

DATE: 6/13/02	SUSPENSE: NA	ENGINEER: WJ	LOGGED IN: KN	TYPE: DHC	APP NO: 216451800
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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]

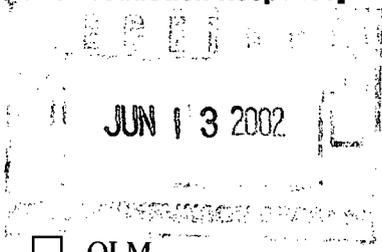
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

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

- [D] Other: Specify _____



[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] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Brad Peterson		Reservoir Engineer	6/12/02
Print or Type Name	Signature	Title	Date
		btpeter@ppco.com	
		e-mail Address	

District I
1625 N. French Drive, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised May 15, 2000

District II
811 South First Street, Artesia, NM 88210

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
 Single Well
 Establish Pre-Approved Pools
EXISTING WELLBORE
 Yes No

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

APPLICATION FOR DOWNHOLE COMMINGLING

PHILLIPS PETROLEUM COMPANY **5525 Hwy. 64, Farmington, NM 87401**
Operator Address

San Juan 29-5 Unit **#74** **Unit L, Section 17, T29N, R5W** **Rio Arriba**
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 17654 Property Code 0009256 API No. 30-039-21029 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Basin Fruitland Coal		Blanco Mesaverde
Pool Code	71629		72319
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	Est. Apprx. 3302' - 3424'		4275' - 5778'
Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	1200 psi (est.)		500 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	950 BTU		1150 BTU
Producing, Shut-In or New Zone	New Zone		Producing
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.)	Date: New Zone Rates:	Date: Rates:	Date: 5/23/02 Rates: 110 mcf/d & 1 bwpd, 1 bopd
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas ** / **	Oil Gas % %	Oil Gas ** / **

NOTE: We will be utilizing the subtraction method on this well until we can establish a good fixed allocation percentage. See attached letter of explanation within application.

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes No
 If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No
 Are all produced fluids from all commingled zones compatible with each other? Yes No
 Will commingling decrease the value of production? Yes No
 If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No
 NMOCD Reference Case No. applicable to this well: R-10770

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 working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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

SIGNATURE Brad Peterson TITLE Reservoir Engineer DATE June 11, 2002
 TYPE OR PRINT NAME Brad Peterson TELEPHONE NO. (505) 599-3486 e-mail- btpete@ppco.com



PHILLIPS PETROLEUM COMPANY

FARMINGTON, NEW MEXICO 87401
5525 HWY. 64 NBU 3004

June 12, 2002

New Mexico Oil & Gas Conservation Div.
1220 South St. Francis Drive
Sante Fe, New Mexico 87504

Application for Downhole Commingling
On the San Juan 29-5 # 74

Dear Sirs,

Phillips Petroleum is proposing to commingle the Fruitland Coal and Mesaverde formations on the San Juan 29-5 # 74 (Reference Case No. R-10770). Currently the Mesaverde is producing independently 110 MCFD. Pending commingle approval, the Fruitland Coal will be completed. The Fruitland Coal will be tested for 4-6 months before commingling it with the Mesaverde.

A production forecast has been determined from stabilized Mesaverde production. After the zones are commingled, Phillips Petroleum is proposing to utilize the subtraction method for 24 months or until Fruitland Coal production stabilizes before a ratio between the Fruitland Coal and Mesaverde is established.

Future Fruitland Coal water and gas production were estimated by examining offset low rate Fruitland Coal wells. A gas rate inclining to 200 mcf/d within six months of completion and an initial water rate of 2 bwpd were determined.

Economics for commingling the Fruitland Coal with the Mesaverde and for drilling a new well to complete the Fruitland Coal show completing the Fruitland Coal in this area is only economical by completing the Fruitland Coal in existing Mesaverde wells.

