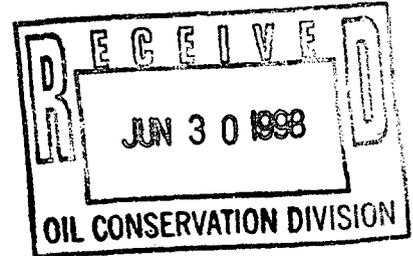


DHC 7/20/98

# CAULKINS OIL COMPANY

P. O. BOX 340  
BLOOMFIELD, NEW MEXICO 87413  
PHONE: 505-632-1544  
FAX 505-632-1471

2032



June 26, 1998

State of New Mexico  
Oil Conservation Division  
ATTN: Mr. David Catanach  
2040 S. Pacheco  
Santa Fe, NM 87505

Re: Administrative Approval to Commingle  
Breech "B" 781, Section 14, Township 26N, Range 7W, Unit Letter L  
Basin Dakota, Ice Canyon Gallup, and Blanco Mesa Verde Formations

Dear Mr. Catanach:

This well was originally proposed to be completed as a dual completion with Dakota - Mesa Verde commingled below a packer and Chacra above. NMOCD order R-10964 approved the commingling of Dakota - Mesa Verde with a completed C-107-A (order attached).

Caulkins Oil Company now plans to complete well in the Ice Canyon; Gallup formation and requests administrative approval to dual complete well as a commingled Dakota - Gallup - Mesa Verde below a packer and Chacra above.

Dugan Production Corporation recently received approval to commingle these three pools in their Mona Lisa #2 well located in section 14-26N-7W, unit letter J, by NMOCD order DHC-1920. This well has been completed and is currently producing approximately 600 MCF/D from the commingled zones.

Allocation percentages and volumes were calculated using the average production from the April and May monthly volume statements for the Dakota and Gallup zones in our Breech 377 well. Allocation for the Mesa Verde zone was calculated using 1997 production history from Mesa Verde wells operated by Caulkins Oil Company in sections 13 and 14 of township 26N, range 7W.

Please find the enclosed documents:

- A. Form C-107-A
- B. Form C-102 for each zone
- C. Copy of order # DHC-1920
- D. Copy of order # R-10964
- E. Notification list of offset operators
- F. Vicinity map
- G. Sundry notice notifying BLM of intentions to commingle.

If you have any questions or need more information, please contact Robert L. Verquer at (505) 632-1544.

Sincerely,

Robert L. Verquer,  
Superintendent

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

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

677 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 Caulkins Oil Company Address P.O. Box 340, Bloomfield, NM 87413  
 Well No. Breech "B" 781 Unit Ctr. - Sec - Twp - Rge L - Sec. 14-26N-7W County Rio Arriba  
 OGRID NO. 003824 Property Code 2456 API NO. 30-039-25839 Spacing Unit Lease Types: (check 1 or more)  
 Federal  State  land/or Fee

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zones	Lower Zone
1. Pool Name and Pool Code	Blanco Mesa Verde	Ice Canyon; Gallup	Basin Dakota
2. Top and Bottom of Pay Section (Perforations)	Approximately 4600' to 4740'	Approximately 5730' to 6000'	Approximately 6620' to 6765'
3. Type of production (Oil or Gas)	Gas and Condensate	Gas and Condensate	Gas and Condensate
4. Method of Production (Flowing or Artificial Lift)	Flowing	Flowing	Flowing
5. Bottomhole Pressure Zones - Artificial Lift: Estimated Current & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) Not completed	a. Not completed	a. Not completed
	b. (Original) 1087 psia (estimated)	b. 1388 psia (estimated)	b. 2680 psia (estimated)
6. Oil Gravity (°API) or Gas BTU Content	1187 BTU (estimated)	1196 BTU (estimated)	1148 BTU (estimated)
7. Producing or Shut-in?	Not completed	Not completed	Not completed
Production Marginal? (yes or 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  • If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Anticipated to be	Anticipated to be	Anticipated to be
	Date: See R-10964 Rates: 75 MCFD + 0.5 BCPD	Date: See attached Rates: 100 MCFD + 1.0 BCPD	Date: See R-10964 Rates: 240 MCFD + 5.0 BCPD
	Date: Rates:	Date: Rates:	Date: Rates:
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 8 % Gas: 18 %	Oil: 16 % Gas: 24 %	Oil: 76 % Gas: 58 %

