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WALSH

ENGINEERING & PRODUCTION CORP.

OIL CONSERVATION DIVISION
RECEIVED

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Petroleum Engineering Consulting
Lease Management
Contract Pumping

7415 East Main
Farmington, New Mexico 87402
(505) 327-4892

January 22, 1995

Mr. William J. LeMay
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504-2088

WAW FRUITLAND
SPAND-PC

Re: Application for Downhole Commingling
J.K. Edwards and Associates
Lansdale Federal #1
800' FSL, 800' FEL, Section 7, T26N R12W
San Juan County, New Mexico
NIIP Pictured Cliffs and WAW Farmington

Dear Mr. LeMay,

This is a request on behalf of J. K. Edwards and Associates, for administrative approval of the above referred to downhole commingling of the production from the NIIP Pictured Cliffs and WAW Farmington pools.

I have attached for your review a wellbore diagram, an acreage plat outlining the dedicated acreage, offset wells and offset operators. I have also included a proposed allocation formula with a short discussion of the history of the well.

The offset Pictured Cliffs and Fruitland Coal operators 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

Paul C. Thompson, P.E.
President

cc: J. K Edwards and Associates

EXHIBIT #1

J. K. EDWARDS ASSOCIATES, INC.
Lansdale Federal #1
800'FSL & 800'FEL
Section 7, T26N, R12W
San Juan County, New Mexico

5-1/2", 14# @ 32'
Cmt with 8 sx

Farmington 436-442' at 2SPF

4/24/80 Perforated WAW Farmington

4-3/4" hole

12/22/79 Frac PC with 22,000#
10/20 sand in Nitrogen foam

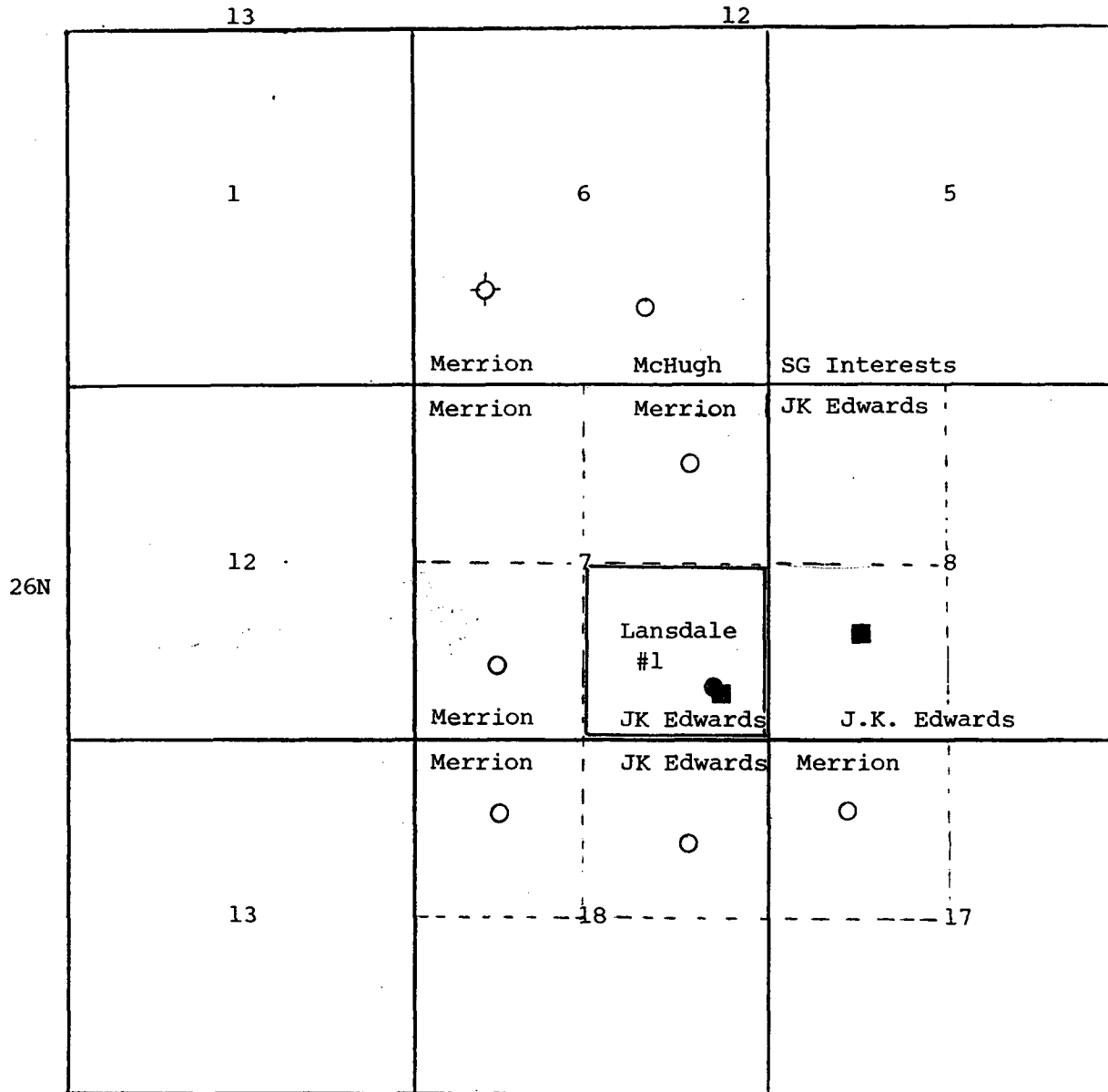
4/23/80 T & A PC

PC perfs 1060-64' and 1072'84' @ 2 SPF (26 holes)

2-7/8, 6.4# @ 1213'GL
Cmt with 100 sxs light and 50 sx with 10% salt
PBSD 1135'GL TD 1236'

EXHIBIT #2

J. K. EDWARDS ASSOCIATES, INC.
LANSDALE #12J FARM/FTC/PC
800'FSL & 800'FEL
Section 7, T26N, R12W



○ Fruitland Sand - Pictured Cliffs

■ Farmington

EXHIBIT #3

Lansdale Federal #1
Commingling Application

Allocation Formula

The NIIP Pictured Cliffs was completed by the previous operator, Southern Union Exploration, on December 22, 1979. Due to water production and pump problems the Pictured Cliffs was temporarily abandoned on April 23, 1980. The well was perforated in the Farmington sand on April 24, 1980. Neither zone has ever been produced to sales.

