PLC 10/14/97
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WALSH ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

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

September 17, 1997

Mr. William J. LeMay
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Re: Application for Surface Commingling
Thompson Engineering
Stacey #1 and Stacey #2
Section 6, T26N, R12W
San Juan County, New Mexico
WAW | Pictured Cliffs and Basin Fruitland Coal
97190 FRUITLAND SAND

Dear Mr. LeMay,

This is a request on behalf of Thompson Engineering for approval to surface commingle the gas production from the above mentioned wells.

1. **Proposed System** The wells are commingled upstream of a CPD meter so that they can reduce measurement costs. The Stacey #2 well will have an allocation meter on location. The Stacey #1 production is the difference between the CPD meter and the allocation meter. The gas flows into El Paso Natural Gas' gathering system and they maintain the CPD meter. Neither well produces liquid hydrocarbons.

2. **Location Map** Exhibit 1 is a topo map showing the location of the two wells.

3. **Wells, Locations, and Lease Numbers** Exhibit 2 is an acreage dedication plat. The Stacey #1 is located on Navajo Allotted lease # NO-G-9602-1300 which encompasses the SE/4 of Section 6, T26N, R12W. The east half of Section 6, T26N, R12W has been dedicated to the Stacey #2. Navajo Allotted lease # NO-G-9606-1302 has been communitized with lease # NO-G-9602-1300. Exhibit 3 is a list of the royalty, overriding royalty, and working interests in both wells.

4. **Schematic Diagram** Exhibit 4 is a schematic diagram of the facilities.

5. **Fuel Gas** Each well has a separator that uses approximately 0.5 MCFD of fuel gas.

6. **Mechanical Integrity** The flow line from the Stacey #2 to the Stacey #1 is 2" SDR-7 poly pipe with a pressure rating of 267 psig. This line and all of the connections will be tested to wellhead pressure which will be approximately 150 psig. The MAOP of El Paso's gathering system is 100 psig.

7. **Production - Gravity/BTU** Actual production from the Stacey #1 is attached as Exhibit 5. The Stacey #2 has not been completed so no data is available.

8. **Allocation Formula** The Stacey #2 well has an allocation meter. The production assigned to this well will be the integrated volume from the allocation meter plus separator fuel gas. The volume of gas allocated to the Stacey #1 will be the total integrated volume from the CPD meter, minus the volume allocated to the #2, plus separator fuel gas.

9. **Line Purging** We do not anticipate purging the system very often, but if it is purged, the lost gas will be allocated equally to each of the two wells.

10. **Purged Fluids** Any fluids purged will be natural gas, and condensed water vapor.

11. **Meter Calibration Schedule** The allocation and CPD meters will be calibrated once each quarter. El Paso Field Services will maintain the CPD meter.

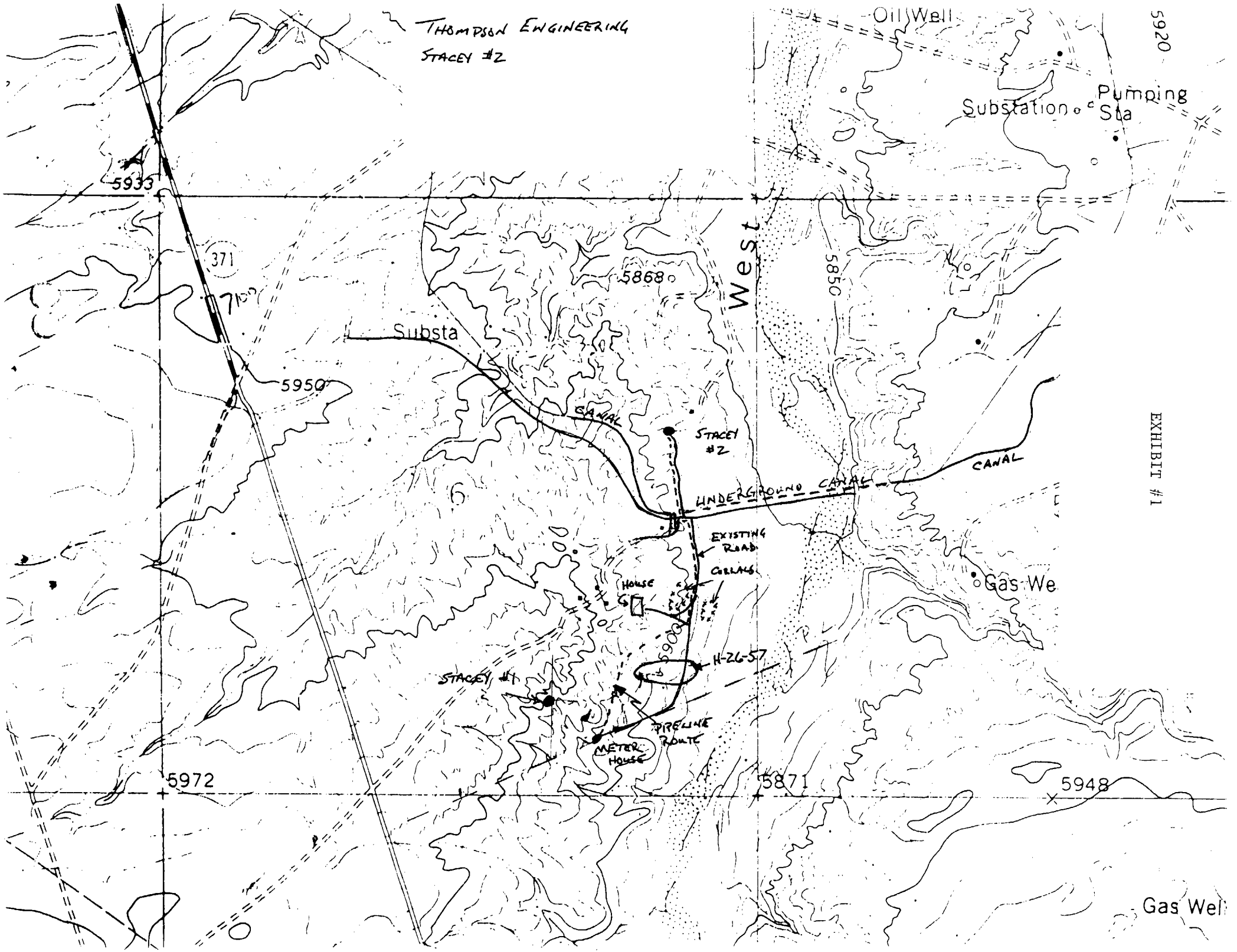
12. **Gas Analysis Schedule** El Paso Field Service will analyze the gas from the commingled stream twice a year.

13. **Effective Date** The system will be placed in service as soon as this application is approved.

Sincerely,

Paul C. Thompson

Paul C. Thompson, P.E.


THOMPSON ENGINEERING
STACEY #2
Oil Well
Pumping Sta
Substation
5920
5933
371
West
5868
5850
Substa
5950
CANAL
STACEY #2
CANAL
UNDERGROUND CANAL
EXISTING ROAD
CANAL
HOUSE
Gas We
5900
H-26-57
STACEY #1
PIPELINE ROUTE
METER HOUSE
5972
5871
5948
Gas Wel
EXHIBIT #1