
				¹⁸ SURVEYOR CERTIFICATION <i>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.</i> Date of Survey Signature and Seal of Professional Surveyor: Certificate Number	
					



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

GOVERNOR
BRUCE KING
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

March 15, 1972

Amerada Hess Corporation
P. O. Drawer "D"
Monument, New Mexico

Attention: Mr. A. J. Troop

Administrative Order NSP-870

Gentlemen:

Reference is made to your application for approval of a 160-acre non-standard gas proration unit in the Blinebry Gas Pool consisting of the following acreage:

LEA COUNTY, NEW MEXICO
TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 16: N/2 S/2

It is understood that this unit is to be dedicated to your State D "A" Well No. 4, located 1980 feet from the South line and 660 feet from the East line of said Section 16.

By authority granted me under the provisions of Rule 5(C) of Order No. R-1670, as amended, you are hereby authorized to operate the above-described acreage as a non-standard gas proration unit.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/GMH/esr

cc: Oil Conservation Commission - Hobbs
Oil & Gas Engineering Committee - Hobbs
State Land Office - Santa Fe
Proration Department, OCC - Santa Fe

3-17-72: Xerox to Seminole

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-102
 Revised October 18, 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

¹ API Number 30-025-06619		² Pool Code 19190		³ Pool Name Drinkard	
⁴ Property Code 19185		⁵ Property Name State DA			⁶ Well Number 4
⁷ OGRID No. 004874		⁸ Operator Name Collins & Ware, Inc.			⁹ Elevation 3466 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
I	16	21S	37E		1980	South	660	East	Lea

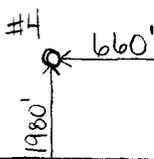
¹¹ Bottom Hole Location If Different From Surface

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 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
-------------------------------------	-------------------------------	----------------------------------	-------------------------

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					¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i>  Signature Eric Nelson Printed Name Operations Engineer Title 12/23/98 Date
				¹⁸ SURVEYOR CERTIFICATION <i>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.</i> Date of Survey Signature and Seal of Professional Surveyer: Certificate Number	



District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-102
 Revised October 18, 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	
Property Code 19185		Property Name State DA			Well Number
OGRID No. 004874		Operator Name Collins & Ware, Inc.			Elevation

¹⁰ Surface Location

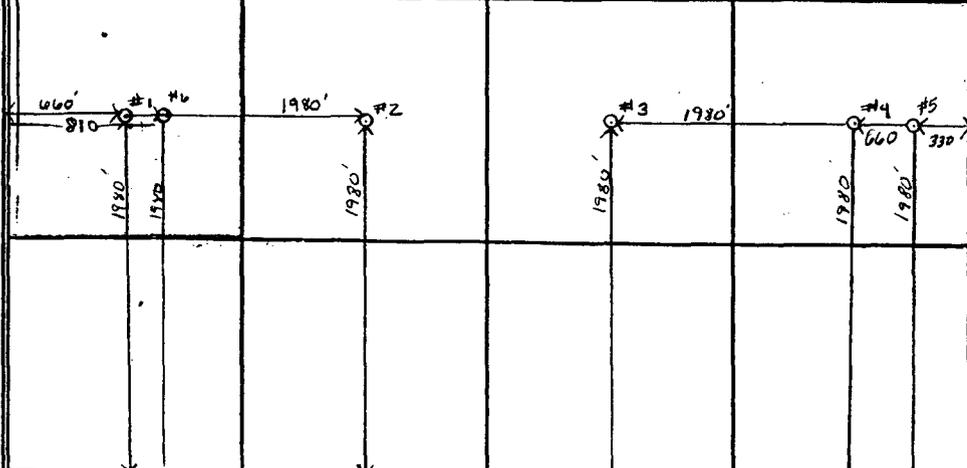
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	16	21S	37E						Lea

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	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
-------------------------------	-------------------------------	----------------------------------	-------------------------

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 STATE DA #1 L-1980S/660W Blinberry O+G PROD	STATE DA #2 K-1980S/1980W Blinberry O+G PROD	STATE DA #3 J-1980S/1980E Blinberry O+G PROD	STATE DA #4 I-1980S/660E DRINKARD Blinberry O+G (Frogans) PROD	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief  Signature Dianne Sumrall Printed Name Production Supervisor Title October 11, 1996 Date
STATE DA #5 I-1980S/330E PENROSE (Skelly Grayberg) PROD	STATE DA #6 L-1980S/810W PENROSE (Skelly Grayberg) PROD			
				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. Date of Survey Signature and Seal of Professional Surveyor: Certificate Number

COLLINS & WARE, INC.

