

DHC-2467



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:

SF-046563
3162.3-2 (07100)

Breck Operating Corporation
Attn.: Paul Thompson
7415 East Main
Farmington, NM 87402

RECEIVED
OCT 22 1999
OCT 25 1999
OIL CON. DIV.
DIST. 3

Re: Well No. 5J Kutz Government
Lease No. SF-046563
SENW 2-27N-10W
San Juan County, NM

Dear Mr. Thompson:

Reference is made to your application dated August 31, 1999, requesting authorization to down hole commingle gas from the Pictured Cliffs and the Fruitland Coal formations in the above referenced well. After reviewing the information you supplied, we concur with the fixed allocation factors established in your application. Authorization is hereby given to allocate production in accordance with the allocation factors outlined below:

<u>Formation</u>	<u>Gas</u>	<u>Oil</u>
Pictured Cliffs	12%	0%
Fruitland Coal	88%	0%

Commingled production from each zone must be reported in accordance with these established allocation factors. The effective date of commingling will be the date commingling first occurs. File a Subsequent Report of Operations (form 3160-5) within 30 days of commingling this well.

If you have any questions regarding the above, contact Jim Lovato at (505) 599-6367.

Sincerely,

Joe Hewitt
Acting Team Leader, Petroleum Management Team

cc:

NMOCD, Santa Fe
NMOCD, Aztec

9/2/99	9/22/99	DC	KW	DHC
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

2467

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
[DD-Directional Drilling] [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 - Directional Drilling
☐ NSL ☐ NSP ☐ DD ☐ 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

[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] **INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding**

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

Paul C. Thompson
Print or Type Name

Paul C. Thompson
Signature

Agent
Title

8/31/99
Date

**WALSH**

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

August 30, 1999

Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87504-2088

Re: Application for Downhole Commingling
Breck Operating Corp.
Kutz Government #5J
1710' FNL, 1820' FWL, Section 2, T27N R10W
San Juan County, New Mexico
Basin Fruitland Coal and Fulcher-Kutz PC

Dear Ms. Wrotenbery,

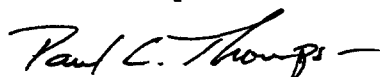
This is a request for administrative approval for downhole commingling of the production from the Basin Fruitland Coal and Fulcher Kutz Pictured Cliffs pools.

I have attached for your review, C-102,s for each formation, outlining the dedicated acreage. I have also included a proposed allocation formula with a short discussion of the history of the well.

The revenue owners of this well are being notified of this application by certified return receipt mail. Copies of these letters are enclosed.

Thank you for your consideration and approval of this application. If you have any questions please do not hesitate to call upon me.

Sincerely,


Paul C. Thompson, P.E.
President

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

811 South First St., Artesia, NM 88210-2835

DISTRICT III

1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429Form C-107-A
New 3-12-96

APPROVAL PROCESS:

☐ Administrative ☐ Hearing

EXISTING WELLBORE

☐ YES ☐ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Breck Operating Corp. c/o Walsh Engr. & Prod. Corp. 7415 E. Main Farmington, N.M. 87402

Operator Kutz Government Well No. 5J Address F Sec. 2, T27N, R10W San Juan County, N.M.
Lease Unit Ltr. - Sec - Twp - Rge CountyOGRID NO. 002799 Property Code 02223 API NO. 30-045-2426700 Spacing Unit Lease Types: (check 1 or more)
Federal ☒ State ☐ (land/or) Fee ☐

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Basin Fruitland Coal		Pictured Cliffs
2. Top and Bottom of Pay Section (Perforations)	1731-1859'		1871-1917'
3. Type of production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) 110 5/99 b. (Original) 232 psig	a. b.	a. 186 1/20/87 b. 230 psig
6. Oil Gravity (°API) or Gas BTU Content	1057		N/A
7. Producing or Shut-In?	Producing		Shut In
Production Marginal? (yes or no)	NO		Yes
* If Shut-In, give 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: Rates:	Date: Rates:	Date: 7/17/92 Rates: 39 MCF/d 1990 Average
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: 1998 Average Rates: 277 MCF/d	Date: Rates:	Date: Rates:
8. Fixed Percentage Allocation Formula - % for each zone	Oil: % Gas: 87.7%	Oil: % Gas: %	Oil: % Gas: 12.3%

