

| | | | | | |
|-----------------|-----------------|----------------|-------------------|----------|------------------------|
| DATE IN 8/13/04 | SUSPENSE 9/2/04 | ENGINEER jones | LOGGED IN 8-16-04 | TYPE DHC | APP NO. DSEM0422926813 |
|-----------------|-----------------|----------------|-------------------|----------|------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners**
- [B] ☐ Offset Operators, Leaseholders or Surface Owner**
- [C] ☐ Application is One Which Requires Published Legal Notice**
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO**
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,**
- [F] ☐ Waivers are Attached**

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name

Signature

Title

Date

e-mail Address

District I
1625 N. French Drive, Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE

☒ Single Well

Establish Pre-Approved Pools

☒ YES ☐ NO

APPLICATION FOR DOWNHOLE COMMINGLING

2004 AUG 13 PM 1:00

Patina San Juan, Inc.

1625 Broadway, Suite 2000, Denver, CO 80202

Operator Address
Pan American State #1R "K", Section 36, T32N - R12W San Juan
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 173252 Property Code API No. 30-045-31972 Lease Type: Federal ☒ State ☐ Fee

| DATA ELEMENT | UPPER ZONE | INTERMEDIATE ZONE | LOWER ZONE |
|---|-----------------|-----------------------------------|--------------------------------|
| Pool Name | | WC Basin Mancos G ₀₂ ✓ | Basin Dakota ✓ |
| Pool Code | | 97232 ✓ | 71599 ✓ |
| Top and Bottom of Pay Section (Perforated or Open-Hole Interval) | | 6034' - 6122' | 6685' - 6862' |
| Method of Production (Flowing or Artificial Lift) | | Flowing | Flowing |
| Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone) | | 1810 psi | 1869 psi |
| Oil Gravity or Gas BTU (Degree API or Gas BTU) | | | |
| Producing, Shut-In or New Zone | | Producing | Producing |
| 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: Rates: | Date: 6/2/04 Rates: 10 mcf | Date: 7/23/04 Rates: 71 mcf |
| Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.) | Oil Gas % % | Oil Gas 12% 12 % | Oil Gas 88% 88% |

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes _____ No ☒
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ☒ No _____
Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No _____
Will commingling decrease the value of production? Yes _____ No ☒
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No _____
NMOCD Reference Case No. applicable to this well: _____

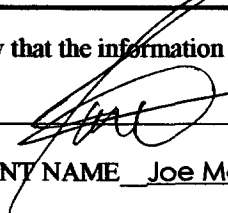
Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:
List of other orders approving downhole commingling within the proposed Pre-Approved Pools
List of all operators within the proposed Pre-Approved Pools
Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
Bottomhole pressure data.

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

SIGNATURE  TITLE Agent for Patina San Juan DATE 8/11/04
TYPE OR PRINT NAME Joe Mazotti TELEPHONE NO. (720) 352-0158

