

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
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

Form C-103
May 27, 2004

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

WELL API NO. 30-045-24746
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Taliaferro
8. Well Number 5M
9. OGRID Number 141342
10. Pool name or Wildcat Blanco MesaVerde / Basin Dakota

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.)	
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other	
2. Name of Operator R.C. Resources, Inc.	
3. Address of Operator Suite 230 Pecan Creek, 8340 Meadow Road, Dallas TX 75231	
4. Well Location Unit Letter <u>I</u> : <u>1730</u> feet from the <u>S</u> line and <u>820</u> feet from the <u>E</u> line Section <u>30</u> Township <u>31N</u> Range <u>12W</u> NMPM San Juan County	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 5978' GL	
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>	
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____	
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____	

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 COMPL ☐

OTHER: Convert well from Dual to Co-mingle ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

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.

R.C. Resources proposes to convert the configuration of this well from a Dual MesaVerde/Dakota completion to a co-mingled Blanco MesaVerde (72319) and Basin Dakota (71599) status. These are pre-approved pools for co-mingling as per NMOCD order #11563. These zones have been segregated since their original completion in 1981. The MesaVerde and Dakota perforation intervals are shown on the attached well bore diagram. The zones will be co-mingled by removing the packer and running on 2 3/8" tubing string, upon NMOCD approval. Production allocation will be determined by applying the historical production rate from the Dakota prior to the conversion and as per the attached method. The proposed co-mingling will not reduce the value of the total remaining production. The mineral ownership in each zone is identical.

RCVD NOV22'06
OIL CONS. DIV.
DIST. 3

DAE 2474AZ

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Robert R. Griffie TITLE Agent for R.C. Resources DATE 11/20/06

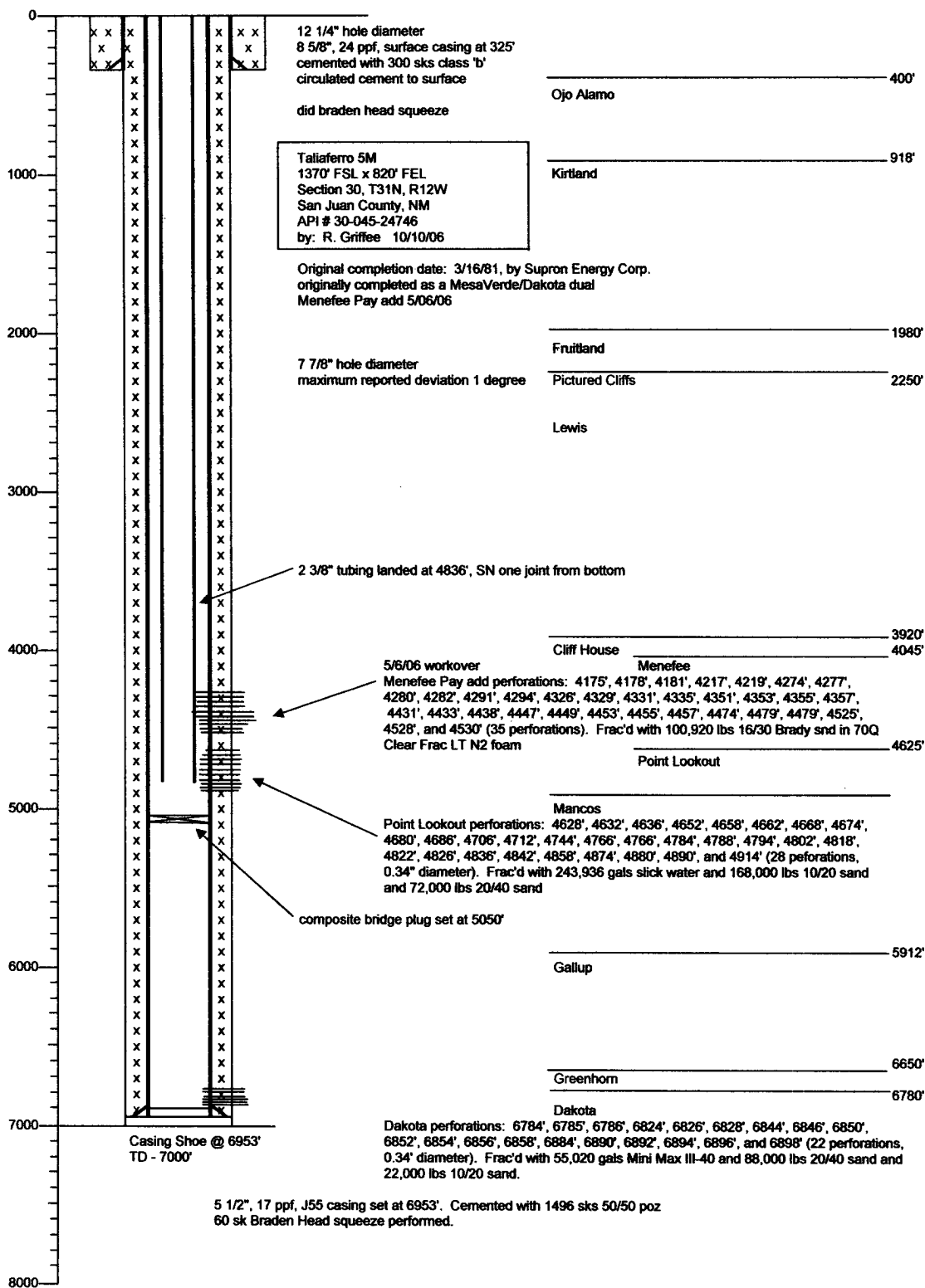
Type or print name Robert R. Griffie E-mail address: bgriffiepc@qwest.net Telephone No. (505) 326-6813