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-1920, R-10963, R-10964, R-1023
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 Robert L. Verquer TITLE Superintendent DATE June 26, 1998  
 TYPE OR PRINT NAME Robert L. Verquer TELEPHONE NO. ( 505 ) 632-1544



District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 811 South First, Artesia, NM 88210  
 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

OIL CONSERVATION DIVISION  
 2040 South Pacheco  
 Santa Fe, NM 87505

Form C-102  
 Revised October 18, 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

<sup>1</sup> API Number 30-039-25839		<sup>2</sup> Pool Code 93235		<sup>3</sup> Pool Name ICE CANYON; GALLUP	
<sup>4</sup> Property Code 2456		<sup>5</sup> Property Name BREECH "B"			<sup>6</sup> Well Number 781
<sup>7</sup> OGRID No. 003824		<sup>8</sup> Operator Name Caulkins Oil Company			<sup>9</sup> Elevation 6124 GR

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	14	26N	7W		1800'	South	1150'	West	Rio Arriba

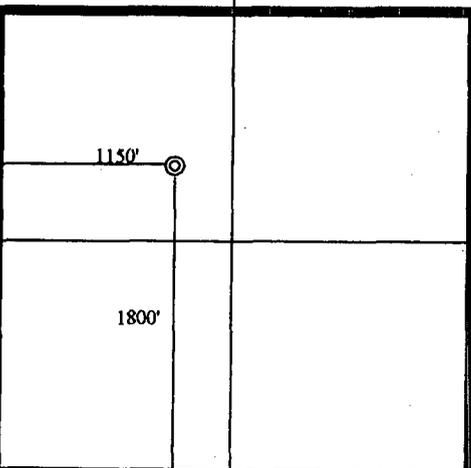
<sup>11</sup> Bottom Hole Location If Different From Surface

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

<sup>12</sup> Dedicated Acres 160	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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					<sup>17</sup> 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 Robert L. Verquer Title Superintendent Date June 26, 1998
					<sup>18</sup> 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 knowledge and belief.</i> Date of Survey  Signature and Seal of Professional Surveyor:   Certificate Number



District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 811 South First, Artesia, NM 88210  
 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

OIL CONSERVATION DIVISION  
 2040 South Pacheco  
 Santa Fe, NM 87505

Form C-102  
 Revised October 18, 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

<sup>1</sup> API Number 30-039-25839	<sup>2</sup> Pool Code 72319	<sup>3</sup> Pool Name BLANCO MESA VERDE
<sup>4</sup> Property Code 2456	<sup>5</sup> Property Name BREECH "B"	
<sup>7</sup> OGRID No. 003824	<sup>8</sup> Operator Name Caulkins Oil Company	<sup>6</sup> Well Number 781
		<sup>9</sup> Elevation 6124 GR

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	14	26N	7W		1800'	South	1150'	West	Rio Arriba

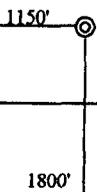
<sup>11</sup> Bottom Hole Location If Different From Surface

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

<sup>12</sup> Dedicated Acres 160	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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

16										<b><sup>17</sup> OPERATOR CERTIFICATION</b>
										<i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i>
										<i>Robert L. Verquer</i>
										Signature
										Printed Name <b>Robert L. Verquer</b>
										Title <b>Superintendent</b>
										Date <b>June 26, 1998</b>
										<b><sup>18</sup> SURVEYOR CERTIFICATION</b>
										<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 knowledge and belief.</i>
										Date of Survey
										Signature and Seal of Professional Surveyor:
										Certificate Number





NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

ADMINISTRATIVE ORDER DHC-1920

Dugan Production Corporation  
P.O. Box 420  
Farmington, New Mexico 87499-0420

RECEIVED  
MAY 19 1998

OIL CON. DIV.  
DIST. 3

Attention: Mr. John Alexander

*Mona Lisa No. 2*  
*API No. 30-039-25745*  
*Unit J, Section 14, Township 26 North, Range 7 West, NMPM,*  
*Rio Arriba County, New Mexico.*  
*Ice Canyon-Gallup (Gas - 93235),*  
*Basin-Dakota (Prorated Gas - 71599) and,*  
*Blanco-Mesaverde (Prorated Gas - 72319)*

Dear Mr. Alexander:

Reference is made to your request for an amendment to Division Order No. R-10963, which authorized the downhole commingling of Basin-Dakota and Blanco-Mesaverde Gas Pool production within the subject well, to add the Ice Canyon-Gallup Gas Pool as a third commingled zone in the wellbore.

