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District I
1625 N. French Dr., Hobbs, NM 88240
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1301 W. Grand Ave., Artesia, NM 88210
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1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103
Revised June 10, 2003

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" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-045-31973
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Patina San Juan, Inc.		6. State Oil & Gas Lease No. 24068
3. Address of Operator 1625 Broadway, Suite 2000, Denver, CO 80202		7. Lease Name or Unit Agreement Name Pan American State Com
4. Well Location Unit Letter <u>D</u> : 660 feet from the <u>North</u> line and <u>670</u> feet from the <u>West</u> line Section <u>36</u> Township <u>32 North</u> Range <u>13 West</u> NMPM County <u>San Juan</u>		8. Well Number # 1Y
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 5838' GR		9. OGRID Number 173252
		10. Pool name or Wildcat Blanco Mesaverde/Basin Dakota

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data
NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

SUBSEQUENT REPORT OF:
REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐
CASING TEST AND CEMENT JOB ☐

OTHER: Down-hole Commingle; pre-approved pools ☒

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Patina San Juan, Inc. request approval to down-hole commingle the subject well. Patina plans to down-hole commingle the Basin Dakota (71599) and the Blanco Mesaverde (72319) pools in this wellbore. The commingling of the pools are pre-approved per NMOCDC Order #11363. The two zones have been segregated since completion. Work will begin soon after approval.

See Attached Exhibits:

Wellbore Diagram, Allocation Method with supporting data, Statement of Commingle, Interest Owner Notification Statement.

Please contact Gary Ohlman at 303.389.3600 with any questions.

D4C1881AZ

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE [Signature] TITLE Agent for Patina DATE 3/29/05

Type or print name Joe Mazotti E-mail address: jmazotti@eazy.net Telephone No. 720.352.0158

(This space for State use)

APPROVED BY [Signature] DEPUTY OIL & GAS INSPECTOR, DIST. 58 DATE APR 22 2005

Conditions of approval, if any:

Recommended Allocation for Commingles

Well: Pan American State Com #1Y

30-day average production based on 2003 and 2004 production
(see attached decline curves)

G a s	Zone	Average MCFD	Percentage of total flow
	MV	55	52%
	DK	51	48%
	Total	106	100%

O i l	Zone	Average BOPD	Percentage of total flow
	MV	0.07	15%
	DK	0.39	85%
	Total	0.46	100%

Recommended allocation for future downhole commingled production

Zone	Gas	Oil
MV	52%	15%
DK	48%	85%
Total	100%	100%

Pan American State Com #1Y
Section 36, T32N – R13W
San Juan County, New Mexico

Production data from active Dakota and Mesaverde Wells

9 sections surrounding location

Dakota Wells

5 active Dakota wells

Gas Production

Well average monthly rate = 7800 mcf

Monthly rater per well = $7800/5 = 1560$ mcf

Daily rate per well = $1560/30.4 = 51.3$ mcfd

Oil Production

Well average monthly rate = 60 bopm

Monthly rater per well = $60/5 = 12.0$ bopm

Daily rate per well = $12.0/30.4 = 0.39$ bopd

Mesaverde Wells

28 active Mesavede wells

Gas Production

Well average monthly rate = 47000 mcf

Monthly rater per well = $47000/28 = 1679$ mcf

Daily rate per well = $1679/30.4 = 55.2$ mcfd

Oil Production

Well average monthly rate = 60 bopm

Monthly rater per well = $60/28 = 2.1$ bopm

Daily rate per well = $2.1/30.4 = 0.07$ bopd

Statement of Commingling

Pan American State Com #1Y
Section 36, T32N – R13W
San Juan County, New Mexico

The commingling of the Dakota and Mesaverde pools in this wellbore will not reduce the value of the remaining production. Commingling these pools should increase the value of the remaining reserves due to using the remaining reservoir energy in both zones to produce the well.

Commingling operations conducted on other similar wells have resulted in increased production rates and greater reserve than producing the zones separately.