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? ☐ Yes ☒ No
If not, have all working, overriding, and royalty interests been notified by certified mail? ☒ Yes ☐ No
Have all offset operators been given written notice of the proposed downhole commingling? ☐ Yes ☒ No11. Will cross-flow occur? ☐ Yes ☒ No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. ☒ Yes ☐ No (If No, attach explanation)12. Are all produced fluids from all commingled zones compatible with each other? ☒ Yes ☐ No13. Will the value of production be decreased by commingling? ☐ Yes ☒ No (If Yes, attach explanation)14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. ☒ Yes ☐ No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S) _____

16. 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 all offset operators.
- * Notification list of working, overriding, and royalty interests for uncommon interest cases.
- * Any additional statements, data, or documents required to support commingling.

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

SIGNATURE Paul C. Thompson TITLE Agent DATE 8/31/99TYPE OR PRINT NAME Paul C. Thompson TELEPHONE NO. (505) 327-4892

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

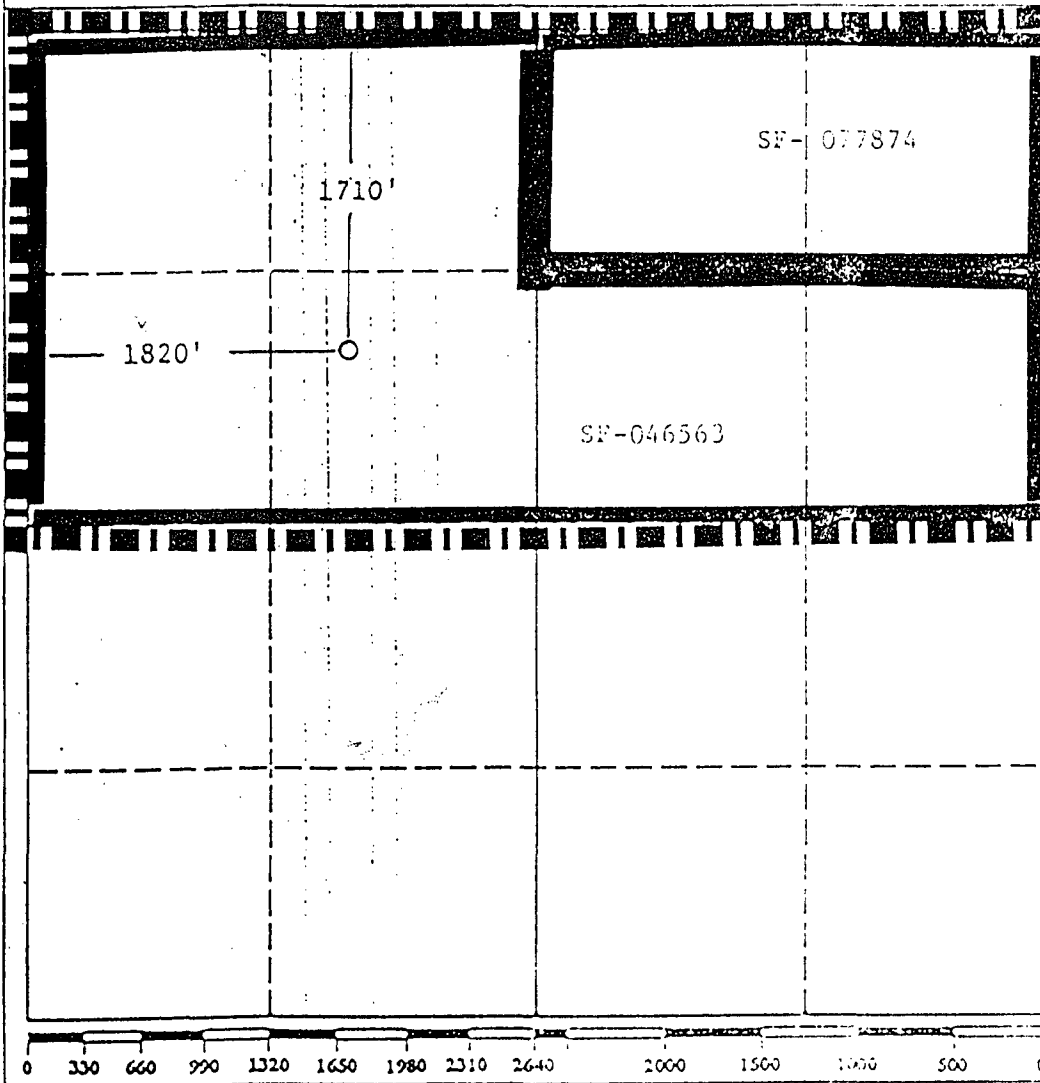
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section.

