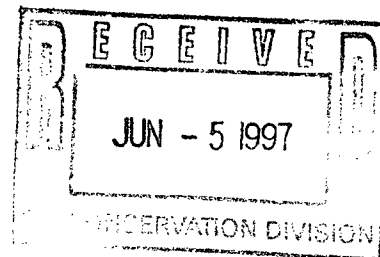


CENTRAL

RESOURCES, INC.

June 2, 1997

Mr. William LeMay
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505



Re: Candado No. 24
1070' FSL, 830' FWL, Section 9, T26N, R7W
Rio Arriba County, NM
API #30-039-22133

Dear Mr. LeMay:

Central Resources, Inc. is requesting administrative approval for downhole commingling from the Blanco Mesaverde and Otera Chakra pools in the subject well. The downhole commingling will be achieved by pulling both tubing strings and the packer. A single tubing string will be run to the Mesaverde. Both the Chakra and Mesaverde zones will produce through tubing.

To comply with the New Mexico Oil Conservation Division rules, Central is submitting the following for your approval of this commingling:

1. Form C107A - Application for Downhole Commingling;
2. Form C102 plat for each zone showing its spacing unit and acreage dedication;
3. Production curve for both the Blanco Mesaverde and Otera Chakra since 1980;
4. Data to support allocation method or formula
5. Notification list of offset operators
6. Notification list of working, overriding, and royalty interests

If you need any additional information please contact me at (505) 326-3325.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas W. DeLong". The signature is fluid and cursive, with a large loop at the end.

Thomas W. DeLong
Superintendent/Engineer
/dgj

Enclosures

xc: Bureau of Land Management
State Land Office

CENTRAL RESOURCES, INC.,		PO BOX 2810, FARMINGTON, NEW MEXICO 87499	
Operator		Address	
SF 079161	CANDADO #24	M Sec. 9, T26N - R7W	RIO ARRIBA
Lease	Well No.	Unit Ltr. - Sec - Twp - Rge	County
Spacing Unit Lease Type: (check 1 or more)			
OGRID NO. 003939	Property Code 014006	API NO. 30-039-22133	Federal <input checked="" type="checkbox"/> , State <input type="checkbox"/> , (and/or) Fee <input type="checkbox"/>

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	32509 Otero Chaca		Mesaverde
2. Top and Bottom of Pay Section (Perforations)	3076' - 3172'		4124' - 4550'
3. Type of Production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current	(Current) a. 367 psia (shut in test 8/93)		528 psia 5/27/97
Gas & Oil - Flowing: Measured Current	(Original) b. 1018 psig (8 day SI)		1098 psig (16 day SI)
All Gas Zones: Estimated or Measured Original			
6. Oil Gravity (° API) or Gas BTU Content	1221 BTU		1200 BTU
7. Producing or Shut-in?	Shut-in		Producing
Production Marginal? (yes or no)	Yes		No
If Shut-in, give date and oil/gas/ water rates of last production	Date: 9/94 Rates: 3 MCFD		
Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data			
If Producing, give date and oil/gas/ water rates of recent test (within 60 days)	Date: Rates:		4/30/97 25 MCFD
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 0 % Gas: 7.1 %	Oil: % Gas: %	Oil: 100 % Gas: 92.9 %

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.
10. Are all working, overriding, and royalty interests identical in all commingled zones?

☐ Yes ☒ No

If not, have all working, overriding, and royalty interests been notified by certified mail?

☒ Yes ☐ No

Have all offset operators been given written notice of the proposed downhole commingling?

☒ Yes ☐ No
11. Will cross-flow occur? ☐ Yes ☒ No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. ☒ Yes ☐ No (If No, attach explanation)
12. Are all produced fluids from all commingled zones compatible with each other? ☒ Yes ☐ No
13. Will the value of production be decreased by commingling? ☐ Yes ☒ No
14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. ☒ Yes ☐ No
15. NMOCD Reference Cases for Rule 303 (D) Exceptions: ORDER NO. (S).
16. 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.

