

Robert L. Bayless, Producer LLC
Operator

P.O. Box 168, Farmington, New Mexico 87499
Address

E-4777
Lease

Krause #1
Well No.

C. Sec 2, T26N R11W
Unit Ltr. - Sec - Twp - Rge

San Juan
County

OGRID NO. 150182 Property Code 25033 API NO. 30-045-30024 Federal State X (and/or) Fee

Spacing Unit Lease Type: (check 1 or more)

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Basin Fruitland Coal		West Kutz Pictured Cliffs
2. Top and Bottom of Pay Section (Perforations)	1780' - 1831'		1874' - 1889'
3. Type of Production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
5. Bottomhole Pressure			
Oil Zones - Artificial Lift:	(Current) a. 325 psi (estimate from offset wells)	a.	(Current) a. 450 psi (estimate from offset wells)
Gas & Oil - Flowing:			
All Gas Zones:	(Original) b. 325 psi (estimate from offset wells)	b.	(Original) b. 450 psi (estimate from offset wells)
Estimated Current			
Measured Current			
Estimated or Measured Original			
6. Oil Gravity (° API) or Gas BTU Content	1040 BTU		1080 BTU
7. Producing or Shut-in?	Not Completed Yet		Not Completed Yet
Production Marginal? (yes or no)	Yes		Yes
If Shut-in, give date and oil/gas/ water rates of last production	Date: Rates: N/A	Date: Rates:	Date: Rates: N/A
Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data			
If Producing, give date and oil/gas/ water rates of recent test (within 60 days)	Date: Not Producing Rates: Production Estimates Attached	Date: Rates:	Date: Not Producing Rates: Production Estimates Attached
8. Fixed Percentage Allocation Formula - % for each zone	Oil: Gas: N/A % 77 %	Oil: Gas: % % %	Oil: Gas: N/A % 23 %

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?
If not, have all working, overriding, and royalty interests been notified by certified mail?
Have all offset operators been given written notice of the proposed downhole commingling?

☒ Yes ☐ No
☒ Yes ☐ No
☒ 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
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 (D) Exceptions: ORDER NO. (S).
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 Kevin H. McCord

TITLE Petroleum Engineer DATE January 12, 2000

TYPE OR PRINT NAME Kevin H. McCord TELEPHONE NO. (505) 326-2659

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 21, 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 30-045-30024		2 Pool Code 71629		3 Pool Name Basin Fruitland Coal	
4 Property Code 250.33		5 Property Name KRAUSE			6 Well Number 1
7 OGRID No. 150182		8 Operator Name ROBERT L. BAYLESS, PRODUCER LLC			9 Elevation 6376

10 Surface Location

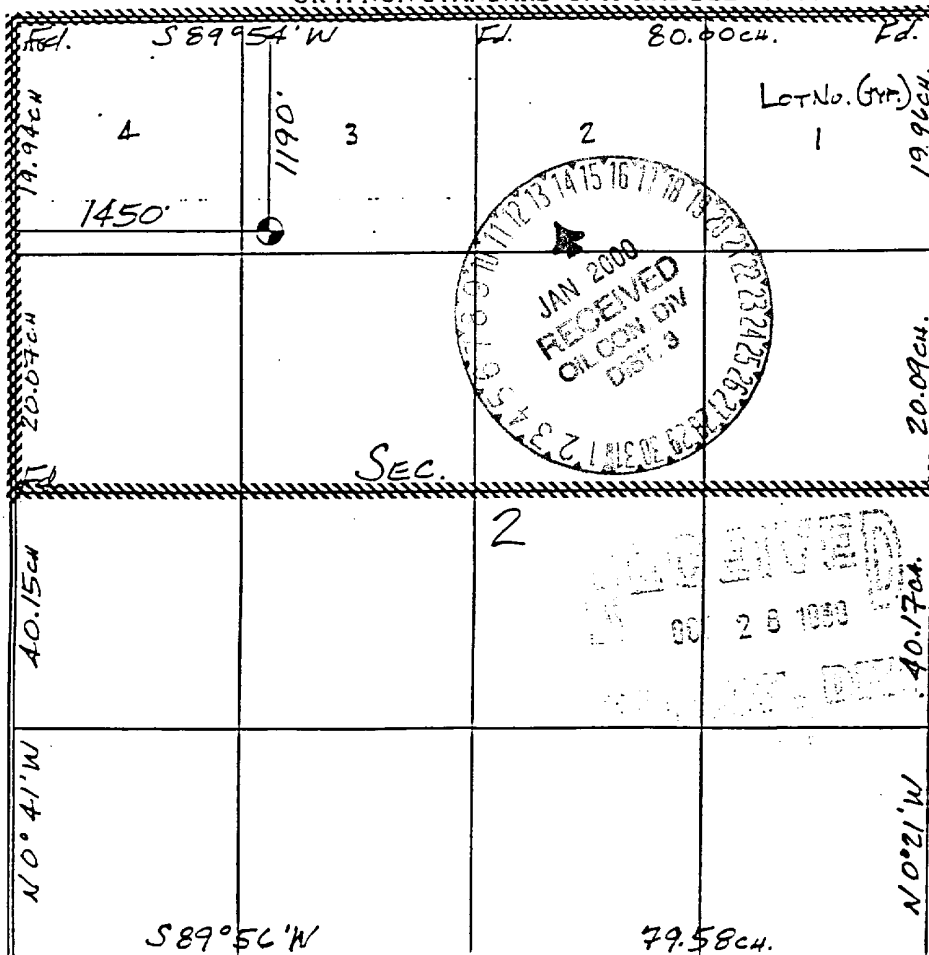
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
3	2	26 N	11 W		1190	North	1450	West	San Juan

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 318.94	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

		<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>Signature: <i>Price M. Bayless</i></p> <p>Printed Name: Price M. Bayless</p> <p>Title: Engineer</p> <p>Date: October 26, 1999</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>Date of Survey: 1999 Oct. 1999</p> <p>Signature and Seal of Professional Surveyor: <i>William J. Mahnk II</i></p> <p>Certificate Number: 8466</p>			