It appearing that the subject well qualifies for approval for such amendment pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the zones is hereby placed in abeyance.

The maximum amount of gas which may be produced daily from the well shall be determined by Division Rules and Regulations or by the gas allowable for each respective prorated pool as printed in the Division's San Juan Basin Gas Proration Schedule.

Assignment of allowable to the well and allocation of production from the well shall be on the following basis:

Blanco-Mesaverde Gas Pool	Oil 30%	Gas 30%
Basin-Dakota Gas Pool	Oil 45%	Gas 45%
Ice Canyon-Gallup Gas Pool	Oil 25%	Gas 25%

*Administrative Order No. DHC-1920  
Dugan Production Corporation  
May 11, 1998  
Page 2*

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The allocation method established herein may be altered at some time subsequent to initiating downhole commingling operations upon request by the operator and for good cause shown.

REMARKS: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

Pursuant to Rule 303.H., the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 11th day of May, 1998.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
LORI WROTENBERY  
Director

S E A L

LW/DRC

cc: Oil Conservation Division - Aztec /  
Bureau of Land Management-Farmington  
Case File-11897

**STATE OF NEW MEXICO  
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:**

**CASE NO. 11920  
Order No. R-10964**

**APPLICATION OF CAULKINS OIL COMPANY  
FOR COMPULSORY POOLING AND DOWNHOLE  
COMMINGLING, RIO ARRIBA COUNTY, NEW  
MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on February 5, 1998, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2<sup>nd</sup> day of March, 1998, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised,

**FINDS THAT:**

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) Division Case Nos. 11897, 11899 and 11920 were consolidated at the time of the January 8<sup>th</sup> hearing for the purpose of testimony. No additional appearances were entered in this case at the February 5<sup>th</sup> hearing.
- (3) The applicant, Caulkins Oil Company, seeks an order pooling all mineral interests in the Blanco-Mesaverde and Basin-Dakota Gas Pools underlying the S/2 of Section 14, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, thereby forming a standard 320-acre gas spacing and proration unit for said pools. This unit is to be dedicated to its proposed Breech "B" 781 well to be drilled at a standard gas well location 1800 feet from the South line and 1150 feet from the West line (Unit L) of Section 14.
- (4) The applicant further seeks authority to downhole commingle Blanco-Mesaverde and Basin-Dakota Gas Pool production within the subject well.

**CASE NO. 11920**

**Order No. R-10964**

**Page -2-**

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(5) By Order No. R-10961 issued in companion Case No. 11899 on February 18, 1998, the Division, upon application of Dugan Production Corporation, established two 160-acre non-standard gas spacing and proration units in the Blanco-Mesaverde and Basin-Dakota Gas Pools comprising the SE/4 and SW/4 of Section 14, Township 26 North, Range 7 West, NMPM.

(6) As a result of the issuance of Order No. R-10961, the portion of the immediate case seeking to compulsory pool the interests within the S/2 of Section 14, thereby forming a standard 320-acre gas spacing and proration unit for the Blanco-Mesaverde and Basin-Dakota Gas Pools, is unnecessary and should therefore be dismissed.

(7) The evidence and testimony presented in this case indicates that:

- a) Caulkins proposes to commingle the Blanco-Mesaverde and Basin-Dakota Gas Pools and dually complete these commingled zones with the Chacra formation within the subject Breech "B" 781 well;
- b) a well drilled within the S/2 of Section 14 should encounter marginal gas production only from the Blanco-Mesaverde and Basin-Dakota Gas Pools;
- c) the estimated bottomhole pressures within the Mesaverde and Dakota formations are expected to exceed the requirements set forth in Division Rule No. 303.C., which states that the Division may grant administrative approval for downhole commingling provided that the bottomhole pressure of the highest pressured commingled zone does not exceed the original reservoir pressure of any other commingled zone in the wellbore, adjusted to a common datum. Administrative notice was taken in this case of the engineering evidence and testimony presented in Case No. 11815, in which case Conoco Inc. demonstrated that even though the bottomhole pressure of the Dakota formation exceeds the original bottomhole pressure of the Mesaverde formation, there is no possibility of damage to the Mesaverde formation, nor will there be any loss of reserves, waste, or violation of correlative rights. Conoco presented this evidence in support of a downhole commingling request for its San Juan 28-7 Unit which is located approximately four miles northwest of the proposed Breech "B" 781 well.