508 WEST WALL AVENUE, SUITE 1200

MIDLAND, TEXAS 79701-5076

(915) 687-3435

September 25, 1996

Jerry Sexton
 New Mexico Oil Commission
 P. O. Box 1980
 Hobbs, New Mexico 88241

Re: State DA No. 2
 State DA No.4
 Lea County, New Mexico

Dear Sir:

In 1975 both of the above mentioned wells were dual completed in the Blinebry and Drinkard formations.

In November 1995 Amerada Hess Corporation downhole commingled the two zones in each of these wellbores without filing an application for an exception to Rule 303-C. Collins and Ware Inc. purchased this lease and took over operations July 1, 1996.

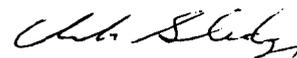
Within the next six months Collins and Ware plans a workover on each of these wells. We plan to plug back the Drinkard and re-stimulate the Blinebry in the State DA No. 4. We plan to either do the same workover on the State DA No. 2 or possibly plug it back to the Grayburg.

We propose allocations for the Form C-116 for each well based on percentages of cumulative production from each zone as follows:

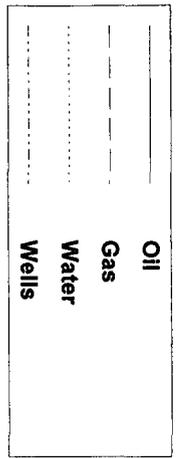
State DA No.2			Blinebry	
Drinkard			Oil	6%
Oil	94%		Gas	3%
Gas	97%			
State DA No. 4			Blinebry	
Drinkard			Oil	9%
Oil	91%		Gas	49%
Gas	51%			

Please notify me if you have any recommendations considering this matter.

