

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

RECEIVED

SEP 17 2004

ESP-ARTESIA

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

V-F Petroleum Inc.

3. Address and Telephone No.

P.O. Box 1889, Midland, TX 79702

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Unit Letter E: 1,580' FNL and 760' FWL Sec 33 T-17-S R-31-E
Unit Letter C: 660' FNL and 2,310' FWL Sec 33 T-17-S R-31-E

5. Lease Designation and Serial No.

LC 029420 B

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Denali 33 Federal #2
Dow B 33 Federal #2

9. API Well No.

30-015-32164
30-015-27675

10. Field and Pool, or Exploratory Area

Cedar Lake, East (Morrow)

11. County or Parish, State

Eddy County, New Mexico

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

TYPE OF SUBMISSION

☐ Notice of Intent
☒ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☒ Other Commingle Production
at Surface Facilities

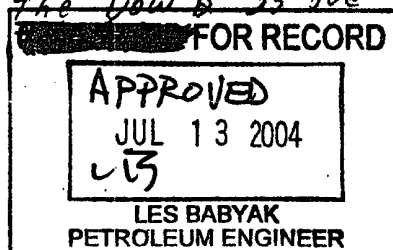
☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Added 3 Phase Gas separator & 2 Gas sales (Accounting)
meters to existing Denali 33 Fed #2 TANK BATTERY. RAN
flow line from Dow 'B' 33 Fed #2 TO TANK BATTERY.
No metering was installed for oil or water as there is no
oil being produced by either well, and the Dow 'B' 33 Fed #2
makes very little water.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED



14. I hereby certify that the foregoing is true and correct

Signed

M. Luna

Title

Production Superintendent

Date

6/28/04

WELLS ARE COMMINGLED WITHOUT APPROVAL

PLEASE SUBMIT ITEMS #2, #4, #6 FROM
GUIDELINES (SEE ATTACHED) WHERE APPROPRIATE

to make to any department or agency of the United States any false, fictitious or fraudulent statements

See instruction on Reverse Side.

Bureau of Land Management
Roswell District
2909 West Second Street
Roswell, New Mexico 88201
505-627-0272

Guidelines for Off-Lease Measurement, Storage, and Surface Commingling Approvals

The following information must be included with any application to combine, store, or measure production off-lease:

1. A formal request (Sundry Notice Form 3160-5 or letter) for approval to combine, store, or measure production off-lease with an appropriate explanation and diagram(s) describing the proposed operation in detail.
2. A map showing the lease numbers and location of all leases and wells that will contribute production to the proposed commingling, off-lease measurement, and/or storage facility. All lease numbers, unitized or communitized areas, producing zones or pools must be clearly illustrated or detailed by suitable means. Any wells or leases proposed to be added to an approved commingling and off-lease storage and or measurement facility must be approved by the Authorized Officer prior to their being included in the facility.
3. A schematic diagram which clearly identifies and places all equipment that will be utilized.
4. Estimated monthly production from each contributing well, including type of product, gravity, and/or BTU content.
5. Details of the proposed method for measuring and allocating production for each lease involved. Include calculated "beneficial use" volumes both on and off-lease.
6. A statement that all interest owners have been notified of the proposal.
7. Evidence that Federal or Indian royalties will not be reduced through approval of the application.
8. Detailed economic justification, when the application to combine production is based on economic necessity, i.e., that approval is necessary to extend the economic life of the Federal or Indian Lease(s).

Approval for combining production from various sources is a privilege which is granted to lessees for the purpose of aiding conservation and extending the economic life of leases. Applicants should be cognizant that failure to operate in accordance with the provisions outlined in the Authorized Officer's conditions of approval and/or subsequent stipulations or modifications will subject such approval to revocation.

Bureau of Land Management
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201
(505) 627-0272

**Off-Lease Measurement, Storage, and Surface Commingling
Conditions Of Approval**

1. This agency be notified of any change is your sales method or location of the sales meter.
2. This agency shall be notified of any spill or discharge as required by NTL-3A.
3. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
4. This approval is subject to like approval by the New Mexico Oil Conservation Division.
5. Additional wells and/or leases require additional commingling approvals.
6. This approval does not constitute right-of-way approval for any off-lease activities. Within 30 days an application for right-of-way approval must be submitted to the Realty Section to this office for wells in Chaves or Roosevelt County or the BLM Carlsbad Field office at 620 East Greene Street, Carlsbad, New Mexico 88220-6292 for wells in Eddy or Lea County if you have not already done so.