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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-30024		² Pool Code 79680	³ Pool Name WEST KUTZ PICTURED CLIFFS
⁴ Property Code 25033	⁵ Property Name KRAUSE		⁶ Well Number 1
⁷ OGRID No. 150182	⁸ Operator Name ROBERT L. RAYLESS, PRODUCER LLC		⁹ Elevation 6376

¹⁰ Surface Location

UL or lot no. 3	Section 2	Township 26 N	Range 11 W	Lot Idn	Feet from the 1190	North/South line North	Feet from the 1450	East/West line West	County San Juan
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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 Dedicated Acres	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

	<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>Kevin H. McCord</i> Signature KEVIN H. MCCORD Printed Name PETROLEUM ENGINEER Title JANUARY 5, 2000 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>1999 Oct 19 Date of Survey Signature and Seal of Professional Surveyor: <i>William H. Mahne II</i> #8466 William H. Mahne II Certificate Number 8466</p>

ROBERT L. BAYLESS PRODUCER, LLC

Downhole Commingle Application Krause #1

ESTIMATED PRODUCTION AND ALLOCATION METHOD

Robert L. Bayless Producer, LLC estimates the ultimate natural gas production from the Krause #1 well will be 1 BCF of gas, 770,000 MCF of this gas coming from the Fruitland Coal formation, and 230,000 MCF of gas coming from the Pictured Cliffs formation. Decline curves are provided which show the estimated gas production rates from both of these formations.

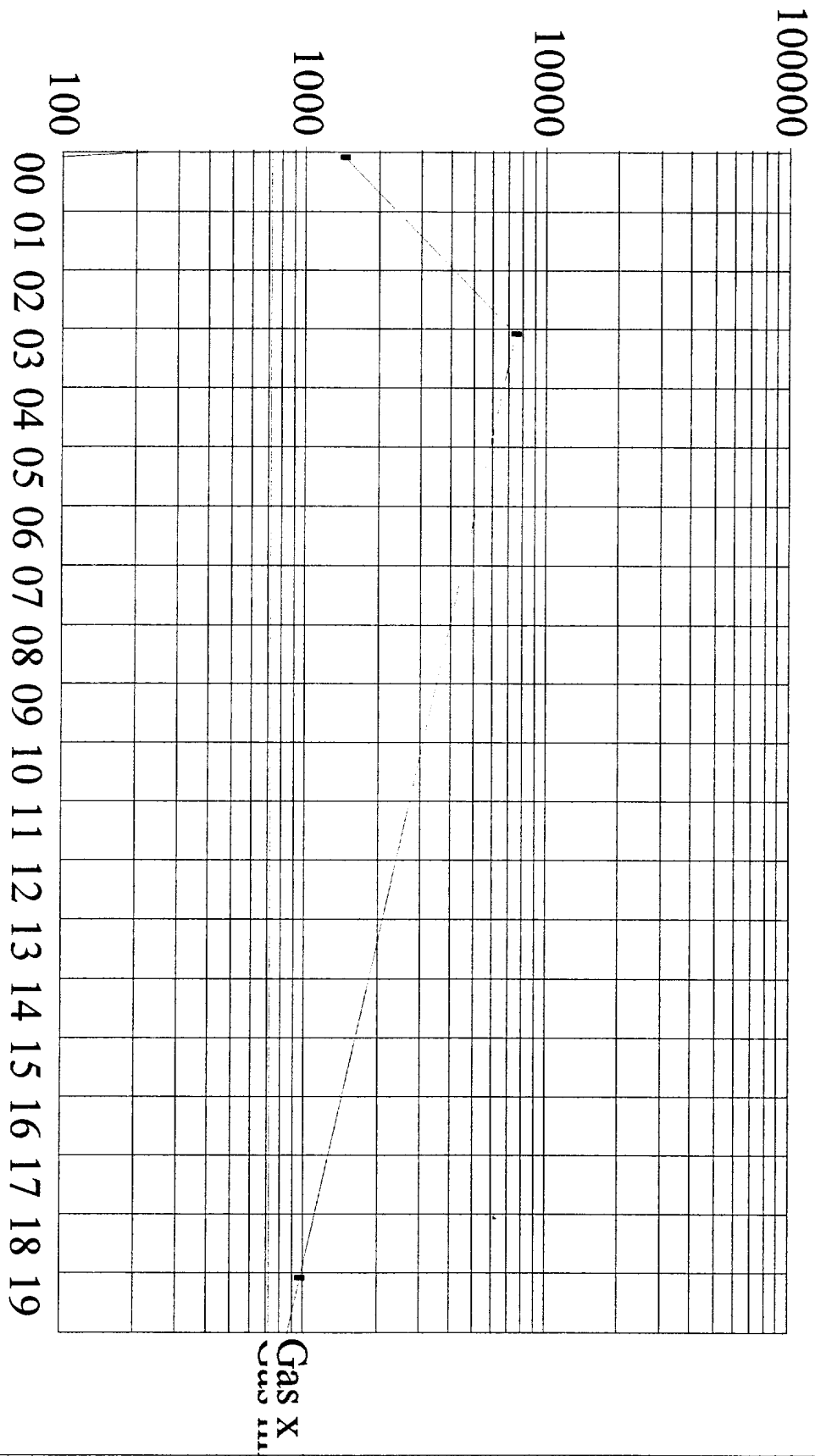
Bayless proposes to allocate production from the Krause #1 well using a fixed percentage allocation. Study has been made of offsetting wells' ultimate recovery from both the Fruitland Coal and Pictured Cliffs formations. The closest 3 offset wells producing from each the Fruitland Coal and the Pictured Cliffs formation were examined, and the average ultimate recovery from the three wells for each zone was decided to be the best estimate of ultimate recovery for the Krause #1 well.