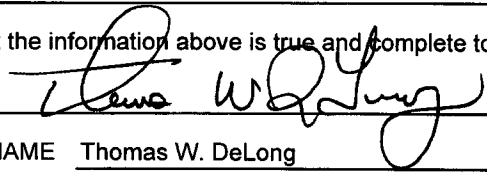
* Data to support allocation method or formula.

* Notification list of all offset operators.

* Notification list of working, overriding, and royalty interests for uncommon interest cases.

* Any additional statements, data, or documents required to support commingling.
- I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE



TITLE Superintendent/Engineer

DATE June 2, 1997

TYPE OR PRINT NAME

Thomas W. DeLong

TELEPHONE NO. (505) 326-3325

2-0CD, Aztec, N.M.

1-B

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

CONSERVATION DIVISION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

Form C-107
Revised 10-1-78

All distances must be from the outer boundaries of the Section.

Operator BOLIN OIL COMPANY		Lease CANDADO		Well No. 24	
Unit Letter M	Section 9	Township 26N	Range 7W	County Rio Arriba	
Actual Footage Location of Well: 1070 feet from the South line and 830 feet from the West line					
Ground Level Elev. 6120	Producing Formation Chacra		Pool Otero	Dedicated Acreage: 160 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

Sec.	
9	
830'	
1070'	

RECEIVED
AUG 25 1980
MINERAL DEPT.

CERTIFICATION

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

Name
*J. P. Crumpler*Position
GeologistCompany
BOLIN OIL COMPANYDate
8/20/80

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 knowledge and belief.

Date Surveyed
July 1980
Registered Professional Geologist
and/or Land Surveyor
1980
1980
1980
Certificate No. **1980**

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENTP. O. BOX 2088
SANTA FE, NEW MEXICO 87501Form C-102
Revised 10-1-78

All distances must be from the outer boundaries of the Section.

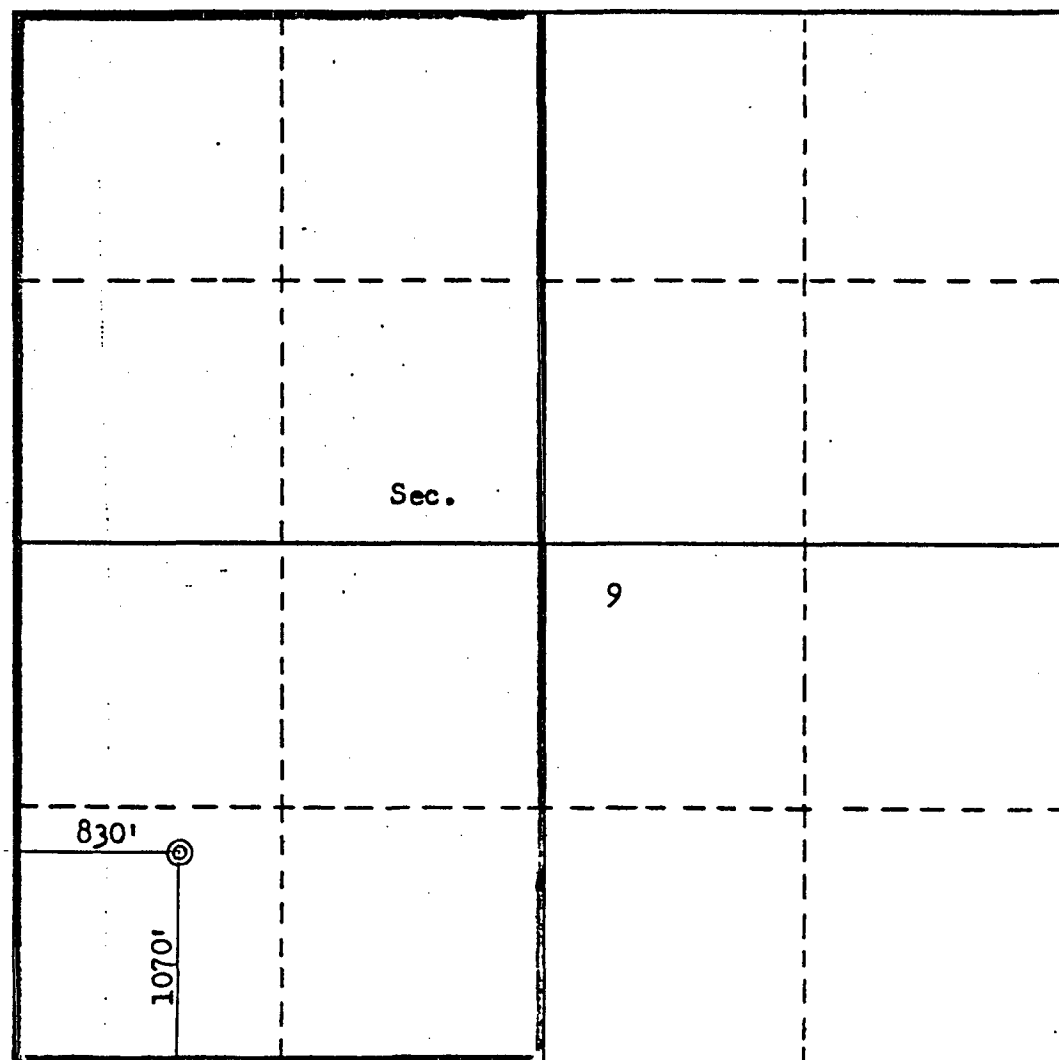
Operator BOLIN OIL COMPANY			Lease CANDADO		Well No. 24
Unit Letter M	Section 9	Township 26N	Range 7W	County Rio Arriba	
Actual Footage Location of Well: 1070 feet from the South line and 830 feet from the West line					
Ground Level Elev. 6120	Producing Formation Mesa Verde		Pool Blanco		Dedicated Acreage: 320 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