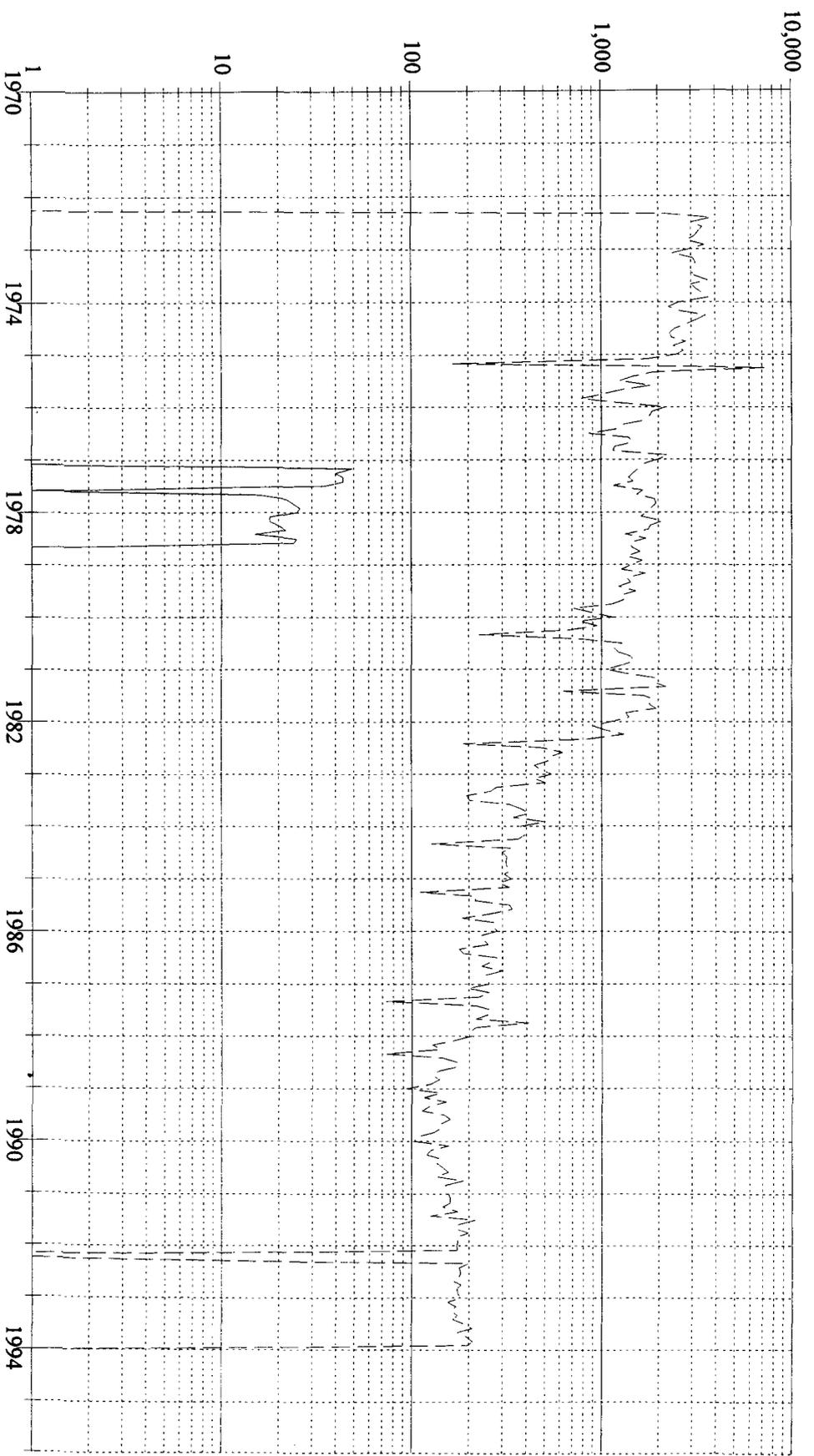
Chuck Sledge



Operations Engineer



Field: BLINBERRY OIL AND GAS
Lease: STATE DA | Well #4
Operator: AMERADA HESS CORPORATION
 Production Rate vs Time
 For the Period 01/1970 to 12/1995 | API: 30025066190000