Presented with this application are decline curves for the 3 closest Fruitland Coal formation wells to the Krause #1 well location. These wells are (1) Burlington's Douthit Fed #352 (SW, Sec 35, T27N R11W), (2) Burlington's Douthit Fed #351 (NE, Sec 35, T27N R11W), and (3) Conoco's Delhi Taylor D#1E (NW, Sec 3, T26N R11W). The ultimate gas recovery from these wells is calculated to be 1,034,777 MCF, 702,536 MCF, and 566,928 MCF, respectfully. The average ultimate recovery for these 3 wells is calculated to be 768,080 MCF.

Decline curves are also presented for the 3 closest Pictured Cliffs formation wells to the Krause #1 well location. These wells are (1) Benson-Montin-Greer's Wininger State #1 (NE, Sec 2, T26N R11W), (2) Merrion's Mead #1 (NE, Sec 3, T26N R11W), and (3) Merrion's Navajo #1 (SW, Sec 3, T26N R11W). The ultimate gas recovery from these wells is calculated to be 317,942 MCF, 226,795 MCF, and 141,054 MCF, respectfully. The average ultimate recovery for these 3 wells is calculated to be 228,597 MCF.

From this information presented, the ultimate natural gas recoveries for the Krause #1 well are estimated to be 770,000 MCF of gas from the Fruitland Coal formation and 230,000 MCF from the Pictured Cliffs formation. Using these ultimate recovery values, the Fruitland Coal formation is expected to produce 77% and the Pictured Cliffs formation is expected to produce 22% of the total natural gas production from the Krause #1 well. These are the allocation values Bayless propose to use for downhole commingling in the Krause #1 well.

Krause FC (#1 - 100%), Basin Fruitland Coal



Krause FC (#1 - 100%)
Basin Fruitland Coal
Robert L. Bayless, LLC
San Juan, New Mexico

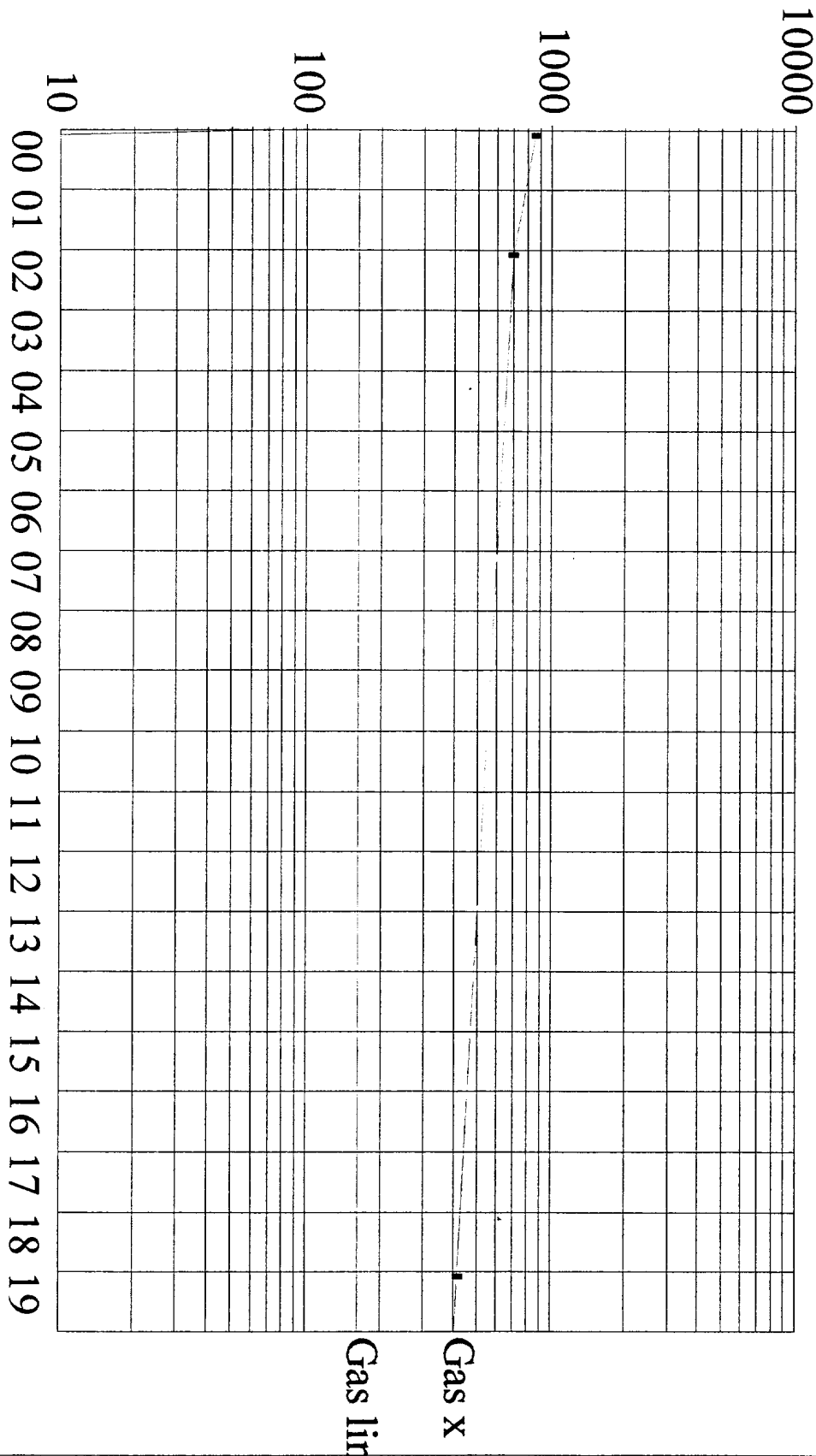
Oil (bbl)

Gas (mcf)

Water (bbl)

