

NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

July 19, 2001

Walsh Engineering & Production, Inc.
7415 East Main
Farmington, New Mexico 87402

Attention: Mr. Paul C. Thompson

Re: Surface Commingling Applications
Breck Operating Company K-2727-8
Marron "A" No. 1 & 1J N-27-27-8
Marshall "B" No. 1 & 1J I-14-27N-9W
San Juan County, New Mexico O-14-27N-9W



Dear Mr. Thompson:

I have reviewed the two (2) applications you filed on behalf of Breck Operating Company to surface commingle South Blanco-Pictured Cliffs Gas Pool production from the Marron "A" No. 1 & 1J and the Marshall "B" No. 1 & 1J. It appears to me that no surface commingling approval is required for these wells. Surface commingling is approved by this office in those instances where:

- a) two or more wells on the same lease are producing from different common sources of supply (pool commingling);
- b) two or more wells from separate leases are producing from a single common sources of supply (lease commingling); or
- c) two or more wells from separate leases are producing from different common sources of supply (pool-lease commingling.)

The data in your applications indicates that each of the respective pairs of wells are on the same lease, the interest ownership is common, and all the wells are producing from the South Blanco-Pictured Cliffs Gas Pool.

Surface Commingling Applications
Walsh Engineering & Production Corp.
July 19, 2001

Please provide me with an additional explanation as to why surface commingling approval is necessary for these wells in order that we may determine the proper disposition of these applications.

Sincerely,

A handwritten signature in black ink, appearing to read "David Catanach", with a long horizontal flourish extending to the right.

David Catanach
Engineer

Xc: OCD-Aztec