

DATE: 8/26/08	SUSPENSE: R-9893	ENGINEER: WST	LOGGED IN:	TYPE: DHC 4081	APP NO.: PWT 0824054307
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATION WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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 - Simultaneous Dedication
☐ NSL ☐ NSP ☐ 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

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners (N/A, Hearing Order #9893)

[B] ☒ Offset Operators, Leaseholders or Surface Owners *He T. required*

[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] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name: Alan W. Bohling Signature: Alan W. Bohling Title: Regulatory Agent Date: Aug 26, 2008

2008

e-mail Address: ABohling@chevron.com

District I
1625 N. French Drive, Hobbs, NM 88240

District II

1701 W. Grand Avenue, Artesia, NM 88210

District III

1000 Rio Grande Road, Aztec, NM 87419

District IV

1270 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-107A
Revised June 10, 2003

APPLICATION FOR DOWNHOLE COMMINGLING

APPLICATION TYPE

☒ Single Well

☐ Establish Pre-Approved Pools

EXISTING WELLBORE

☒ Yes ☐ No

Chevron Midcontinent L.P. (241333)

15 Smith Road, Midland, Texas 79705

Operator

Address

134R

A - 12 - 26N - 7W

Rio Arriba

Lease

Well No.

Unit Letter-Section-Township-Range

County

OGRID No. 241333 Property Code 302737 API No. 30-039-26982 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Bianco-Mesaverde	Largo-Gallup <i>UND-2</i>	Basin-Dakota
Pool Code	72319	80000	71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	4553-5302' (Proposed)	6186-6792' (Proposed)	7160'-7338'
Method of Production (Flowing or Artificial Lift)	Artificial Lift (plunger)	Artificial Lift (plunger)	Artificial Lift (plunger)
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	170 psi (Estimated from offset well)	223 psi (Estimated from offset well)	242 psi (Estimated from offset well)
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1328 (Estimated from offset well)	1270 (Estimated from offset well)	1113 (Estimated from offset well)
Producing, Shut-In or New Zone	New Zone	New Zone	Producing
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: N/A Rates: 175 Mcf/d, 0 Bopd, <1 Bwpd	Date: N/A Rates: 70 Mcf/d, 5 Bopd, <1 Bwpd	Date: 5/08 Rates: 100 Mcf/d, 0 Bopd, <1 Bwpd
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas (To be determined later by flow test) % %	Oil Gas (To be determined later by subtraction method) % %	Oil Gas 100% 100%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?

Yes _____ No ☒

If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? (Re: R-9893)

Yes _____ No _____

Are all produced fluids from all commingled zones compatible with each other?

Yes ☒ No _____

Will commingling decrease the value of production?

Yes _____ No ☒

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application?

Yes ☒ No _____

NMOCD Reference Case No. applicable to this well: Notification Exemption per NMOCD Hearing Order No. R-9893, Case No. 10663

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 working, royalty and overriding royalty interests for uncommon interest cases. (Note: N/A due to R-9893)

Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools

List of all operators within the proposed Pre-Approved Pools

Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.

Bottomhole pressure data.

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

SIGNATURE Alan W. Bohling TITLE Regulatory Agent DATE Aug 26, 2008

TYPE OR PRINT NAME Alan W. Bohling TELEPHONE NO. (432) 687-7158

E-MAIL ADDRESS ABohling@chevron.com

Jones, William V., EMNRD

From: Bohling, Alan [Contractor] [ABohling@chevron.com]
Sent: Tuesday, August 26, 2008 10:25 AM
To: Jones, William V., EMNRD
Subject: RE: Triple DHC Application for Rincon Unit # 57E (30-039-25185)
Attachments: Scan-of First Half-Triple DHC for Rincon #134R, Aug 26, 2008.pdf

Mr. Jones,

Per your earlier request, I'm attaching a scanned file of the DHC Application for the **Rincon Unit #134R** (API # 30-039-26982) for approval in conjunction with the Rincon Unit #57E. It may not come through as a single file attachment due to its size, so I may have to send in two or three segments? My apologies for this.

I sincerely hope this will work for you in the interim. I will also be sending you, today, the original in overnight mail and at same time a copy will be sent in overnight mail to the BLM and District OCD Offices. If this is not appropriate or you need additional information, please let me know. Thank you.

As additional information concerning the Rincon Unit # 134R, this well was originally permitted in 2002 to be drilled and completed in both the Dakota and Mesaverde zones. As a result a DHC Application was submitted and approved for these zones (DHC #876 AZ, approved on 08/29/2002). I've attached a copy of this approved Sundry. However, this well has yet to be completed in the Mesaverde. Therefore, our proposed procedure will be to individually test the MV when completed, then using the "Subtraction Method" subtract the current Dakota and new Mesaverde production from the total production to determine the allocation for Gallup production.

At present, our workover rig is scheduled to move onto the #134R on or about October 2, 2008 (after completing the #57E), or upon approval of it's DHC Application & Workover Sundry NOI (also being submitted to BLM today), as appropriate.