Cumulative:	0	233	0
Remaining:	0	769,767	0
Ultimate:	0	770,000	0

Krause PC (#1 - 100%), West Kutz Pictured Cliffs

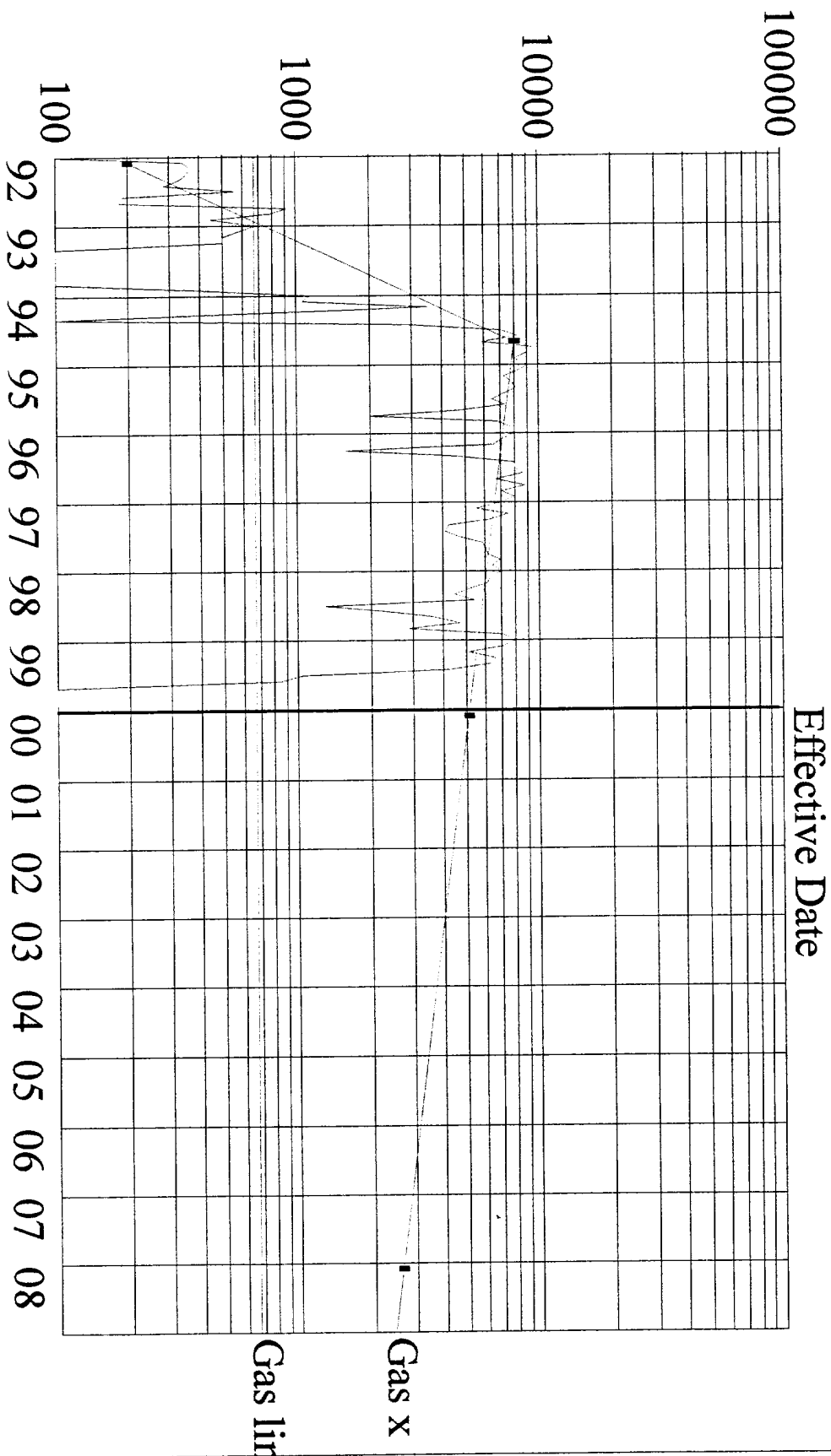


Krause PC (#1 - 100%)
West Kutz Pictured Cliffs
Robert L. Bayless LLC
San Juan County, New Mexico

II

Cumulative:	Oil (bbl)	Gas (mcf)	Water (bbl)
Remaining:	0	79	0
Ultimate:	0	229,921	0
		230,000	0