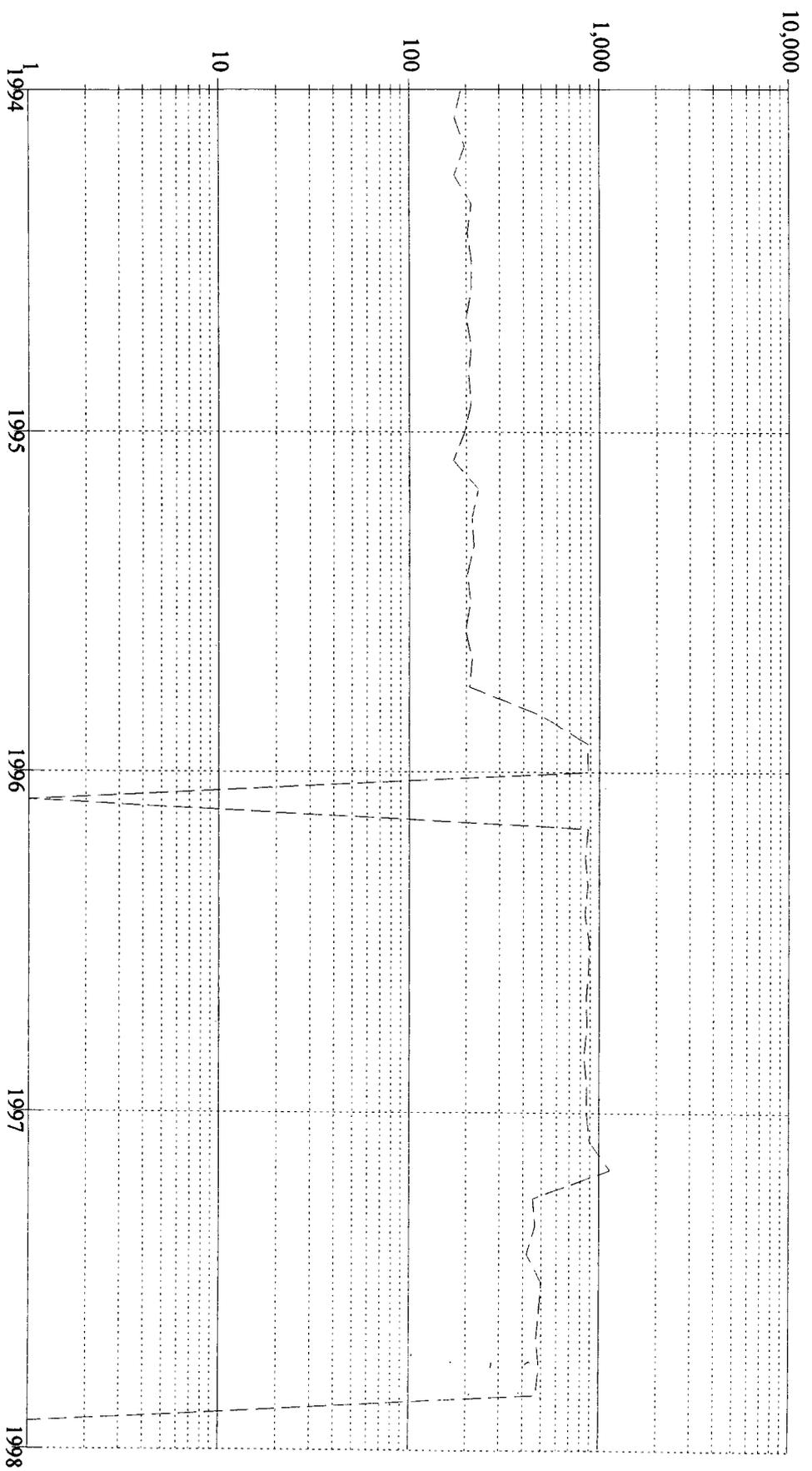


Reported Oil Production = 15,919 Bbls
 Reported Gas Production = 2,168,100 Mcf
 Reported Water Production = 0 Bbls

Plot Displays Monthly Totals
 Copyright (C) 1998 by Petroleum Information/Dwights LLC



Field: BLINEBRY
Lease: STATE DA | Well #4
Operator: COLLINS & WARE INCORPORATED
 Production Rate vs Time
 For the Period 01/1994 to 12/1997 | API: 30025066190000