Operator BRECK OPERATING CORPORATION			Lease Kutz Government		Well No. 5-J
Unit Letter F	Section 2	Township 27N	Range 10W	County San Juan	
Actual Footage Location of Well: 1719 feet from the North line and 1820 feet from the West line					
Ground level Elev. 5912'	Producing Formation Fruitland Coal		Pool Basin Fruitland Coal		Dedicated Acreage: 322.64 Acres

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
☒ Yes ☐ No If answer is "yes" type of consolidation North coming Communitization Agreement
If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary):
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



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

Signature
Paul C. Thompson
Printed Name
Paul C. Thompson

Position
President

Company
Walsh Engr. & Prod. Co

Date
April 6, 1992

SURVEYOR CERTIFICATION
I hereby certify that the well location on this plat was plotted from field notes, actual surveys made by me or under supervision, and that the same is true, correct to the best of my knowledge and belief.

Date Surveyed

Signature & Seal of Professional Surveyor

NOTE: From Original Survey

Certificate No.

MEXICO
DEPARTMENT

P. O. BOX 7048

SANTA FE, NEW MEXICO 87501

Form C-102
Revised 10-1

All distances must be from the outer boundaries of the Section

PETROLEUM CORPORATION OF TEXAS			Lease KUTZ-GOVERNMENT		Well No. 5-J
Unit Letter F	Section 2	Township 27N	Range 10W	County San Juan	

Actual Footage Location of Well:

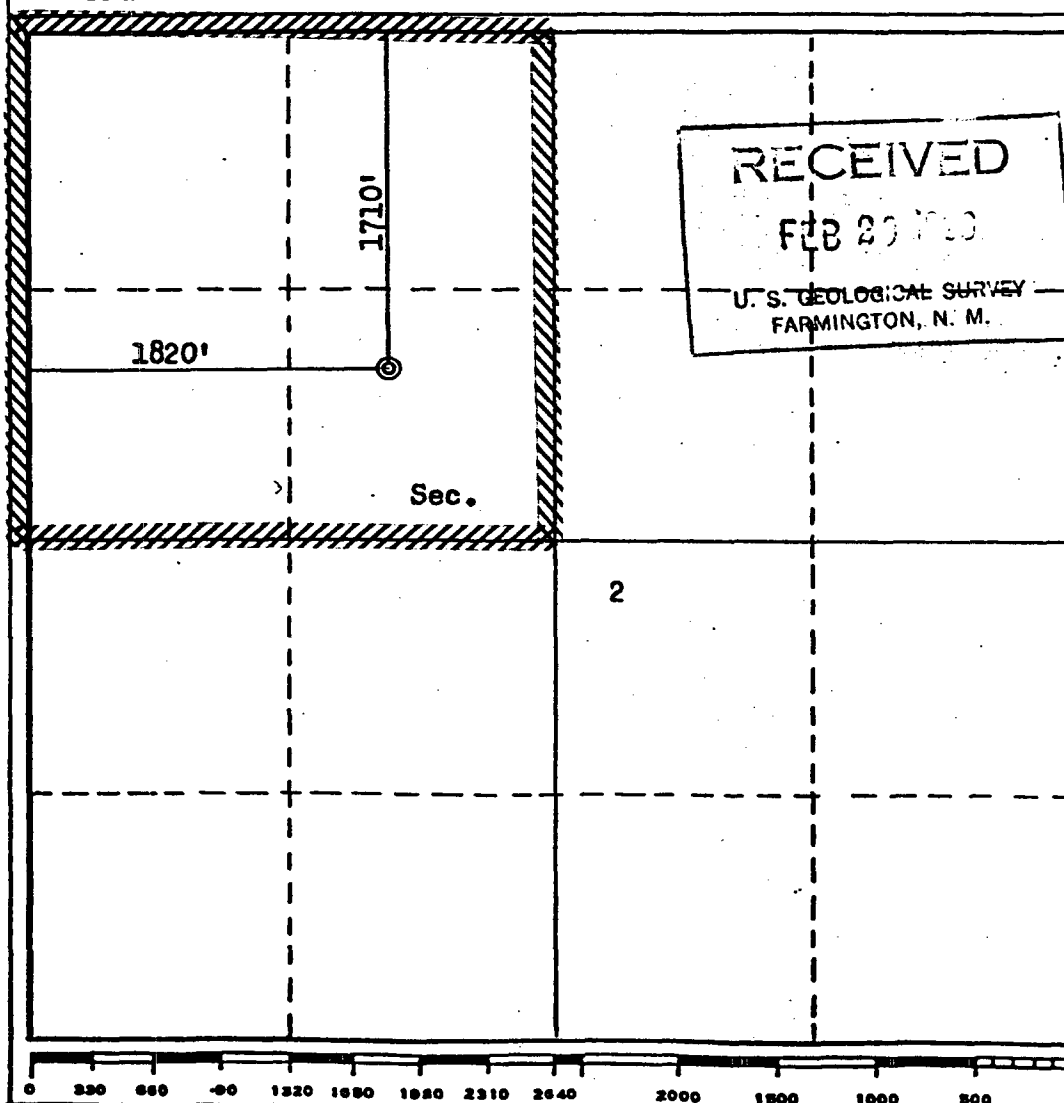
1710	feet from the	North	line and	1820	feet from the	West	line
Ground Level Elev. 5912	Producing Formation Pictured Cliffs		Pool Fulcher-Kutz Pictured Cliffs		Dedicated Acreage: 160		Acre:

