

DHC

9/16/97

1688

MIRAGE ENERGY, INC.
C/O James D. Cogburn
7915 N. Llewelyn
Hobbs, N.M. 88242
August 25, 1997

ATT: Mr. David R. Catanach
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, N.M. 87505

RE: Application to downhole commingle Sims "35" State #2, Unit Letter J, Sec. 35, TWP, 20 South, RGE 35 East, Fields: Osudo Morrow West and Southeast Lea Wolfcamp.

Dear Sir:

Mirage Energy, Inc. respectfully requests administrative approval under the provisions of Rule 303-C to downhole commingle production from the Osudo Morrow West and the Southeast Lea Wolfcamp in the Sims "35" State #2. The Sims "35" State #2 has been shut in since January 16, 1992. This well was originally completed in the Osudo Morrow in September 1982 and produced into a high pressure sales line until December 1991.

In January 1992 Enron set bridge plugs above the Morrow and re-completed to the Wolfcamp zone. After perforating from 11, 560 - 11, 590 they treated the well with 3,000 gallons of acid and swab tested. Due to the low volume of production this well was shut in. The only offset producing well is the Sims "35" State #1 located 1/2 mile north of this location. We recently commingled the Osudo Morrow West and the Southeast Lea Wolfcamp, DHC 1557, in the Sims "35" State #1.

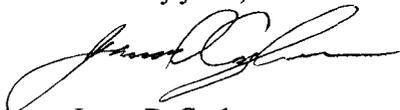
Mirage Energy, Inc. would like to use the previous bottom hole pressures and the fixed percentage allocation from the No. 1 well as supporting data for the No. 2 well. Both #1 and #2 wells in Southeast Lea Wolfcamp are high pressure, low volume and production from each well would be about equal. I have attached the 1992 swab test information as well as a recent swab test 8/4/97. The current production from the Sims "35" State #1, since downhole commingle, is averaging 1,010 MCF, 16 Bbls. oil, 0 Bbls. water flowing into a low pressure gas sales line. When the No. 2 is downhole commingled we think it should flow close to the same volume.

Mirage Energy, Inc. believes approval of this request will be in the interest of conservation and will allow a more complete recovery of the oil and gas reserves from the subject acreage.

If you have any questions please call me at (505)392-7095.

Thank you for you consideration.

Sincerely yours,



James D. Cogburn
Operation Coordinator

cc: Jami Bailey
New Mexico State Land Office
P.O. Box 1148
Santa Fe, N.M. 87504

EXHIBIT "B" - CASE NO. 11353, ORDER NO. R-10470-A

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240
DISTRICT II
811 South First St., Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department
OIL CONSERVATION DIVISION
2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
New 3-12-96

APPROVAL PROCESS:
 Administrative Hearing
EXISTING WELLBORE
 YES NO

APPLICATION FOR DOWNHOLE COMMINGLING

Operator: MIRAGE ENERGY, INC Address: 7915 N. LLEWELYN HOBBS, NM 88242
Lease: SIMS '35" STATE Well No.: 2 Unit Ltr. - Sec. - Twp. - Rge: J-35-205-R35E County: LEA
OGRID NO. 014995 Property Code 20031 API NO. 30-025-27785 Spacing Unit Lease Types: (check 1 or more)
Federal State (and/or) Fee

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zones	Lower Zone
1. Pool Name and Pool Code	SOUTHEAST LEA WOLF CAMP 80080		OSUNO MORROW WEST 82240
2. Top and Bottom of Pay Section (Perforations)	11560 - 11590		13027 - 13198
3. Type of production (Oil or Gas)	OIL		GAS
4. Method of Production (Flowing or Artificial Lift)	FLOW		FLOW
5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original	a. (Current) 8-4-97 CALCULATED FROM FLUID LEVEL 1605.7	a.	SIMS 35" STATE #1 5-21-84 1264.2
	b. (Original)	b.	6-15-82 3949.2
6. Oil Gravity (°API) or Gas BTU Content	OIL 37.0 GAS 1287		OIL 39.0 GAS 1034
7. Producing or Shut-In?	SHUT-IN		SHUT-IN
Production Marginal? (yes or no)	YES		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: 1-16-92 Rates: ATTACHED SWABB REPORT	Date: Rates:	DEC. 1992 DAILY AVERAGE 3 BD, 1 BW, 2 MCF
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: Rates:	Date: Rates:	Date: Rates:
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 24 % Gas: 2 %	Oil: % Gas: %	Oil: 76 % Gas: 98 %

