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4/3/98	4/23/98	DC	NW	DHC
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ABOVE THIS LINE FOR DIVISION USE ONLY

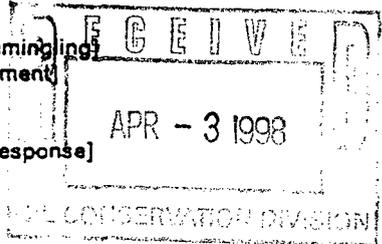
NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]



[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
 NSL NSP DD SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

GARY W. BRINK
 Print or Type Name

 Signature

Production Dept.
 Title

4/2/98
 Date



TAURUS EXPLORATION, INC.
2198 Bloomfield Highway
Farmington, New Mexico 87401
Telephone (505) 325-6800

April 2, 1998

Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RE: Administrative Approval to Downhole Commingle
Taurus Exploration U.S.A., Inc.
Carson #3
840' FSL, 995' FWL, Sec. 30, T30N R4W, NMPM
Rio Arriba County, New Mexico

Dear Ms. Wrotenbery:

Taurus Exploration U.S.A., Inc. requests administrative approval for downhole commingling the East Blanco Pictured Cliffs and Blanco Mesa Verde pools in the subject well. The well is currently producing as a Pictured Cliffs/Mesa Verde dual completion. Additional potential has been identified in the Upper Mesa Verde/Lewis Shale in this wellbore and it is planned to add this pay to the Mesa Verde flowstream. Since the Pictured Cliffs zone has experienced liquid loading problems, it is felt downhole commingling would improve the overall producing efficiency of the well. It is intended to add the additional pay and downhole commingle at the same time.

To comply with New Mexico Oil Conservation Rule, Taurus Exploration U.S.A., Inc. is submitting the following data for your approval of the proposed commingling.

1. For C-107A - Application for Downhole Commingling
2. C-102 - Location plat showing each spacing unit and dedicated acreage
3. Production curves for both the Pictured Cliffs and Mesa Verde
4. Offset operator plat
5. Well location plat
6. Allocation method

In accordance to New Mexico Oil Conservation Division Rule 303C, all offset operators are being notified of this application by certified mail. As an offset operator, if you have no objection to this application, you do not have to respond to this notification.

If additional information is needed, please contact me.

Sincerely,

Gary W. Brink
Production Superintendent

GWB/df
cc: NMOCD - Aztec, BLM - Farmington, Offset operators

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

811 S. First St., Artesia, NM 88210-2835

DISTRICT III

1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 875054-6429

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

APPROVAL PROCESS:

Administrative Hearing

EXISTING WELLBORE

YES NO

APPLICATION FOR DOWNHOLE COMMINGLING

Operator Taurus Exploration U.S.A., Inc. Address 2198 Bloomfield Highway, Farmington, New Mexico 87401

Lease Carson Well No. #3 Unit Ltr. - Sec - Twp - Rge N 30 T30N R4W County Rio Arriba, N.M.

OGRID NO. 162928 Property Code 006897 API NO. 30-039-22286 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 Zone	Lower Zone
1. Pool Name and Pool Code	E. Blanco Pictured Cliff 72400		Blanco Mesa Verde 72319
2. Top and Bottom of Pay Section (Perforations)	4108-4396		6293-6800
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: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) 650 Calc.	a.	a. 532 Calc.
	b. (Original) 1399 Calc.	b.	b. 953 Calc.
6. Oil Gravity (^o API) or Gas BTU Content)	1085 BTU		1060 BTU
7. Producing or Shut-In?	Producing		Producing
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: Rates:	Date: Rates:	Date: Rates:
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: 2/11/98 Rates: 40 MCF/D	Date: Rates:	Date: 2/18/98 Rates: 146 MCF/D
8. Fixed Percentage Allocation Formula - % for each zone	Oil: Gas: See attached allocations %	Oil: Gas: %	Oil: Gas: %

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 in 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 Gary W. Brink TITLE Prod. Superintendent DATE 4/1/98

TYPE OR PRINT NAME Gary W. Brink TELEPHONE NO. (505) 325-6800

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 811 S. 1st Street, Artesia, NM 88210-2834
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

