

March 27, 1984

*add to April
for DHC*



Southland Royalty Company

Mr. Joe D. Ramey
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

RE: Downhole Commingling
SRC - Childers #2
Fruitland/Pictured Cliffs
SW/4, Section 1, T31N, R11W
San Juan County, New Mexico

Dear Mr. Ramey:

Southland Royalty Company requests permission to downhole commingle production from the Fruitland and Pictured Cliffs formations in this dual well. The Fruitland formation cannot continuously produce enough gas to lift the oil it produces. With the additional gas from the Pictured Cliffs formation, we feel that the Fruitland oil will be produced with fewer problems.

The gas produced from each zone is similar, and the Fruitland oil produced has no adverse effect on the Pictured Cliffs formation. Bottom hole pressures are similar for the two formations and there will be no crossflow between the zones, therefore no production will be lost.

Production allocation between the two zones was determined from the decline curves and cumulative production from each zone. Proposed allocation is as follows:

Oil Production:	100% Fruitland
Gas Production:	63% Pictured Cliffs 37% Fruitland

Royalty ownership in both zones of the well are identical. The well is currently unproductive and no current 24 hour productivity test can be supplied, therefore, we have included the latest deliverability test reports. In addition, copies of gas analysis from each zone, decline curves, production plots, and miscellaneous data are included with this package for your information.

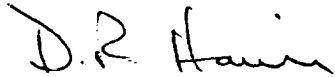
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A copy of this application has also been sent to the Bureau of Land Management and all offset operators.

Sincerely,

SOUTHLAND ROYALTY COMPANY



Doug R. Harris
Petroleum Engineer

DRH/lbgw

Attachments

XC: BLM-Farmington
EPNG-Farmington
Mesa Petroleum-Amarillo, TX
C&E Operators, Inc.-Dallas, TX

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