Again, your assistance, consideration and approval of these DHC Applications is greatly appreciated.

Thank you and have a great day/week.

(Second half or segments to follow)

Alan

Alan W. Bohling

Regulatory Agent
Chevron, MCBU
15 Smith Road
Midland, Texas 79705
(432)687-7158
Fax (432)687-7289
ABohling@chevron.com

From: Jones, William V., EMNRD [mailto:William.V.Jones@state.nm.us]
Sent: Monday, August 25, 2008 5:52 PM
To: Bohling, Alan [Contractor]
Subject: RE: Triple DHC Application for Rincon Unit # 57E (30-039-25185)

No problems here - always let us know if you are in a bind.

8/26/2008

Try to plan on about 30 to 60 day delay in applications being processed - so plan ahead.

William V. Jones PE
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505
505-476-3448

From: Bohling, Alan [Contractor] [mailto:ABohling@chevron.com]
Sent: Monday, August 25, 2008 2:25 PM
To: Jones, William V., EMNRD
Subject: RE: Triple DHC Application for Rincon Unit # 57E (30-039-25185)

Mr. Jones,

Yow! My appologies as I just started putting the next one (#134E) together today and it might be Wednesday before I can actually fax or get it to you. Will this cause any futher delay on 57E's application? I'm not familiar with current process or procedure and what (or how) I should be doing these. I do know that our Rincon engineer is also working to get me still another (3rd) application data (#166E) ready, but that he's already scheduled a workover rig to start, if at all possible, on the 57E on Sept. 4th??

My apologies, also, if I've jumped any "chain-of-commands". Didn't mean to by-pass or do any go-arounds. Just followed your phone message directions :) to primarily check to see what status on 57E was :*). I know I should have "pulsed" you earlier, but alas, I was in the great land of Yellowstone Park on family reunion prior two weeks.

Please let me know best approach at this point I'll do my best in that regards. Thanks so much for your response and help.

Alan

Alan W. Bohling

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I like to do these in bulk - please fax in the other one?

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505-476-3448

8/26/2008

From: Bohling, Alan [Contractor] [mailto:ABohling@chevron.com]
Sent: Friday, August 22, 2008 6:38 AM
To: Jones, William V., EMNRD
Subject: Triple DHC Application for Rincon Unit # 57E (30-039-25185)

Dear Mr. Jones,

I am writing you this e-mail to ask if you can help me on what the status of Chevron Midcontinent, LP's DHC Application for the Rincon Unit # 57E (API # 30-039-25185) might be at this time. It was submitted on July 30, 2008.

I am currently preparing the Workover Sundry NOI for this DHC work and plan to submit it to the District Office today. We do have a workover rig tentatively scheduled to perform this work on or about September 4, 2008. As additional info: the BLM has sent me their "Approved for Record" copy of this DHC Application (they approved it on August 12, 2008).

Also, I am currently working on yet another, very similar, triple DHC Application for our Rincon Unit # 134R (API # 30-039-25502) and plan to send it in your direction next week. I sincerely hope that these applications are providing you with the necessary information to facilitate approval. Please let me know if you need any additional information.

Your assistance is greatly appreciated. Have a great day/week. Thank you.

Alan.

Alan W. Bohling

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(432)687-7158
Fax (432)687-7289
ABohling@chevron.com

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Jones, William V., EMNRD

From: Bohling, Alan [Contractor] [ABohling@chevron.com]
Sent: Tuesday, August 26, 2008 10:34 AM
To: Jones, William V., EMNRD
Subject: RE: Second Half of DHC Application for Rincon Unit # 134R.
Attachments: Scan-of Second Half-Triple DHC for Rincon #134R, Aug 26, 2008.pdf

Mr. Jones,

Here's the Second Half of the DHC Application for the Rincon Unit # 134R. I sincerely hope this works and doesn't confuse things too much.

Again, please let me know if this doesn't work or creates more problems.

Thank you.

Alan

Alan W. Bohling

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8/26/2008

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8/26/2008

Land

CAMPBELL, CARR, BERGE

8 SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL M. FELDEWERT
DAVID B. LAWRENZ

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 968-4481
TELECOPIER: (505) 963-6043

May 20, 1993

VIA FACSIMILE AND MAILED

Mr. Bill Irwin
Unocal Corporation
14141 SW Freeway
Sugarland, TX 77478

Re: Oil Conservation Division Case No. 10663:
Application of Union Oil Company of California d/b/a Unocal for an
Administrative Downhole Commingling Procedure Within the Rincon Unit,
Rio Arriba County, New Mexico

Dear Mr. Irwin: *Bill*

Enclosed is a copy of Oil Conservation Division Order No. R-9893 which was entered on
May 18, 1993 granting the application of Union Oil Company of California in the above-
referenced case.

If you have questions concerning the enclosed, please advise.

I appreciated this opportunity to work for Unocal.

Best regards.

