

DISTRICT I
P.O. Box 1860, Hobbs, NM 88240
DISTRICT II
911 South First St., Artesia, NM 88210
DISTRICT III
1000 Rio Bratos Rd, Aztec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-8429

APPLICATION FOR DOWNHOLE COMMINGLING

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

APPROVAL PROCESS:

☒ Administrative ☐ Hearing

EXISTING WELLBORE

☒ YES ☐ NO

Bonneville Fuels Corporation 1660 Lincoln Street, Suite 2200 Denver CO 80264

Operator Fullerton Federal 15 GD # 41 A Sec 15 T27N R11W San Juan

Well No. Unit Lit. - Sec - Twp - Rgs Spacing Unit Lease Types: (check 1 or more)
OGRID NO. 02678 Property Code 24195 API NO. 30-045-29741 Federal ☒ State ☐ Landlord Fee ☐

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zones	Lower Zone
1. Pool Name and Pool Code	So. Kutz Gallup 96852		Basin Dakota 71599 (PRODUCED GAS)
2. Top and Bottom of Pay Section (Perforations)	5948' - 5958'		6514' - 6593'
3. Type of production (Oil or Gas)	Gas & Oil		Gas & Oil
4. Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original	a. (Current) 945 psi b. (Original) -	a. b.	a. 1150 psi b.
6. Oil Gravity (° API) or Gas BTU Content	Oil - 42° API Gas - 1200 BTU/SCF		Oil - 42° API Gas - 1200 BTU/SCF
7. Producing or Shut-In?	Shut -In		Shut In
Production Marginal? (yes or no)	Yes		No
* 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: 4/25/99 Rates: 30 MCFG/D 5 BO/D	Date: Rates:	Date: 3/23/99 Rates: 440 MCFG/D 3 BO/D
* 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: 74 % Gas: 13 %	Oil: % Gas: %	Oil: 26 % Gas: 87 %

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 communutilized 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).

16. ATTACHMENTS:

- I C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- II Production curve for each zone for at least one year. (If not available, attach explanation.)
- III For zones with no production history, estimated production rates and supporting data.
- IV Data to support allocation method or formula.
- VI Notification list of all offset operators.
- Notification list of all 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 Alan L. Merrill TITLE Operations Engineer DATE

TYPE OR PRINT NAME Alan L. Merrill TELEPHONE NO. (303) 863-1555 x225

I. Location Plat

Hobbs, NM 88241-1980

First, Artesia, NM 88210

Rio Brazos Rd., Aztec, NM 87410

District IV

2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, NM 87505

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BIM

98 NOV 23 AM 9:28

Form C-102

Revised October 18, 1994

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

070 FARMINGTON, NM AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number		* Pool Code 71599	* Pool Name Basin Dakota	
* Property Code	* Property Name FULLERTON FEDERAL			* Well Number 15-41 GD
* OGRID No. 02678	* Operator Name BONNEVILLE FUELS			* Elevation 6297

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
A	15	27N	11W		790	North	790	East	San Juan

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

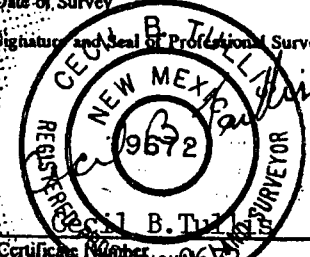
<div style="display: flex; flex-direction: column; align-items: center;"> <div>16</div> <div>2675.31</div> <div>S 89° 51' W</div> <div>2675.31</div> <div>790'</div> <div>790'</div> <div>2640</div> <div>N 0° 02' W</div> <div>2640</div> <div>2636.70</div> <div>S 89° 51' W</div> <div>2636.70</div> </div>	<div>17 OPERATOR CERTIFICATION</div> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <div> <div>Signature</div> <div>Alan L. Merrill</div> </div> <div> <div>Printed Name</div> <div>Operations Engineer</div> </div> <div> <div>Title</div> <div></div> </div> <div> <div>Date</div> <div></div> </div>	
	<div>18 SURVEYOR CERTIFICATION</div> <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> <div> <div>Date of Survey</div> <div>November 5, 1998</div> </div> <div> <div>Signature and Seal of Professional Surveyor:</div> <div>  </div> </div>	

Exhibit 2b

I. Location Plat

Hobbs, NM 88241-1980
 First, Artesia, NM 88210
 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