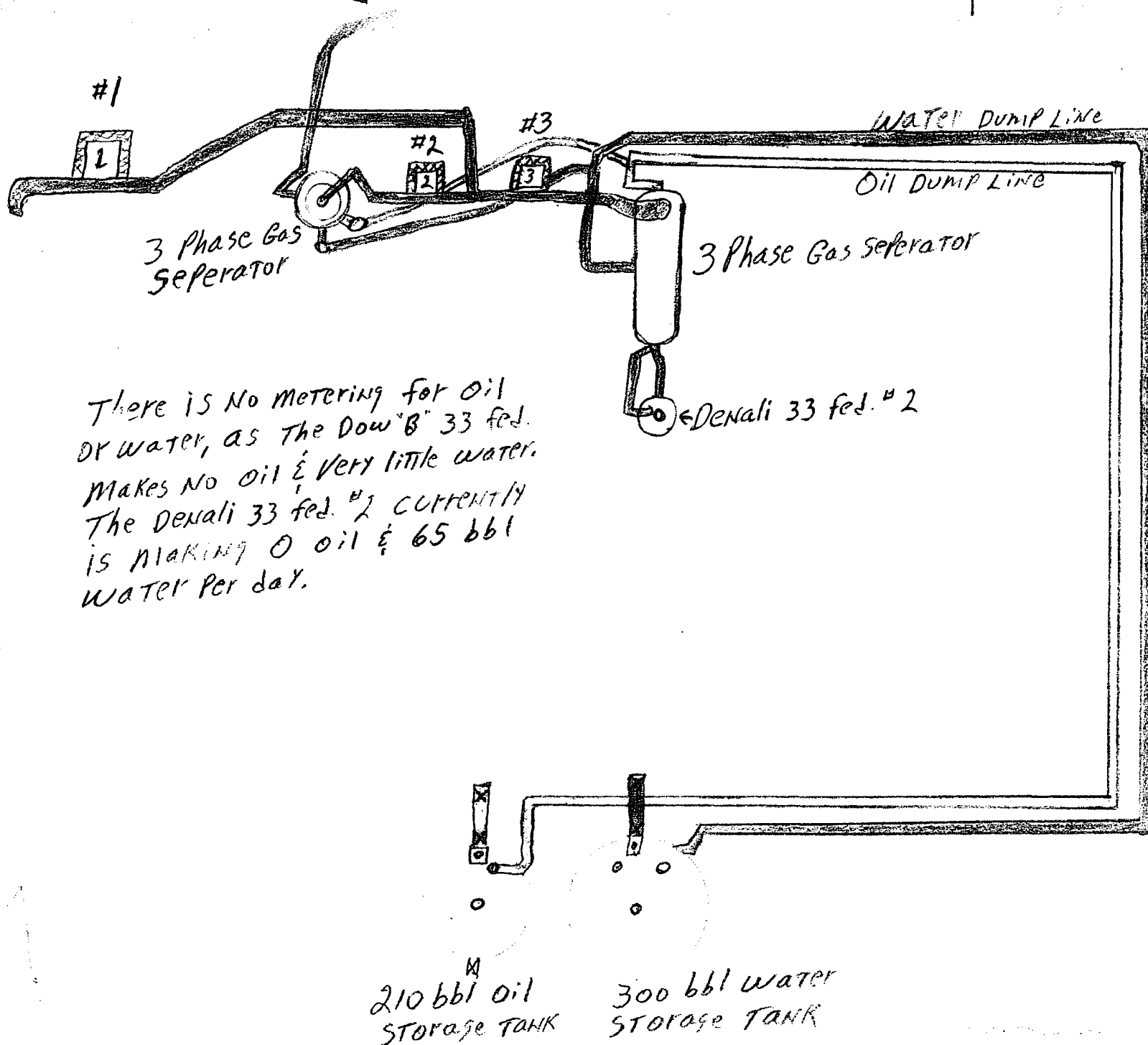
#1
Duke field
service
Master Gas
Sales Meter

#2
Gas
Meter for
Dow "B" 33
fed # 2

#3
Gas Meter
for Denali
33 fed # 2

Flow Line from
Dow "B" 33 fed # 2

DENALI 33 fed # 2
Combined Surface Facilities



There is No Metering for oil
or water, as The Dow "B" 33 fed.
Makes No oil & Very little water.
The Denali 33 fed #2 currently
is making 0 oil & 65 bbl
water per day.

Access
Road.