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 No
11. 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 No
13. 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(C) Exceptions: ORDER NO(S). DHC 1557
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 James J. Coxburn TITLE OPERATION COORDINATOR DATE 08-25-97
TYPE OR PRINT NAME JAMES J. COXBURN TELEPHONE NO. (505) 392-7095

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-102
 Revised February 10, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-025-27785		2 Pool Code 82240		3 Pool Name OSUDO MORROW WEST	
4 Property Code		5 Property Name SIMS 35 STATE			6 Well Number 2
7 OGRID No. 014995		8 Operator Name MIRAGE ENERGY, INC			9 Elevation 3682.5 GL

10 Surface Location

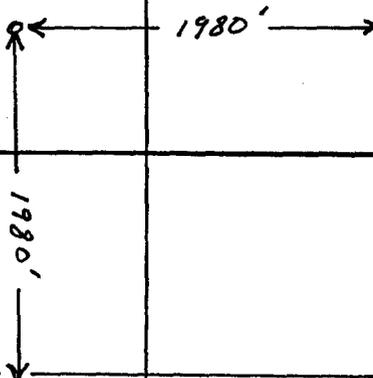
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
J	35	20 S	35 E		1980	SOUTH	1980	EAST	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 320 5/2	13 Joint or Infill	14 Consolidation Code	15 Order No.
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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  Signature JAMES D. COGBURN Printed Name OPERATION COORDINATOR Title 08/15/97 Date			
	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 Signature and Seal of Professional Surveyer:			
	 Certificate Number			

District I
 PO Box 1980, Hobbs, NM 88241-1980
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 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Bravo Rd., Aztec, NM 87410
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 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-102
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 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ AFI Number 30-025-27785		² Pool Code 80080		³ Pool Name SOUTHEAST LEA WOLF CAMP	
⁴ Property Code 20031		⁵ Property Name SIMS 35 STATE			⁶ Well Number 2
⁷ OGRID No. 014995		⁸ Operator Name MIRAGE ENERGY, INC			⁹ Elevation 3682.5 GL

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
J	35	20 S	35 E		1980	SOUTH	1980	EAST	LEA

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 Dedicated Acres 160 SE/4	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i>
					Signature
					Printed Name JAMES D. COGBURN Title OPERATION COORDINATOR Date 08/25/97
¹⁸ SURVEYOR CERTIFICATION					
<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>					
Date of Survey Signature and Seal of Professional Surveyor:					
Certificate Number					

			SIMS "35" STATE #2				
			J, 35 - 20S - 35E				
OSBBO MORROW WELL							
JUNE 1982 COMPLETED WAITING ON PIPELINE CONNECTION							
SEPTEMBER 28, 1982 WELL PUT ON PRODUCTION							
JANUARY 7, 1992 PLUG AND ABANDON, RECOMPLETE IN WOLFCAMP							
1991 PRODUCTION PRIOR TO P&A							
	JAN	FEB.	MARCH	APRIL	MAY	JUNE	
GAS	7401	5063	11272	3751	3631	3897	
OIL	36	0	0	0	0	0	
WATER	16	16	0	0	0	0	
	J	AUGUST	SEPT.	OCT.	NOV	DEC.	JAN. 1992
GAS	3458	3852	2344	3738	205	61	P & A
OIL	0	0	0	8	204	81	
WATER	0	0	0	11	5	41	
SOUTHEAST LEA WOLFCAMP							
JANUARY 7, 1992 PERF WOLFCAMP 11560 - 11590							
SWABB TEST							
1-14-92 SWABB 94 BBLs. OIL, 13.5 BBLs. WATER							
1-15-92 SWABB 46 BBLs. OIL, 2 .5 BBLs. WATER							
1-16-92 SWABB 0 BBLs. OIL, 0 BBLs. WATER							
SHUT IN JAN. 16, 1992							
SWABB TEST							
8-4-97 (TBG PRESS. 0) SWABB 87 BBLs. OIL, 0 BBLs. WATER							
8-5-97 (TBG. PRESS. 175) SWABB 74 BBLs. OIL, 6 BBLs. WATER							
8-6-97 (TBG. PRESS. 260) SWABB 25 BBLs. OIL, 2 BBLs. WATER							
8-7-97 (TBG. PRESS. 275) SWABB 1 BBLs. OIL, 0 BBLs. WATER (WELL DRY)							
SHUT IN AUGUST 7, 1997							
8-19-97 SHUT IN TBG PRESSURE 652.2 PSIA							

