

Carlsbad Field Office OCD Artesia

Form 3160-5
(June 2015)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD APPROVED
OMB No. 1004-0137
Expires: January 31, 2018

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No. **025777**
NM-~~02577~~ and NM-106714

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2

1. Type of Well

Oil Well Gas Well Other

2. Name of Operator **George A Chase Jr. DBA G and C Service**

3a. Address **PO Box 1518, Artesia, NM 88211-1518**

3b. Phone No. (include area code)
(575) 703-6604

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
T18S, 31E, Sec 24: #1 2310 FEL & 330 FSL, #2 2310 FSL & 2200' FEL, #3 2200 FSL & 990 FEL, #4 1650 SL & 990 FEL

7. If Unit of CA/Agreement, Name and/or No.

8. Well Name and No. **Keohane 24 Federal #1,2,3,4**

9. API Well No. **30-015-22732, 25441, 25814, 29624**

10. Field and Pool or Exploratory Area
Shugart, Yates-7rivers-Queen-Grayburg

11. Country or Parish, State
Eddy, New Mexico

12. CHECK THE APPROPRIATE BOX(ES) 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"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Hydraulic Fracturing	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Surface Comingle
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleation in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has detennined that the site is ready for final inspection.)

George Chase Jr, DBA G and C Service request approval to comingle the Keohane 24 Federal #1,2,3 and 4 wells into a common tank battery. The effected leases are ~~NM-02577~~ and NM-106714. NM025777

Attached to this Sundry Notice is a detailed list of data required.

**NM OIL CONSERVATION
ARTESTA DISTRICT**

SEP 26 2017

RECEIVED

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)

George A. Chase Jr, DBA G and C Service

Title **Owner**

Signature

Date **2/22/2017**

THE SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title **TL PET**

Date **9/15/2017**

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office **CFO**

Title 18 U.S.C Section 1001 and Title 43 U.S.C Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

01.P 9.27.17

ATTACHMENT TO FORM 3160-5
SUNDRY NOTICES AND REPORTS ON WELLS
Notice of intent to comingle

List of wells

Keohane Federal #1
Lease # NM025777
API 30-015-22732
Section 24, T18S, R31E; SWSE/4
Shugart Yates-Seven Rivers-Queen-Grayburg Pool Code 56439
Production 2.3 BOPD, 0 MCFD
Oil Gravity Avg.: 27.8 @ 60 F
Gas BTU N/A

Keohane Federal #2
Lease # NM106714
API 30-015-25441
Section 24, T18S, R31E; NWSE/4
Shugart Yates-Seven Rivers-Queen-Grayburg Pool Code 56439
Production 5.9 BOPD, 0 MCFD
Oil Gravity Avg.: 27.8 @ 60 F
Gas BTU N/A

Keohane Federal #3
Lease # NM106714
API 30-015-25814
Section 24, T18S, R31E; NESE/4
Shugart Yates-Seven Rivers-Queen-Grayburg Pool Code 56439
Production 2.6 BOPD, 0 MCFD
Oil Gravity Avg.: 27.8 @ 60 F
Gas BTU N/A

Keohane Federal #4
Lease # NM106714
API 30-015-29624
Section 24, T18S, R31E; NESE/4
Shugart Yates-Seven Rivers-Queen-Grayburg Pool Code 56439
Production 1 BOPD, 0 MCFD
Oil Gravity Avg.: 27.8 @ 60 F
Gas BTU N/A

Details of proposed method of measurement and allocation of production for each lease or agreement.

The oil will be collected in the Keohane Federal tank battery located in the SWSE/4 of section 24, T18S, R31E and measured by tank gauge. See exhibits 1, page 2.

Testing will be conducted by isolating each well each month for a 24 hour period. A ratio of production by well will be used to for purposes of allocating production monthly.