Very truly yours,

Bill Carr

WILLIAM F. CARR

WFC:mlh
Enclosure

RECEIVED

MAY 20 1993

Rocky Mtn Asset Group

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 10663
Order No. R-9893**

**APPLICATION OF UNION OIL COMPANY
OF CALIFORNIA d/b/a UNOCAL FOR AN
ADMINISTRATIVE DOWNHOLE COMMINGLING
PROCEDURE WITHIN THE RINCON UNIT
AREA, RIO ARriba COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 4, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 18th day of May, 1993, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Union Oil Company of California, d/b/a Unocal, seeks the adoption of an administrative procedure for authorizing the downhole commingling of Blanco-Mesaverde, Largo-Gallup, or Undesignated Gallup Pool production with production from the Basin-Dakota Gas Pool within certain existing and subsequently drilled wells in its Rincon Unit Area, Rio Arriba County, New Mexico, without additional notice to each affected interest owner within the Unit Area.

(3) The Rincon Unit is a Federal exploratory unit initially comprising some 20,643 acres in portions of Townships 26 and 27 North and Ranges 6 and 7 West, NMPM, Rio Arriba County, New Mexico. The unit was formed in 1952 and is currently operated by Union Oil Company of California.

CASE NO. 10663

Order No. R-9893

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(4) The evidence and testimony presented indicates that the Basin-Dakota Gas Pool has been fully developed on 320-acre spacing within the Rincon Unit and that approximately half of the Unit Area has been infill drilled in the Basin-Dakota Gas Pool on 160-acre spacing. The Dakota Participating Area (PA) currently comprises virtually the entire unit area.

(5) The applicant has identified approximately thirty-three (33) infill Basin-Dakota well locations within the Unit Area which may be subsequently drilled.

(6) Based upon historical production, the applicant expects Basin-Dakota initial production from infill drilling to be marginal in nature ranging from approximately 150-600 MCF gas per day per well.

(7) Testimony and evidence presented by the applicant indicates that gas reserves in the Dakota formation on an individual well basis are not sufficient to economically justify the drilling of new wells to produce such reserves.

(8) The current well economics and expected Dakota producing rates virtually assure that these wells will be candidates for downhole commingling with either the Mesaverde or Gallup zones.

(9) The applicant has also identified approximately forty-two (42) current Dakota producing wells, some recently drilled, which also by virtue of well economics and producing rates make them candidates for downhole commingling.

(10) The applicant expects initial producing rates from the Mesaverde and Gallup formation to be marginal in nature.

(11) The Gallup, Dakota and Mesaverde Participating Areas within the Rincon Unit are not common.

(12) According to applicant's evidence, the working interest ownership within the Rincon Unit is fixed and common among the various wells and zones and is not affected by participating areas.

(13) According to further testimony, the royalty and overriding royalty interest ownership within the Rincon Unit varies between participating areas established for different locations and pools.

CASE NO. 10663

Order No. R-2893

Page -3-

(14) Applicant's Exhibit No. 6 in this case is a list of one hundred and twenty (120) royalty and overriding royalty interest owners in the Dakota, Gallup and Mesaverde Participating Areas within the Rincon Unit. All such royalty and overriding royalty interest owners, as well as working interest owners, were notified of the application in this case.

(15) Rule No. 303(C) of the Division Rules and Regulations provides that administrative approval for downhole commingling may be granted provided that the interest ownership, including working, royalty and overriding royalty interest, is common among the commingled zones.

(16) Applicant's proposed administrative procedure would provide for Division approval to downhole commingle wells in the Rincon Unit Area without hearing, and without the requirement that each interest owner in the Dakota, Mesaverde and/or Gallup Participating Areas be notified of such commingling.

(17) The downhole commingling of wells within the Rincon Unit Area will benefit working, royalty and overriding royalty interest owners. In addition, the downhole commingling of wells within the Rincon Unit Area should not violate the correlative rights of any interest owner.

(18) The evidence in this case indicates that notice to each interest owner within the Dakota, Mesaverde and/or Gallup Participating Areas of subsequent downhole comminglings within the Rincon Unit is unnecessary and is an excessive burden on the applicant.

(19) No interest owner and/or offset operator appeared at the hearing in opposition to the application.

(20) An administrative procedure should be established within the Rincon Unit for obtaining approval for subsequently downhole commingled wells without notice and hearing, provided however that, all provisions contained within Rule No. 303(C) of the Division Rules and Regulations, with the exception of Part 1 (b)(v), are fully complied with.

(common ownership)
exception

(21) The proposed administrative procedure for obtaining approval for downhole commingling will allow the applicant the opportunity to recover additional gas reserves from the Rincon Unit Area which may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

CASE NO. 10663

Order No. R-9893

Page -4-

IT IS THEREFORE ORDERED THAT:

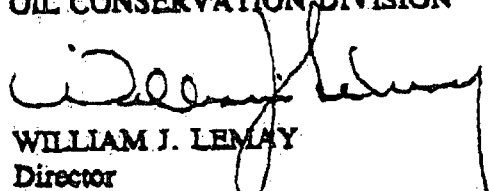
(1) An administrative procedure for obtaining approval to downhole commingle wells within the Rincon Unit, located in portions of Townships 26 and 27 North, Ranges 6 and 7 West, NMPM, Rio Arriba County, New Mexico, is hereby established.