Submit 3 Copies
to Appropriate
District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-103
Revised 1-1-89

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

OIL CONSERVATION DIVISION
310 Old Santa Fe Trail, Room 206
Santa Fe, New Mexico 87503

WELL API NO.
30-025-27457

5. Indicate Type of Lease
STATE FEE

6. State Oil & Gas Lease No.
V-279

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.)

7. Lease Name or Unit Agreement Name
SIMS "35" STATE

1. Type of Well:
OIL WELL GAS WELL OTHER

8. Well No.
1 West

2. Name of Operator
MIRAGE ENERGY, INC

9. Pool name or Wildcat OSUDO MORROW
+ SOUTH EAST LEA WOLFCAMP

3. Address of Operator
7915 N. LLEWELYN, HOBBS, NM 88242

4. Well Location
Unit Letter B : 660 Feet From The NORTH Line and 1980 Feet From The EAST Line

Section 35 Township 20S Range 35E NMPM LEA County

10. Elevation (Show whether DF, RKB, RT, GR, etc.)
3679.9 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"/>		CASING TEST AND CEMENT JOB <input type="checkbox"/>	
OTHER: _____ <input type="checkbox"/>		OTHER: <u>ALLOCATION DHC-1557</u> <input checked="" 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.

PRODUCE ORIGINAL PERFS WOLFCAMP (11,465 - 11,611) MORROW (12,963 - 13,192)

06/11/97 COMMENCED WORKOVER. FISHED AND MILLED UP JUNK TBG., WIRE LINE TOOLS, AND OLD PACKER PARTS. DRILLED OUT CEMENT AND CAST IRON BRIDGE PLUGS. PUSHED REMAINDER OF CIBP TO 13,233. BOTTOM OF COMPLETION ASSEMBLY AT 11,911.

07/09/97 WORKOVER COMPLETE; READY TO PRODUCE

3/5/97 PRIOR PRODUCTION (WOLFCAMP) PUMPED 4 BO, 0 BW, 20 MCFPD

8/7/97 30 DAY TEST (MORROW & WOLFCAMP) FLOWED 17 BO, 0 BW, 1000 MCFPD

ALLOCATION	OIL	WATER	GAS
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<u>W</u> OSUDO MORROW	76%	50%	98%
SOUTHEAST LEA WOLFCAMP	24%	50%	2%

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

SIGNATURE James D. Cogburn TITLE OPERATION COORDINATOR DATE 8/10/97

TYPE OR PRINT NAME JAMES D. COGBURN TELEPHONE NO. (505) 392-7095

(This space for State Use)
ORIGINAL SIGNED BY CHRIS WILLIAMS
DISTRICT I SUPERVISOR

APPROVED BY _____ TITLE _____ DATE AUG 14 1997

CONDITIONS OF APPROVAL, IF ANY:

Mirage Energy, Inc.
C/O James D. Cogburn
7915 N. Llewelyn
Hobbs, NM. 88242
October 2, 1997

Att: Mr. David R. Catanach
New Mexico Oil conservation Commission Division
2040 South Pacheco
Santa Fe, NM 87505

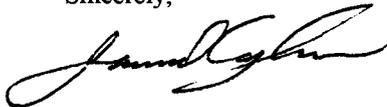
RE: Downhole Commingling Application Sims 35 State #2

Dear Mr. Catanach,

Regarding your letter dated September 26, 1997, concerning notification of offset operators we submit the following information. At the present time the only offset well producing in the area is the Sims State 35 #1, located one-half (1/2) mile to the north. Both the Sims #1 and the Sims #2 wells have all working, overriding and royalty interest identical in all proposed commingled zones. All of the interest owners have been contacted and approved the downhole commingle.

If you have any questions please contact me at (505)392-7095.

Sincerely,



James D. Cogburn
Operation Coordinator