DOUTHIT FEDERAL (352 - 100%), BASIN (FRUITLAND COAL) FT

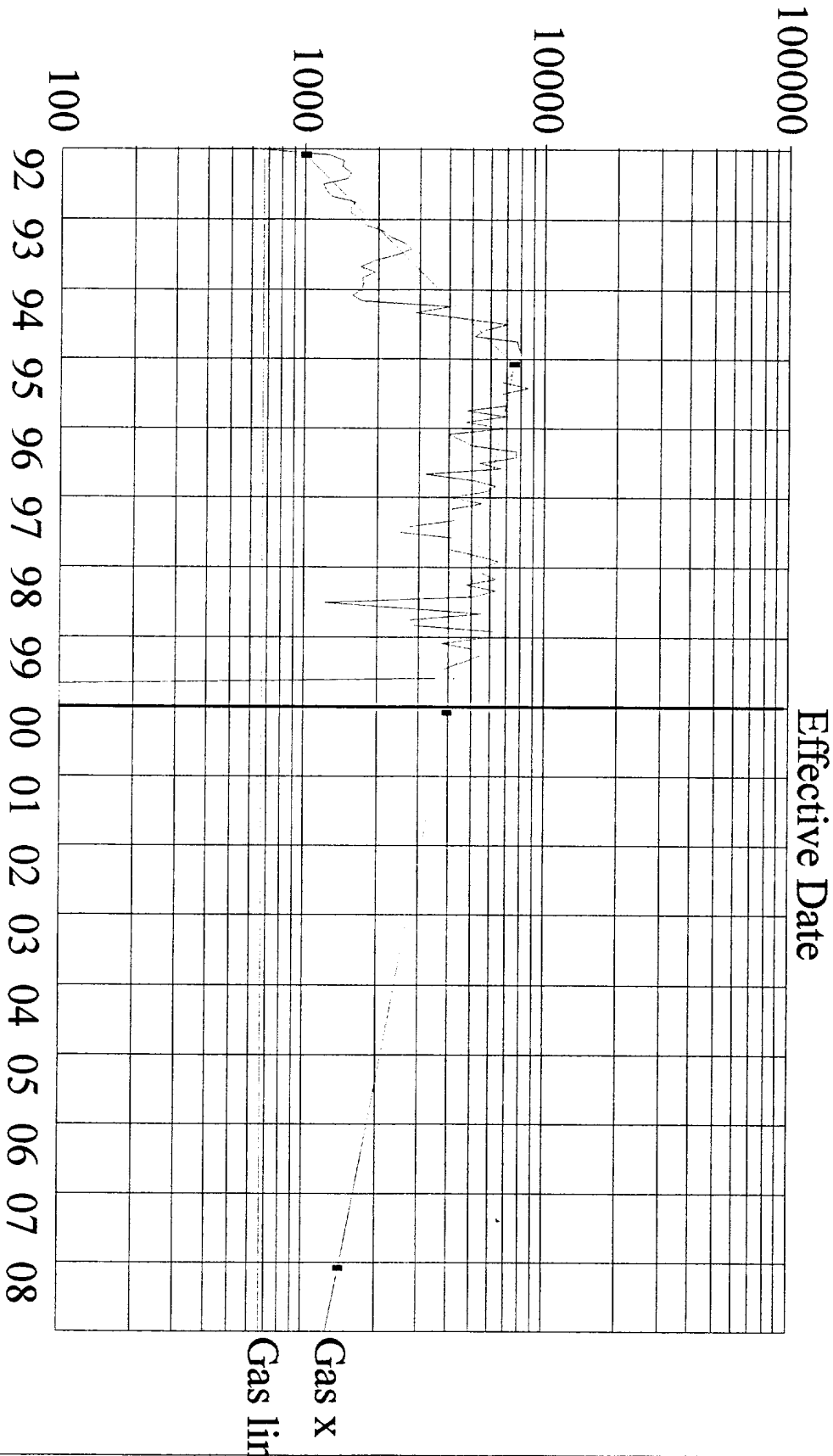


DOUTHIT FEDERAL (352 - 100%)
BASIN (FRUITLAND COAL) FT
BURLINGTON RES O&G CO
SAN JUAN, NM

[300452840500001]
FRUITLAND COAL
35M 27N 11W

Cumulative:	Oil (bbl)	Gas (mcf)	Water (bbl)
Remaining:	0	395,961	0
Ultimate:	0	638,816	0
		1,034,777	0