RECEIVED
 BLM

Form C-102
 Revised October 18, 1994
 Instructions on back
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 State Lease - 4 Copies
 Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco
 Santa Fe, NM 87505

98 NOV 23 AM 9:28

070 FARMINGTON, NM ☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number		* Pool Code 96852		* Pool Name South Kutz-Gallup	
* Property Code		* Property Name FULLERTON FEDERAL			* Well Number 15-41 GD
* OGRID No. 02678		* Operator Name BONNEVILLE FUELS			* Elevation 6297

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
A	15	27N	11W		790	North	790	East	San Juan

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

* Dedicated Acres	* Joint or Infill	* Consolidation Code	* 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

2640 N 0° 02' W	2675.31	S 89° 51' W	2675.31	<p>dedicated acreage in hatchures</p>	<h3>17 OPERATOR CERTIFICATION</h3> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Alan L. Merrill</i> Signature Alan L. Merrill Printed Name Operations Engineer Title Date</p>
2640	2636.70	S 89° 51' W	2636.70		<h3>18 SURVEYOR CERTIFICATION</h3> <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>November 5, 1998 Date of Survey Signature and Seal of Professional Surveyor: Certificate Number: 19672</p>

Exhibit 2a

II. Estimated Production Rates

This well was recently drilled and completed in February-April 1999. It is currently in the process of being hooked up to a gas sales line, therefore it does not have an established oil and gas production history.

Estimated production rates have been graphed based on the initial production tests of the the Dakota and Gallup zones. Production decline rates in offset wells were reviewed in order to estimate decline rates in the new well.

II. Estimated Production Rates - Basin Dakota

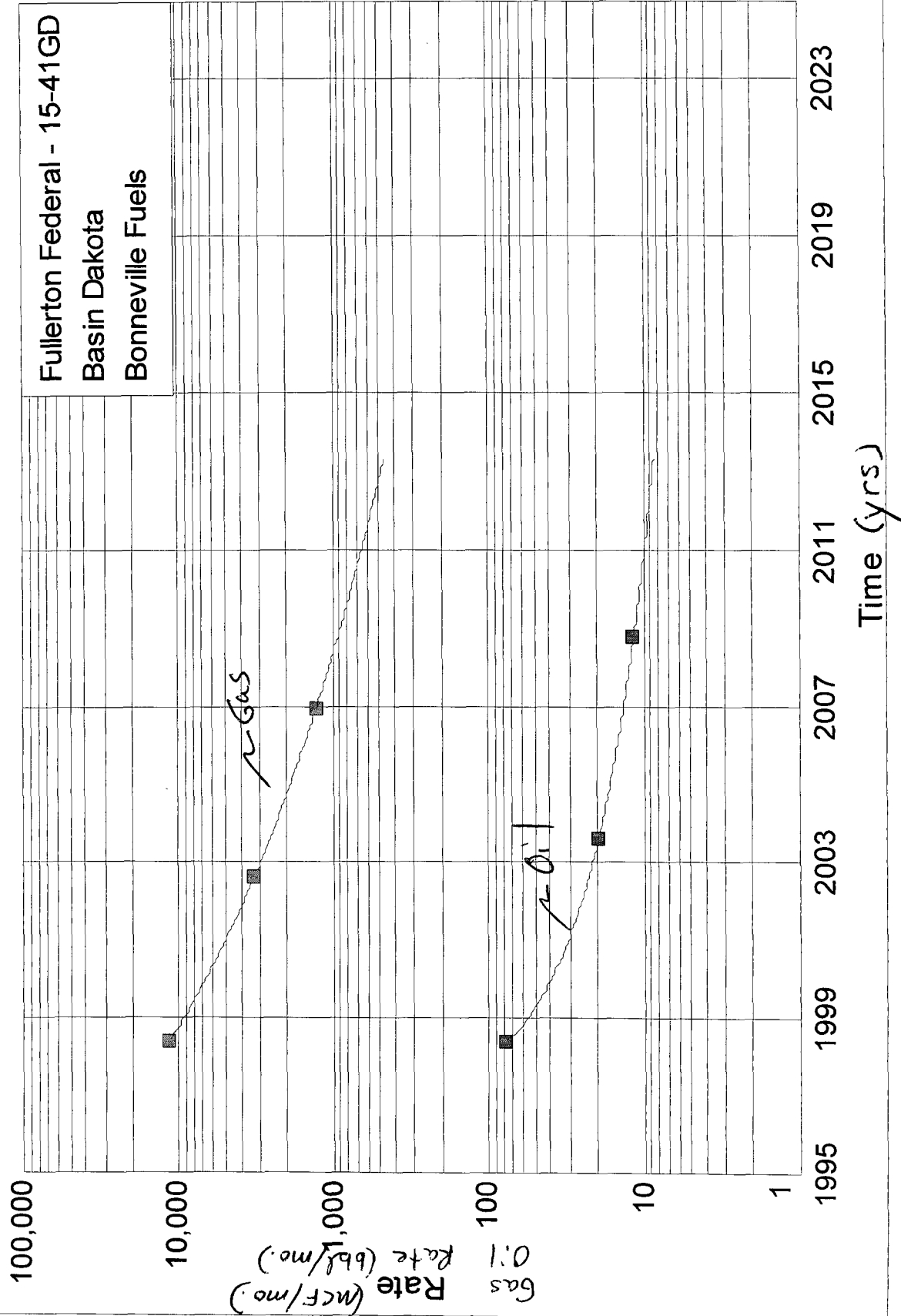
Rate/Time Graph

Project: S:\IHS Energy\ptproj\kutz3.mdb

Date: 6/1/1999
Time: 1:55 PM

Lease Name: Fullerton Federal (15-41GD)
County, ST: San Juan, NM
Location: 0-0-0

Field Name: Basin Dakota
Operator: Bonneville Fuels



Annual CashFlow Report

Project: S:\IHS Energy\ptproj\kutz3.mdb

Lease Name: Fullerton Federal (15-41GD) Field Name: Basin Dakota
 County, ST: San Juan, NM Operator: Bonneville Fuels
 Location: 0-0-0

Date	Well Count	Gross Production		Net Production		Average Prices		Sales Total (\$)
		Oil (Bbl)	Gas (Mcf)	Oil (Bbl)	Gas (Mcf)	Oil (\$/Bbl)	Gas (\$/Mcf)	
12/99	1	565	95,584	488	82,680	16.00	2.40	206,249
12/00	1	418	70,023	361	60,570	16.00	2.40	151,150
12/01	1	333	52,700	288	45,586	16.00	2.40	114,017
12/02	1	278	40,572	240	35,095	16.00	2.40	88,073
12/03	1	239	31,844	206	27,545	16.00	2.40	69,412
12/04	1	210	25,413	181	21,982	16.00	2.40	55,657
12/05	1	187	20,577	162	17,799	16.00	2.40	45,305
12/06	1	169	16,875	146	14,597	16.00	2.40	37,370
12/07	1	154	13,997	133	12,107	16.00	2.40	31,189
12/08	1	142	11,727	123	10,143	16.00	2.40	26,305
12/09	1	131	9,914	114	8,575	16.00	2.40	22,398
12/10	1	122	8,450	106	7,309	16.00	2.40	19,235
12/11	1	115	7,256	99	6,276	16.00	2.40	16,649
12/12	1	108	6,273	93	5,426	16.00	2.40	14,513
04/13	1	35	1,902	30	1,646	16.00	2.40	4,427
Grand Total:		3,204	413,108	2,771	357,338	16.00	2.40	901,949

Oil EUR

Gas EUR

Date	Operating Expenses (\$)	Taxes (\$)	Operating Income (\$)	Other Costs (\$)	Periodic Cash Flow (\$)	Cumulative Cash Flow (\$)	10.00 % Cash Flow (\$)
12/99	12,000	15,516	178,733	0	178,733	178,733	170,270
12/00	12,000	11,371	127,780	0	127,780	306,513	110,640
12/01	12,000	8,576	93,440	0	93,440	399,953	73,541
12/02	12,000	6,623	69,449	0	69,449	469,402	49,685
12/03	12,000	5,219	52,193	0	52,193	521,595	33,943
12/04	12,000	4,184	39,474	0	39,474	561,069	23,337
12/05	12,000	3,404	29,901	0	29,901	590,970	16,070
12/06	12,000	2,807	22,563	0	22,563	613,532	11,024
12/07	12,000	2,342	16,847	0	16,847	630,379	7,484
12/08	12,000	1,975	12,331	0	12,331	642,710	4,981
12/09	12,000	1,681	8,717	0	8,717	651,427	3,202
12/10	12,000	1,443	5,792	0	5,792	657,220	1,936
12/11	12,000	1,248	3,400	0	3,400	660,620	1,035
12/12	12,000	1,088	1,426	0	1,426	662,046	396
04/13	4,000	332	96	0	96	662,141	25
Grand Total:	172,000	67,807	662,141	0	662,141	662,141	507,569