Attached is the C-102 and acreage dedication, Mesaverde gas rate vs time plot for the 29-5 # 74 showing the 36 month forecast, a 36 month Mesaverde gas production forecast, estimated Fruitland Coal gas rate vs time plot for the 29-5 # 74 showing offset production, and economics for commingling the Fruitland Coal with the Mesaverde and drilling and completing the Mesaverde.

Sincerely,

PHILLIPS PETROLEUM

Brad Peterson
Reservoir Engineer

cc: OCD – Aztec
BLM – Farmington
NM Commissioner of Public Lands – Santa Fe

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-21029		² Pool Code 71629		³ Pool Name Basin Fruitland Coal	
⁴ Property Code 009256		⁵ Property Name San Juan 29-5 Unit			⁶ Well Number 74
⁷ OGRID No. 017654		⁸ Operator Name PHILLIPS PETROLEUM COMPANY			⁹ Elevation 6562'

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
L	17	29N	5W		1450'	South	840'	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
L									

¹² Dedicated Acres 320 W/2	¹³ Joint or Infill Y	¹⁴ Consolidation Code U	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

	<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>Patsy Clugston</i> Signature</p> <p>Patsy Clugston Printed Name</p> <p>Sr. Regulatory Clerk Title</p> <p>6/5/02 Date</p>
	<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>see original C102</p> <p>Date of Survey dated 9/13/74 Signature and Seal of Professional Surveyor:</p> <p>signed by Fred B. Kerr, Jr.</p> <p>3950 Certificate Number</p>

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

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

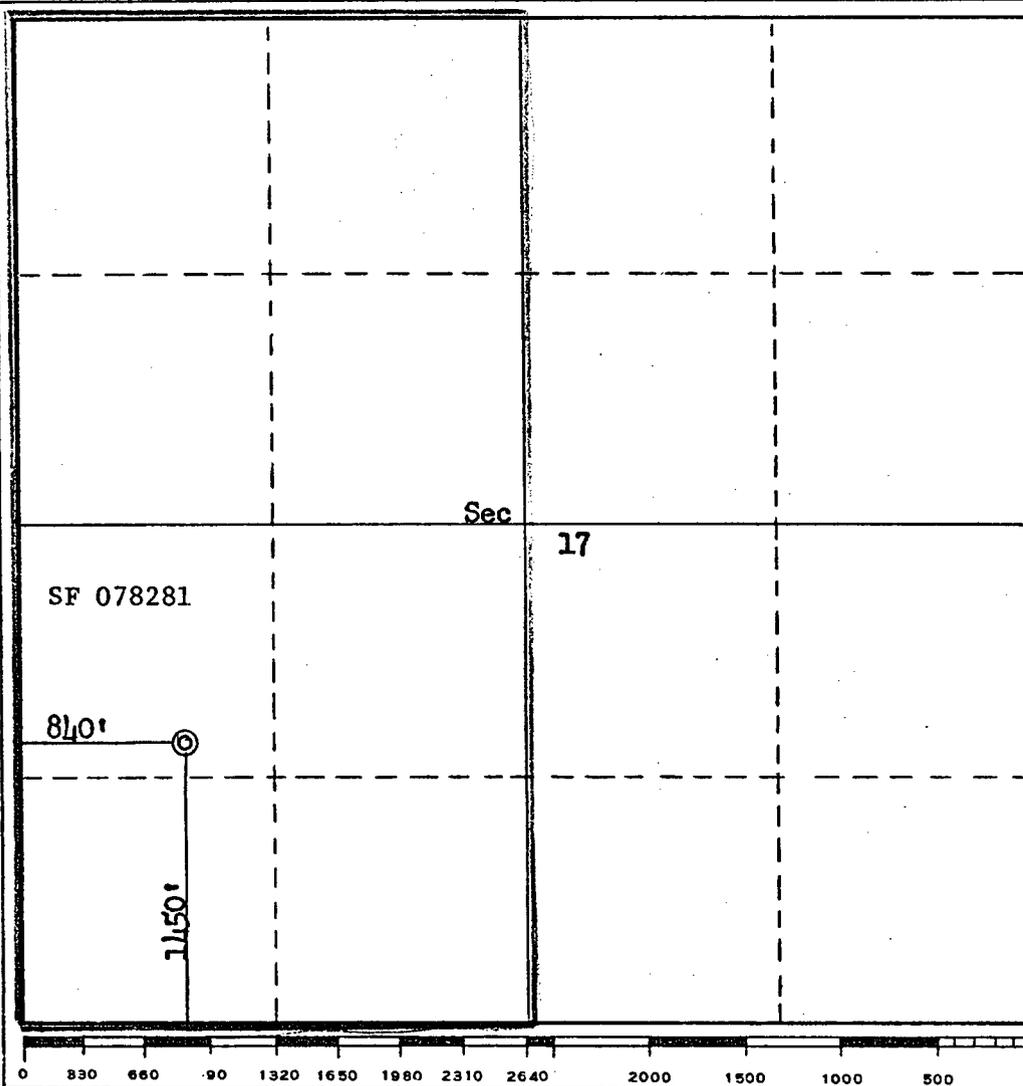
Operator Northwest Pipeline Corporation		Lease San Juan 29-5 Unit		Well No. 74
Unit Letter L	Section 17	Township 29N	Range 5W	County Rio Arriba
Actual Footage Location of Well: 1450 feet from the South line and 840 feet from the West line				
Ground Level Elev. 6562	Producing Formation Mesa Verde	Pool Blanco Mesa Verde	Dedicated Acreage: 320 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.) NW 1/4 SW 1/4 Sec 17, T29N, R5W

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

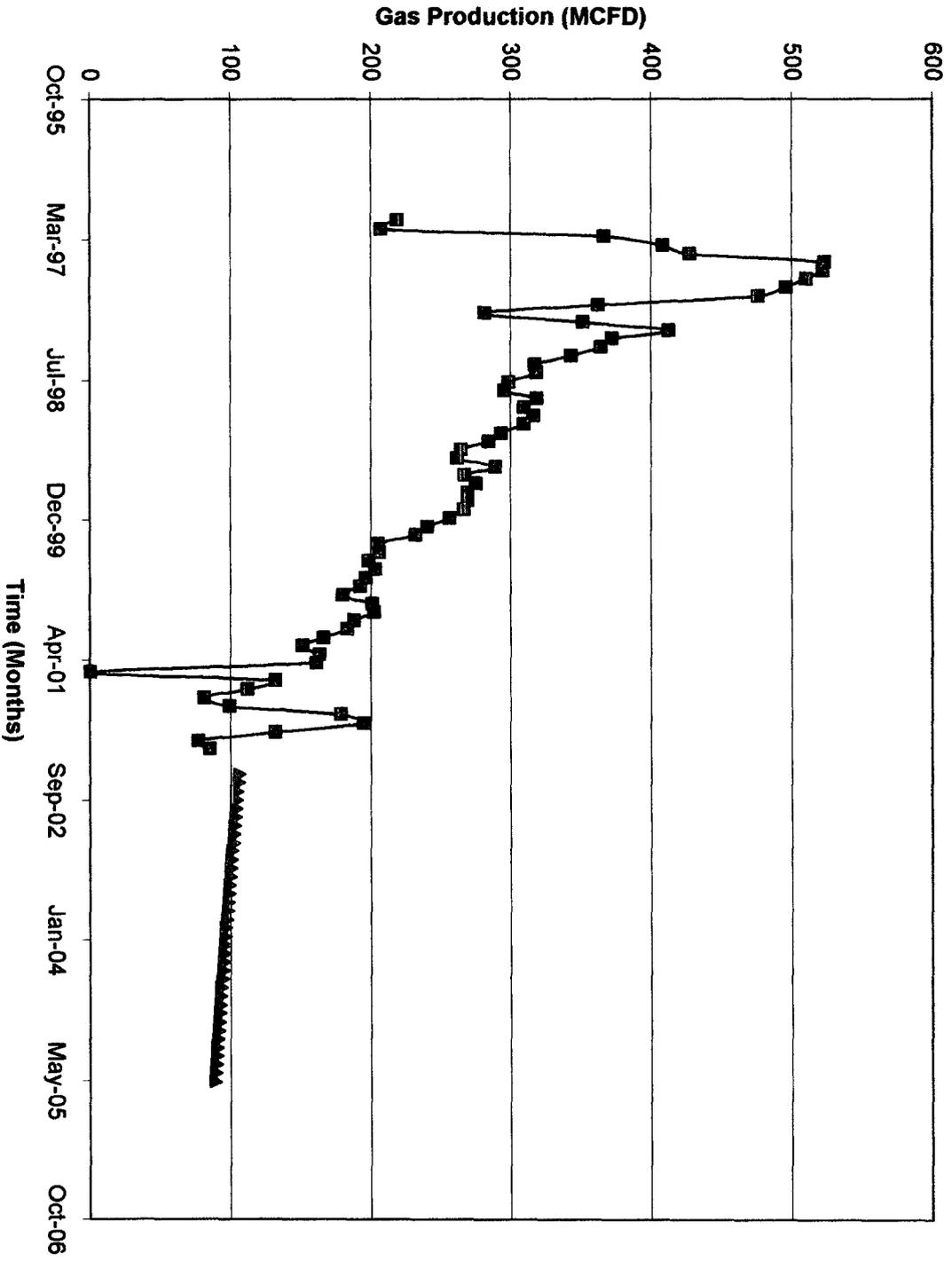
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name O.B. Whitenburg js
 Position
Drilling & Production Eng.
 Company
Northwest Pipeline Corp.
 Date
September 20, 1974