210 bbl oil
Storage Tank

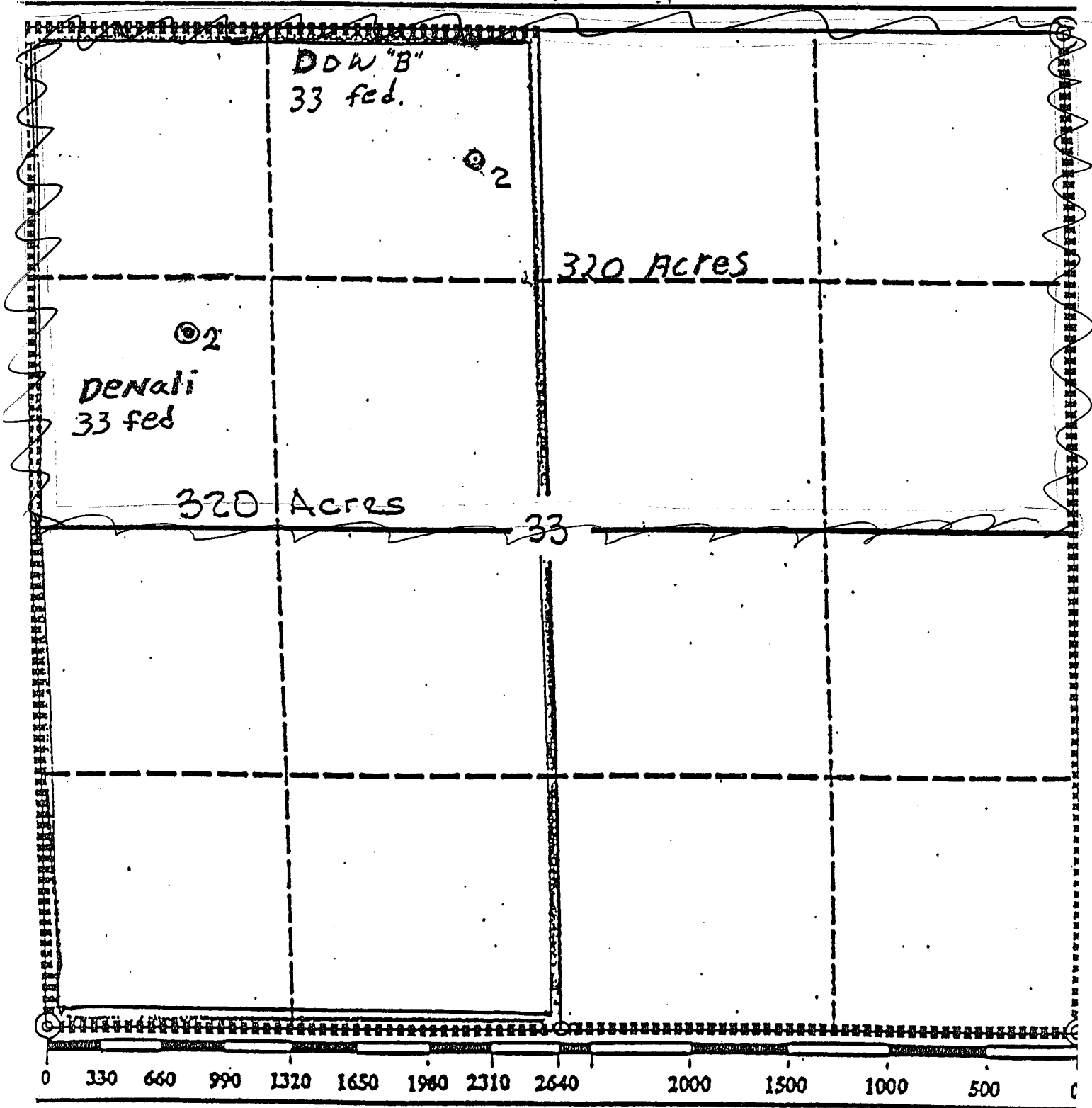
300 bbl water
Storage Tank

DENALI 33 FEDERAL #2 API # 30-015-32614 LEASE # 029218 PRODUCING FROM MIDDLE MORROW PERFORATIONS 11,724' - 758'. EAST CEDAR LAKE POOL. POOL # 74605. PRODUCTION VOLUME 0 BBL OIL PER DAY 65 BBL WATER PER DAY 260 MCFD GAS. ESTIMATED GAS VOLUME 8,000 MCF MONTH GRAVITY .6951 BTU 1202/CF

DOW B 33 FEDERAL #2 API # 30-015-27675 LEASE # * PRODUCING FROM LOWER MORROW PERFORATIONS 11,818' - 832'. EAST CEDAR LAKE POOL. POOL # 74605. PRODUCTION VOLUME 0 OIL PER DAY, 0 WATER PER DAY, 200 MCFD GAS. ESTIMATED GAS VOLUME 6,000 MCF MONTH GRAVITY .7260 BTU 1222/CF.

THE DENALI 33 FEDERAL #2 & THE DOW "B" 33 FEDERAL #2 ARE PRODUCING FROM DIFFERENT ZONES ON THE SAME 320 ACRE PRORATION UNIT. NORTH 1/2 SECTION 33 T-17-S, R-31-E, EDDY COUNTY, NM.

*NUMBER HAS NOT BEEN ASSIGNED YET



V-F Petroleum Inc.

550 W. Texas, Suite 230, Midland, Texas 79701

432/683-3344

432/683-3352 FAX

Mailing Address: P.O. Box 1889, Midland, TX 79702 E-mail: vfmid@worldnet.att.net www.vfpetroleum.com
sandy@vfpetroleum.com

Denali 33 Federal #2 API No. 30-015-32164

Dow B 33 Federal #2 API No. 30-015-27675

Eddy County, New Mexico

Commingle Production At Surface Facilities

Form 3160-5 dated June 28, 2004

All interest owners have been notified of this proposal.



S.K. Lawlis
Vice President
07/19/04