(2) In order to obtain Division authorization to downhole commingle wells within the Rincon Unit, the applicant shall file an application with the Santa Fe and Aztec Offices of the Division. Such application shall contain all of the information required under Rule No. 303(C) of the Division Rules and Regulations, provided however that the applicant shall not be required to provide notice to all interest owners within the Dakota, Mesaverde and/or Gallup Participating Areas in the Rincon Unit of such proposed commingling. In addition, the application shall contain evidence that all offset operators and the United States Bureau of Land Management (BLM) have been notified of the proposed commingling.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

June 11, 2008

Via Certified Mail 7004 1160 0006 9933 1839

Bureau of Land Management
Attn: Margie Dupree
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

RE: Proposed DHC Commingling
Mesaverde/Gallup/Dakota
Rincon Unit: Well # 57E, 134R & 201E
Rio Arriba County, New Mexico

Dear Ms. Dupree,

Unocal, our predecessor operator, applied for and received approval to downhole commingle production from the Mesaverde, Gallup and Dakota formations within the Rincon Unit [Order No. R-9893]. In order to receive administrative approval to proceed with this operation we are required to notify the United States Bureau of Land Management, as well as all offset operators of the proposed commingling. Under the Rincon Unit 2008 Plan of Development the above referenced wells were include as potential zone adds. The attached plat indicates the location of these three wells and also identifies the offset operators being notified by certified mail of even date.

The **Rincon Unit No. 57E**, SE/4- O- Sec 1 26N7W, was drilled and completed as a dual Dakota / Gallup producer in July 1992. The well was later downhole commingled in April 1998. Chevron Midcontinent, L.P. proposes to add a Mesaverde completion and will be filing with the NMOCD for approval to downhole commingle the Dakota, Gallup, and Mesaverde.

The **Rincon Unit No. 134R**, NE/4- A- Sec 12 26N7W, well was drilled and completed as a Dakota well in 2002. Chevron Midcontinent, L.P. proposes to add the Gallup and Mesaverde pools to this completion and will be filing for approval to downhole commingle the Dakota, Gallup, and Mesaverde.

The **Rincon Unit No. 201E**, SE/4- J- Sec 2 26N7W, was drilled and completed as a separately producing Dakota/Gallup well (Gallup isolated by packer) in 1992. The well was later downhole commingled in April 1992. Chevron Midcontinent, L.P. proposes to add a Mesaverde completion and will be filing with the NMOCD for approval to downhole commingle the Dakota, Gallup, and Mesaverde.

Should you have any questions please feel free to call Michael Murray, petroleum engineer, for the project: Phone: 281-561-3857.

Regards,

Arthur R. Boehm, Jr.
Senior Land Representative

OFFSET OPERATORS:

- 1) XTO ENERGY, INC
382 ROAD 3100
AZTEC NM 87410

CERTIFIED MAIL 7004 1160 0006 9933 1846

- 2) Dugan Production Corp.
P.O. BOX 420
FARMINGTON NM 87499

CERTIFIED MAIL 7004 1160 0006 9933 1853

- ELM RIDGE EXPLORATION
3) COMPANY, LLC
P O BOX 156
BLOOMFIELD NM 87413

CERTIFIED MAIL 7004 1160 0006 9933 1860

- 4) QUESTAR EXPLORATION & PRODUCTION CO
1050 17th ST STE 500
DENVER CO 80265

CERTIFIED MAIL 7004 1160 0006 9933 1884

June 11, 2008

Via Certified Mail

RE: Proposed DHC Commingling
Mesaverde/Gallup/Dakota
Rincon Unit: Well # 57E, 134R & 201E
Rio Arriba County, New Mexico

Gentlemen:

Chevron Midcontinent, L.P. has requested from the State of New Mexico Oil Conservation Division, approval to down hole commingle production from the Blanco Mesaverde, Largo Gallup and Basin Dakota formations in the following Rincon Unit wells, Rio Arriba County, New Mexico.

Well	Lease	Legal Location
57E	SF 079160	790' FSL & 1825 FEL, O-1-26N-7W
134R	SF 079160	665' FNL & 665' FEL, A-12-26N-7W
201E	SF 079160	1765' FSL & 1705' FEL, J-2-26N-7W

If an offset operator has an objection to this proposal, please notify NMOCD within twenty days. If you have any questions regarding this application, please contact Michael Murray 281/561-3857.

