

CAULKINS OIL COMPANY

P. O. BOX 340
BLOOMFIELD, NEW MEXICO 87413
PHONE: 505-632-1544
FAX 505-632-1471

October 25, 2001

State of New Mexico
Oil Conservation Division
ATTN: Mr. David Catanach
1220 S. St. Francis Drive
Santa Fe, NM 87504

OIL CONSERVATION DIV.
01 OCT 26 PM 1:06

Re: Administrative Approval to Downhole Commingle
Breach "B" 781, Sec. 14-26N-7W Unit Letter L
Ice Canyon Gallup, Blanco Mesa Verde and Otero Chacra Formations

Dear Mr. Catanach:

This well was originally completed as a dual completion Basin Dakota – Ice Canyon Gallup – Blanco Mesa Verde (DHC-2032) commingled below a packer with Otero Chacra producing above packer.

During completion operations in January 1999, a fish was left in hole at 6212'. Attempts to recover fish were unsuccessful so we decided to complete well leaving fish in place. This allowed us to produce well down to the sales line rather than lose our initial production from the well to the atmosphere during a drawn out fishing job.

August 2001. We moved a workover rig to location to attempt recovery of fish in hole. During fishing operations we had a downhole fire which led to plugging the Dakota zone in this well. At this time we decided to commingle the Ice Canyon Gallup, Blanco Mesa Verde and Otero Chacra zones in this wellbore. Production tubing was run to 6052' and request for approval to produce commingled well under Order # R-11363 was submitted to the Aztec NMOCD office. I was informed the Order # R-11363 does not cover three commingled zones and that I would need to submit form C-107-A for approval. This well has been shut-in since August 14, 2001 and will remain shut-in pending approval of commingling application.

Allocation percentages were calculated using the average production from the July 2000 through June 2001 monthly volume statements for all three zones.

Please find the enclosed documents:

- A. NMOCD form C-107-A
- B. NMOCD form C-102 for each zone
- C. Notification list of offset operators
- D. Vicinity map
- E. Sundry Notice notifying BLM of intention to commingle

If you have any questions or need more information please contact Robert L. Verquer at (505) 632-1544.

Sincerely,



Robert L. Verquer
Superintendent

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

811 South First St., Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Artesia, NM 87410

State of New Mexico

Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 S. St. Francis Dr. Santa Fe, New Mexico 87504

Form C-107-A

New 3-12-96

APPROVAL PROCESS:

X Administrative Hearing

EXISTING WELLBORE

YES NO

APPLICATION FOR DOWNHOLE COMMINGLING

CAULKINS OIL COMPANY

P.O. BOX 340, BLOOMFIELD, NM 87413

OPERATOR

ADDRESS

BREECH "B"

781

L - SEC. 14-26N-7W

RIO ARRIBA

LEASE

WELL NO

UNIT LTR. - SEC. - TWP. - RGE

COUNTY

Spacing Unit Lease types: (check 1 or more)

OGRID NO. 003824

Property Code 2456

API NO. 30-039-25839

Federal X, State, (and/or) Fee

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Otero Chacra	Mesa Verde	Gallup
2. Top and Bottom of Pay Section (Perforations)	2827' - 3199'	4548' - 5249'	5669' - 6123'
3. Type of production (Oil or Gas)	Gas	Gas and Condensate	Gas and Condensate
4. Method of Production (Flowing or Artificial Lift)	Flowing	Flowing	Flowing
5. Bottomhole Pressure Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated or Measured Original	a. (Current) 423	a. 517	a. 608
	b. (Original)	b.	b.
Oil Gravity (° API) or Gas BTU Content	1193 BTU	1243 BTU	1243 BTU
7. Producing or Shut-In	Shut-in	Shut-in	Shut-in
Production Marginal? (yes or no)	Yes	Yes	Yes
* If Shut-In, give date and oil/gas/water rates of last production <small>Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data</small>	Date: 12 month average Rates: Gas 66, Oil 0, Water 0 MCF/D Bbl Bbl	Date: 12 month average Rates: Gas 29, Oil .15, Water 1 MCF/D Bbl Bbl	Date: 12 month average Rates: Gas 40, Oil .32, Water 1.5 MCF/D Bbl Bbl
	Date: Rates:	Date: Rates:	Date: Rates:
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)			
8. Fixed Percentage Allocation Formula - % for each zone	Oil 0 % Gas 48 %	Oil 33 % Gas 22 %	Oil 67 % Gas 30 %

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? X 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? X Yes No

11. Will cross-flow occur? X 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. X Yes No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? X Yes No

