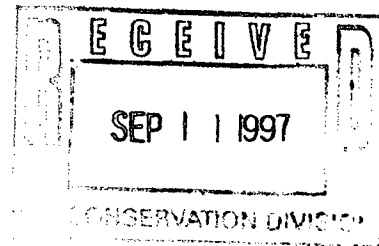


MIRAGE ENERGY, INC.
7915 N. LLEWELYN
HOBBS, N.M. 88242
SEPTEMBER 7, 1997



NEW MEXICO OIL CONSERVATION DIVISION
2040 SOUTH PACHECO STREET
SANTA FE, NM 87505

RE: Administrative Order DHC-1557
Downhole Commingling Application
Sims 35 State Well No. 1
Unit Letter B, Section 35-20S-35E
Southeast Lea Wolfcamp and Osudo Morrow West Pools
Lea County, New Mexico

Dear Mr. Lemay,

In response to your request, I am enclosing a copy of the allocation formula concerning the above well.

Sincerely,

A handwritten signature in black ink, appearing to read "James D. Cogburn".

James D. Cogburn

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-103
Revised 1-1-89

Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

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

OIL CONSERVATION DIVISION
310 Old Santa Fe Trail, Room 206
Santa Fe, New Mexico 87503

WELL API NO.
30-025-27457

5. Indicate Type of Lease
STATE ☒ FEE ☐

6. State Oil & Gas Lease No.
V-279

7. Lease Name or Unit Agreement Name
SIMS "35" STATE

8. Well No.
1

9. Pool name or Wildcat OSUDO MORROW
& SOUTHEAST LEA WOLFCAMP

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 ☐ GAS WELL ☒ OTHER

2. Name of Operator
MIRAGE ENERGY, INC.

3. Address of Operator
7915 N. LLEWELYN, HOBBS, NM 88242

4. Well Location
Unit Letter B : 660 Feet From The NORTH Line and 1980 Feet From The EAST Line

Section 35 Township 20S Range 35E NMPM LEA County

10. Elevation (Show whether DF, RKB, RT, GR, etc.)
3679.9 GR

11. 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 ☐
OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐
CASING TEST AND CEMENT JOB ☐
OTHER: ALLOCATION DHC-1557 ☒

12. 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.

PRODUCE ORIGINAL PERFS WOLFCAMP (11,465 - 11,611) MORROW (12,963 - 13,192)

06/11/97 COMMENCED WORKOVER. FISHED AND MILLED UP JUNK TBG., WIRE LINE TOOLS, AND OLD PACKER PARTS. DRILLED OUT CEMENT AND CAST IRON BRIDGE PLUGS. PUSHED REMAINDER OF CIBP TO 13,233. BOTTOM OF COMPLETION ASSEMBLY AT 11,911.

07/09/97 WORKOVER COMPLETE, READY TO PRODUCE

3/5/97 PRIOR PRODUCTION (WOLFCAMP) PUMPED 4 BO, 0 BW, 20 MCFPD

8/7/97 30 DAY TEST (MORROW & WOLFCAMP) FLOWED 17 BO, 0 BW, 1000 MCFPD

ALLOCATION OIL WATER GAS

OSUDO MORROW 76% 50% 98%

SOUTHEAST LEA WOLFCAMP 24% 50% 2%

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

SIGNATURE James D. Cogburn TITLE OPERATION COORDINATOR DATE 8/10/97

TYPE OR PRINT NAME JAMES D. COGBURN TELEPHONE NO. (305) 392-7095

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY: