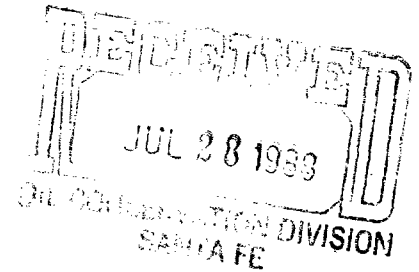


ROBERT L. BAYLESS

PETROLEUM PLAZA BUILDING
P. O. BOX 168
FARMINGTON, NEW MEXICO 87499
(505) 326-2659



July 21, 1988

New Mexico Oil Conservation Division
P.O. Box 2086
Santa Fe, NM 87501

ATTN: Mr. William LeMay

RE: Request for Surface Commingling
Hoover #1 and Coolidge Com #1
Section 21 and 22, T30N, R14W
San Juan County, New Mexico

Gentlemen:

We hereby request the surface commingling of gas production from our Hoover #1 located 860' FNL & 870' FEL, Section 21, T30N, R14W, and our Coolidge Com #1 location 950' FNL & 1190' FEL, Section 22, T30N, R14W. The Coolidge Com #1 proration unit is made up of Federal Oil & Gas Lease #NM15272 and #NM20314, while the Hoover #1 proration unit is entirely in #NM25857. We are currently selling gas from both the Coolidge Com #1 and Roosevelt #1 wells at the Coolidge Com #1 gas sales meter. The Roosevelt #1 well is located 1850' FSL & 790' FEC, Section 22, T30N, R14W. The surface commingling of these two wells was approved by your office on August 21, 1987.

The Hoover #1 was drilled and completed in the Fruitland Sand and Picture Cliffs formations by Bayless on July 31, 1985. This well has an AOF of 222 MCFD which is combined from the Fruitland sand and Picture Cliffs formation. The well is dedicated to the Harper Hill Fruitland - Picture Cliffs pool. These pool rules consider the Fruitland sand and Picture Cliffs formation to be one formation. No gas has been sold from this well.

The Coolidge Com #1 was drilled and completed in the Dakota formation by Bayless on March 6, 1985 for an AOF of 3279 MCFBPD. Northwest Pipeline evaluated this well and assigned enough reserves to justify a pipeline and meter installation. This well was first delivered on February 19, 1986. As of July 1, 1988, it has produced 20,533 MCFG.

Between the time the Coolidge Com #1 and Hoover #1 wells were drilled, Northwest Pipeline changed their policy on well hookups and meter installations. The producer, not the pipeline, now has the burden to hook his well up. The pipeline will do this for the producer, but the producer must pay for this hookup, up front, and the materials used for installation (meter installation, line pipe, etc.) are the property of Northwest Pipeline, not the producer. The estimated cost to connect this well by Northwest Pipeline is \$22,500.

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To bypass this unfair situation, Bayless requested and was granted a right-of-way from the BLM to lay a 2-3/8" surface pipeline from the Hoover #1 to the Coolidge Com #1 sales meter (see Attachment #1). This work has not started. We propose to set a gas metering facility on the Hoover #1 pad that will measure gas produced from this well. We propose to sell the gas from all these wells through the Coolidge Com #1 gas sales meter and determine the Coolidge Com #1 produced volume by subtracting the Hoover #1 and Roosevelt #1 measured gas volume from the total gas volume sold through the Coolidge Com #1 gas sales meter. Even though the proration units from these wells involve three separate Federal leases (NM-15272, NM-20314, and NM-25857) the working interest ownership in all three wells is the same.

We feel that surface commingling of these wells will maximize their economic gas production without violating correlative rights. Without this surface commingling, the cost of producing gas from the Hoover #1 will be burdensome. A plat showing the location of the subject wells is enclosed with the approved BLM right-of-way request in Attachment #1.

Should any questions arise on this matter, please contact me.

Yours truly,



ROBERT L. BAYLESS

RLB/clm

Enclosure