J.K Edwards filed a notice of intent to clean out the well and produce the Pictured Cliffs through the existing perforations. The files supplied to J. K. Edwards indicated that the Farmington sand had been squeezed off. However, upon entering the well, to clean out the Pictured Cliffs, we found that the Farmington Perfs were not squeezed. Since both zones are only capable of marginal production, J.K. Edwards proposes to downhole commongle the production.

Both zones have very similar bottom hole pressures (approximately 240 psig from the Framington and 220 psig from the Pictured Cliffs) so cross flow will not be a factor. Neither zone is expected to produce much water nor any condensate. Neither zone is fluid sensitive and the fluids from the two zones are compatible.

The ownership, including working interest, royalty and overriding royalty interests, is common in the 160 acres dedicated to both formations.

Since neither zone has sold gas in this well, J. K. Edwards proposes to allocate the production based on a ratio of the expected reserves. Pictured Cliffs wells in this area typically produce 200 to 500 MMcf of gas while Farminton wells typically produce 50 to 100 MMcf. The proposed allocation is therefore 75% to the Pictured Cliffs and 25% to the Farmington.

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ENGINEERING & PRODUCTION CORP.

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

January 18, 1995

CERTIFIED-RETURN RECEIPT

Mr. T. Greg Merrion
Merrion Oil & Gas Company
610 Reilly Avenue
Farmington, New Mexico 87401

RE: Application for Down Hole Commingling
J. K. EDWARDS ASSOCIATES, INC.
Lansdale Federal #1
800'FSL & 800'FEL, Section 7, T26N, R12W
San Juan County, New Mexico
NIIP Pictured Cliffs and WAW Farmington

Dear Mr. Merrion:

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 an offset operator you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to Mr. William J. LeMay, Director, New Mexico Oil Conservation Division, Santa Fe, New Mexico, within 20 days from the receipt of this notice. A copy of any remarks to the undersigned would be appreciated.

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, P.E.
President, Walsh Engineering

Enclosures

David Catanach

From: Ernie Busch
To: David Catanach
Subject: WALSH ENG & PROD CORP (DHC)
Date: Thursday, February 02, 1995 10:55AM
Priority: High

J.K. EDWARDS AND ASSOCIATES
LANDSDALE FEDERAL #1
07-26N-12W
RECOMMEND: APPROVAL