The measurement point will be at the tank battery located in the SWSE/4, sec 24, T18S, R31E

Evidence that Federal Royalties will not be reduced by commingling

The oil produced from all the wells are from the same field and reservoir, specifically the Shugart Yates, 7 Rivers, Queen/Grayburg.

See the November 2016 and February 2017 run Statement from Holly Frontier attached as Exhibit 2 page 1 & 2. This exhibit shows the gravity measured from the lease and also shows that the price is the same regardless of gravity.

The oil price will be the same before AND after comingling since these wells produce from the same zone.

There is no gas being produced on this lease

This oil is sold as Sour Crude

Current facility Diagram

See Exhibit #1 page 3 attached showing a tank diagram

Tank Battery (Testing Facility)

See Exhibit #1 page 3 – Facility Diagram

Maps

See Exhibit 1, page 1 which is a land plat showing the Lease Boundaries, Lease Serial Numbers, Section Township, Range and Well Locations. Exhibit 1 Page 2 shows the location of the tank battery which will be used for storage and measurement.

Copy of serial register page from LR2000

Exhibit 3 Part 1 shows the BLM Case Record (Live) Serial Register Page for the Lease #NMNM106714 and shows that the royalty Rate is 12 ½%

Exhibit 3 Part 2 shows the BLM Case Record (Live) Serial Register Page for the Lease #NMNM25777 and shows that the royalty Rate is 12 ½%

Interest owners have been notified for the purpose of surface comingling

These leases are identical in ownership, owners are eager to get the leases comingled.

Justification for comingling

See Exhibit 4, pages 1-5: Production curves for each well and the combination of all 4 wells
See Exhibit 5, pages 1-5; Economic runs showing production forecasts and cash flow for each well and a total for all 4 wells. The production and declines used in this exhibit were obtained by using the Production curves shown in exhibit 4. These economics were run using the Working Interest, Revenue interests, current oil price and operating expenses reported by the operator. Following are the estimated economics for the Keohane 24 Federal wells:

Well	Lease	Net Future Bbls	Net Future Revenue	NPV 10% Disc.	Percent Of Battery
#1		4,128	\$32,060	\$35,609	23.68%
#2		4,128	\$32,060	\$35,609	23.68%
#3		4,403	\$44,197	\$43,540	28.96%
#4		4,128	\$32,060	\$35,609	23.68%
Total Lease		16,787	\$140,307	\$150,367	100.00%