Discount Present Worth:

8.00 %	531,847
10.00 %	507,569
15.00 %	456,641
20.00 %	416,299
30.00 %	356,587
40.00 %	314,553
50.00 %	283,335
60.00 %	259,195
70.00 %	239,936
80.00 %	224,185
100.00 %	199,894

Economic Dates:

Effective Date	01/1999
Calculated Limit	04/2013
Economic Life	172 Months
	14 Years 4 Months

Economics Information:

Net Payout Date:	01/1999
Rate of Return:	>100 %
Return on Investment:	0.00
Initial Division of Interest:	

WI: 100.000000

Reversion Date: None

Economics Summary:

	Bbl Oil	Mcf Gas
Ultimate Gross	3,659	485,763
Cumulative Gross	0	0
Remaining Gross	3,204	413,108
Remaining Net	2,771	357,338

	NRI	ORI
Oil:	86.500000	0.000000
Gas:	86.500000	0.000000
Injection:	0.000000	0.000000

II. Estimated Production Rates - South Kutz Gallup

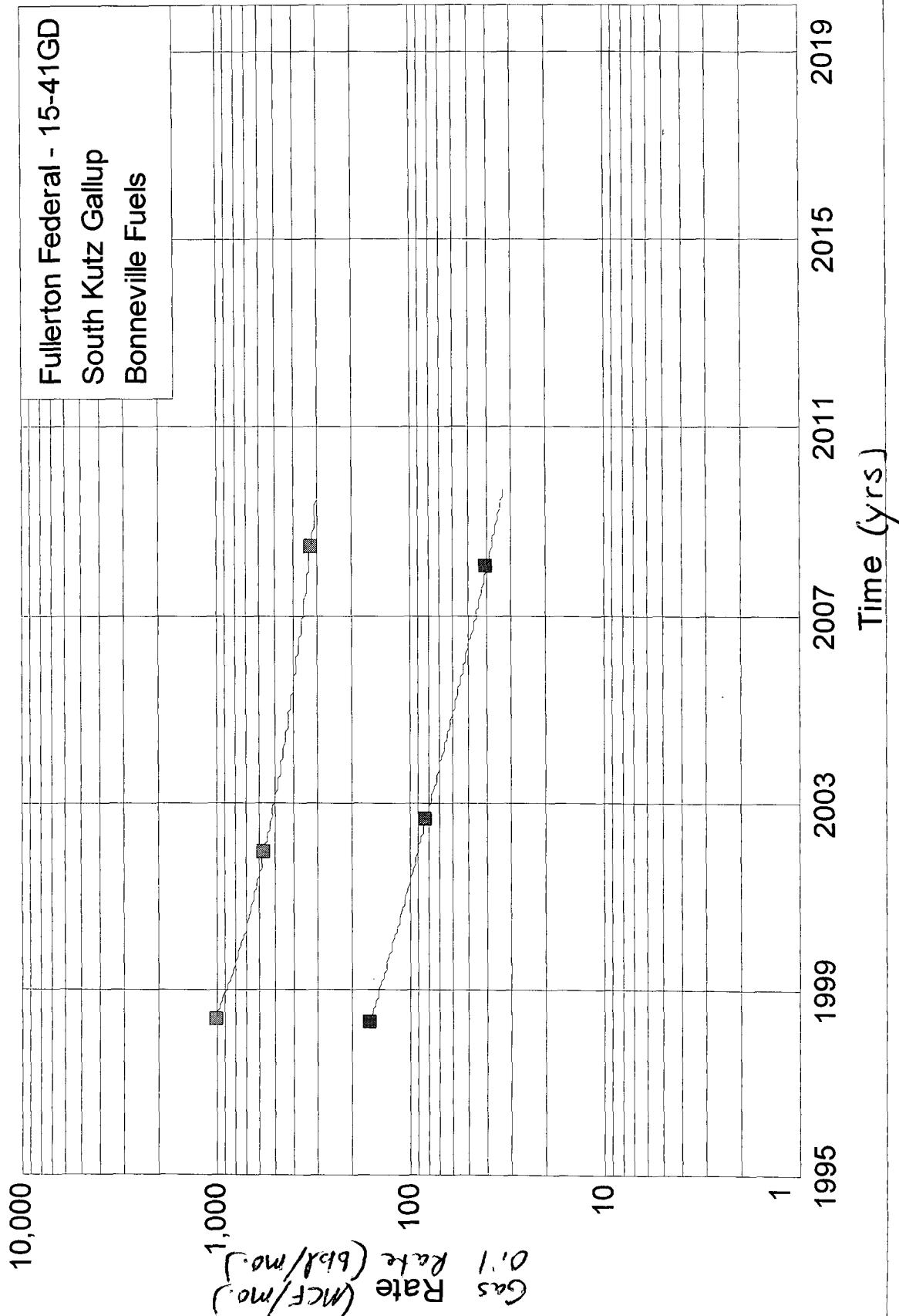
Rate/Time Graph

Project: S:\IHS Energy\ptproj\kutz3.mdb

Date: 6/1/1999
Time: 1:55 PM

Lease Name: Fullerton Federal (15-41GD)
County, ST: San Juan, NM
Location: 27N-11W-15

Field Name: South Kutz Gallup
Operator: Bonneville Fuels



Annual CashFlow Report

Project: S:\HS Energy\ptproj\kutz3.mdb

Lease Name: Fullerton Federal (15-41GD) Field Name: South Kutz Gallup
 County, ST: San Juan, NM Operator: Bonneville Fuels
 Location: 27N-11W-15

Date	Well Count	Gross Production		Net Production		Average Prices		Sales Total
		Oil (Bbl)	Gas (Mcf)	Oil (Bbl)	Gas (Mcf)	Oil (\$/Bbl)	Gas (\$/Mcf)	
12/99	1	1,598	9,782	1,382	8,462	16.00	2.40	42,419