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.) _____

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.
FOR: PETROLEUM CORP. OF TEXAS

Name
Ewell N. Walsh, P. E.
Position
ORIGINAL SIGNED BY
President EWELL N. WALSH
Company
Walsh Engineering & Prod. C
Date
2/28/80

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 14, 1979
Registered Professional Engineer
and/or Land Surveyor
Fred B. Keen, Jr.
Certificate No. 3950
3950

Rate/Time Graph

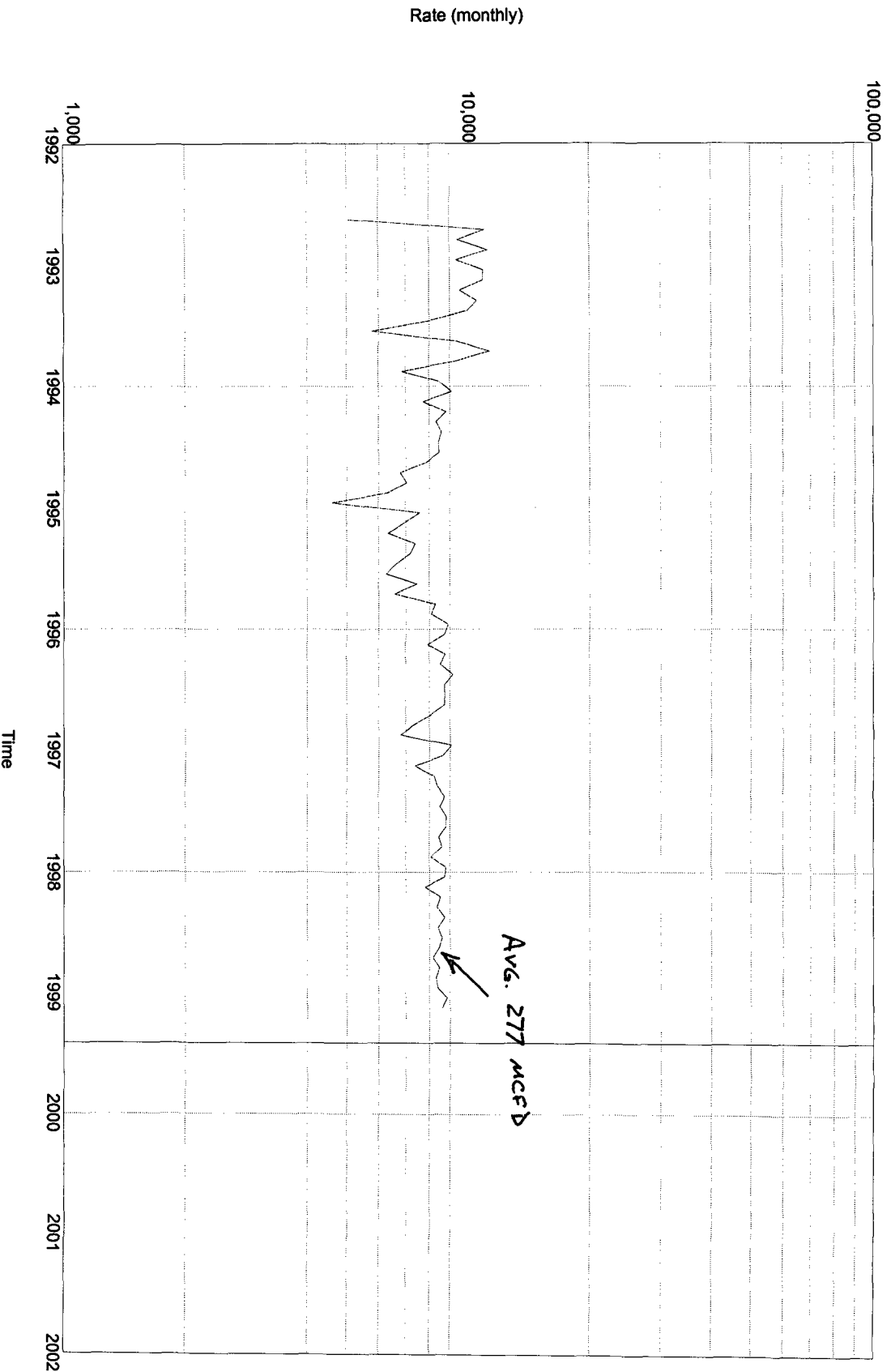
Project: C:\Program Files\HS Energy\PTools35\PROJECTS\kut5.MDB