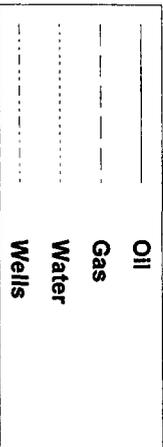


BBI/Mo or Mcf/Mo

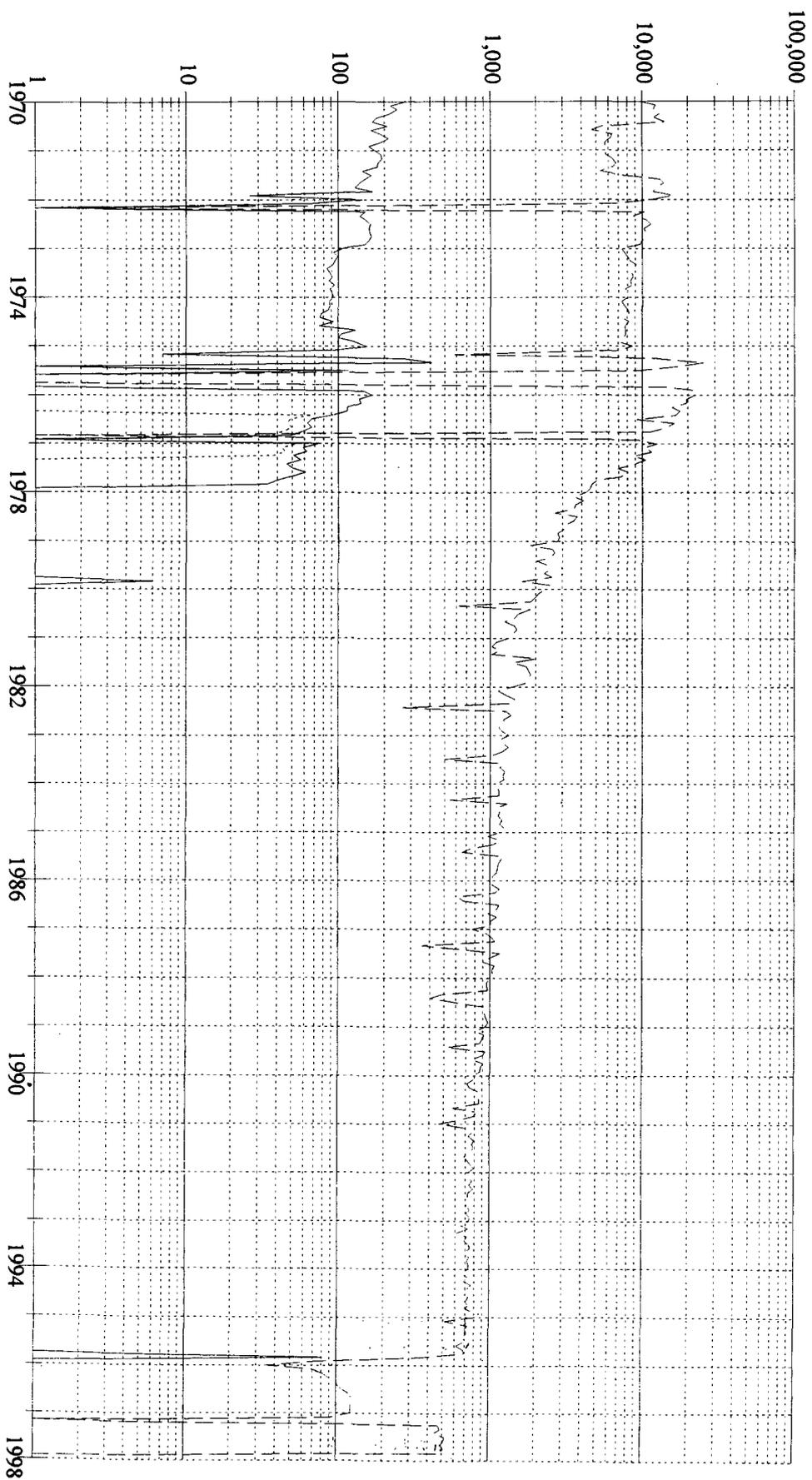
Time

Reported Oil Production = 15,919 Bbls
 Reported Gas Production = 2,190,066 Mcf
 Reported Water Production = 0 Bbls

Plot Displays Monthly Totals
 Copyright (C) 1998 by Petroleum Information/Dwights LLC