DOUTHIT FEDERAL (351 - 100%), BASIN (FRUITLAND COAL) FT

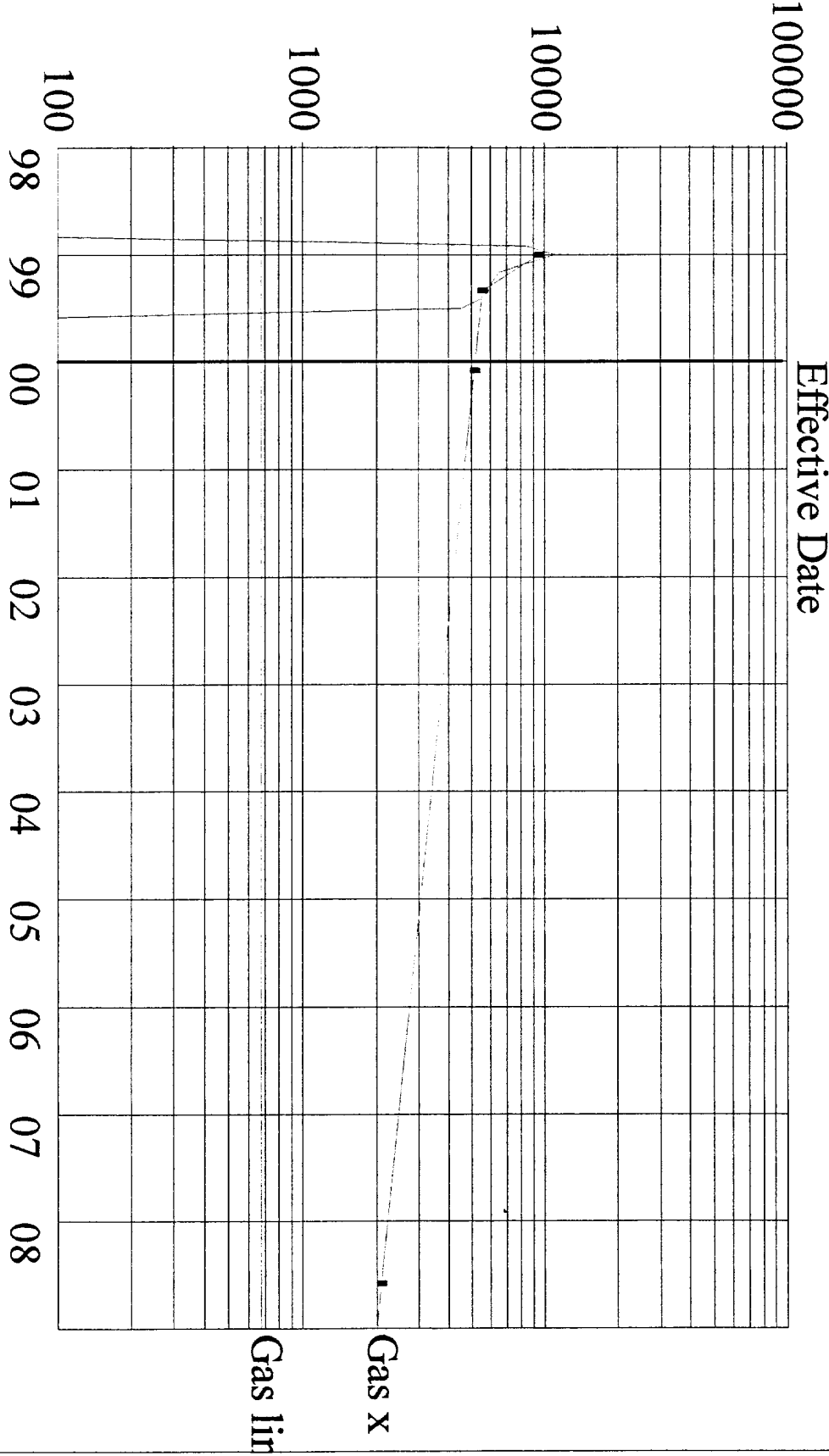


DOUTHIT FEDERAL (351 - 100%)
BASIN (FRUITLAND COAL) FT
BURLINGTON RES O&G CO
SAN JUAN, NM

[30045284040000]
FRUITLAND COAL
35A 27N 11W

	Oil (bbl)	Gas (mcf)	Water (bbl)
Cumulative:	0	392,061	0
Remaining:	0	310,475	0
Ultimate:	0	702,536	0

DELHI TAYLOR D (1E - 100%), BASIN (FRUITLAND COAL) FT

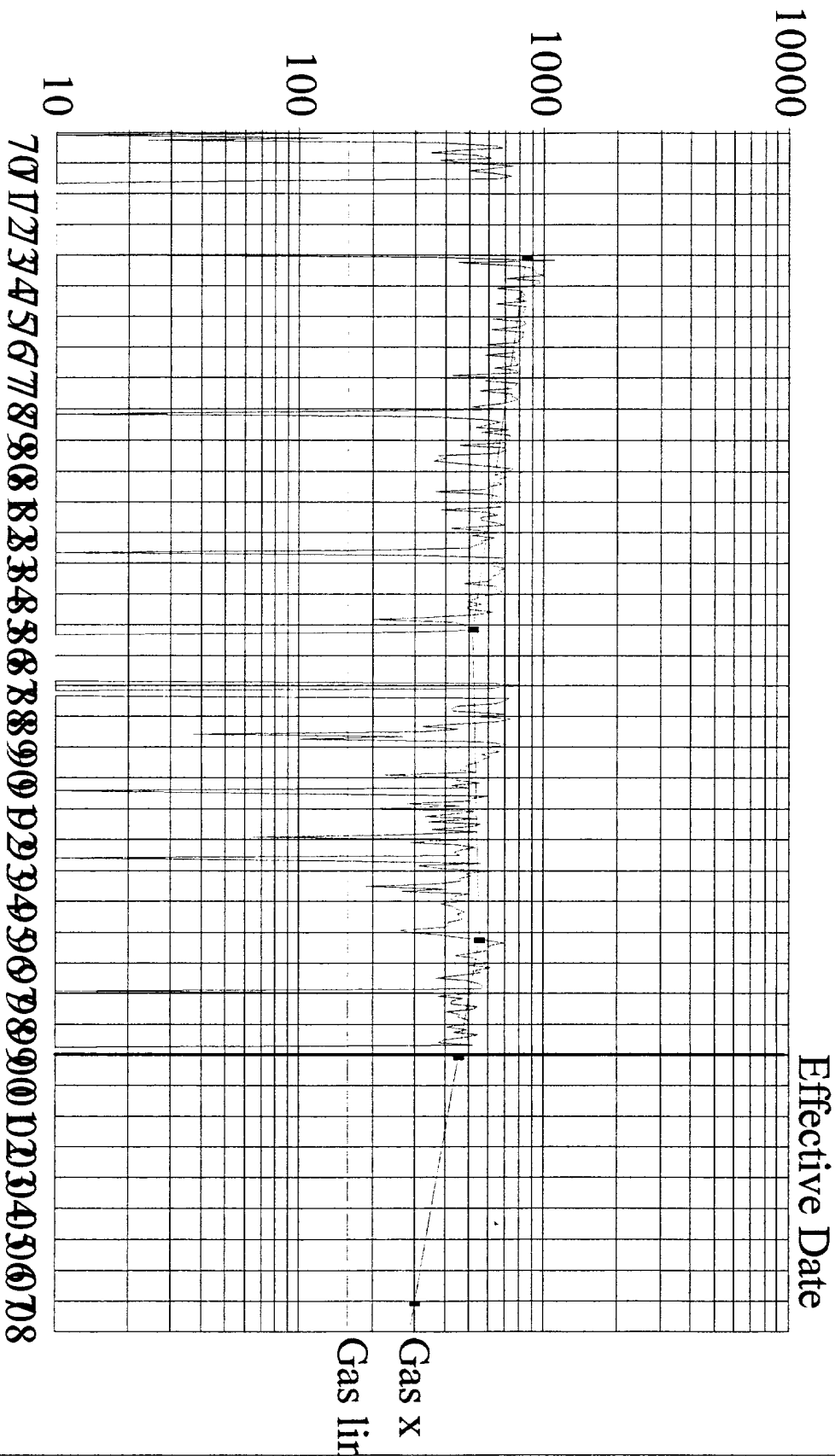


DELHI TAYLOR D (1E - 100%)
BASIN (FRUITLAND COAL) FT
CONOCO INC
SAN JUAN, NM

[300452379600001]
FRUITLAND COAL
3 26N 11W

Cumulative:	Oil (bbl)	Gas (mcf)	Water (bbl)
Remaining:	0	56,220	0
Ultimate:	0	510,708	0
		566,928	0