Name
F. P. Crum Jr.

Position
Geologist

Company
BOLIN OIL COMPANY

Date
8/1/79

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 knowledge and belief.

Date Surveyed
July 1979

Registered Professional Geologist
and/or Land Surveyor
3950

Fred B. Kerr Jr.
Certificate No. **3950**

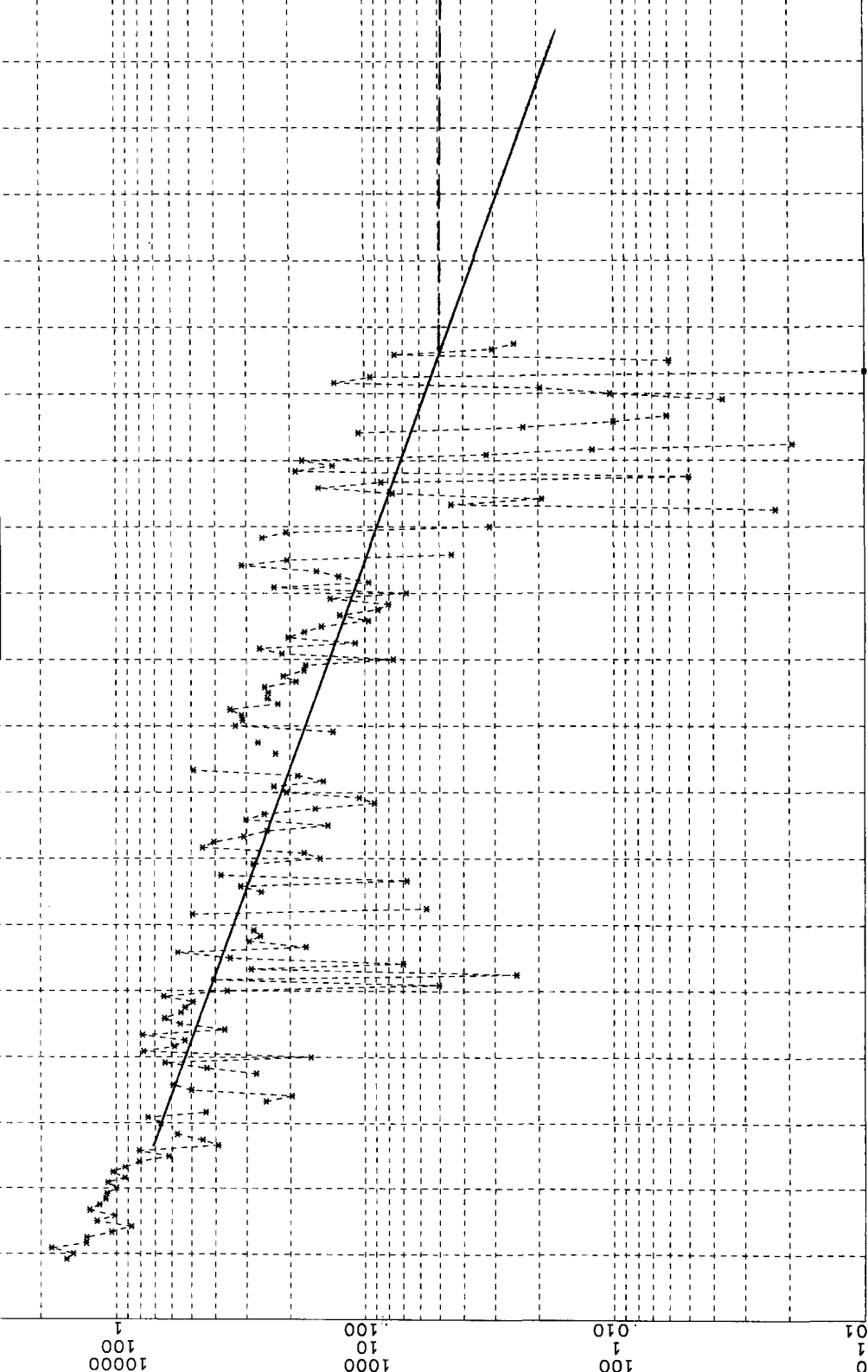
REGISTERED LAND SURVEYOR
FRED B. KERR, JR.

