

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

811 South First St., Artesia, NM 88210

DISTRICT III

1000 Rio Bravos Rd., Aztec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-8429Form C-107-A
New 3-12-96

APPROVAL PROCESS:

☒ Administrative ☐ Hearing

EXISTING WELLBORE

☒ YES ☐ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Bonneville Fuels Corporation 1660 Lincoln, Suite 2200 Denver CO 80264

OPERATOR

ADDRESS

Fullerton Federal 23 GD #11 K Sec 11 T27N R11W

San Juan

County

CROSS

Well No.

Unit ID: SSC - 1wp - 1158

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 02678

Property Code 24188

API NO. 30-045-29740

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	So. Kutz Gallup 96852		Basin Dakota 71599
2. Top and Bottom of Pay Section (Perforations)	5794'-5810'		6436'-6482'
3. Type of production (Oil or Gas)	Oil & Gas		Oil & Gas
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) 1445 psi (2 wk SI) b. (Original) -	a. b.	b. 861 psi (10 hr SI) -
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)	No		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: 4/13/99 Rates: 480 MCFG/D 5 BO/D 2 BW/D	Date: Rates:	Date: 4/7/99 Rates: 100 MCFG/D 1 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: 56 % Gas: 81 %	Oil: % Gas: %	Oil: 44 % Gas: 19 %

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 ☐ No11. 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 ☐ No13. 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).

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.
- VI 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 Alan L. Merrill TITLE Operations Engineer DATE 6/3/99TYPE OR PRINT NAME Alan L. Merrill TELEPHONE NO. (303) 863-1555 x 225

I. Location Plat

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 BLM

2040 South Pacheco

Santa Fe, NM 8750598 NOV 23 AM 9:27

070 FARMINGTON, NM

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	¹ Pool Code 96852	¹ Pool Name South Kutz-Gallup
¹ Property Code	¹ Property Name FULLERTON FEDERAL	¹ Well Number 11-23GD
¹ OGRID No. 02678	¹ Operator Name BONNEVILLE FUELS	¹ Elevation 6118

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
K	11	27N	11W		1850	SOUTH	1850	WEST	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


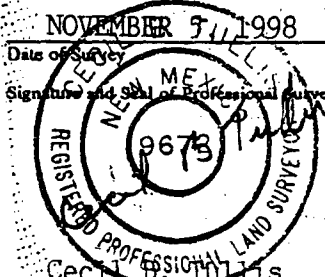
16	2650.23	S89° 46' W	2650.23	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief  Signature Alan L. Merrill Printed Name Operations Engineer Title 11/20/98 Date
2640				
N 0° 01' W	1850'			
2640				
		acreage dedication in hachures		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. NOVEMBER 7, 1998 Date of Survey  Signature and Seal of Professional Surveyor Cecil B. Tullis Certificate Number 9672
	2648.25	S89° 48' W	2648.25	

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.

Rate/Time Graph

Lease Name:
County, ST:
Location:

Fullerton Federal (11-23GD)
San Juan, NM
27N-11W-0

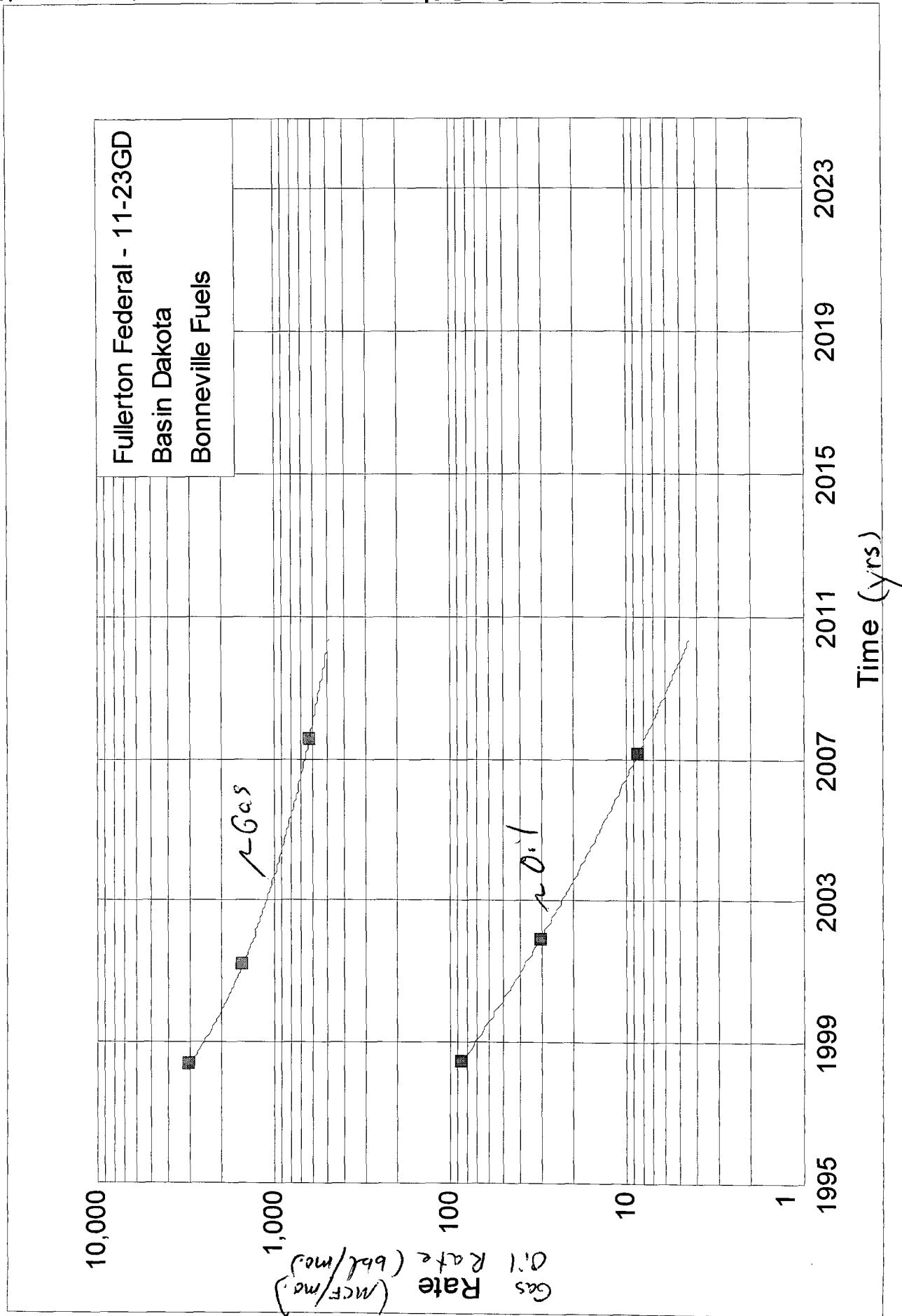
Project: S:\IHS Energy\ptproj\kutz3.mdb

Field Name:
Operator:

Basin Dakota
Bonneville Fuels

Date: 6/1/1999
Time: 1:54 PM

II. Estimated Production Rates - Basin Dakota



Annual CashFlow Report

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

Lease Name: Fullerton Federal (11-23GD) Field Name: Basin Dakota
 County, ST: San Juan, NM Operator: Bonneville Fuels
 Location: 27N-11W-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	745	26,605	644	23,014	16.00	2.40	65,543
12/00	1	553	21,016	478	18,179	16.00	2.40	51,278
12/01	1	416	17,201	360	14,878	16.00	2.40	41,465
12/02	1	317	14,451	274	12,500	16.00	2.40	34,391
12/03	1	245	12,388	212	10,716	16.00	2.40	29,105
12/04	1	191	10,790	165	9,333	16.00	2.40	25,042
12/05	1	150	9,520	130	8,235	16.00	2.40	21,846
12/06	1	120	8,491	103	7,345	16.00	2.40	19,282
12/07	1	96	7,641	83	6,610	16.00	2.40	17,191
12/08	1	78	6,930	67	5,994	16.00	2.40	15,459
12/09	1	63	6,326	55	5,472	16.00	2.40	14,008
04/10	1	18	1,990	16	1,721	16.00	2.40	4,386
Grand Total:		2,991	143,350	2,588	123,998	16.00	2.40	338,996