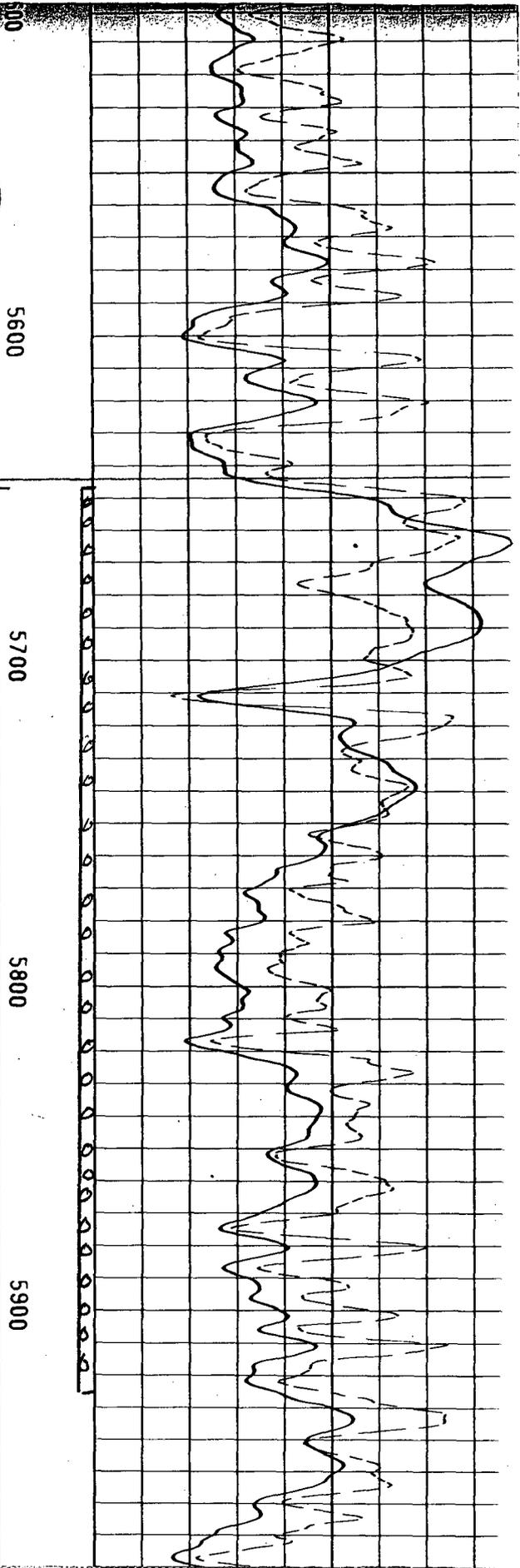
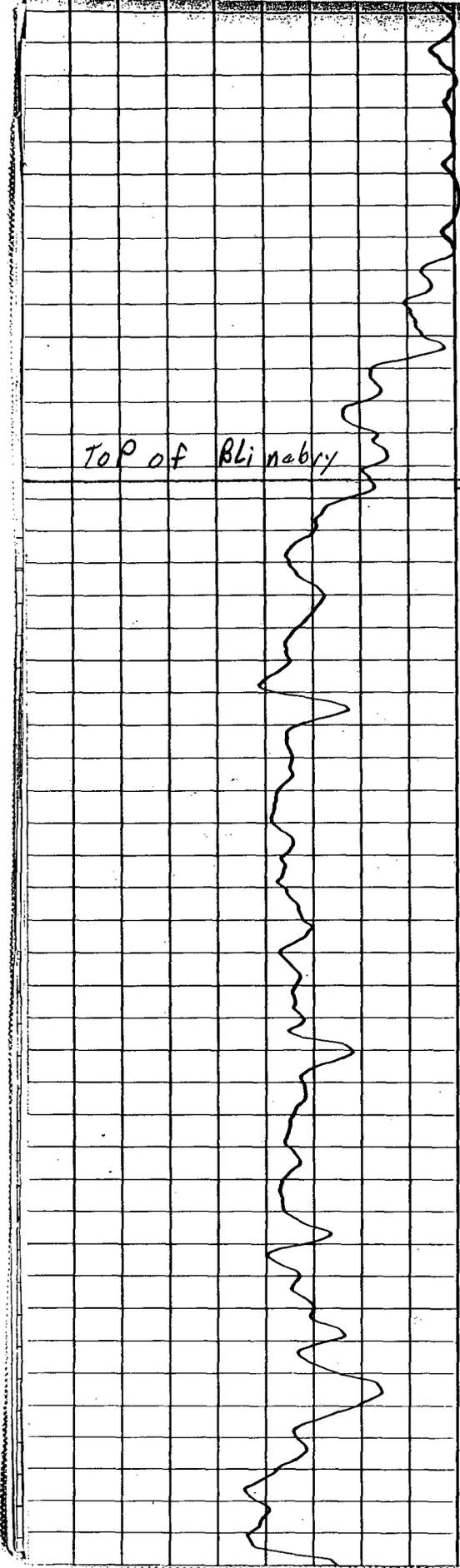