Sincerely,

Greg Davis
Contract Landman

OFFSET OPERATORS:

- 1) XTO ENERGY, INC
382 ROAD 3100
AZTEC ,NM 87410

CERTIFIED MAIL 7004 1160 0006 9933 1846

- 2) Dugan Production Corp.
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Farmington, NM 87499

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- 3) ELM RIDGE EXPLORATION COMPANY, LLC
P O BOX 156
Bloomfield, NM 87413

CERTIFIED MAIL 7004 1160 0006 9933 1860

- 4) QUESTAR EXPLORATION & PRODUCTION CO
300 Memorial Drive 1050 17TH ST-STE 500
Okarche, OK 73762 DENVER CO 80265
CERTIFIED MAIL 7004 1160 0006 9933 1877

CERTIFIED MAIL 7004 1160 0006 9933 1884

District I
1625 N. French Dr. Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

WELL API NO.	30-039-26982
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>	
6. State Oil & Gas Lease No.	
FEDERAL LEASE SF079160	
7. Lease Name or Unit Agreement Name	RINCON UNIT
8. Well No.	134R
9. Pool name or Wildcat	Basin DK/Blanco MV

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
PURE RESOURCES L.P.

3. Address of Operator
P.O. BOX 850, BLOOMFIELD, NM 87413

4. Well Location
Unit Letter A : 665' feet from the NORTH line and 665' feet from the EAST line
Section 12 Township 26N Range 07W NMPM RIO ARRIBA County

10. Elevation (Show whether DF, RKB, RT, GR, etc.)
6583' GR

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

SUBSEQUENT REPORT OF:

PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPLETION <input checked="" type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	
OTHER: <input type="checkbox"/>		OTHER: <input type="checkbox"/>	

12 Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion)

SEE ATTACHED

DHC 876A

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

SIGNATURE Mike Phillips TITLE San Juan Basin Drilling/ Production Foreman DATE 08/23/02
Type or print name Mike Phillips TELEPHONE NO. (505) 632-1811

APPROVED BY Original Signature TITLE DEPUTY DATE AUG 29 2002
Conditions of approval, if any:

In accordance with Division Order - NO.R-11383.19.5.5.303 (C)-c, Pure Resources request permission to down hole commingle Blanco Mesa Verde formation and Basin Dakota in the following well.

Rincon Unit No. 134R
665' F N L & 665' F E L
" A " Sec 12 , T 26N - R 07W
Rio Arriba County, New Mexico

Perforated intervals .

(Basin Dakota)

Graneros
Dakota

(Blanco Mesa Verde)

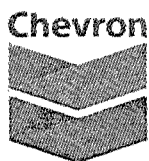
Cliff house
Menefee
Pt Lookout

Allocation of production will be at a later date using established production of the Dakota minus the total Production of the commingled well.

The Blanco Mesa Verde formation is uneconomic to drill as a stand-alone well. To develop these reserves, a dual or commingled completion is required. We estimate an ultimately recovery of approximately 750 MMCFD from the Mesa Verde Horizon, which would remain otherwise undeveloped.

Both zones are common ownership and produce essentially dry gas. Therefore the formation fluids are compatible. Also no cross flows will occur between the commingled zones.

Also a copy of the respective 3160 will be sent to the BLM for notification.



Chevron Midcontinent, L.P.
15 Smith Road
Midland, Texas 79705
Tel: 432-687-7158
Fax: 432-687-7289
ABohlin@chevron.com

August 26, 2008

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: Administrative Down Hole Commingling Application, Rincon Unit #134R Well
API No. 30-039-26982
Unit A, Section 12, Township 26 North, Range 7 West NMPM
Rio Arriba County, New Mexico

Gentlemen:

Chevron Midcontinent L.P. respectfully submits for New Mexico Oil Conservation Division approval of the commingling of three zones within the Rincon Unit # 134R well (the Mesaverde, Gallup and Dakota). The commingling of these three zones within the Rincon Unit has been previously approved by Oil Conservation Division Case No. 10663, Order No. R-9893. Pursuant to the Order, administrative approval may be granted without notice to all interest owners within the Dakota, Mesaverde and Gallup Areas within the Rincon Unit. However, Chevron Midcontinent, L.P. will provide the other working interest owners in the unit with Notice of our proposed operations by way of their election to participate in the well work-over pursuant to the terms of the Rincon Unit Joint Operating Agreement.

Enclosed with this cover letter, you will find the required information:

1. NMOCD Form C-102(s) (Showing each zone(s) spacing unit and acreage dedication).
2. NMOCD Form C-107A including Supplemental Information.
3. Copy of the Order No. R-9893.
4. Copies of Letters sent to the Bureau of Land Management and the offset Operators for the Rincon Unit # 134R well location advising them of the proposed operations.

A Copy of this Administrative DHC Application, with attachments, is concurrently being sent to the to the U. S. Bureau of Land Management-Farmington Office.

If after your review of the enclosed material you should require any additional technical information, please contact Mr. Michael Murray at 281-561-3857 or, for non-technical information, please contact Mr. Arthur R. Boehm at 281-561-4880.

Thank you in advance for your review and approval of our Administrative Application for Downhole Commingling of the Mesaverde, Gallup and Dakota zones within the Rincon Unit #134R wellbore.