Date	Operating Expenses (\$)	Taxes (\$)	Operating Income (\$)	Other Costs (\$)	Periodic Cash Flow (\$)	Cumulative Cash Flow (\$)	10.00 % Cash Flow (\$)
12/99	12,000	4,896	48,647	0	48,647	48,647	46,337
12/00	12,000	3,832	35,446	0	35,446	84,093	30,687
12/01	12,000	3,101	26,365	0	26,365	110,458	20,748
12/02	12,000	2,573	19,817	0	19,817	130,275	14,177
12/03	12,000	2,179	14,926	0	14,926	145,201	9,707
12/04	12,000	1,876	11,166	0	11,166	156,367	6,602
12/05	12,000	1,638	8,209	0	8,209	164,575	4,413
12/06	12,000	1,446	5,836	0	5,836	170,411	2,853
12/07	12,000	1,290	3,901	0	3,901	174,312	1,735
12/08	12,000	1,161	2,299	0	2,299	176,610	931
12/09	12,000	1,052	955	0	955	177,566	354
04/10	4,000	330	57	0	57	177,622	20
Grand Total:	136,000	25,374	177,622	0	177,622	177,622	138,563

Discount Present Worth:

8.00 %	144,849
10.00 %	138,563
15.00 %	125,192
20.00 %	114,429
30.00 %	98,246
40.00 %	86,702
50.00 %	78,068
60.00 %	71,368
70.00 %	66,013
80.00 %	61,631
100.00 %	54,875

Economic Dates:

Effective Date 01/1999
 Calculated Limit 04/2010
 Economic Life 136 Months
 11 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	3,461	162,638
Cumulative Gross	0	0
Remaining Gross	2,991	143,350
Remaining Net	2,588	123,998

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

Rate/Time Graph

Lease Name: Fullerton Federal (11-23GD)
 County, ST: San Juan, NM
 Location: 27N-11W-11

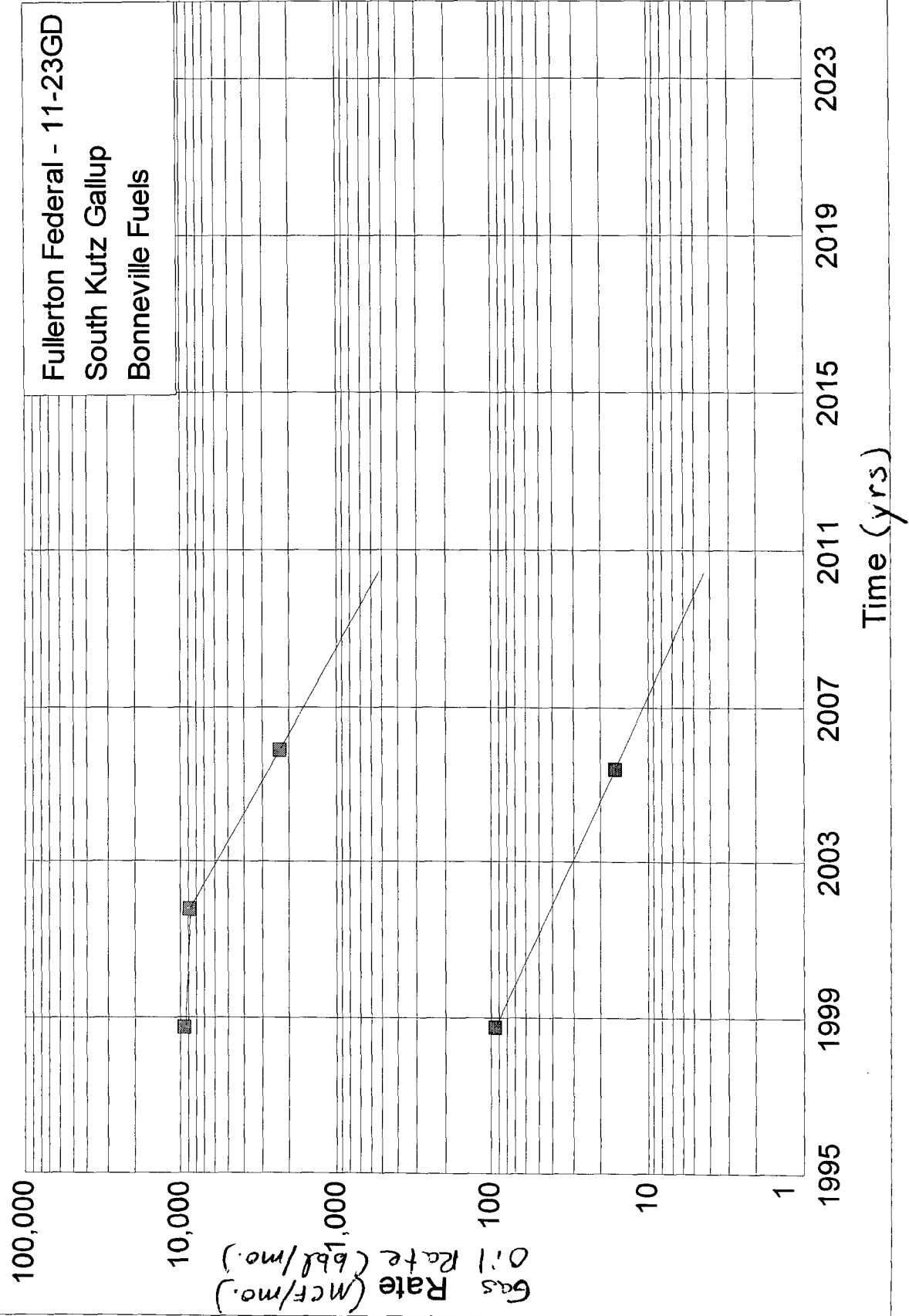
Project: S:\IHS Energy\ptproj\kutz3.mdb

Field Name:
 Operator:

South Kutz Gallup
 Bonneville Fuels

Date: 6/1/1999
 Time: 2:01 PM

II. Estimated Production Rates - South Kutz Gallup



Annual CashFlow Report

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

Lease Name: Fullerton Federal (11-23GD) Field Name: South Kutz Gallup
 County, ST: San Juan, NM Operator: Bonneville Fuels
 Location: 27N-11W-11

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	950	110,193	822	95,317	16.00	2.40	241,908
12/00	1	724	107,660	626	93,126	16.00	2.40	233,525
12/01	1	552	104,743	478	90,603	16.00	2.40	225,089
12/02	1	421	83,964	364	72,629	16.00	2.40	180,135
12/03	1	321	60,170	278	52,047	16.00	2.40	129,354
12/04	1	245	43,119	212	37,298	16.00	2.40	92,901
12/05	1	187	30,900	161	26,728	16.00	2.40	66,729
12/06	1	142	22,143	123	19,154	16.00	2.40	47,937
12/07	1	108	15,868	94	13,726	16.00	2.40	34,443
12/08	1	83	11,372	71	9,836	16.00	2.40	24,751
12/09	1	63	8,149	54	7,049	16.00	2.40	17,789
05/10	1	22	2,671	19	2,311	16.00	2.40	5,845
Grand Total:		3,817	600,953	3,302	519,824	16.00	2.40	1,300,406