Statement of Commingling

Pan American State #1R
NESW, Section 36, T32N – R2
San Juan County, New Mexico

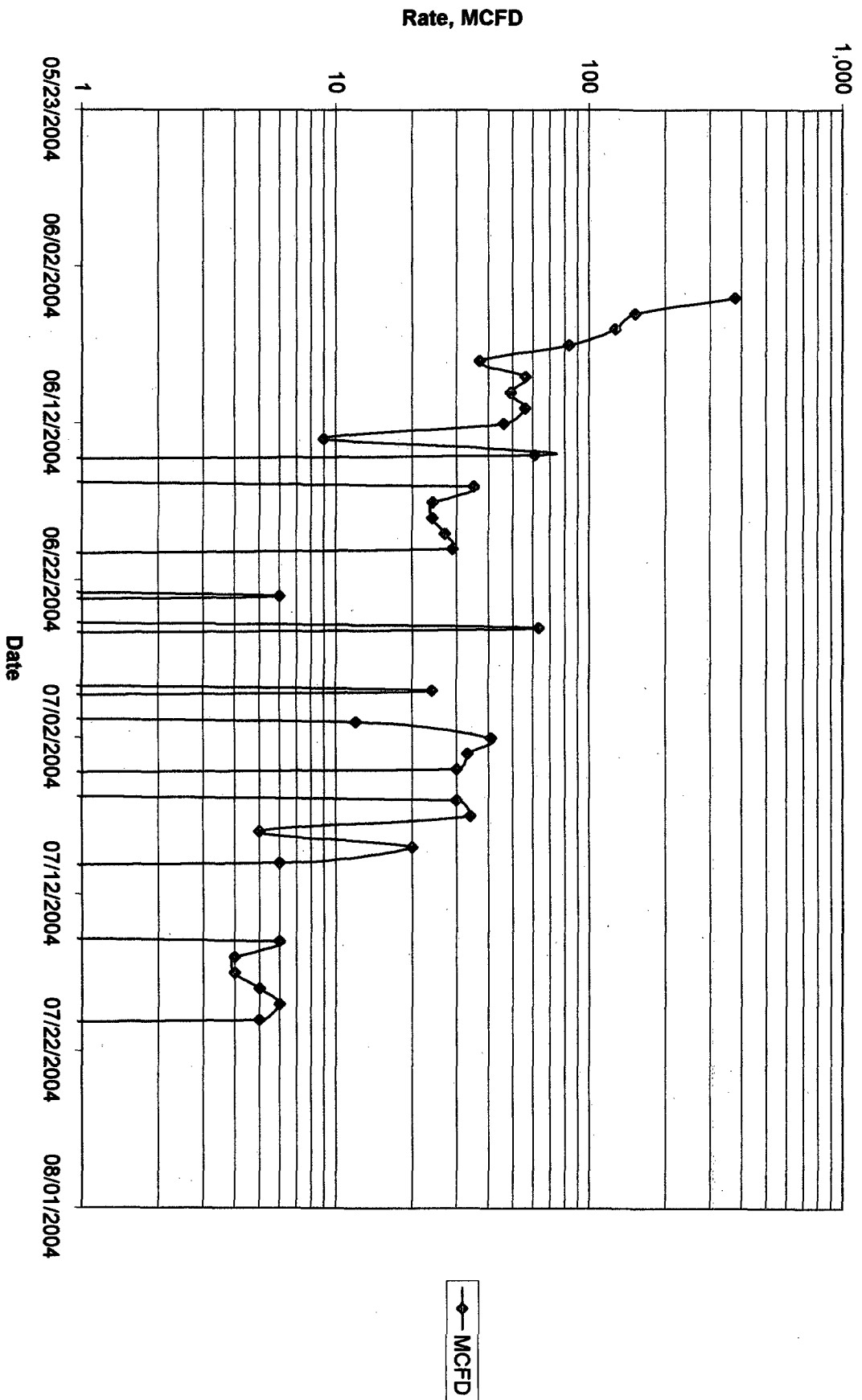
Based on production rates of 71 mcf/d in the Dakota and 10 mcf/d in the Gallup, the allocations percentages are 88% for the Dakota and 12% for the Gallup.

Reserves, based on the initial producing rates would be approximately 50 MMCF for the Gallup and 250 MMCF for the Dakota. If the Gallup was produced only by itself, it would not produce the 50 MMCF because it would go uneconomical at a rate less 10 mcf/d.

The commingling of the Basin Mancos and Basin Dakota 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.