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
September 13, 1974
 Registered Professional Engineer
 and/or Land Surveyor
Fred B. Kerr Jr.
 Certificate No.
3950

29-5 # 74 Mesaverde Production and Forecast

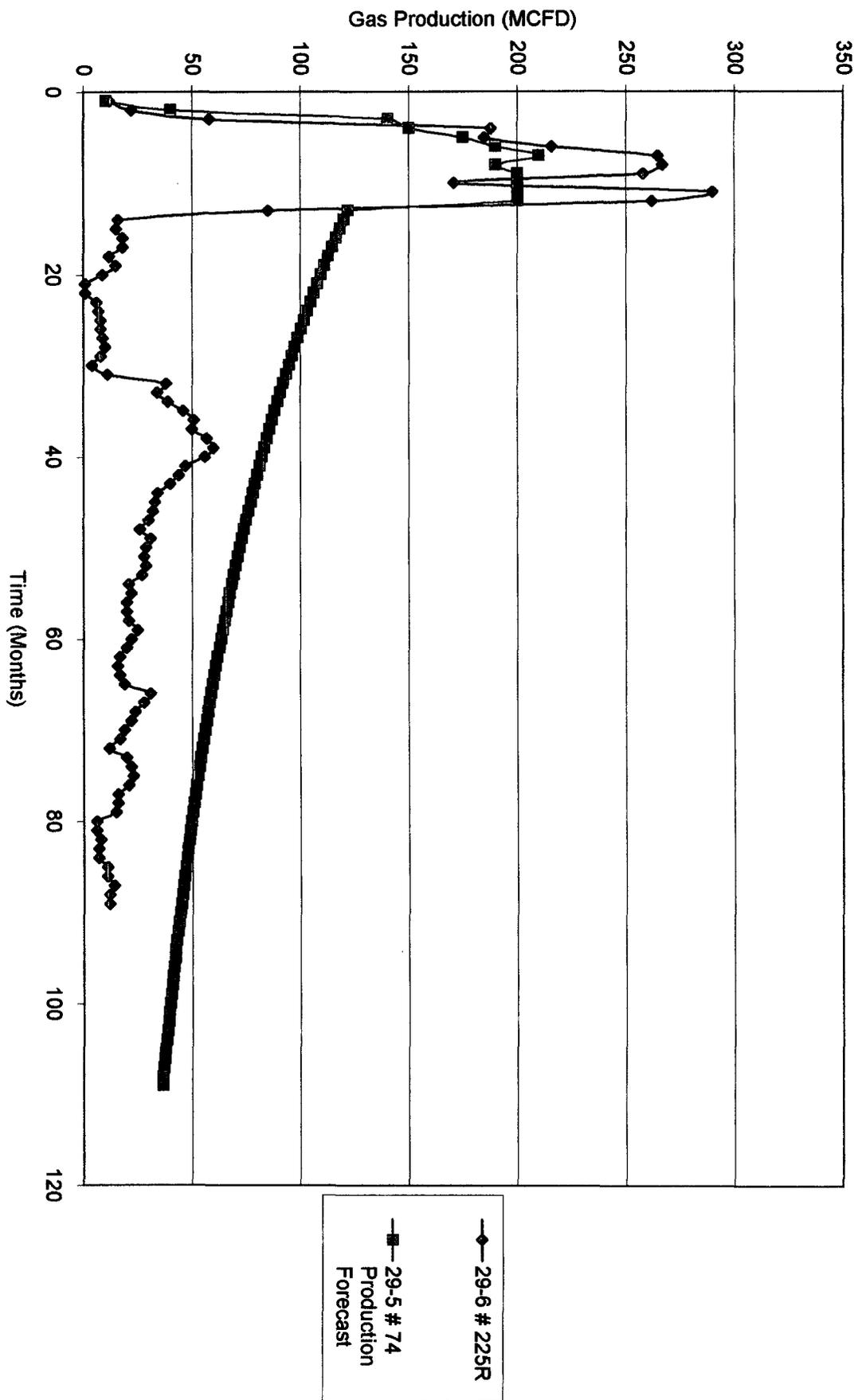


■ Past Production
 ▲ Production Forecast

29-5 # 74 Mesa Verde Production Forecast

Month	Year	Average Rate (MCFD)	Monthly Volume (MMCF)
6	2002	106.64	106.91
7	2002	106.09	106.36
8	2002	105.55	105.82
9	2002	105.01	105.28
10	2002	104.48	104.74
11	2002	103.95	104.21
12	2002	103.42	103.68
1	2003	102.9	103.16
2	2003	102.38	102.64
3	2003	101.87	102.12
4	2003	101.36	101.61
5	2003	100.85	101.11
6	2003	100.35	100.6
7	2003	99.85	100.1
8	2003	99.36	99.6
9	2003	98.87	99.11
10	2003	98.38	98.62
11	2003	97.89	98.14
12	2003	97.41	97.65
1	2004	96.94	97.18
2	2004	96.46	96.7
3	2004	95.99	96.23
4	2004	95.53	95.76
5	2004	95.06	95.3
6	2004	94.61	94.83
7	2004	94.15	94.38
8	2004	93.7	93.92
9	2004	93.25	93.47
10	2004	92.8	93.02
11	2004	92.36	92.58
12	2004	91.92	92.14
1	2005	91.48	91.7
2	2005	91.04	91.26
3	2005	90.61	90.83
4	2005	90.19	90.4
5	2005	89.76	89.97
6	2005	89.34	89.55

29-5 # 74 Production Forecast for Fruitland Coal



29-5 # 74 Fruitland Coal Completion Economics

	Commingle with Mesaverde Case	New Drill Case
Rate of Return	33.8%	-3.0%
Payout	2.2 years	Never
Net Present Value at 13%	\$60,100	- \$186,500
Capital Outlay	\$129,500	\$421,000
Net Investment/Barrel of Oil Equivalent	\$3.47	\$11.27

The economics were ran using the same production forecast for the Fruitland Coal. Economics assumed the well would be fraced for both cases.