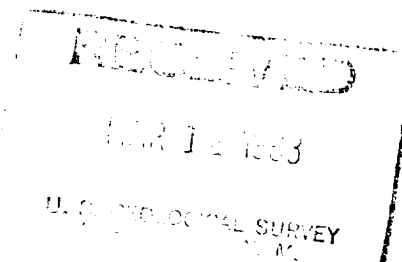
**WALSH**

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping3001 Northridge Drive
P.O. Drawer 419
Farmington, New Mexico 87401
(505) 327-4892

March 14, 1983

Mr. Jim Sims, District Supervisor
Bureau of Land Management
P.O. Drawer 600
Farmington, New Mexico 87499



RE: Jack A. Cole
Mobil Federal No. 1
Sec. 35-T24N-R3W
Rio Arriba County, New Mexico
Lease No. 29078915

Dear Mr. Sims:

This is a request on behalf of the above-referred-to operator for approval to vent the casinghead gas from the above-referred-to pumping oil well.

The reason for the request is due to the fact that the cost of compressor installation and construction of a gas gathering line and associated facilities cannot be economically justified.

Attached is the information prepared to support this request.

Very truly yours,

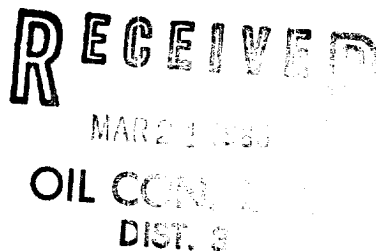
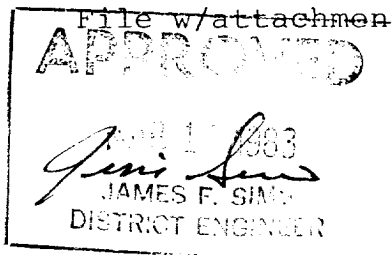
Ewell N. Walsh, P.E.
President

ENW:blk

Attachments

cc: Mr. Jack A. Cole w/attachments

File w/attachments



N.M.C.T.D.



JACK A. COLE
MOBIL FEDERAL NO. 1
790'FSL, 790'FWL, SEC. 35-T24N-R3W
Rio Arriba County, New Mexico

RECEIVED

MAR 18 1983

U. S. GEOLOGICAL SURVEY
FARMINGTON, N. M.

SUMMARY

1. Combined Oil & Gas Operating Expenses Vs. Net Oil Income

A. For Year 1986

Total Operating Expenses, Gas & Oil - \$22,984
Net Oil Income - \$21,527

$$\frac{\$21,527}{\$22,984} = 0.9366 \times 12 \text{ months} = 11.24 \text{ month or 11 months}$$

2. Reserves Produced & Sold with Gas Conservation.

A. Oil - 1983 (10 months) through 1986 (11 months)

1983 (10 months) - 4827 Barrels
1984 & 1985 - 4951 Barrels
1986 (11 months) - 1588 Barrels
11,366 Barrels

B. Gas - 1983 (10 months) through 1986 (11 months)

1983 (10 months) - 8099 MCF
1984 & 1985 - 8308 MCF
1986 (11 months) - 2666 MCF
19,073 MCF

3. Reserves Produced & Sold Without Gas Conservation

A. Oil - 1983 (10 months) through 1991 (8 months)

Total - 17,391 Barrels

4. Loss of B.T.U. Equivalent

A. Oil - Lost Due to Early Abandonment

Produced & Sold Oil Without Gas Conservation - 17,391 Barrels
Produced & Sold Oil with Gas Conservation (Less- 11,366 Barrels

Oil Lost TOTAL 6,025 Barrels



Page 2
JACK A. COLE
Mobil Federal No. 1
SUMMARY
Revised 3/18/83

4. A. Cont.

$6,025 \text{ Bbls.} \times 42 \text{ gal/bbl} \times 6.769 \text{ lb/gal} \times 19,500 \text{ BTU/lb} = 33.401 \times 10^9 \text{ BTU.}$

B. Gas - If Vented.

Vented - 19,073 MCF

$19,073 \text{ MCF} \times 1,300,000 \text{ BTU/MCF} = 24.794 \times 10^9 \text{ BTU.}$

C. BTU Lost Comparison.

Oil - 33.401×10^9 (Lost due to early abandonment).
Gas - 24.794×10^9 (Lost due to venting)

5. Pay out of Compressor and Construction of Line Costs.

A. Gas Sales

Income from gas sales will never pay out costs.

B. Oil Sales Plus Gas Sales

Income discounted 12.0% from total oil and gas sales will not pay off costs within 6 months.



JACK A. COLE
MOBIL FEDERAL NO. 1
790'FSL, 790'FWL, SEC. 35-T24N-R3W
Rio Arriba County, New Mexico
Lease No: 29078915

CASINGHEAD GAS GATHERING LINE

CONDITIONS FOR EVALUATION - GAS

Working Interest	100.00000%
Revenue Interest to Working Interest	0.763125%
Gas Production, Vented. As per oil Production	GOR-1678 ft. 3/Bbl.
Decline in Gas Production, Vented. As Per Oil Production	
Initial Vented Gas Value, per MCF, Estimated (1)	\$4.15
Production Taxes, New Mexico, Gas Value	8.0%
Ad Valorem Taxes, New Mexico Gas Value	0.003%
Severance Taxes, Jicarilla Apache Tribe, per MCF	\$0.05
Operating Costs, Per Month, Compressor & Gas Line (2)	\$500.00
Estimated Compressor and Gas Line Construction Costs	\$81,650.00

(1) Gas sale value escalated, at 8.0% per year, to maximum of \$5.00 per MCF or until January 1, 1985, whichever, occurs first, then remain at \$5.00 per MCF or calculated value for December, 1984.

(2) Escalated, per month, at 10.0% per year. (Including fuel costs for compressor).

CONDITIONS FOR EVALUATION - OIL

Working Interest	100.00000%
Revenue Interest to Working Interest	0.763125%
Initial Oil Production, Per Month (January 1983)	684 Bbls.
Decline in Oil Production, Per Year	(3)
Initial Oil Sale Value, Per Bbl., March 1983 (1)	29.00
Production Taxes, New Mexico, Oil Value	8.0%
Ad Valorem Taxes, New Mexico, Gas Value	0.003%
Severance Taxes, Jicarilla Apache Tribe, Per Barrel	\$0.29
Operating Costs, Per Month (2)	\$750.00
Tangible Costs, To Recover	\$528,752.00

(1) Oil Sale value remain constant throughout life of well.

(2) Escalated, per month, at 10.0% per year.

(3) 15 months - 59%, next 30 months - 20%, thereafter - 8%.



JACK A. COLE
MOBIL FEDERAL NO. 1
790'FSL, 790'FWL, SEC. 35-T24N-R3W
Rio Arriba County, New Mexico
Lease No: 29-78915

CASINGHEAD GAS GATHERINE LINE
ESTIMATED COST

<u>ITEM</u>	<u>ESTIMATED COSTS</u>	
	<u>TANGIBLE</u>	<u>INTANGIBLE</u>
2-3/8", O.D. Line Pipe - 2800'	\$6,300	
Ditch, wrap, lay & cover line - 2800'		\$14,000
Metering Equipment	3,500	
Compressor	40,000	
Tie-In, Miscellaneous Roustabout - 3 days		1,500
Miscellaneous Fittings	3,000	
Right-of-way - 1800' not on lease		1,700
Tap		1,000
	<hr/>	
SUBTOTAL	\$52,800	\$18,200
Contingency - 15%	7,920	2,730
	<hr/>	
TOTAL	\$60,720	\$20,930