Date: 8/30/1999
Time: 11:36 AM

Lease Name: KUTZ GOVT (5J)
County, ST: SAN JUAN, NM
Location: 27N-10W-2

Field Name: BASIN (FRUITLAND COAL) FT
Operator: BRECK OPERATING CORP

KUTZ GOVT - BASIN (FRUITLAND COAL) FT



Rate/Time Graph

Project: C:\Program Files\HS Energy\PTools35\PROJECTS\KUTZ5.MDB

Date: 8/30/1999
Time: 11:37 AM

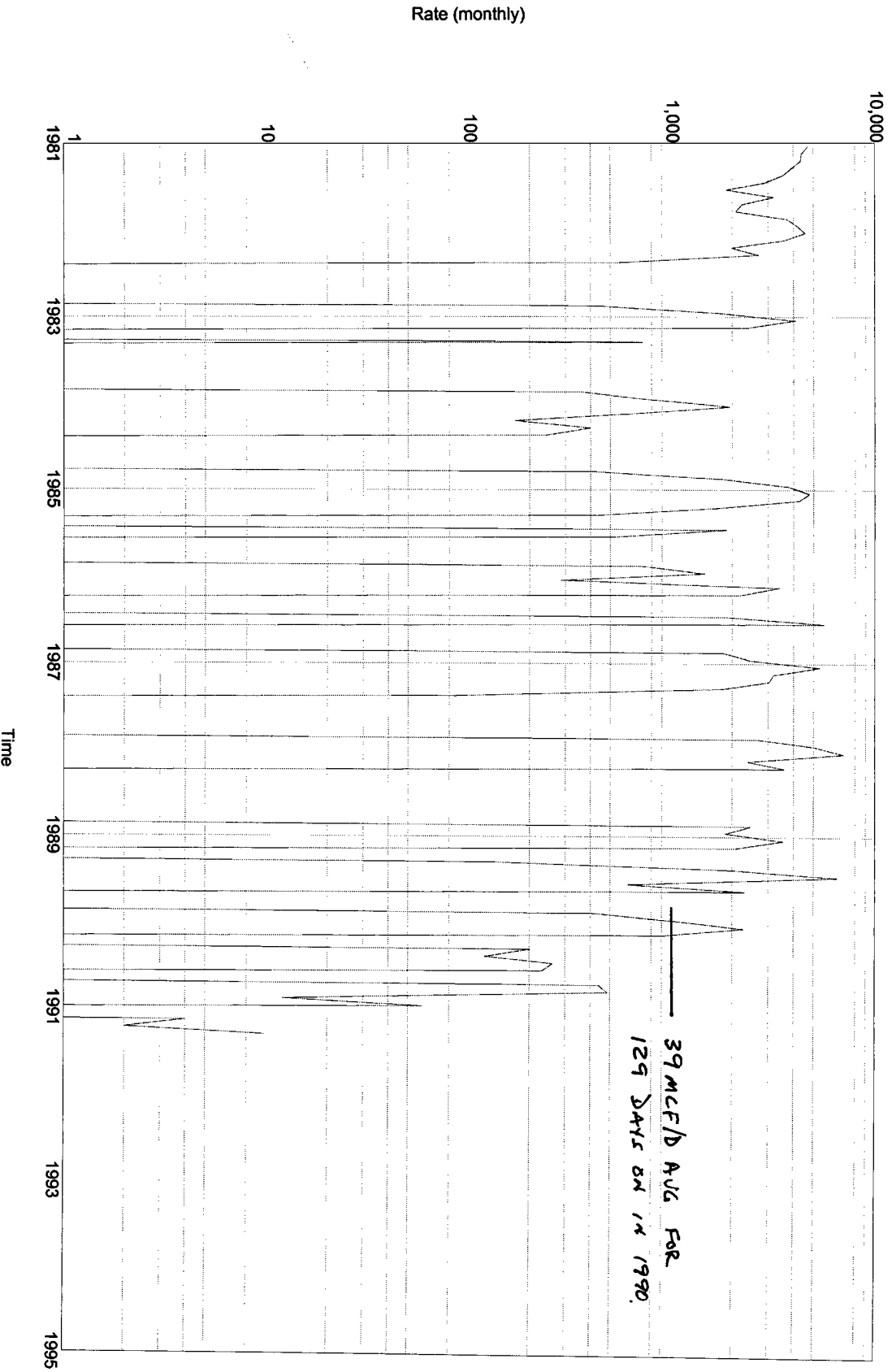
Lease Name:
County, ST:
Location:

KUTZ GOVT (00005J)
SAN JUAN, NM
27N-10W-2

Field Name:
Operator:

FULCHER KUTZ (PICTURED CLIFFS) PC
BRECK OPERATING CORP

KUTZ GOVT - FULCHER KUTZ (PICTURED CLIFFS) PC



Kutz Government #5J
Commingling Application

Allocation Formula

The Fulcher Kutz Pictured Cliffs formation was completed by Petroleum Corp. of Texas, on August 12, 1980. The Pictured Cliffs was fraced with 40,000# of 20/40 sand in a CO₂ foam system. The well produced steadily, with the exception of pipeline curtailments, until the 1989 when the reservoir pressure declined level of the pipeline pressure. The well would only produce when line pressures were low until July of 1992 when the Pictured Cliffs was abandoned and the Fruitland Coal was completed. The decline curves for both formations are attached.

Since the Pictured Cliffs appears to only be capable of marginal production, Breck Operating proposes to downhole commingle the production from both zones.

Both zones have very similar bottom hole pressures so cross flow will not be a factor. The last recorded pressure for the Pictured Cliffs was 186 psi in 1987 after a 7 days build up. The Fruitland Coal was measured at 110 psi after a 24 hour buildup in May of 1999. Neither zone produces a significant amount water (less than 1 bbls/week) and neither zone produces any liquid hydrocarbons. Neither zone is fluid sensitive and the fluids from the two zones are compatible.

The Pictured Cliffs formation was producing approximately 39 MCF/D when it was abandoned in 1992. The Fruitland Coal produced an average of 277 MCFD during 1998. **Based on these rates, the proposed allocation is 87.7% to the Fruitland Coal and 12.3% to the Pictured Cliffs.**

Breck Operating Company
Downhole Commingle Application
Kutz Government #5J
NE/4 Section 2, T27N, R10W

Pictured Cliffs Formation

BBL, Ltd.	WI	0.835
Minerals Management Service	RI	0.125
Scott, Hill, and Hodge	ORRI	<u>0.040</u>
		1.000

Fruitland Coal Formation

BBL, Ltd.	WI	0.4175
Burlington Resources	WI	0.3975
Minerals Management Service	RI	0.1250
Scott, Hill, and Hodge	ORRI	0.0200
Altrogge Resources, et. Al.	ORRI	<u>0.0400</u>
		1.0000

BRECK OPERATING CORPORATION

Kutz Government #5J
1710'FNL & 1820'FWL
Sec. 2, T27N, R10W
San Juan County, New Mexico

The following revenue owners have received written notice of the proposed downhole commingling application.