Form C-102
 Revised October 18, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-22286		² Pool Code 72400/72319		³ Pool Name East Blanco Picture Cliffs/Blanco Mesa Verde	
⁴ Property Code 006897		⁵ Property Name Carson			⁶ Well Number 3
⁷ OGRID No. 162928		⁸ Operator Name Taurus Exploration, U.S.A., Inc.			⁹ Elevation

¹⁰ Surface Location

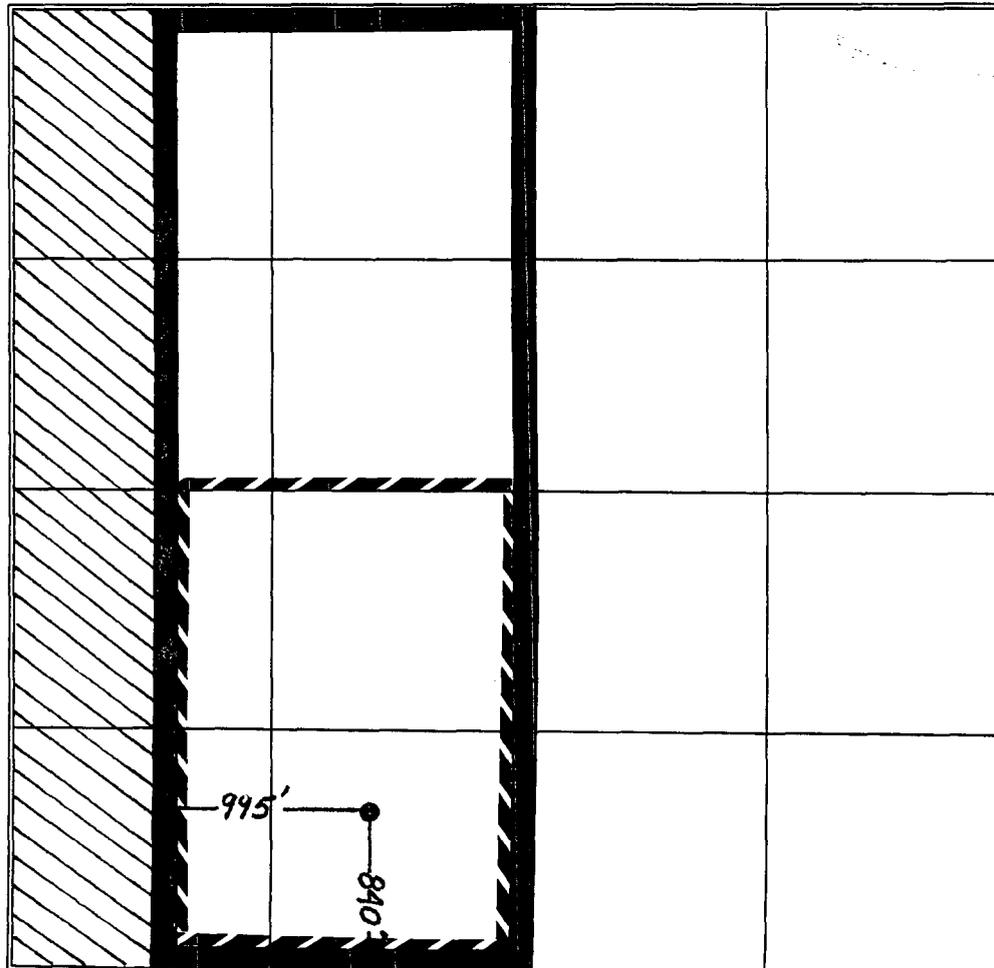
UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South Line	Feet from the	East/West line	County
N	30	30N	4W		840	South	995	West	Rio Arriba

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 110.13/220.12	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



¹⁷ OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

[Signature]
 Signature
 Gary W. Brink
 Printed Name
 Production Superintendent
 Title
 4/1/98
 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.