12/00	1	1,366	8,292	1,181	7,173	16.00	2.40	36,114
12/01	1	1,173	7,215	1,015	6,241	16.00	2.40	31,212
12/02	1	1,012	6,398	876	5,534	16.00	2.40	27,291
12/03	1	877	5,756	759	4,979	16.00	2.40	24,090
12/04	1	763	5,237	660	4,530	16.00	2.40	21,437
12/05	1	667	4,809	577	4,159	16.00	2.40	19,212
12/06	1	585	4,449	506	3,848	16.00	2.40	17,327
12/07	1	514	4,142	445	3,582	16.00	2.40	15,717
12/08	1	454	3,876	393	3,353	16.00	2.40	14,331
08/09	1	273	2,454	236	2,123	16.00	2.40	8,877
Grand Total:		9,282	62,409	8,029	53,984	16.00	2.40	258,029

Oil EUR

Gas EUR

Date	Operating Expenses (\$)	Taxes (\$)	Operating Income (\$)	Other Costs (\$)	Periodic Cash Flow (\$)	Cumulative Cash Flow (\$)	10.00 % Cash Flow (\$)
12/99	12,000	3,099	27,320	0	27,320	27,320	26,005
12/00	12,000	2,638	21,476	0	21,476	48,796	18,583
12/01	12,000	2,280	16,932	0	16,932	65,728	13,319
12/02	12,000	1,995	13,296	0	13,296	79,024	9,509
12/03	12,000	1,762	10,328	0	10,328	89,352	6,716
12/04	12,000	1,569	7,869	0	7,869	97,221	4,652
12/05	12,000	1,407	5,805	0	5,805	103,026	3,121
12/06	12,000	1,270	4,057	0	4,057	107,084	1,984
12/07	12,000	1,153	2,564	0	2,564	109,648	1,141
12/08	12,000	1,052	1,279	0	1,279	110,927	519
08/09	8,000	652	225	0	225	111,152	85
Grand Total:	128,000	18,877	111,152	0	111,152	111,152	85,635

Discount Present Worth:

8.00 %	89,739
10.00 %	85,635
15.00 %	76,915
20.00 %	69,914
30.00 %	59,435
40.00 %	52,013
50.00 %	46,503
60.00 %	42,258
70.00 %	38,888
80.00 %	36,148
100.00 %	31,955