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	18,181	211,727	0	211,727	211,727	201,211
12/00	12,000	17,563	203,962	0	203,962	415,689	176,206
12/01	12,000	16,937	196,151	0	196,151	611,841	154,078
12/02	12,000	13,556	154,579	0	154,579	766,420	110,645
12/03	12,000	9,733	107,621	0	107,621	874,041	70,037
12/04	12,000	6,989	73,911	0	73,911	947,952	43,732
12/05	12,000	5,020	49,709	0	49,709	997,661	26,744
12/06	12,000	3,606	32,332	0	32,332	1,029,993	15,819
12/07	12,000	2,590	19,853	0	19,853	1,049,846	8,835
12/08	12,000	1,861	10,890	0	10,890	1,060,736	4,412
12/09	12,000	1,337	4,452	0	4,452	1,065,188	1,646
05/10	5,000	439	405	0	405	1,065,593	140
Grand Total:	137,000	97,813	1,065,593	0	1,065,593	1,065,593	813,506

Discount Present Worth:

8.00 %	854,279
10.00 %	813,506
15.00 %	726,591
20.00 %	656,507
30.00 %	551,177
40.00 %	476,389
50.00 %	420,891
60.00 %	378,242
70.00 %	344,525
80.00 %	317,243
100.00 %	275,858

Economic Dates:

Effective Date	01/1999
Calculated Limit	05/2010
Economic Life	137 Months
	11 Years 5 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	4,002	619,569
Cumulative Gross	0	0
Remaining Gross	3,817	600,953
Remaining Net	3,302	519,824

	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 #11-23GD
1850' FWL 1850' FSL Sec. 11-T27N-R11W
San Juan Co., New Mexico

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

The gas production allocation for the Fullerton #11-23GD will be based on the following information:

Basin Dakota Estimated Ultimate Reserves:	.143 BCF
S. Kutz Gallup Estimated Ultimate Reserves:	<u>.601 BCF</u>
Total Estimated Ultimate Reserves:	.744 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

$.143 \text{ BCF} / .744 \text{ BCF} \times 100 = 19\%$

S. Kutz Gallup Gas Allocation

$.601 \text{ BCF} / .744 \text{ BCF} \times 100 = 81\%$

Oil Allocation

The oil production allocation will be based the estimated ultimate reserves for each zone as follows:

Basin Dakota Oil Allocation

$2.99 \text{ MBO} / 6.81 \text{ MBO} \times 100 = 44\%$

S. Kutz Gallup Oil Allocation

$3.82 \text{ MBO} / 6.81 \text{ MBO} \times 100 = 56\%$

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;

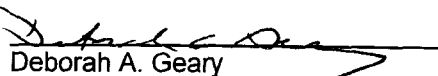
A Notice of intent of Commingle production from the Fullerton Federal #11-23GD Well by Bonneville Fuels Corporation to the offset Operators was deposited on May 27, 1999, in the U. S. Mail for delivery, as certified mail, to each of the following named parties at the addresses shown below:

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

I. Location Plat

Hobbs, NM 88241-1980

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

RECEIVED

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, NM 87505

NOV 23 AM 9:27

070 FARMINGTON, NM

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code 71599		3 Pool Name Basin Dakota	
4 Property Code		5 Property Name FULLERTON FEDERAL			6 Well Number 11-23 GD
7 OGRID No. 02678		8 Operator Name BONNEVILLE FUELS			9 Elevation 6118

10 Surface Location

UL or lot no. K	Section 11	Township 27N	Range 11W	Lot Idn	Feet from the 1850	North/South line SOUTH	Feet from the 1850	East/West line WEST	County 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

16	2650.23	S89° 46' W	2650.23	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief <i>Alan L. Merrill</i> Signature Alan L. Merrill Printed Name Operations Engineer Title 11/20/98 Date
	acreage dedication in hachures			
2640	2640	1850'	2640	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. NOVEMBER 5, 1998 Date of Survey Signature and Seal of Professional Surveyor: <i>Cecil B. 9673</i> REGISTERED PROFESSIONAL LAND SURVEYOR Cecil B. 9673 Certificate Number 9672

Exhibit 2b