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see

January 16, 2003

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Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
1220 South St Francis Drive
Santa Fe, NM 87505

Mr. Jim Lovato
Bureau of Land Management
1235 La Plata Highway, Suite A
Farmington, NM 87401

RECEIVED

JAN 20 2003

**OIL CONSERVATION
DIVISION**

RE: APPLICATION TO COMMINGLE
FEDERAL R-#1A NMSF078476
FEDERAL R-#2 NMSF078476
SAN JUAN, NM

Dear Sirs:

Phoenix is submitting (in triplicate) the attached Applications to Commingle the above referenced wells. This application is tentatively following the outline set forth in the new proposed Oil Conservation Division's "Application for Surface Commingling".

The commingling of these two wells would constitute a Pool and Lease Commingling Application. The Federal R#1A and Federal R#2 are located on the same well pad approximately 240' apart.

WELL NAME:	FEDERAL R#1A	FEDERAL R#2
POOL CODE:	72319	82329
POOL NAME:	BLANCO MESAVERDE	OTERO CHACRA
U-S-T-R:	P-15-27N-08W	
LOCATION OF WELL:	790' FSL & 860' FEL	1030' FSL & 920' FEL
OGRID:	188483	
PROP CODE:	26853	26853
API:	30-045-25856	30-045-25857
LEASE TYPE:	GAS (FLOWING)	
MCF PER MONTH:	988	988
BTU:	1.371	1.171
COMMINGLED BTU:	1.271	
VALUE NON-COMM:	\$4,447.39 (NOV SALES)	\$3,791.22 (NOV SALES)
CAL COMM VALUE:	\$22,399.00	
LEASE USE:	NO	NO
WATER PRODUCTION:	NO	NO
CONDENSATE PROD:	±.15	NO
WORKING INTEREST:	SAME	
ROYALTY INTEREST:	SAME	
OVERRIDDING ROY:	SAME	
MEASUREMENT TYPE:	WELL TEST	
DISTRIBUTION:	COMMINGLING ORDER PC-1063	

The commercial value is greater commingled than sold individually. Alone either of these wells barely produces enough gas to warrant an individual El Paso sales meter. A compressor will be added to the Federal R#1A that will increase production 100 MCF per day (50 MCF per well). Neither well currently produces at top allowables.