Sincerely,

A handwritten signature in cursive script that reads "Alan W. Bohling".
Alan W. Bohling
Regulatory Agent

Cc: Michael Murray
Arthur R. Boehm

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-26982		² Pool Code 71599		³ Pool Name Basin-Dakota	
⁴ Property Code 302737		⁵ Property Name Rincon Unit			⁶ Well Number 134R
⁷ OGRID No. 241333		⁸ Operator Name Chevron Midcontinent, L.P.			⁹ Elevation 6583'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	12	26-N	07-W		665	North	665	East	Rio Arriba

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² 320 Dakota	¹³ Joint or Infill Y	¹⁴ Consolidation Code U	¹⁵ Order No. Unitization						

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

¹⁶ 	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or released mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.	
	Signature: <i>Alan W. Bohling</i> Date: August 26, 2008	
	Printed Name: Alan W. Bohling - Regulatory Agent	
	¹⁸ SURVEYOR CERTIFICATION 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 belief.	
Date of Survey: 02/15/2001		Signature and Seal of Professional Surveyor: Roy A. Rusli
Certificate Number: 8894		

DISTRICT I
1825 N. French Dr., Hobbs, N.M. 88240

DISTRICT II
511 South First, Artesia, N.M. 86210

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

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OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039 26982		*Pool Code 71599	*Pool Name Basin Dakota
*Property Code 26629	*Property Name RINCON UNIT		*Well Number 134R
*GRID No. 189071	*Operator Name PURE RESOURCES		*Elevation 6583'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	12	26-N	7-W		665'	NORTH	665'	EAST	RIO ARriba

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
*Dedicated Acres 320			*Joint or Infill		*Consolidation Code		*Order No.		

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16	<p>QTR. CORNER FD. BRASS CAP BLM 1954</p> <p>N 88-20-54 W 2618.70'</p> <p>644' 665'</p> <p>LAT. = 36-30-18 N. LONG. = 107-31-13 W.</p> <p>663'</p> <p>SEC. CORNER FD. BRASS CAP BLM 1954</p> <p>12</p> <p>S 00-38-03 W 5311.61'</p> <p>JUN 2002 RECEIVED OIL CON. DIV. DIST. 2</p> <p>SEC. CORNER FD BLM BC 1954</p>	17 OPERATOR CERTIFICATION
		<p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><u>Mike Phillips</u> Signature</p> <p>Mike Phillips Printed Name</p> <p>San Juan Basin Drilling/Production Title Foreman</p> <p><u>4/8/02</u> Date</p>
18		SURVEYOR CERTIFICATION
		<p>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 belief.</p> <p><u>ROY A. RUSH</u> Signature and Seal of Professional Surveyor</p> <p>8894 Certificate Number</p>

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102

Revised October 12, 2005

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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-26982	² Pool Code 72319	³ Pool Name Blanco-Mesaverde
⁴ Property Code 302737	⁵ Property Name Rincon Unit	⁶ Well Number 134R
⁷ OGRID No. 241333	⁸ Operator Name Chevron Midcontinent, L.P.	⁹ Elevation 6583'

¹⁰ Surface Location

UL or lot no. A	Section 12	Township 26-N	Range 07-W	Lot Idn	Feet from the 665	North/South line North	Feet from the 665	East/West line East	County Rio Arriba
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² 320 Mesaverde	¹³ Joint or Infill Y	¹⁴ Consolidation Code U	¹⁵ Order No. Unitization						

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

16		(Mesaverde, E/2)		¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.	
					August 26, 2008 Date
				Alan W. Bohling - Regulatory Agent Printed Name	
				¹⁸ SURVEYOR CERTIFICATION 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 belief.	
				02/15/2001 Date of Survey	
				Signature and Seal of Professional Surveyor: Roy A. Rush	
				8894 Certificate Number	

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

DISTRICT II
611 South First, Artesia, N.M. 88210

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DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, NM 87505

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039 26982		*Pool Code 72319	*Pool Name Blanco Mesa Verde
*Property Code 26629	*Property Name RINCON UNIT		*Well Number 134R
*GRID No. 189071	*Operator Name PURE RESOURCES		*Elevation 6583'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	12	26-N	7-W		665'	NORTH	665'	EAST	RIO ARriba

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
*Dedicated Acres 320					*Joint or Infill		*Consolidation Code		*Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>QTR. CORNER FD. BRASS CAP BLM 1954</p>	<p>N 88-20-54 W 2618.70'</p>	<p>644' 665' 665' 663'</p>	<p>LAT. = 36-30-18 N. LONG. = 107-31-13 W.</p>	<p>SEC. CORNER FD. BRASS CAP BLM 1954</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>[Signature]</i> Signature</p> <p>Mike Phillips Printed Name</p> <p>San Juan Basin Drilling/Production Title Foreman</p> <p>4/8/02 Date</p>
					<p>18 SURVEYOR CERTIFICATION</p> <p>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 belief.</p> <p>215 Date of Survey</p> <p><i>[Signature]</i> Signature and Seal of Professional Surveyor</p> <p>8894 Certificate Number</p>

12

JUN 2002
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OIL CONSERV. DIV.
DIST. 3

SEC. CORNER
FD. BLM BC
1954

District I

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District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

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☐ AMENDED REPORT**WELL LOCATION AND ACREAGE DEDICATION PLAT**

¹ API Number 30-039-26982	² Pool Code 80000	³ Pool Name Largo-Gallup
⁴ Property Code 302737	⁵ Property Name Rincon Unit	⁶ Well Number 134R
⁷ OGRID No. 241333	⁸ Operator Name Chevron Midcontinent, L.P.	⁹ Elevation 6583'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	12	26-N	07-W		665	North	665	East	Rio Arriba

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² 160 Gallup									
¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.					