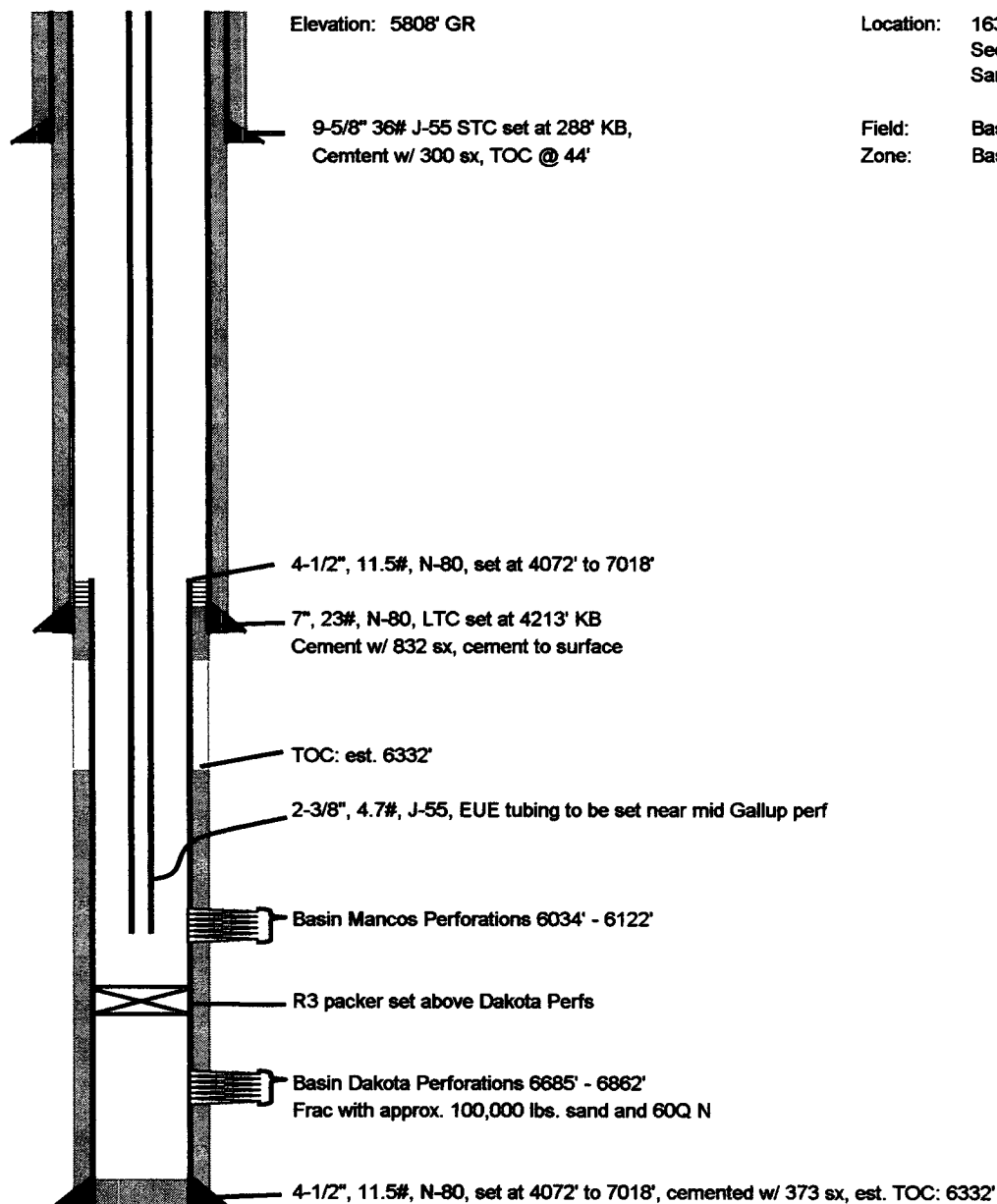
Pan American State #1R - Mancos Production