WININGER STATE (1 - 100%), KUTZ WEST (PICTURED CLIFFS) PC

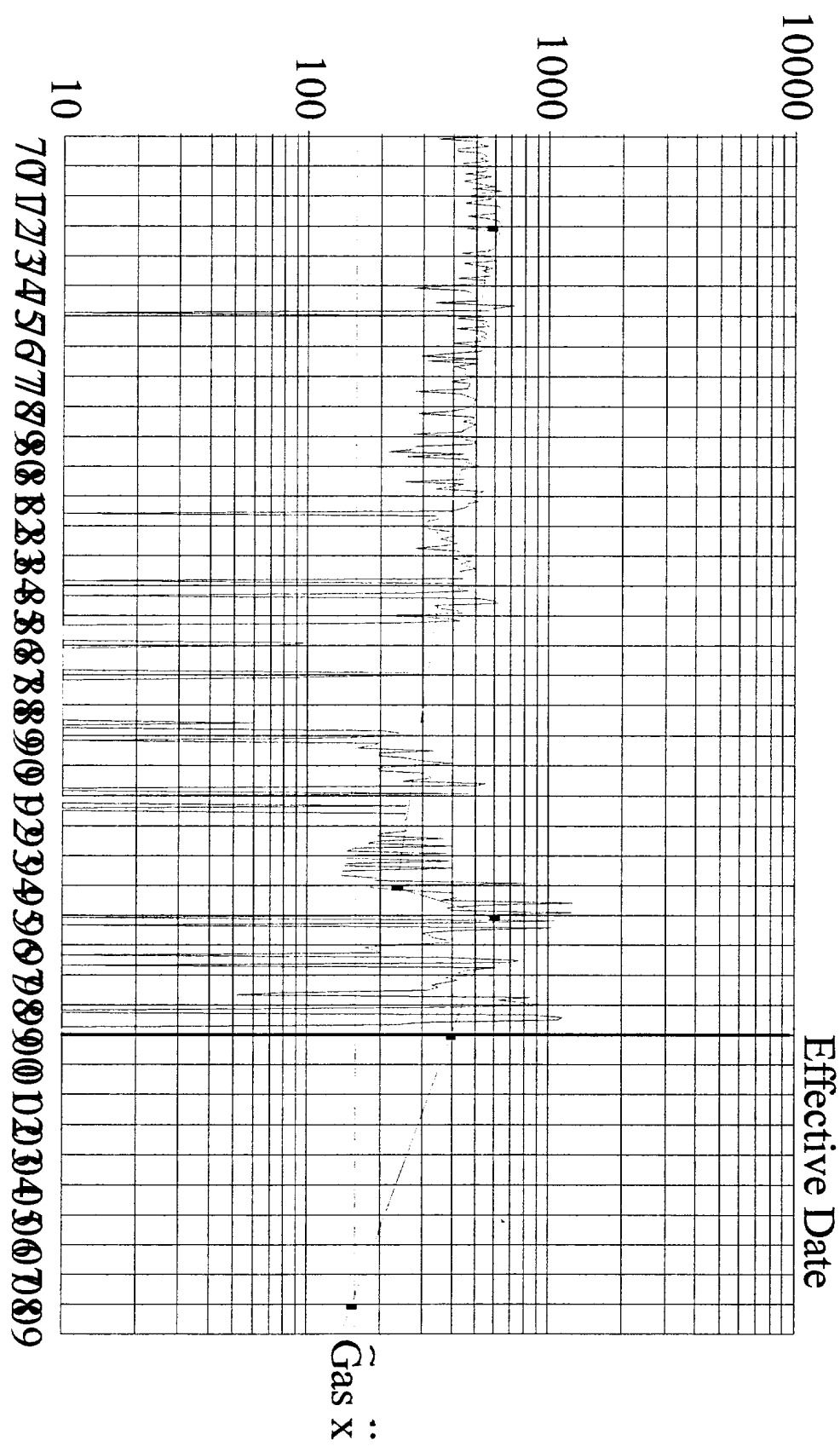


WININGER STATE (1 - 100%)
 KUTZ WEST (PICTURED CLIFFS) PC
 BENSON MONTIN GREER DRLG
 SAN JUAN, NM

1300450607500001
 PICTURED CLIFFS
 2A 26N 11W

	Oil (bbl)	Gas (mcf)	Water (bbl)
Cumulative:	0	248,840	0
Remaining:	0	69,102	0
Ultimate:	0	317,942	0