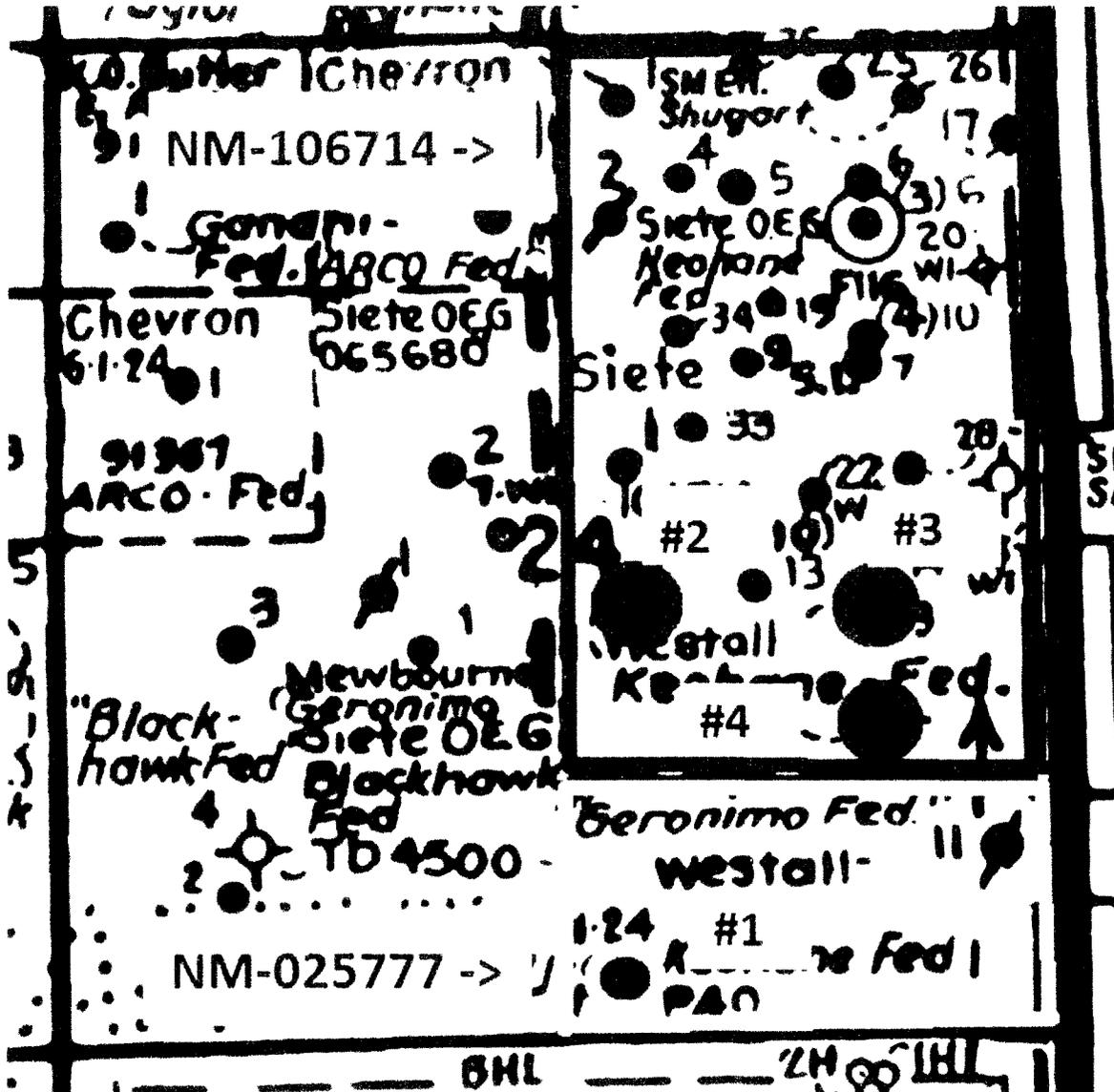
It is estimated that it would cost approximately \$55,000 to build a new tank battery on the Keohane 24 Fed #1 lease, See Exhibit 6. Using the figures presented it is apparent that if a new battery would be needed for the Keohane 24 Fed Lease it would cost approximately 1/3 of the discounted value of the net income stream for the lease.

Conclusion

If a new battery is required for the Keohane 24 Fed lease the Keohane 24 Fed #1 would have to be shut down, plugged and abandoned resulting in a loss of revenues for all owners including the United States of America.

We hereby request approval to comingle these two leases at the surface.

Exhibit 1, page 1; Lease plat



Keohane 24 Fed Leases
NM 106714 and NM 025777
Section 24, T18S, R31E, Eddy Co., NM

Facility Diagram

Keonane 24 Federal
NMMN 106714 & NMMN 025777
24-185-31E
Eddy County, New Mexico

Production Phase OTI

Valve 1: Sealed Closed
Valve 2: Open
Valve 3: Closed-Sealed
Valve 4,5: Sealed Closed

Sales Phase OTI

Valve 1: Sealed Closed
Valve 2,3: Sealed Closed
Valve 5: Sealed Closed
Valve 4: Open