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

16		(Gallup, NE/4)		¹⁷ OPERATOR CERTIFICATION
				<p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p><i>Alan W. Bohling</i> August 26, 2008 Signature Date</p> <p>Alan W. Bohling - Regulatory Agent Printed Name</p>
				¹⁸ SURVEYOR CERTIFICATION
				<p><i>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 belief.</i></p> <p>02/15/2001 Date of Survey</p> <p>Signature and Seal of Professional Surveyor: Roy A. Rush</p> <p>8894 Certificate Number</p>

Supplemental Data for C-107A, Rincon Unit Well No. 134R

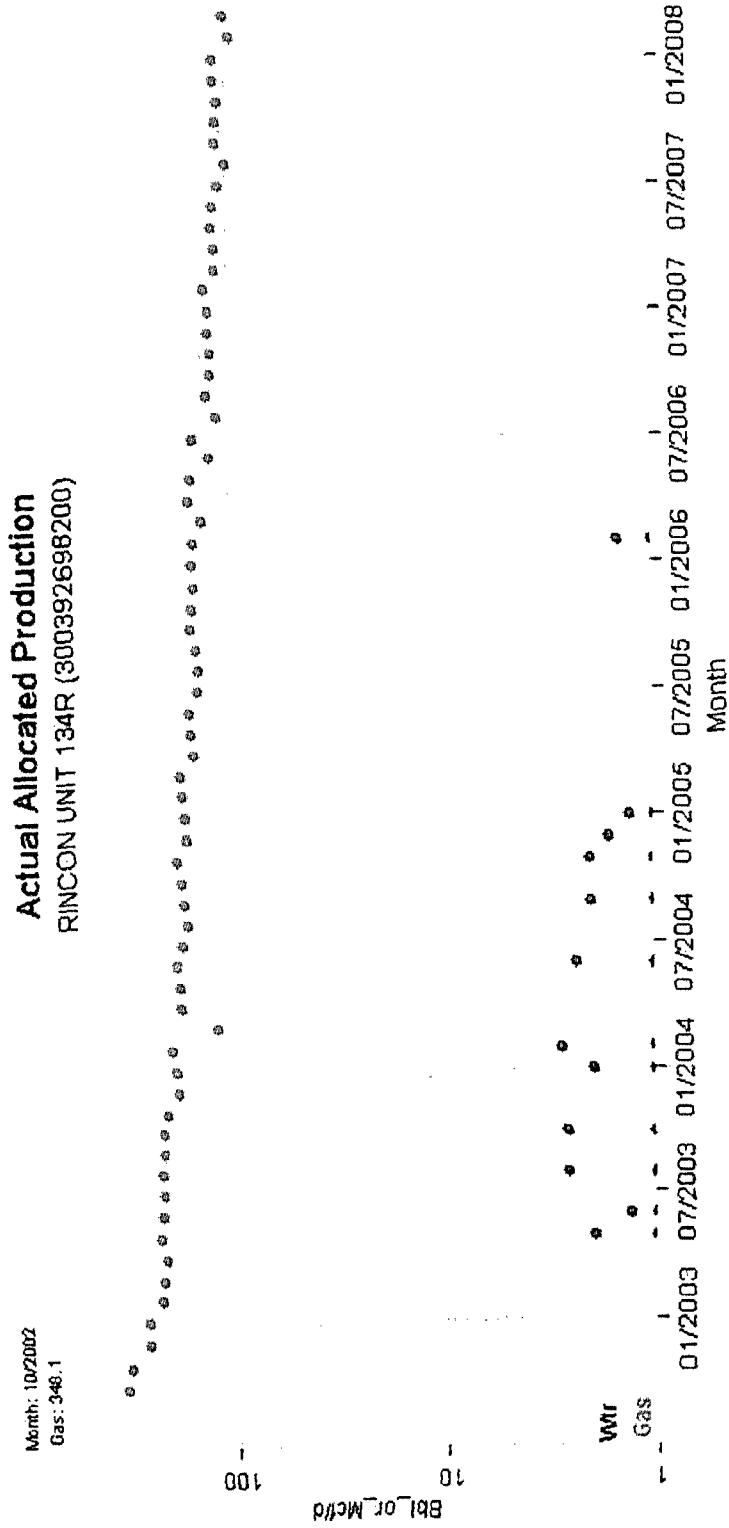
Well History: The Rincon Unit No. 134R well was drilled and completed as a Dakota well in 2002. Chevron MidContinent proposes to add the Gallup and Mesaverde pools to this completion and seeks approval to downhole commingle the Dakota, Gallup, and Mesaverde. On current spacing and with the economic limitations in drilling a stand-alone Gallup or Mesaverde well, this is the most economic method of capturing reserves from the Gallup and Mesaverde zones.