WATER-BPD
GAS-MCFD
OIL-BPD

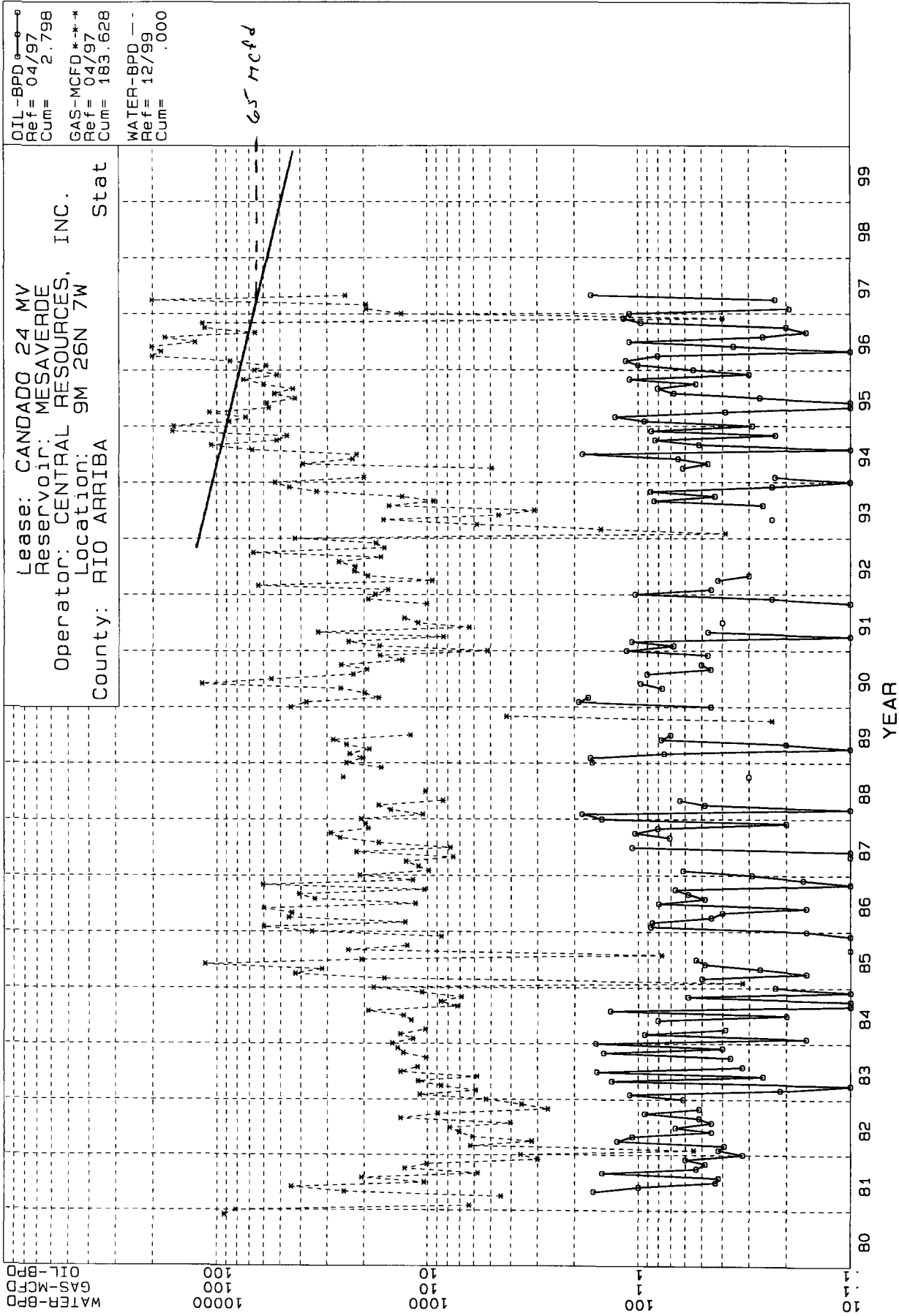
Lease: CANDADO 24 CH
Reservoir: CHACRA
Operator: CENTRAL RESOURCES, INC.
Location: 9M 26N 7W
County: RIO ARriba Stat