MEAD (1 - 100%), KUTZ WEST (PICTURED CLIFFS) PC

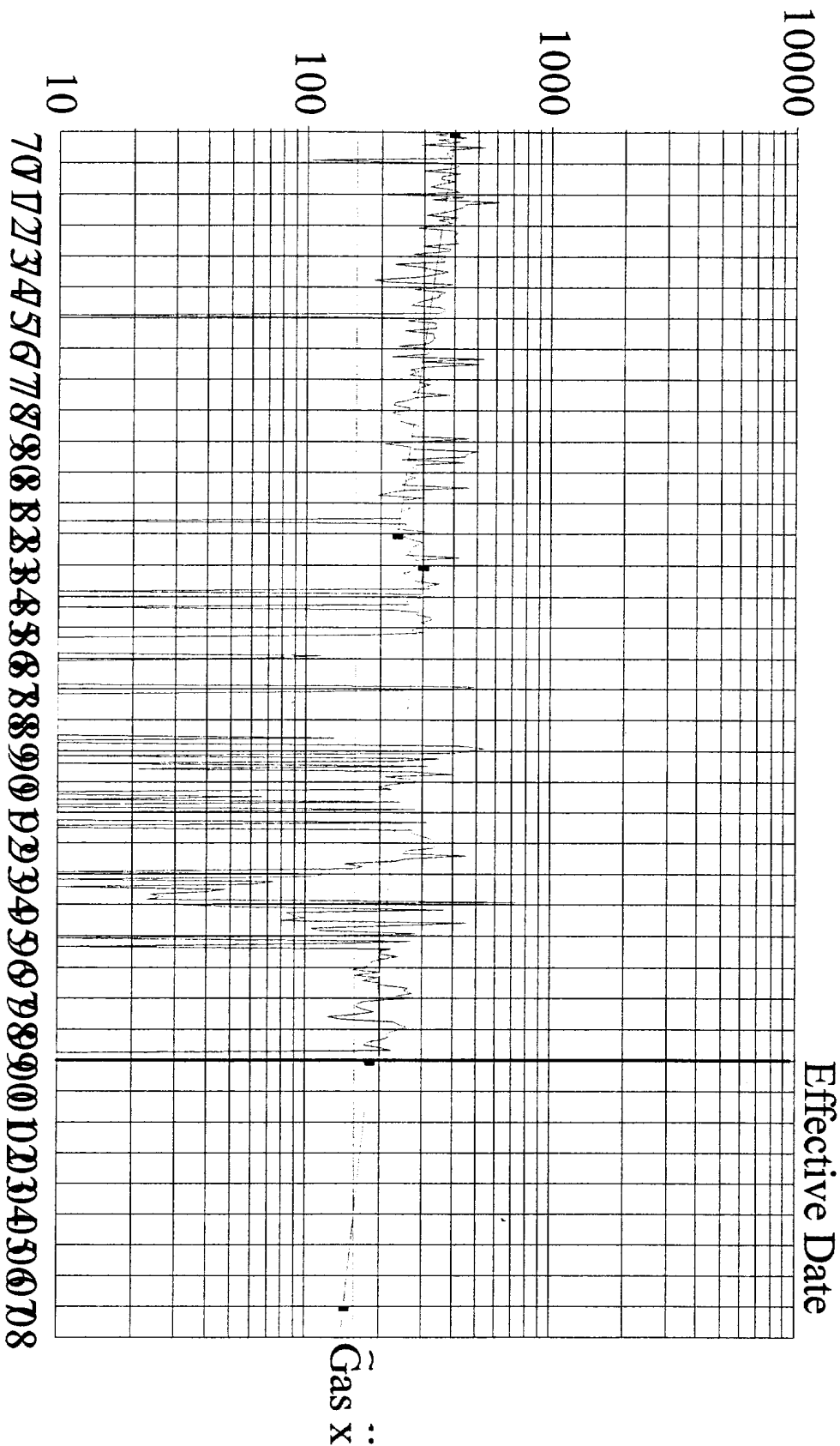


MEAD (1 - 100%)
KUTZ WEST (PICTURED CLIFFS) PC
MERRION OIL & GAS CORP
SAN JUAN, NM

[30045060780000]
PICTURED CLIFFS
3A 26N 11W

Cumulative:	Oil (bbl)	Gas (mcf)	Water (bbl)
Remaining:	0	199,618	0
Ultimate:	0	27,177	0
	0	226,795	0

NAVAJO (1 - 100%), KUTZ WEST (PICTURED CLIFFS) PC



NAVAJO (1 - 100%)
KUTZ WEST (PICTURED CLIFFS) PC
MERRION OIL & GAS CORP
SAN JUAN, NM

[300450600100001
PICTURED CLIFFS
3M 26N 11W

	Oil (bbl)	Gas (mcf)	Water (bbl)
Cumulative:	0	130,485	0
Remaining:	0	10,569	0
Ultimate:	0	141,054	0

ROBERT L. BAYLESS PRODUCER, LLC

Downhole Commingle Application
Krause #1

OFFSETTING OPERATOR AND AREA MAP

T27N R11W

BURLINGTON MARATHON DREYFUS 34	BURLINGTON BURLINGTON Douthit Fed 8 35 BURLINGTON Douthit Fed 352 BURLINGTON Douthit Fed 351	BONNEVILLE 36 BONNEVILLE Scott 18E	BURLINGTON Burlington Huerfano Unit 16 BURLINGTON Huerfano Unit 84
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CONOCO + MERRION CONOCO Delhi Taylor D#1E 3 MERRION Navajo #1	BAYLESS + GREER BAYLESS Krause #1 2 ENERGEN + DUGAN BMG Winger #1	BURLINGTON Burlington Huerfano Unit 9 1
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CROSS TIMBERS 10	DUGAN 11	BURLINGTON 12 JORDAN FAILS	BURLINGTON
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T26N R11W

ROBERT L. BAYLESS PRODUCER, LLC

**Downhole Commingle Application
Krause #1**

Offset Operators Notification List

NAME	ADDRESS	CITY & STATE	ZIP CODE
1 . Benson-Montin-Greer Drilling Corporation	4900 College Blvd.	Farmington, NM	87402
2 . Bonneville Fuels Corporation	1660 Lincoln, Suite 1800	Denver, CO	80264
3 . Burlington Resources Oil and Gas Company	P.O. Box 4289	Farmington, NM	87499-4289
4 . Conoco Inc.	10 Desta Drive, Suite 100W	Midland, TX	79705-4500
5 . Cross Timbers Oil Company	810 Houston St., Suite 2000	Fort Worth, TX	76102-6298
6 . Dugan Production Corp.	P.O. Box 420	Farmington, NM	87499-0420
7 . Energen Resources Corporation	2198 Bloomfield Highway	Farmington, NM	87401
8 . Thomas G. Fails	1777 Larimer #1203	Denver, CO	80202
9 . Jordan Oil & Gas Co.	P.O. Box 1919	Healdsburg, CA	95448-1919
10 . Louis Dreyfus Natural Gas	14000 Quail Springs, #600	Oklahoma City, OK	73134-2600
11 . Marathon Oil Co.	P.O. Box 3128	Houston, TX	77253-3128
12 . Merrion Oil & Gas Corporation	610 Reilly Avenue	Farmington, NM	87401

OIL & GAS PRODUCER

FAX NO.
(505) 326-6911

OFFICE NO.
(505) 326-2659

SLOPE TEST

Hole Deviation

 $1/4^\circ$ $1/4^\circ$ $1/2^\circ$ $3/4^\circ$

10



I, PRICE M. BAYLESS, being first duly sworn, depose and state that the above and foregoing depth and hole deviation figures are true and correct to the best of my information and belief.

P. W. Bayl

Subscribed and sworn before me this 7th day of February, 19 2000.

Pamela E. Clement
Notary Public

My Commission Expires: 05/15/2001