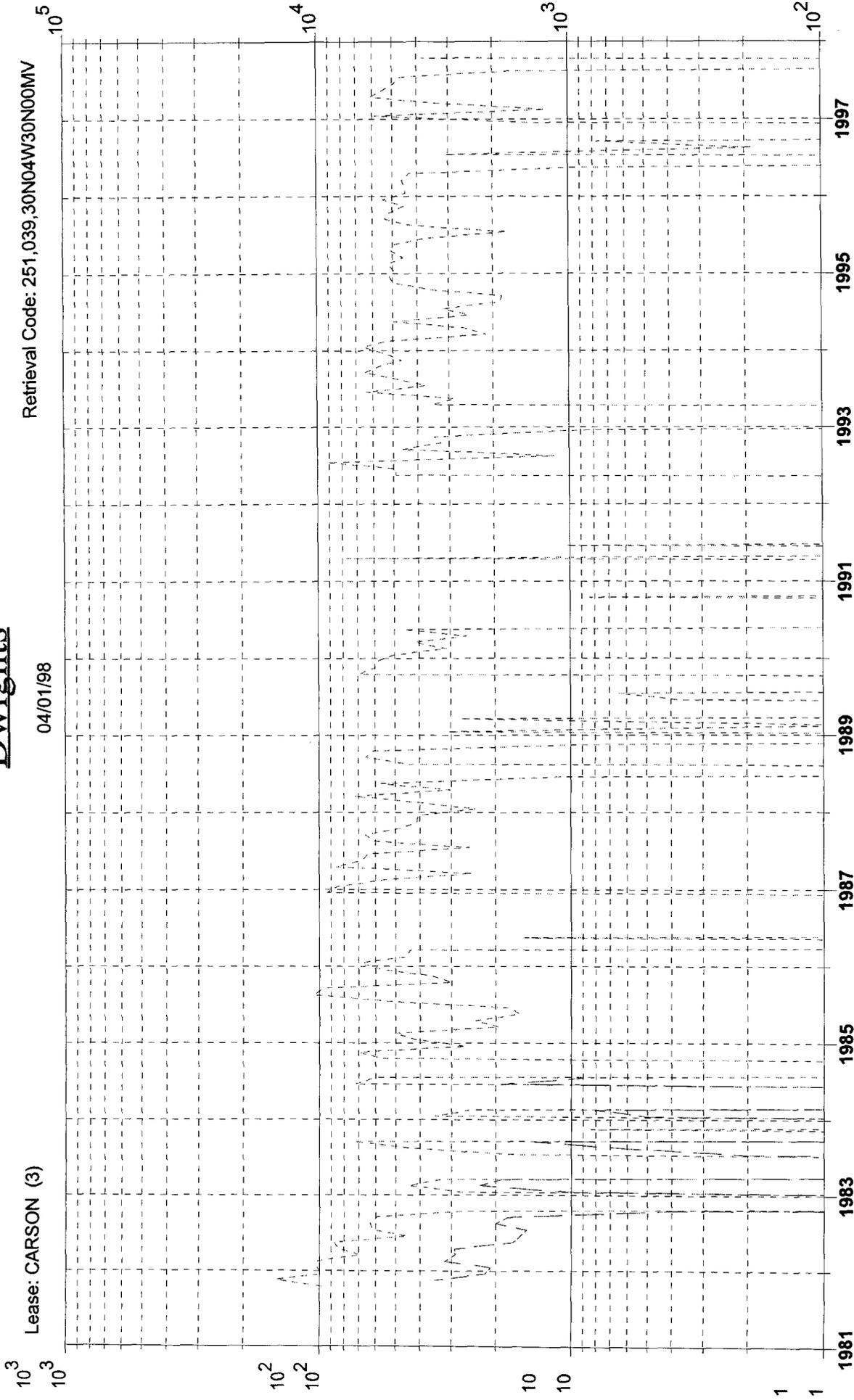
July 11, 1979
 Date of Survey
 Signature and Seal of Professional Surveyer:
 Reissue of Original
 Survey by
 Fred B. Kerr
 3950
 Certificate Number

Dwights

Lease: CARSON (3)