**CASE NO. 11920**

**Order No. R-10964**

**Page -3-**

(8) At this time, the applicant seeks only an exception to the pressure requirements contained within Division Rule No. 303.C., as described above. The applicant testified that it will file a Division Form No. C-107-A subsequent to the entry of this order.

(9) The evidence and testimony in this case is sufficient to grant an exception to the pressure requirements for administrative approval for downhole commingling within the proposed Breech "B" 781 well.

**IT IS THEREFORE ORDERED THAT:**

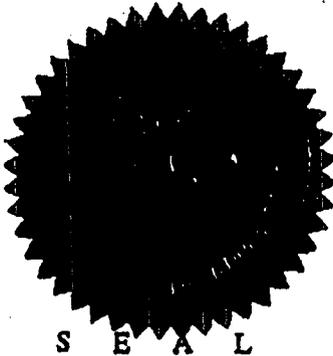
(1) The application of Caulkins Oil Company for an order pooling all mineral interests in the Blanco-Mesaverde and Basin-Dakota Gas Pools underlying the S/2 of Section 14, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, thereby forming a standard 320-acre gas spacing and proration unit for said pools, said unit to be dedicated to its proposed Breech "B" 781 well to be drilled at a standard gas well location 1800 feet from the South line and 1150 feet from the West line (Unit L) of Section 14, is hereby dismissed.

(2) The applicant, Caulkins Oil Company, is hereby granted an exception to the pressure requirements for administrative approval for downhole commingling as contained within Division Rule No. 303.C., for its proposed Breech "B" 781 well, which is to be drilled at a standard gas well location 1800 feet from the South line and 1150 feet from the West line (Unit L) of Section 14, and which is proposed to be downhole commingled in the Blanco-Mesaverde and Basin-Dakota Gas Pools.

(3) In order to obtain administrative approval to downhole commingle Blanco-Mesaverde and Basin-Dakota Gas Pool production within the aforesaid Breech "B" 781 well, the applicant shall file a Division Form No. C-107-A complete with all attachments.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Lori Wrotenbery*  
LORI WROTENBERY  
Director

# CAULKINS OIL COMPANY

P. O. BOX 340

BLOOMFIELD, NEW MEXICO 87413

PHONE: 505-632-1544

FAX 505-632-1471

June 26, 1998

The following list is all the offset operators that Caulkins Oil Company has notified by certified mail of the application to downhole commingle of Breech "B" 781, section 14, township 26N, range 7W.

Central Resources, Inc.  
1776 Lincoln St. Suite 1010  
Denver, CO 80202

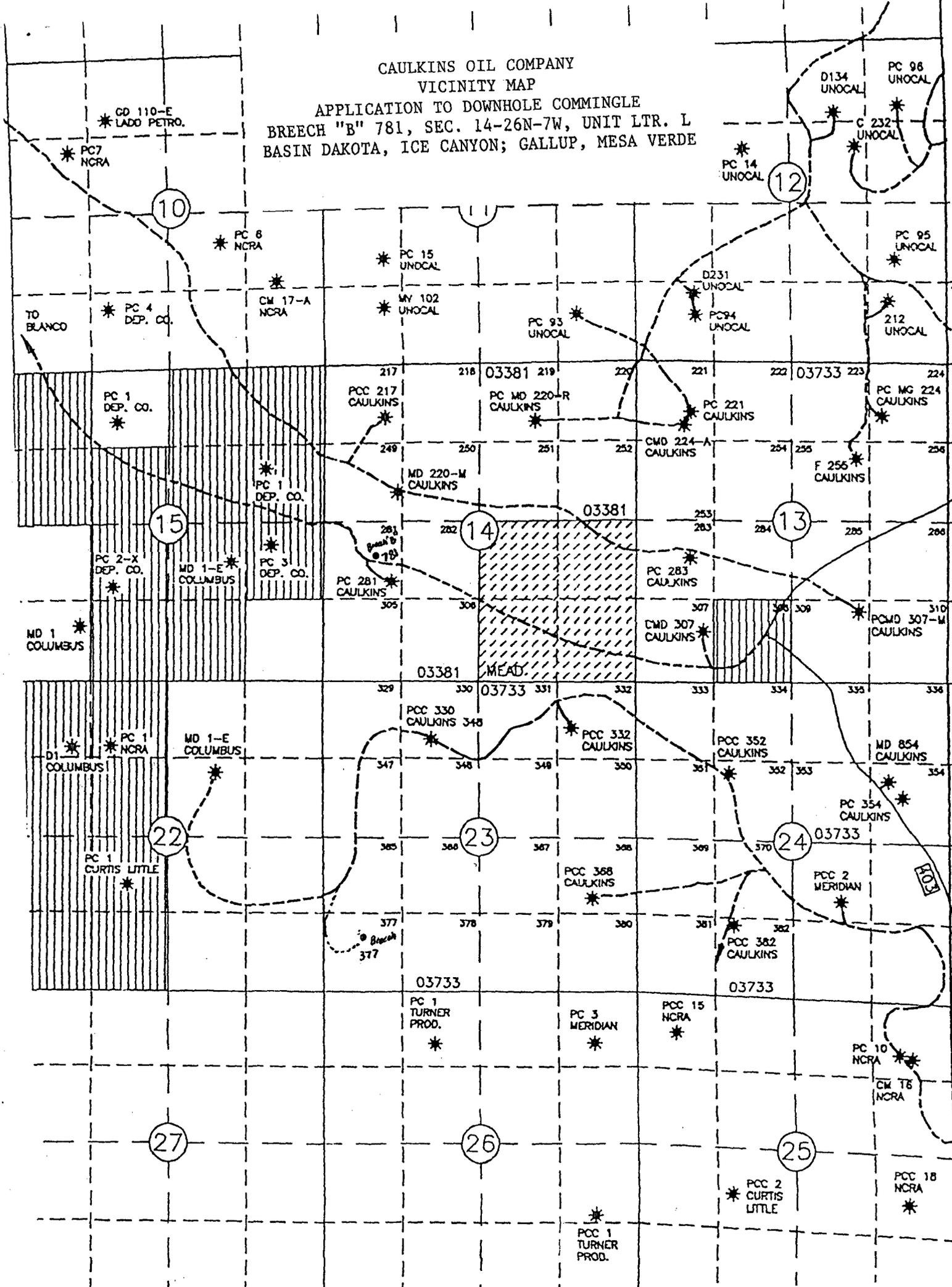
Chateau Oil & Gas  
5802 U.S. Hwy 64  
Farmington, NM 87402