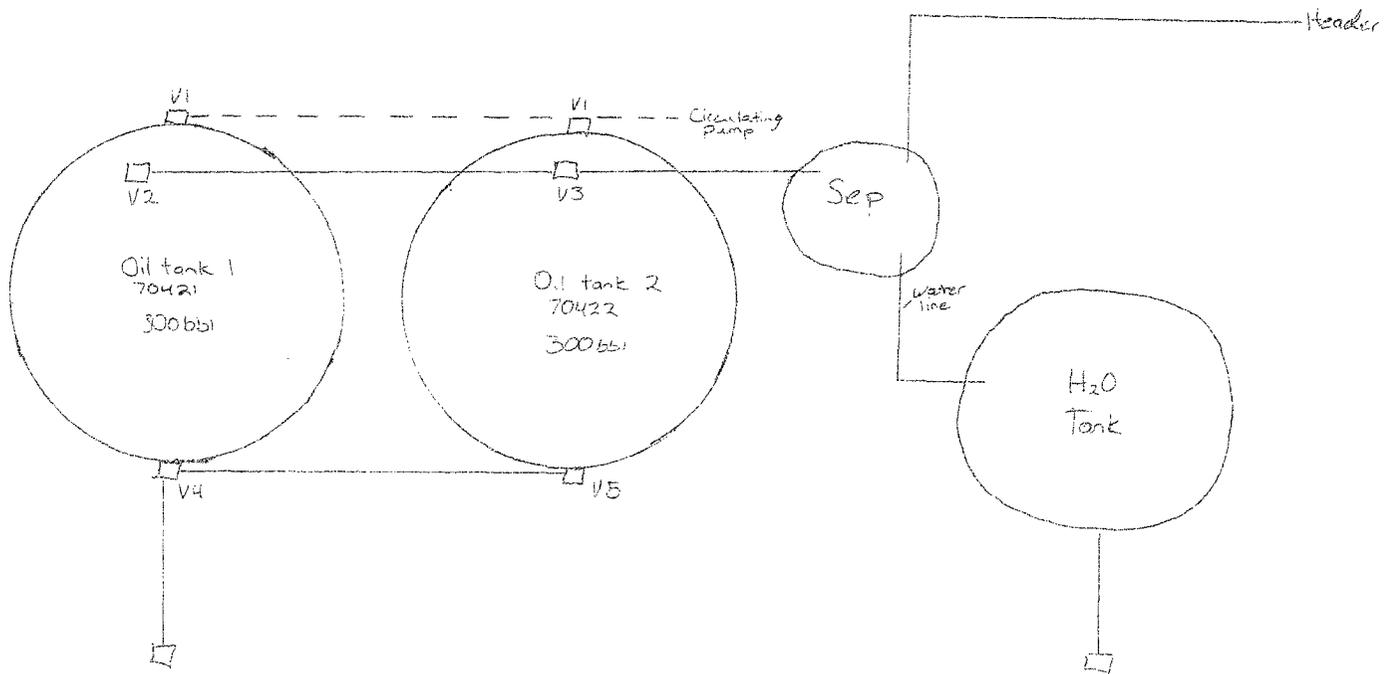


Exhibit 1; page 3 - Facility Diagram

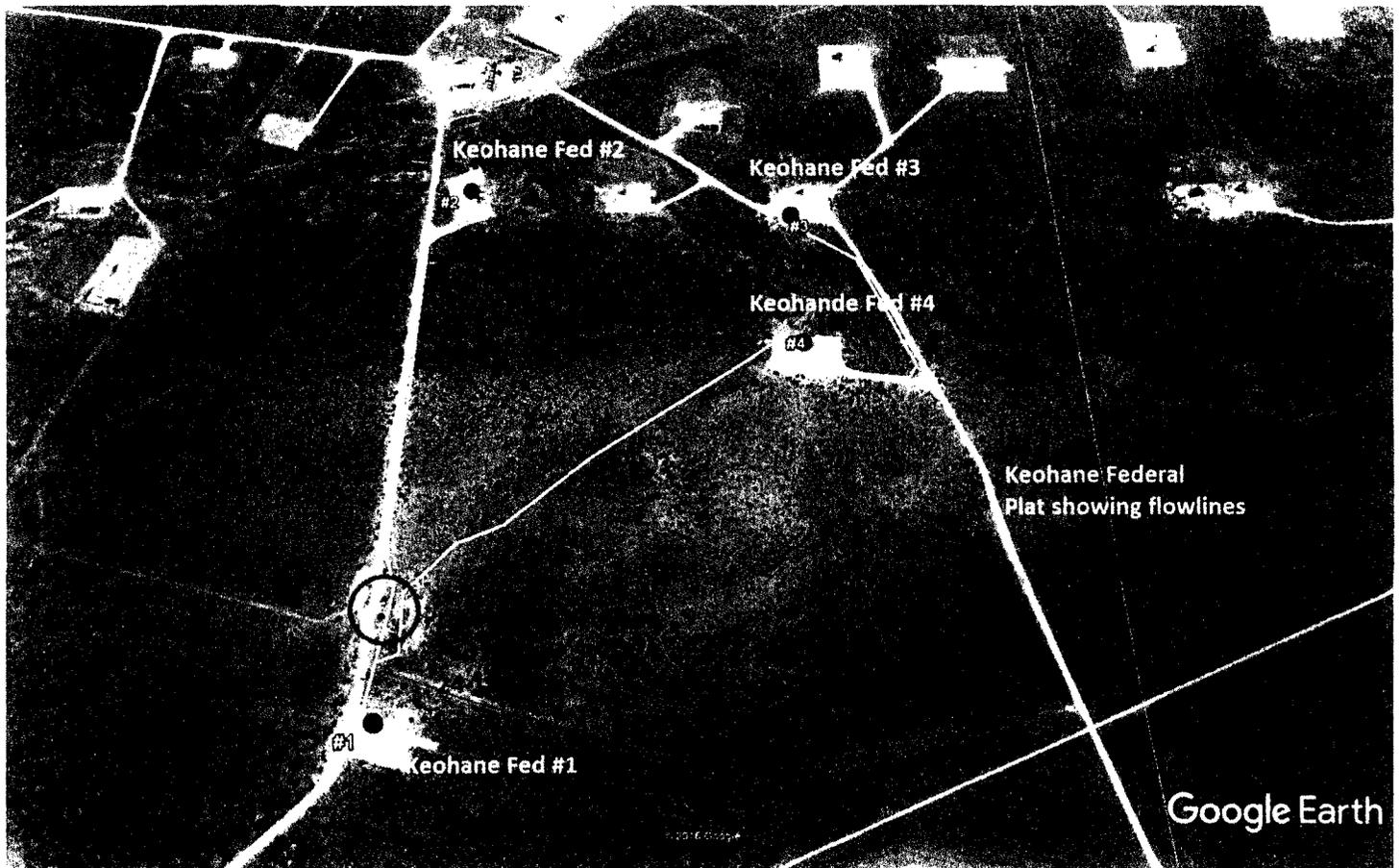


Exhibit 1; page 2 - Google Earth Image showing wells, battery and flowlines on lease

BUREAU OF LAND MANAGEMENT
 CASE RECORDATION
 (LIVE) SERIAL REGISTER PAGE

Run Date/Time: 02/21/17 09:08 AM

01 02-25-1920;041STAT0437;30USC226
 Case Type 311111: O&G LSE NONCOMP PUB LAND
 Commodity 459: OIL & GAS
 Case Disposition: AUTHORIZED Case File Juris:

Total Acres
 240.000

Serial Number
 NMNM-- - 106714

Serial Number: NMNM-- - 106714

Name & Address	Int Rel	%Interest
18-31 INC PO BOX 1120	ROSWELL NM 88201	LESSEE 100.00000000
CHASE GEORGE JR PO BOX 1616	ARTESIA NM 882111618	OPERATING RIGHTS 0.00000000
CHI OPERATING INC PO BOX 1799	MIDLAND TX 797021799	OPERATING RIGHTS 0.00000000
ENDURANCE PROPERTIES INC 15455 DALLAS PKWY STE 1050	ADDISON TX 750016721	OPERATING RIGHTS 0.00000000
SM ENERGY CO 1775 SHERMAN ST STE 1200	DENVER CO 802031100	OPERATING RIGHTS 0.00000000
TRITEX ENERGY A LP 15455 DALLAS PKWY STE 600	ADDISON TX 750016760	OPERATING RIGHTS 0.00000000