Van L. Goebel
Burlington Resources
P. O. Box 4289
Farmington, N.M. 87499

Minerals Management Service
Royalty Management Program
P. O. Box 5810 T.A.
Denver, CO 80202

Ira Scott
7th Floor Patterson Building
Denver, CO 80202

T. H. Hodge
P1J Ft. Worth Club TWR
777 Tayalor Street, Suite 890
Ft. Worth, Texas 76102

Altrogge Resources, et al
6901 W. Walsh Place
Denver, CO 80224

I certify that copies of the Application for a non-standard Fruitland Coal well has been mailed to the above Operators.


Paul C. Thompson

San Juan County)
)
State of New Mexico)

The Following instrument was acknowledged before me this 31st day of August 1999 by Paul C. Thompson.




Notary Public

**WALSH****ENGINEERING & PRODUCTION CORP.**Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

August 31, 1999

CERTIFIED - RETURN RECEIPTT. F. Hodge
P1J Ft. Worth Club TWR
777 Taylor Street, Suite 890
Ft. Worth, Texas 76102RE: Downhole Commingling Application
Breck Operating Corp.
Kutz Government #5J
1710' FNL, 1820'FWL
Section 2, T27N, R10W
San Juan County, N.M.
Fulcher Kutz Pictured Cliffs and Basin Fruitland Coal

Dear Mr. Hodge:

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. As a revenue interest owner in this well, you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to Ms. Lori Wrotenbery, Director, New Mexico Oil Conservation Division, Santa Fe, New Mexico, within 20 days from the receipt of this notice. If you have no objection to the proposal, no action is required on your part.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson
Agent

**WALSH****ENGINEERING & PRODUCTION CORP.**Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

August 31, 1999

CERTIFIED - RETURN RECEIPTIra Scott
7th Floor Patterson Building
Denver, CO 80202RE: Downhole Commingling Application
Breck Operating Corp.
Kutz Government #5J
1710' FNL, 1820' FWL
Section 2, T27N, R10W
San Juan County, N.M.
Fulcher Kutz Pictured Cliffs and Basin Fruitland Coal

Dear Mr. Scott:

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. As a revenue interest owner in this well, you are being notified of this application pursuant to NMOC rules.

If you desire to submit remarks concerning the application, please send them to Ms. Lori Wrotenbery, Director, New Mexico Oil Conservation Division, Santa Fe, New Mexico, within 20 days from the receipt of this notice. If you have no objection to the proposal, no action is required on your part.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson
Agent

**WALSH****ENGINEERING & PRODUCTION CORP.**Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

August 31, 1999

CERTIFIED - RETURN RECEIPTVan L. Goebel
Meridian Oil, Inc.
P. O. Box 4289
Farmington, N.M. 87499RE: Downhole Commingling Application
Breck Operating Corp.
Kutz Government #5J
1710' FNL, 1820' FWL
Section 2, T27N, R10W
San Juan County, N.M.
Fulcher Kutz Pictured Cliffs and Basin Fruitland Coal

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Sincerely,

Paul C. Thompson
Agent

**WALSH****ENGINEERING & PRODUCTION CORP.**Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

August 31, 1999

CERTIFIED - RETURN RECEIPTMinerals Management Service
Royalty Management Program
P. O. Box 5810 T.A.
Denver, CO 80202RE: Downhole Commingling Application
Breck Operating Corp.
Kutz Government #5J
1710' FNL, 1820' FWL
Section 2, T27N, R10W
San Juan County, N.M.
Fulcher Kutz Pictured Cliffs and Basin Fruitland Coal

Dear Sir:

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Sincerely,

Paul C. Thompson
Agent

**WALSH**

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

August 31, 1999

CERTIFIED - RETURN RECEIPTAltrogge Resources, et al
6901 W. Walsh Place
Denver, CO 80224RE: Downhole Commingling Application
Breck Operating Corp.
Kutz Government #5J
1710' FNL, 1820' FWL
Section 2, T27N, R10W
San Juan County, N.M.
Fulcher Kutz Pictured Cliffs and Basin Fruitland Coal

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Sincerely,

Paul C. Thompson
Agent