PATINA

OIL & GAS CORPORATION

Pan American State #1R Pre - Commingled Wellbore

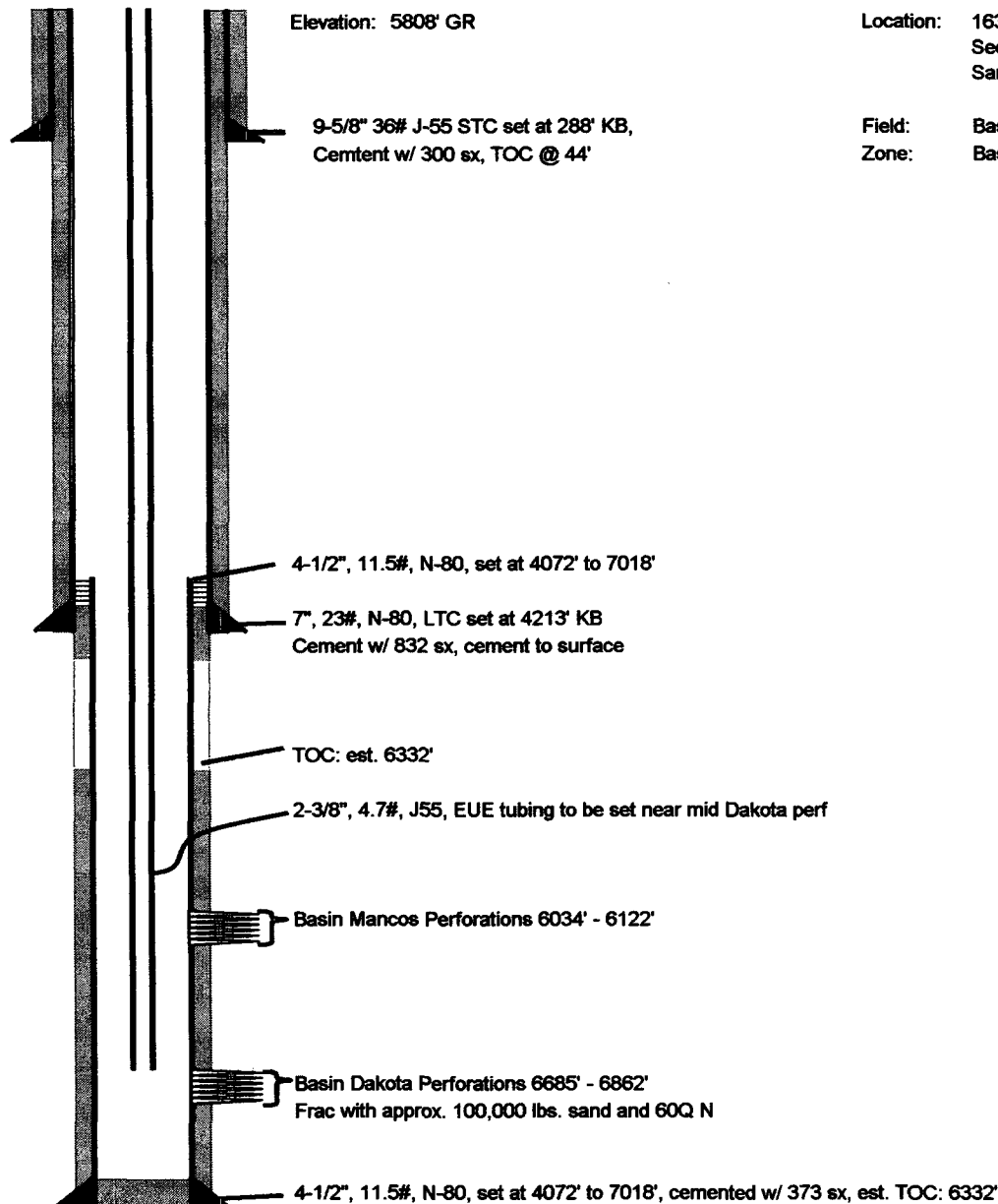


TD: 7021' KB
PBTD: 6977' KB

PATINA

OIL & GAS CORPORATION

Pan American State #1R Comminlgd Wellbore

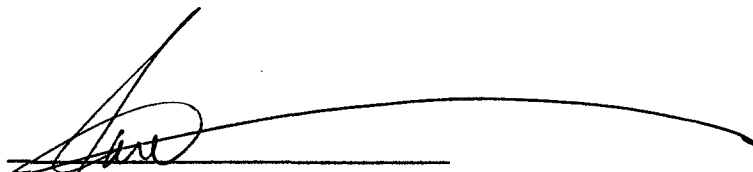


TD: 7021' KB
PBTD: 6977' KB

Statement of Notification

Pan American State #1R
NESW, Section 36, T32N – R2
San Juan County, New Mexico

The interested parties in the two pools affected by this commingle where sent a
sent a copy of the original application via certified mail, return receipt requested
on July 21, 2004.



Joe Mazotti
Regulatory Agent for Patina San Juan

PATINA SAN JUAN, INC.

CERTIFIED MAIL No. P -----

July 21, 2004

ALL INTEREST OWNERS

COPY

RE: Application to Down-Hole Commingle

Pan American State # 1R

NESW, Section 36, T32N – R13W

San Juan County, New Mexico

To Whom It May Concern:

On July 21, 2004, Patina San Juan Inc. (Patina) submitted to the State of New Mexico, Energy, Minerals and Natural Resources Oil Conservation Division an application to down-hole commingle the subject well. Patina plans to down-hole commingle the Dakota and Gallup pools in this wellbore. These are pre-approved pools per NMOCD Order #11563. The well is producing from the Gallup with a bridge-plug over the Dakota since completion.