For State Use Only

APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 3 DATE NOV 22 2006

Conditions of Approval (if any):

Elevations: 5978' GL



Recommended Production Allocation for Proposed Commingle

Taliaferro 5M
R. C. Resources

Historical Production

Gas		
Zone	2006 Average MCF/month	Historical Percentage of Total Gas Production
MesaVerde	900	80.00%
Dakota	225	20.00%
Total	1125	100.00%

Gas Oil		
Zone	2006 Average bbl/month	Historical Percentage of Total Oil Production
MesaVerde	0.25	25.00%
Dakota	0.75	75.00%
Total	1	100.00%

New proposed Allocation method

- 1 Measure total combined production rate of MesaVerde and Dakota including any rate increase which will be attributed to the Menefee pay addition (no work will be performed on the Dakota zone at this time).
- 2 Allocate 225 MCF/mo. and 0.75 bbls oil/month to the Dakota zone for the first month of commingled production
- 3 Subtract 225 MCF/mo. and .75 bbls oil/month from the total production figures to obtain MesaVerde production allocation rates.
- 4 Calculate the percentage to allocate to each zone.
- 5 Apply allocation percentage from step 4 to reported production per zone.

Statement of Commingling

The commingling of the Blanco Mesa Verde (72319) and Basin Dakota (71599) pools in the Taliaferro 5M will not reduce the value of the remaining production. Commingling these two zones should actually increase the value of the remaining reserves. The utilization of one string of 2 3/8" tubing and rod pump system will help remove fluid (water and oil) from both zones.

Previous commingling operations in the San Juan Basin have shown improvement in most cases.

RC RESOURCES CORPORATION

SUITE 230 PECAN CREEK
8340 MEADOW ROAD
DALLAS, TEXAS 75231-3751

214/369-4848
FAX 214/369-4847

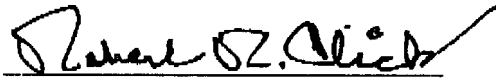
November 21, 2006

TO WHOM IT MAY CONCERN:

Re: Taliaferro 5M Well
Section 30-13N-12W
San Juan County, NM

STATEMENT OF OWNERSHIP

I, Robert R. Click, do hereby certify that the ownership of the Dakota and Mersaverde formations in this well, which are to be commingled under this application, are identical.



Robert R. Click
President
RC Resources Corporation, Operator