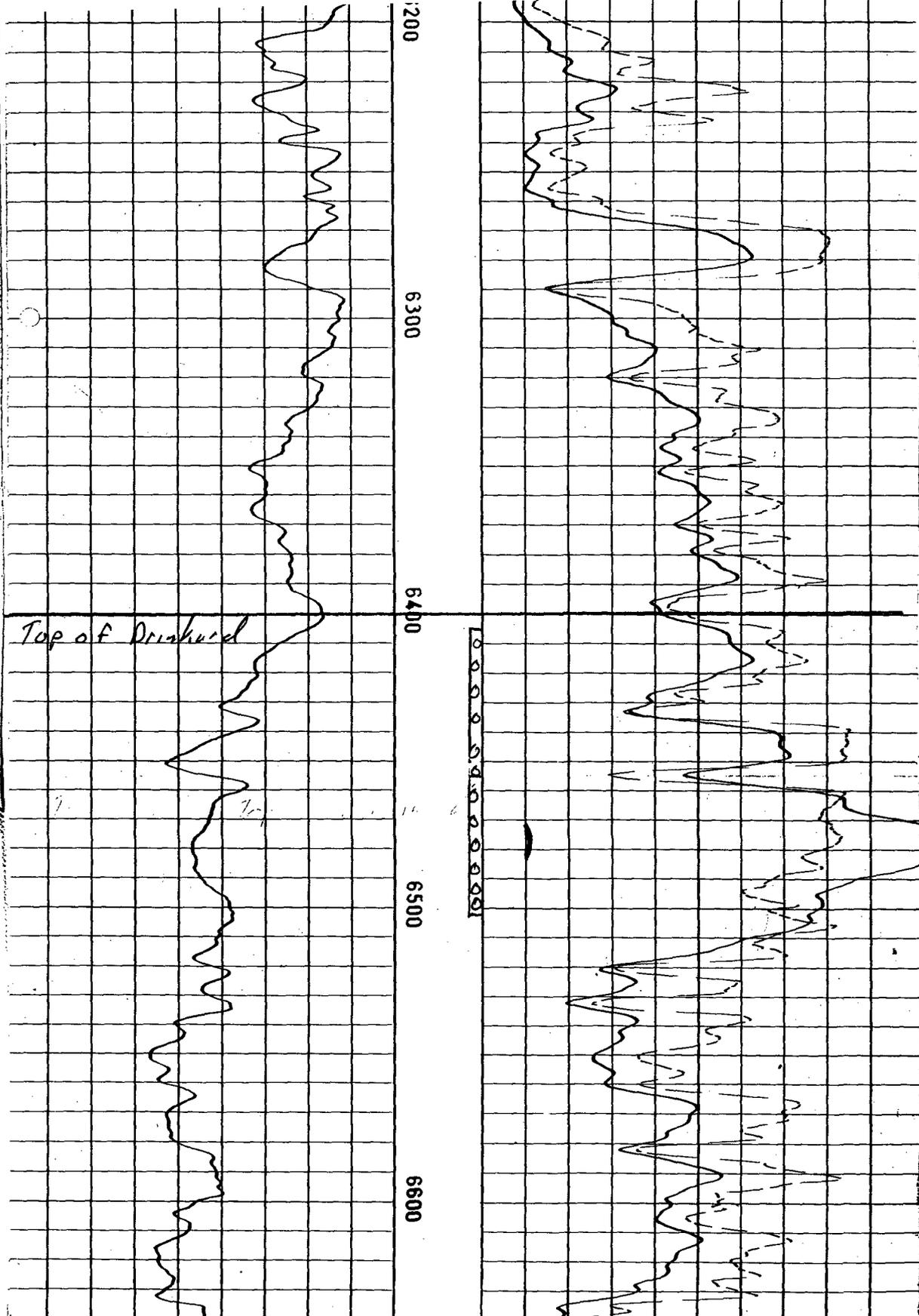
Field: DRINKARD
 Lease: STATE DA | Well #4
 Operator: COLLINS & WARE INCORPORATED
 Production Rate vs Time
 For the Period 01/1970 to 12/1997 | API: 30025066190000



Reported Oil Production = 159,005 Bbls
 Reported Gas Production = 2,277,113 Mcf
 Reported Water Production = 573 Bbls

Plot Displays Monthly Totals
 Copyright (C) 1998 by Petroleum Information/Dwights LLC





6641 F.R.
6644 T.D.

AMERADA PETR. CORP.
STATE DA NO. 4
EUNICE AREA
LEA CO. NEW MEXICO

Well Bore Schematic

Lease: State Well: DA #4 Field: Furber
 Location: 660 feet F.E.L. & 1980 feet F.S.L. Section 16 Township 21S Range 37E
 Block - Survey - Lea County, N.M. State