Dugan Production Corporation  
709 E. Murray Dr. Box 420  
Farmington, NM 87401

Louis Dreyfus Natural Gas Co.  
1400 Quail Springs Corporate Park  
Suite 600  
Oklahoma City, OK 73134

Union Oil & Gas of CA  
1004 Big Spring  
Midland, TX 79702

CAULKINS OIL COMPANY  
VICINITY MAP  
APPLICATION TO DOWNHOLE COMMINGLE  
BREECH "B" 781, SEC. 14-26N-7W, UNIT LTR. L  
BASIN DAKOTA, ICE CANYON; GALLUP, MESA VERDE



**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT**

**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--" for such proposals)

5. Lease  
NMNM-03381

6. If Indian, Allottee or Tribe Name

7. Unit Agreement Name

1. Oil Well  Gas Well  Other   
GAS WELL

8. Well Name and No.  
BREECH "B" 781

2. Name of Operator:  
**Caulkins Oil Company**

9. API Well No.  
30-039-25839-00-X1

3. Address of Operator: **(505) 632-1544**  
**P.O. Box 340, Bloomfield, NM 87413**

10. Field and Pool, Exploratory Area  
BASIN DAKOTA, ICE CANYON; GALLUP,  
MESA VERDE

4. Location of Well (Footage, Sec., Twp., Rge.)  
1800' F/S 1150' F/W SEC. 14-26N-7W

11. Country or Parish, State  
Rio Arriba Co., New Mexico

**12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION	
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion	<input type="checkbox"/> New Construction
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Altering Casing	<input type="checkbox"/> Conversion to Injection
	<input checked="" type="checkbox"/> Other <u>Commingle well</u>	<input type="checkbox"/> Dispose Water

17. Describe Proposed or Completed Operations:  
6-26-98 Caulkins Oil Company has requested approval from NMOCD to downhole commingle this well.  
Application and documents attached.  
If there are any questions, please contact Robert L. Verquer at (505) 632-1544.

NOTE: The format is issued in lieu of U.S. BLM Form 3160-5

18. I HEREBY CERTIFY THE FOREGOING IS TRUE AND CORRECT

SIGNED: Robert L. Verquer TITLE: Superintendent DATE: June 26, 1998  
**ROBERT L. VERQUER**

APPROVED BY: \_\_\_\_\_ TITLE: \_\_\_\_\_ DATE: \_\_\_\_\_  
CONDITIONS OF APPROVAL, IF ANY