OIL-BPD
Ref= 12/99
Cum= .000
GAS-MCFD
Ref= 12/95
Cum= 163.456

WATER-BPD
Ref= 12/99
Cum= .000



5 MCFD



Candado No. 24
Allocation Formula

The recommended allocation of production back to the Chacra and Mesaverde formations is based on the percentage of gas historically produced from each formation to the total amount of gas produced from the wellbore.

The monthly values were individually divided by the sum of the values and multiplied by 100 to get the percentage production for each formation. This procedure is outlined arithmetically below.

$$\text{Chacra Allocation} = \frac{\text{Chacra Prod.}}{\text{Chacra} + \text{Mesaverde Prod.}} \times 100\%$$

Referring to the performance curves for both zones and using the production values, the allocation factors are determined as follows:

$$\text{Mesaverde Allocation} = \frac{\text{Mesaverde Prod.}}{\text{Chacra} + \text{Mesaverde Prod.}} \times 100\%$$

$$\text{Chacra Allocation} = \frac{152 \text{ mcf/m}}{(152 + 1976) \text{ mcf/m}} \times 100\% = \underline{7.1 \%}$$

$$\text{Mesaverde Allocation} = \frac{1976 \text{ mcf/m}}{(1976 + 152) \text{ mcf/m}} \times 100\% = \underline{92.9 \%}$$

[illegible]

R7W

Candado No. 24

Unit M, Section 9, T26N, R7W

Rio Arriba County, New Mexico

Candado No. 24
OFFSET OPERATORS

Burlington Resources
W. B. Hamilton
Little Oil & Gas
Louis Dreyfus Gas Holdings Inc
Universal Resources Corp.

Candado No. 24
Mesaverde Formation

American West Oil & Gas
C. W. Bolin Properties, Ltd.
Dan H. Bolin
D. P. Bolin
Dolores Bolin Estate
Pat S. Bolin
R. L. Bolin
H. Kirk Brown, III
Central Resources, Inc.
Louis Dreyfus Gas Holdings Inc
Dugan Production Company
Minerals Managemnt Service
Petrox Resources, Inc.
RKC, Inc.
Tipperary Oil & Gas Corp.

Candado No. 24
Otera Chacra Formation

American West Oil & Gas
C. W. Bolin Properties, Ltd.
Dan H. Bolin
D. P. Bolin
Dolores Bolin Estate
Pat S. Bolin
R. L. Bolin
H. Kirk Brown, III
Central Resources, Inc.
Minerals Managemnt Service
Petrox Resources, Inc.
RKC, Inc.
Tipperary Oil & Gas Corp.