Spud Date: 8-11-47
 Completion Date: _____

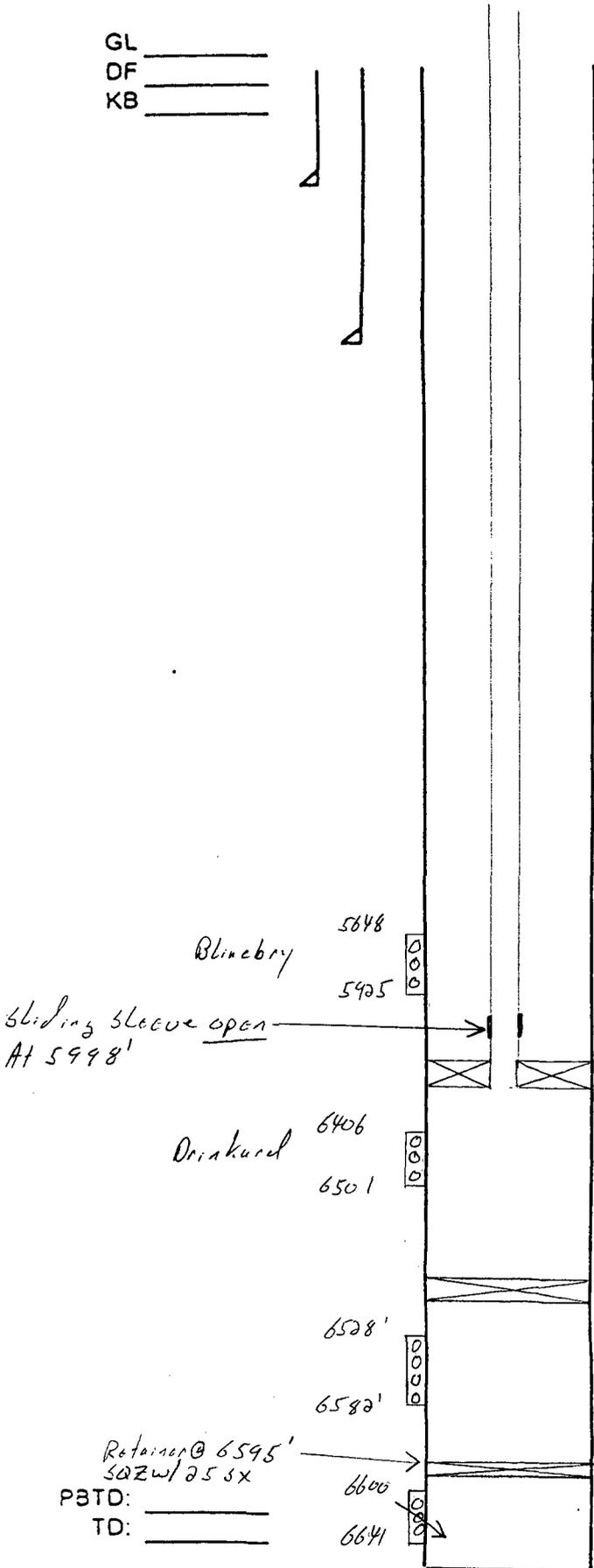
GL _____
 DF _____
 KB _____

Surface Casing

1 3/8" OD, 36 #/ft, grade _____
 Casing Set at 213'
 Cmt with 200 sks, Circ _____ sks
 Hole Size: 1 7/8"

Intermediate Casing

8 5/8" OD, 32 #/ft, grade C1555
 Casing Set at 2807
 Cmt with 1550 sks, Circ _____ sks
 TOC @ 1350 by J.S.
 Hole Size: 11"



Current Perforations:

Model D Packer at 6000'

CIRP @ 6526' w/ 6' sand

Production Casing

5 1/2" OD, 17# #/ft, grade J-55, thd 8rd
 Casing Set @ 6644 w/ 500 SX total sks
 in _____ stages with DV tool set @ _____
 Stage 1 circ? 500 sks TOC @ 3165 by JS
 Stage 2 circ? _____ sks TOC @ _____ by _____
 Stage 3 circ? _____ sks TOC @ _____ by _____
 Hole Size: 7 7/8"

5 1/2" Centralizers at 6504, 6539, 6589, 6599 & 6629

Date: 12-14-48
 Prepared By: Frick, W. Nelson

List of Offset Operators

Apache Corporation
3300 N. 'A' St. , Bldg. 8, Ste 220
One Petroleum Center
Midland, TX 70705

Oxy USA Inc.
6 Desta Dr., Ste 6000
Midland, TX. 79710

Chevron USA Production Company
15 Smith Road
Midland, TX 79702

John Hendrix Corporation
110 N. Marienfeld, Ste 400
Midland, TX 79701

Conoco, Inc
10 Desta Dr., Ste 100W
Midland, TX 79705-4500

Altura Energy LTD
501 West Lake Park Blvd.
Houston, TX. 77210-4294

DHC-2179



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
HOBBS DISTRICT OFFICE

1/7/99

POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88241-1980
(505) 393-6161

GOVERNOR

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

RE: Proposed:

- MC _____
- DHC _____
- NSL _____
- NSP _____
- SWD _____
- WFX _____
- PMX _____

Gentlemen:

I have examined the application for the:

Collins & Ware Inc State DA # 4-I-16-215-37e
 Operator Lease & Well No. Unit S-T-R

and my recommendations are as follows:

Unannounced approval

Yours very truly,

Chris Williams

Chris Williams
Supervisor, District 1

/ed