Economic Dates:

Effective Date	01/1999
Calculated Limit	08/2009
Economic Life	128 Months
	10 Years 8 Months

Economics Information:

Net Payout Date:	01/1999
Rate of Return:	>100 %
Return on Investment:	0.00
Initial Division of Interest:	

WI: 100.000000

Reversion Date: None

Economics Summary:

	Bbl Oil	Mcf Gas
Ultimate Gross	10,500	69,069
Cumulative Gross	0	0
Remaining Gross	9,282	62,409
Remaining Net	8,029	53,984

	NRI	ORI
Oil:	86.500000	0.000000
Gas:	86.500000	0.000000
Injection:	0.000000	0.000000

III. Allocation Method

Basin Dakota/South Kutz Gallup Commingle
Fullerton Federal #15-41GD
800' FEL 800' FNL Sec. 15-T27N-R11W
San Juan Co., New Mexico

The gas and oil allocation formulas will be a fixed percentage allocation based on the estimated ultimate reserves (EUR) for each commingled zone.

The gas production allocation for the Fullerton #15-41GD will be based on the following information:

Basin Dakota Estimated Ultimate Reserves: .413 BCF

S. Kutz Gallup Estimated Ultimate Reserves: .062 BCF

Total Estimated Ultimate Reserves: .475 BCF

Decline forecasts for both zones are attached. The decline curves for the the Dakota and Gallup EURs are based on the initial production tests and decline rates of offset wells. Neither zone has an established production history because the well was recently drilled and completed in February-April 1999 and is in the process of being hooked up to a gathering system.

The gas production allocation for the zones will be calculated by dividing the EUR for each zone by the total EUR as follows:

Basin Dakota Gas Allocation

$.413 \text{ BCF} / .475 \text{ BCF} \times 100 = 87\%$

S. Kutz Gallup Gas Allocation

$.062 \text{ BCF} / .475 \text{ BCF} \times 100 = 13\%$

Oil Allocation

The oil production allocation will be based the estimated ultimate reserves for each zone.

The oil production allocation for the Fullerton #15-41GD will be based on the following information:

Basin Dakota Estimated Ultimate Reserves: 3.20 MBO

S. Kutz Gallup Estimated Ultimate Reserves: 9.28 MBO

Total Estimated Ultimate Reserves: 12.48 MBO

Allocation Method cont'd

The oil production allocation for each zone will be obtained by dividing the estimated ultimate reserves for each zone by the total estimated reserves for each zone as follows:

Basin Dakota Oil Allocation

$$3.20 \text{ MBO} / 12.48 \text{ MBO} \times 100 = 26\%$$

S. Kutz Gallup Oil Allocation

$$9.28 \text{ MBO} / 12.48 \text{ MBO} \times 100 = 74\%$$

IV. Notification List of Offset Operators

AFFIDAVIT OF MAILING

STATE OF COLORADO

CITY & COUNTY OF DENVER

I, Phil G. Wood, Land Manager, employed by Bonneville Fuels Corporation, being first duly sworn, deposes and says;

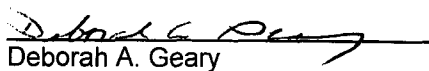
A Notice of intent of Commingle production from the Fullerton Federal #15-41GD Well by Bonneville Fuels Corporation to the offset Operators was deposited on May 27, 1999, in the U. S. Mail for delivery, as certified mail, to each of the following named parties at the addresses shown below:

1. Conoco, Inc.
10 Desta Drive, Suite 100W
Midland, Texas 79705
2. Burlington Resources Oil & Gas Company
801 Cherry Street, Suite 200
Ft. Worth, TX 76102
3. Louis Dreyfus Gas Holdings, Inc.
14000 Quail Springs Parkway, Suite 600
Oklahoma City, OK 73134
4. Marathon Oil Company
P. O. Box 552
Midland, TX 79702-0552
5. Cross Timbers Operating, Company
810 Houston Street, Suite 2000
Ft. Worth, TX 76102

Affiant Further Sayeth Not.


Phil G. Wood, Land Manager

SUBSCRIBED AND SWORN TO BEFORE ME, IN MY PRESENCE, THIS 27nd day of May 1999, a Notary Public in and for the State of Colorado.


Deborah A. Geary

My Commission Expires: September 30, 2000