Serial Number: NMNM-- - 106714

Mer Twp	Rng	Sec	SType	Nr Suff	Subdivision	District/Resource Area	County	Mgmt Agency
23	0180S	0310E	024	ALQ	NE.N2SE:	CARLSBAD FIELD OFFICE	EDDY	BUREAU OF LAND MGMT

Serial Number: NMNM-- - 106714

Act Date	Code	Action	Action Remarks	Pending Office
06/01/1951	387	CASE ESTABLISHED		
06/01/1951	456	FUND CODE	05:145003	
06/01/1951	530	RLTY RATE - 12 1/2%	< - Royalty Rate 12 1/2%	
06/01/1951	866	EFFECTIVE DATE		
05/03/1961	550	HELD BY PROD - ACTUAL		
05/03/1961	559	MEMO OF 1ST PROD-ACTUAL		
03/01/2000	209	CASE CREATED BY SEGR	OUT OF NMNM 005700;	
03/01/2000	232	LEASE COMMITTED TO UNIT	NMNM101361X;E SHUGART	
03/01/2000	601	RLTY RED-STRIPPER WELL	11/7/01	
07/17/2001	971	AUTOMATED RECORD VERIFY	EO	
09/12/2001	932	TRF OPER RGTS FILED	FISHER ST MARY LAND	
09/12/2001	932	TRF OPER RGTS FILED	WALLACE ST MARY LAND	
09/12/2001	932	TRF OPER RGTS FILED	WEATHER ST MARY LAND	
09/27/2001	930	TRF OPER RGTS FILED	CLEMENS ST MARY LAND	
10/01/2001	932	TRF OPER RGTS FILED	FOX ST MARY;	
10/01/2001	932	TRF OPER RGTS FILED	FIVERRILL ENE CORP;C	
10/09/2001	932	TRF OPER RGTS FILED	LEE ST MARY;	
10/12/2001	932	TRF OPER RGTS FILED	18-31 INC/CHI;	
11/08/2001	933	TRF OPER RGTS APPROVED	01SEP 10/01/01;	
11/08/2001	933	TRF OPER RGTS APPROVED	02SEP 10/01/01;	
11/08/2001	933	TRF OPER RGTS APPROVED	03SEP 10/01/01;	
11/08/2001	974	AUTOMATED RECORD VERIFY	NY	
01/16/2002	963	CASE MICROFILMED/SCANNED		
03/14/2002	933	TRF OPER RGTS APPROVED	07F 11/01/01;	
03/14/2002	974	AUTOMATED RECORD VERIFY	LS	
03/12/2003	933	TRF OPER RGTS APPROVED	01SEP 10/01/01;	
03/12/2003	933	TRF OPER RGTS APPROVED	02SEP 11/01/01;	

BUREAU OF LAND MANAGEMENT
CASE RECORDATION
(LIVE) SERIAL REGISTER PAGE

Run Date/Time: 02/21/17 09:09 AM

01 02-25-1920;041STAT0437;30USC226

Total Acres

Serial Number

Case Type 311111: O&G LSE NONCOMP PUB LAND

80.000

NMNM-- 0 025777

Commodity 459: OIL & GAS

Case Disposition: AUTHORIZED Case File Juris:

Serial Number: NMNM-- 0 025777

Name & Address			Int Rel	%Interest
18-31 INC	PO BOX 1120	ROSWELL NM 88201	LESSEE	100.00000000
ACORN RESOURCES INC	PO BOX 9665	TULSA OK 741570665	OPERATING RIGHTS	0.00000000
AMELUNXEN C	662 ARMENTA ST	SANTA FE NM 87501	OPERATING RIGHTS	0.00000000
BENEDICT GEORGE	RR 2 2008 E PINE	ROSWELL NM 88201	OPERATING RIGHTS	0.00000000
BIZZLE VAL G	PO BOX 4703	RUIDOSO NM 88345	OPERATING RIGHTS	0.00000000
BLAKENEY FLOYD	2603 N WASHINGTON	ROSWELL NM 88201	OPERATING RIGHTS	0.00000000
CARGILL KEN	PO BOX 6	DENVER CO 80231	OPERATING RIGHTS	0.00000000
CARLSBAD NATL BANK	PO BOX 1359	CARLSBAD NM 88202	OPERATING RIGHTS	0.00000000
CARTHEL THEODORE H	PO BOX 1611	AMARILLO TX 79181	OPERATING RIGHTS	0.00000000
CHASE GEORGE JR	PO BOX 1618	ARTESIA NM 882111618	OPERATING RIGHTS	0.00000000
COY BETTY J	96 CNTY RD 3100	AZTEC NM 87410	OPERATING RIGHTS	0.00000000
COY CALVIN	96 CNTY RD 3100	AZTEC NM 87410	OPERATING RIGHTS	0.00000000
DOS EQUIS OIL & GAS	3400 TURQUOISE	ROSWELL NM 88201	OPERATING RIGHTS	0.00000000
ENDURANCE PROPERTIES INC	15455 DALLAS PKWY STE 1050	ADDISON TX 750016721	OPERATING RIGHTS	0.00000000
FIELD DONALD L	3074 KNICKERSON DR	SAN JOSE CA 951483115	OPERATING RIGHTS	0.00000000
FIELD DONALD L JR	3074 KNICKERSON DR	SAN JOSE CA 95148	OPERATING RIGHTS	0.00000000
GARNER BOB	2613 W QUAY	ARTESIA NM 88210	OPERATING RIGHTS	0.00000000
GUTIERREZ ABSALON	PO BOX 920	SOCORRO NM 87801	OPERATING RIGHTS	0.00000000
HARE PRODUCTION CO	E RR 3 BOX 55	BLOOMFIELD NM 87413	OPERATING RIGHTS	0.00000000
HILL AUDREY	2203 JOHNSON ST	PECOS TX 79772	OPERATING RIGHTS	0.00000000
IKARD JIM	PO BOX 331	CARLSBAD NM 882200331	OPERATING RIGHTS	0.00000000
IKARD PATRICIA	PO BOX 331	CARLSBAD NM 882200331	OPERATING RIGHTS	0.00000000
ISLEY ARLIE	700 VICTORIA DR	YUKON OK 73099	OPERATING RIGHTS	0.00000000
ISLEY NORMA	700 VICTORIA DR	YUKON OK 73099	OPERATING RIGHTS	0.00000000
IVERSON CLAIRE ANN	2005 KIDWELL ST	DALLAS TX 75214	OPERATING RIGHTS	0.00000000
IVERSON SIEGFRIED JAMES III	PO BOX 4095	MIDLAND TX 79704	OPERATING RIGHTS	0.00000000
IVERSON WENDELL W	PO BOX 1343	MIDLAND TX 79702	OPERATING RIGHTS	0.00000000
IVERSON-PAGE PATSY	1155 MUIRLANDS VISTA WAY	LA JOLLA CA 92037	OPERATING RIGHTS	0.00000000
LEE ROBERT S	403 CHICO DR	ROSWELL NM 88201	OPERATING RIGHTS	0.00000000
MEWBOURNE CURTIS W	PO BOX 7698	TYLER TX 757117698	OPERATING RIGHTS	0.00000000
MILLER OLGA E	PO BOX 1611	AMARILLO TX 79181	OPERATING RIGHTS	0.00000000
OLYMPIC OG CORP	1000 LOUISIANA #6770	HOUSTON TX 77002	OPERATING RIGHTS	0.00000000
ONEY SANDRA	PO BOX 513	MALAKOFF TX 75148	OPERATING RIGHTS	0.00000000
ONEY TROY	PO BOX 513	MALAKOFF TX 75148	OPERATING RIGHTS	0.00000000