Enclosed is a complete copy of the application. Any objections must be submitted in writing to the State of New Mexico, Energy, Minerals and Natural Resources Oil Conservation Division, Aztec, NM within twenty (20) days of receipt of this letter.

Please contact Gary Olhman at 303.389.3600 with any questions or concerns.

Sincerely,

Joe Mazoffi
Agent for Patina San Juan

Enclosure

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer 00, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994

Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | |
|-----------------------------|---|---|---------------------|
| *API Number 30-045-31972 | *Pool Code 72319-71599-97232 | *Pool Name BLANCO MESAVERDE - BASIN DAKOTA | WC BASIN MANCOS |
| *Property Code 24068 | *Property Name PAN AM STATE COM | | *Well Number 1R |
| *GRID No. 173252 | *Operator Name PATINA SAN JUAN, INC. | | *Elevation 5808' |

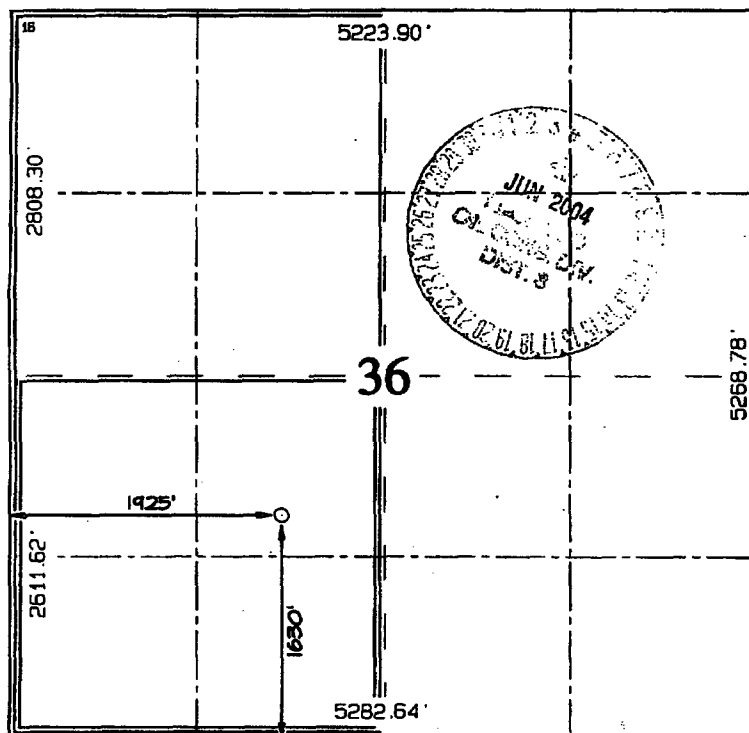

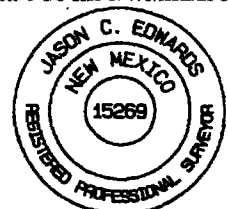
¹⁰ Surface Location

| U. or lot no. | Section | Township | Range | Lot 3rd | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| K | 36 | 32N | 13W | | 1630 | SOUTH | 1925 | WEST | SAN JUAN |

¹¹ Bottom Hole Location If Different From Surface

| U. or lot no. | Section | Township | Range | Lot 3rd | Feet from the | North/South line | Feet from the | East/West line | County |
|---|---------|----------|-------|---------|-------------------------------|------------------|----------------------------------|----------------|-------------------------|
| | | | | | | | | | |
| ¹² Dedicated Acres 320.0 Acres (W/2) - MV & DK 160.0 Acres (SW/4) - MANCOS | | | | | 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

| | |
|---|---|
|  | <p>¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature Ray S. Eckstein Printed Name Prod. Tech. Title 5/19/2004 Date</p> |
| | <p>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. Date Revised: MAY 19, 2004 Survey Date: NOVEMBER 6, 2003 Signature and Seal of Professional Surveyor  JASON C. EDWARDS Certificate Number 15269</p> |