04/01/98

Retrieval Code: 251,039,30N04W30N00MV



Water (bbl/mo) —

Oil (bbl/mo) —

Gas (mcf/mo) —

F.P. Date: 10/81

Oil Cum: 29 bbl

Gas Cum: 643.4 mmcf

Location: 30N 30N 4W

County: RIO ARRIBA, NM

Field: BLANCO (MESAVERDE) MV

Reservoir: MESAVERDE

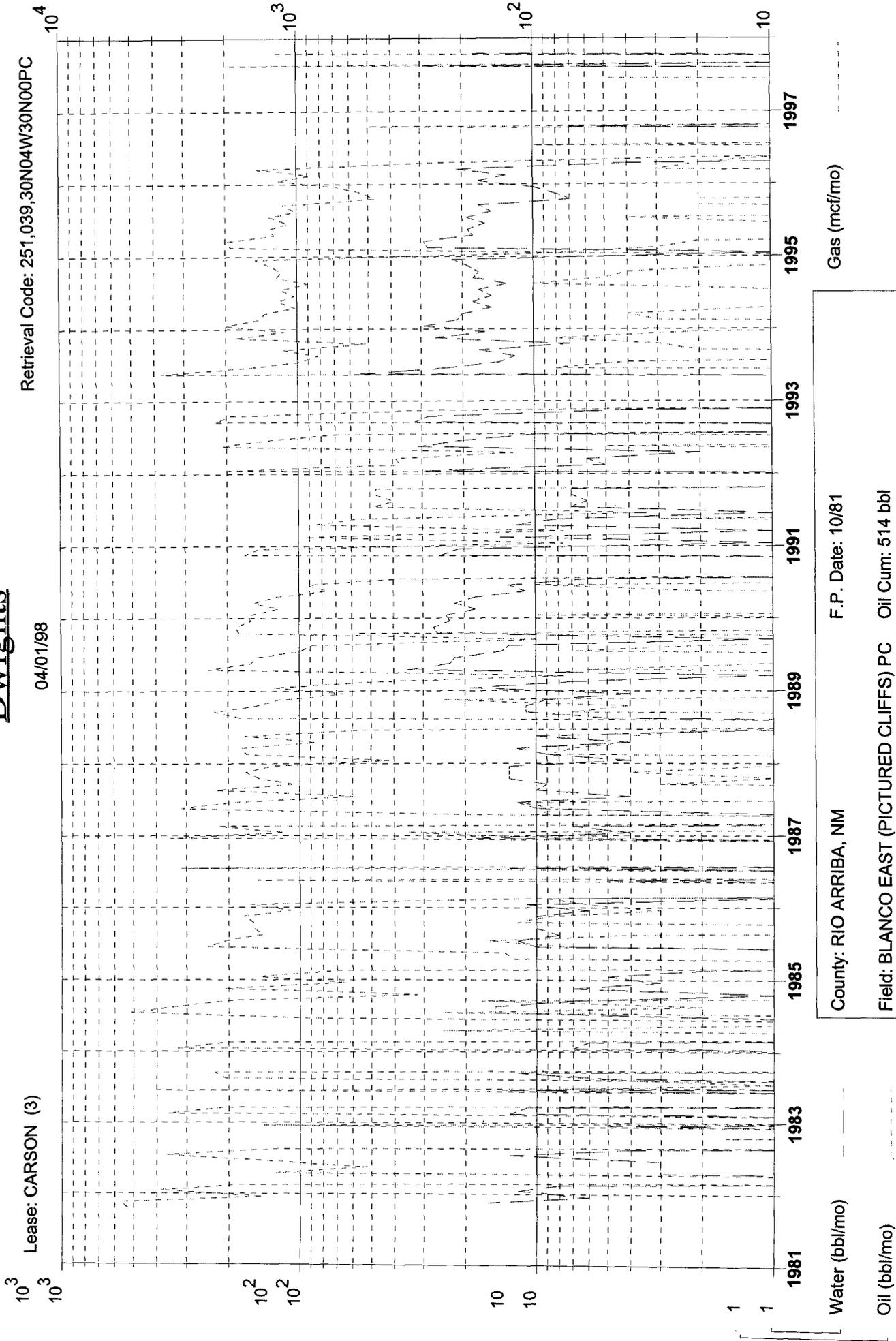
Operator TAURUS EXPLORATION U.S.A.