PATTILLO VICKI	11 PANAMA CT #107	GRANBURY TX 76048	OPERATING RIGHTS	0.00000000
PICKERING RONALD L	4761 COUNTRY PL	LAS CRUCES NM 88305	OPERATING RIGHTS	0.00000000
RAY WESTALL OPER INC	PO BOX 4	LOCO HILLS NM 88255	OPERATING RIGHTS	0.00000000
RIVERHILL ENERGY CO	PO BOX 2726	MIDLAND TX 797022726	OPERATING RIGHTS	0.00000000
RIVERHILL ENERGY CORP	PO BOX 5765	MIDLAND TX 797045705	OPERATING RIGHTS	0.00000000
SCHMIDT PAT J	4201 NW 60TH ST	OKLAHOMA CITY OK 73112	OPERATING RIGHTS	0.00000000
SCHMIDT VIRGINIA	4201 NW 60TH	OKLAHOMA CITY OK 73112	OPERATING RIGHTS	0.00000000
SHANK SANDRA W	BOX 4	LOCO HILLS NM 88255	OPERATING RIGHTS	0.00000000
SHARP ALICE	104 NORTHWIND LP	ROSWELL NM 88201	OPERATING RIGHTS	0.00000000
SHARP JOHN	104 NORTHWIND LP	ROSWELL NM 88201	OPERATING RIGHTS	0.00000000
S-ETE OIL & GAS CORP	BOX 2523	ROSWELL NM 882022523	OPERATING RIGHTS	0.00000000
SM ENERGY CO	1775 SHERMAN ST STE 1230	DENVER CO 802031100	OPERATING RIGHTS	0.00000000
SOLDOW MARY G	PO BOX 1627	SANTA FE NM 875041627	OPERATING RIGHTS	0.00000000
SPINDLETOP OG CO	9319 LBJ FWY #205	DALLAS TX 75243	OPERATING RIGHTS	0.00000000
TRITEX ENERGY A LP	15455 DALLAS PKWY STE 600	ADDISON TX 750016760	OPERATING RIGHTS	0.00000000
WESTALL FAMILY OIL PROP LLC	PO BOX 1554	HOPE NM 88255	OPERATING RIGHTS	0.00000000
WESTALL OIL & GAS LLC	PO BOX 4	LOCO HILLS NM 88255	OPERATING RIGHTS	0.00000000
WILSON BOBBY JOE	BOX 1393	TOMBALL TX 773751393	OPERATING RIGHTS	0.00000000

**Bureau of Land Management
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972**

**Keohane 24 Federal #1 - 3001522732, Keohane 24 Federal #2 - 3001525441,
Keohane 24 Federal #3 - 3001525814, Keohane 24 Federal #4 - 3001529624**

George A Chase Jr. DBA, G and C Service

September 15, 2017

Condition of Approval

Surface Commingling and off lease storage, measurement and sales of oil

1. This approval is subject to like approval by the New Mexico Oil Conservation Division.
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 or product accountability.
4. 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 if not already done.
5. 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.
6. All gas and oil subject to royalty shall be measured as per federal regulations and shall be reported to ONRR as required. All gas which is vented, flared or used on lease shall be reported as per 43 CFR 3178 & 3179 to ONRR. All gas which is vented or flared shall be subject to royalty, unless prior approval was given by the authorized officer.
7. This agency shall be notified of any change in sales method or location of sales point.
8. Additional wells and/or leases require additional commingling approvals.