Production History: Current gas production is 100 Mcf/d from the Dakota. The zone produces very low amounts of water and condensate (<1 Bbl/d). The estimated initial rate for the Gallup and Mesaverde is 70 Mcf/d and 175 Mcf/d respectively. These initial production estimates are based off of production from surrounding wells in offset sections. See attached graphs and tables for supporting data.

Pressure Data: The bottomhole pressures of each zone were estimated from surface shut-in pressures. The Dakota pressure was taken from Rincon Unit No. 192 which is located in Section 1 (directly offset to the north). The Gallup pressure was taken from a Rincon Unit No. 57E, and the Mesaverde pressure was taken from Rincon Unit No. 101 which are also located in Section 1. Please see attachments for supporting data.

Allocation of Production: Chevron Midcontinent proposes to complete the Gallup and Mesaverde and flow the Mesaverde individually until a flow rate is established for the zone. Then the bridge plugs will be drilled out and the well will be commingled (Dakota, Gallup, and Mesaverde production). The established Dakota and Mesaverde production will then be subtracted from the total production to establish a rate for the Gallup formation. An appropriate allocation will be submitted based on these numbers.

Printable Image



Offset Well (80 Acres) Analysis for Rincon 134 (MV) IP

Well	First Prod. Date	Average IP (Mscf)
101	Aug-58	125
57	Apr-06	80
192E	Nov-98	169
415	Sep-05	187
11E	Apr-06	157
11P	May-04	217
150	Apr-60	
150E	Dec-95	210
11	Sep-07	132
231	Jan-97	215
231E	Oct-95	454
231R	May-02	24
134E	Oct-01	284
410	Sep-05	148
201	Oct-99	229
201M	Apr-03	219
234	Feb-82	94
164R	Oct-02	250
233	Mar-82	189
302	Dec-94	270
304	Sep-95	419
304M	Sep-95	610
302M	Mar-02	184
102	Oct-58	242
Breech B 123E	Jan-82	243
Breech B 172E	Jan-83	33
Breech B 220M	Dec-86	207
Breech B 220R	Feb-80	192
Breech B 781	Feb-99	48
Breech B 305	Aug-08	105
Mona Lisa 2	May-98	170
Breech 224A	Nov-79	248
Breech 307	Feb-66	35
Breech 224	Jun-59	247
Breech 755	Aug-00	158
Breech 307M	Dec-83	225
Breech 812M	Dec-99	173
Breech 228	Aug-78	51
Breech 228M	Dec-99	163
Breech 812	Nov-79	216

Average	195
P50	175

Rincon 192 Dakota Sand

Gas Gravity= 0.640
N2= 1.060 %
CO2= 0.710 %
H2S= 0.000 %
Condensate? y (y/n)

Tpc= 365.00 R
Ppc= 667.53 psia

Average Temp.= 159 Deg F
TVD = 7144 Ft

	Press.	
	<u>psig</u>	<u>z</u>
SI Tubing Pressure=	210	0.978
BHP =	242	0.975
Average Tbg Pressure:	227	0.976

Procedure:

- 1) Input the SITP, Gas Gravity, TVD, Avg Temp, etc
- 2) Based on the calcd BHP, input the average Tbg Press and get the "Final" BHP estimate

Rincon 57E Dakota/Gallup Commingle

Gas Gravity= 0.686
N2= 0.549 %
CO2= 1.123 %
H2S= 0.000 %
Condensate? y (y/n)

Tpc= 376.13 R
Ppc= 666.10 psia

Average Temp.= 164 Deg F
TVD = 7141 Ft

	Press.	
	<u>psig</u>	<u>z</u>
SI Tubing Pressure=	192	0.978
BHP =	223	0.975
Average Tbg Pressure:	220	0.975

Procedure:

- 1) Input the SITP, Gas Gravity, TVD, Avg Temp, etc
- 2) Based on the calcd BHP, input the average Tbg Press and get the "Final" BHP estimate

Rincon 101 Mesaverde Sand

Gas Gravity= 0.774
N2= 0.860 %
CO2= 0.580 %
H2S= 0.000 %
Condensate? y (y/n)

Tpc= 396.51 R
Ppc= 658.82 psia

Average Temp.= 141 Deg F
TVD = 5089 Ft

	Press.	
	<u>psig</u>	<u>z</u>
SI Tubing Pressure=	150	0.976
BHP =	170	0.973
Average Tbg Pressure:	161	0.974

Procedure:

- 1) Input the SITP, Gas Gravity, TVD, Avg Temp, etc
- 2) Based on the calcd BHP, input the average Tbg Press and get the "Final" BHP estimate