Dwights

04/01/98

Lease: CARSON (3)

Retrieval Code: 251,039,30N04W30N00PC



Gas (mcf/mo)

F.P. Date: 10/81

County: RIO ARRIBA, NM

Water (bbl/mo)

Field: BLANCO EAST (PICTURED CLIFFS) PC Oil Cum: 514 bbl

Oil (bbl/mo)

Reservoir: PICTURED CLIFFS Gas Cum: 205.4 mmcf

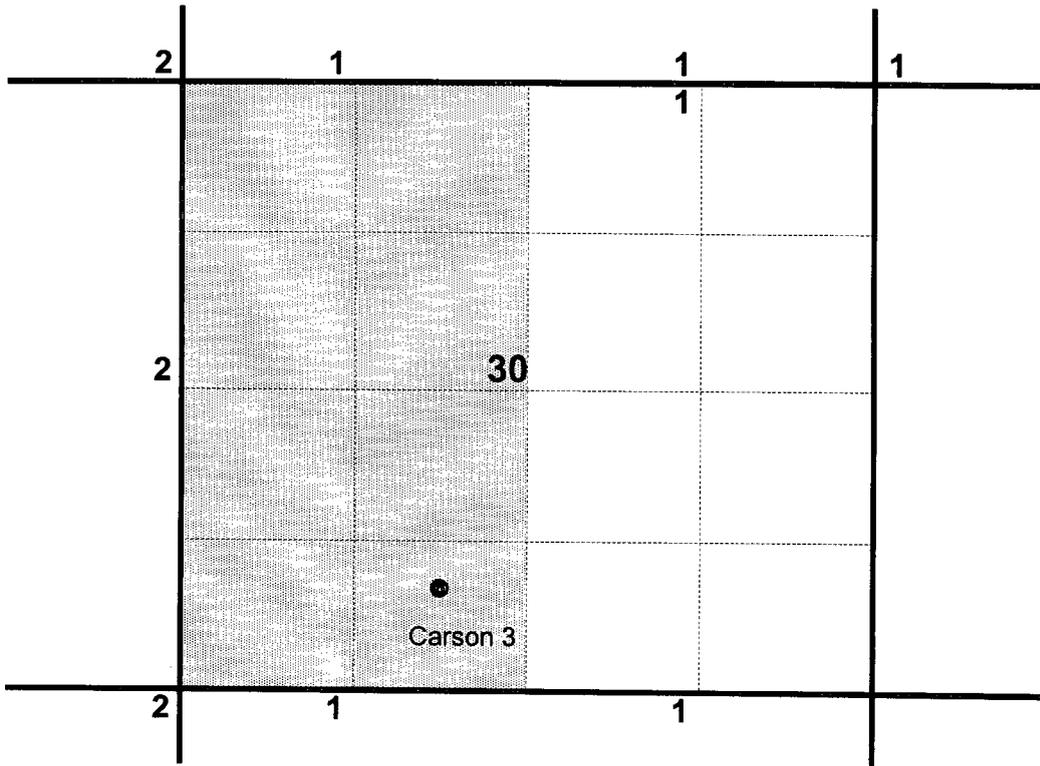
Operator TAURUS EXPLORATION U.S.A. Location: 30N 30N 4W

Taurus Exploration U.S.A., Inc

Carson #3

Offset Operator / Ownership Plat
E. Blanco Pictured Cliffs/ Blanco Mesa Verde
Downhole Commingling

Township 30 N, Range 4 W



- 1) Taurus Exploration U.S.A., Inc
- 2) Phillips Petroleum
5525 Hwy. 64
Farmington, N.M. 87401

Taurus Exploration U.S.A., Inc.

Well Location Plat

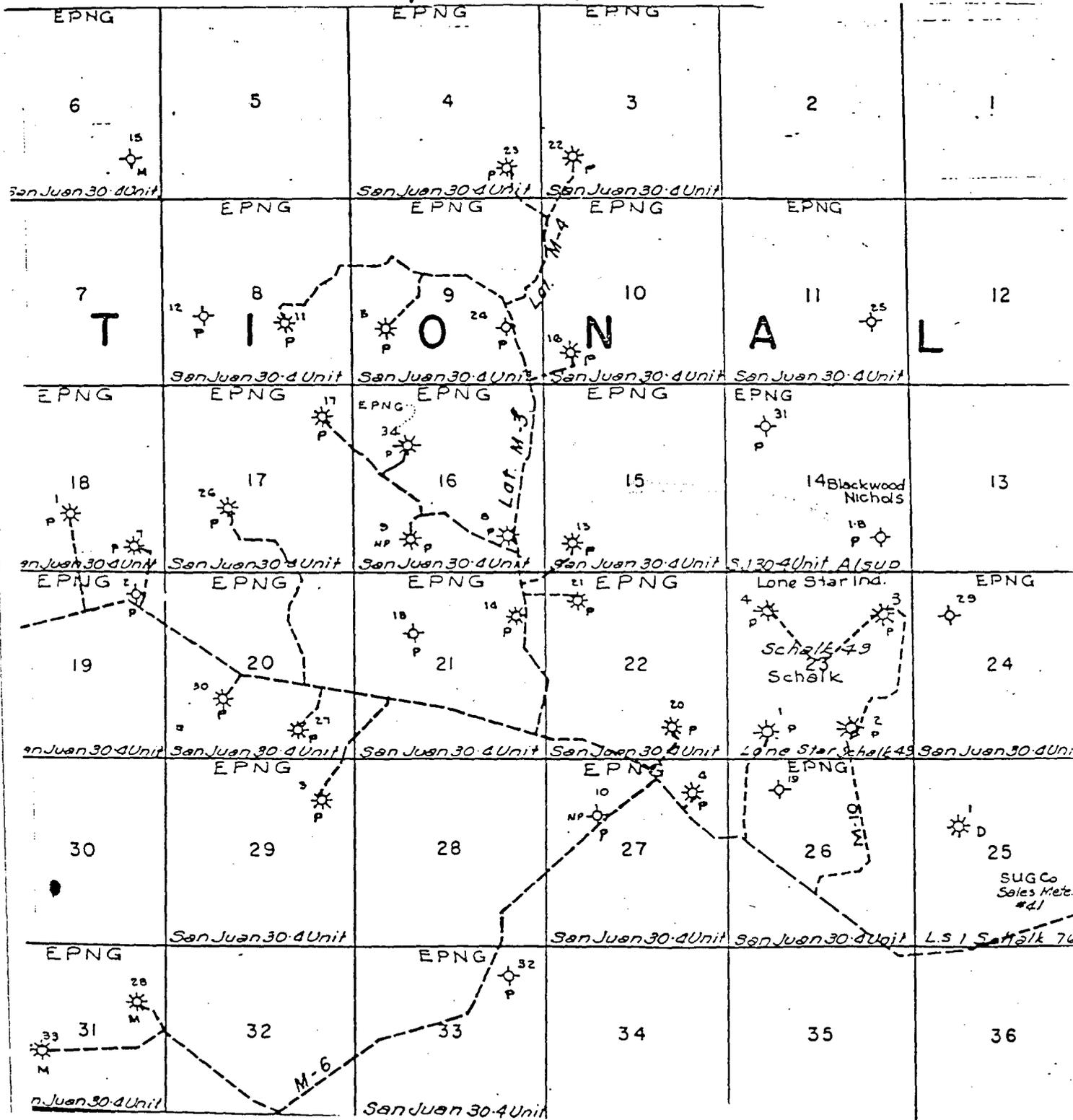
Carson #3

Unit N, Section 30, T 30 N, R 4 W

Rio Arriba Co., N.M.

R-4-W

T
30
N



Carson #3

Proposed Allocation Method

Produce total well stream for 30 days following upper Mesa Verde pay add
Pay Add projected to add 70 MCFD to Mesa Verde flow stream

Total Stream = X

Pictured Cliffs rate = 40 MCFD

PC Allocation = $40/X$ as a percentage

MV Allocation = $(X - 40)/X$ as a percentage

Oil Allocation = 100 % to Pictured Cliffs Zone

Rates will be reported to NMOCD - Aztec for final allocation percentage determination