13. Will the value of production be decreased by commingling? Yes X No (If Yes, attach explanation)

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. X Yes No

15. NMOCD Reference Cases of Rule 303 Exceptions: ORDER NO(S). DHC - 1920, DHC - 659, DHC - 2032

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 Robert L Verquer TITLE SUPERINTENDENT DATE October 25, 2001

TYPE OR PRINT NAME ROBERT L. VERQUER TELEPHONE NO. (505) 632-1544

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

Form C-102
 Revised October 18, 1994
 Instructions on back
 BLM Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

RECEIVED

98 JUN 30 PM 12:25

070 FARMINGTON, NM

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-25839		² Pool Code 93235		³ Pool Name ICE CANYON; GALLUP	
⁴ Property Code 2456		⁵ Property Name BREECH "B"			⁶ Well Number 781
⁷ OGRID No. 003824		⁸ Operator Name Caulkins Oil Company			⁹ Elevation 6124 GR

¹⁰ Surface Location

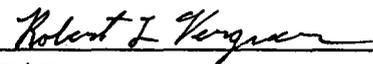
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	14	26N	7W		1800'	South	1150'	West	Rio Arriba

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 160	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

16					¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief  Signature Printed Name Robert L. Verquer Title Superintendent Date June 26, 1998
					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 knowledge and belief. Date of Survey Signature and Seal of Professional Surveyor: Certificate Number

1150'

1800'

District I
 PO Box 1980, Hobbs, NM 88241-1980
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 1000 Rio Brazos Rd., Aztec, NM 87410
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 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-102
 Revised October 18, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

RECEIVED
 BLM

98 JUN 30 PM 12:26

AMENDED REPORT

070 FARMINGTON, NM

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-25839		² Pool Code 72319		³ Pool Name BLANCO MESA VERDE	
⁴ Property Code 2456		⁵ Property Name BREECH "B"			⁶ Well Number 781
⁷ OGRID No. 003824		⁸ Operator Name Caulkins Oil Company			⁹ Elevation 6124 GR

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	14	26N	7W		1800'	South	1150'	West	Rio Arriba

¹¹ Bottom Hole Location If Different From Surface

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16					¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i>
					Signature <i>Robert L. Verquer</i>
				Printed Name	Robert L. Verquer
				Title	Superintendent
				Date	June 26, 1998
				¹⁸ SURVEYOR CERTIFICATION <i>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.</i>	
				Date of Survey	
				Signature and Seal of Professional Surveyor:	
				Certificate Number	

The diagram shows a well location on a grid. A horizontal line is labeled '1150'' and a vertical line is labeled '1800''. A small circle representing the well is located at the intersection of these two lines.

District I
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 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-10
 Revised October 18, 199
 Instructions on bac
 Submit to Appropriate District Office
 State Lease - 4 Copie
 Fee Lease - 3 Copie

AMENDED REPOR

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-25839		² Pool Code 82329		³ Pool Name OTERO CHACRA	
⁴ Property Code 2456		⁵ Property Name BREECH "B"			⁶ Well Number 781
⁷ OGRID No. 003824		⁸ Operator Name Caulkins Oil Company			⁹ Elevation 6124 GR

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	14	26N	7W		1800'	South	1150'	West	Rio Arriba

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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16				<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Robert L. Verquer</i> Signature</p> <p>Printed Name Robert L. Verquer</p> <p>Title Superintendent</p> <p>Date February 8, 1999</p>	
				<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p>Certificate Number</p>	

RECEIVED
 FEB 10 1999
 OIL CON. DIV.
 DIST. 3

CAULKINS OIL COMPANY

P. O. BOX 340

BLOOMFIELD, NEW MEXICO 87413

PHONE: 505-632-1544

FAX 505-632-1471

October 25, 2001

The following list is all the offset operators to Caulkins Oil Company well Breech "B" 781, section 14, township 26N, range 7W

Central Resources, Inc.
1776 Lincoln St. Suite 1010
Denver, CO 80202

Chateau Oil & Gas
5802 U. S. Highway 64
Farmington, NM 87402

Dugan Production Corp.
709 E. Murray Dr. Box 420
Farmington, NM 87401

Louis Dreyfus Natural Gas
1400 Quail Springs Corporate Park
Suite 600
Oklahoma City, OK 73134

Union Oil & Gas of CA
1004 Big Spring
Midland, TX 79702

**LAST 12-MONTHS PRODUCTION
FOR
BREECH B 781**

GALLUP

MONTH	GAS	OIL	WATER	DAYS	GAS DPA	OIL DPA
07/00	1,325	12	2	31	43	0.387
08/00	1,342	11	2	31	43	0.355
09/00	1,284	13	2	30	43	0.433
10/00	1,295	9	1	31	42	0.290
11/00	1,221	9	1	28	44	0.321
12/00	1,337	12	2	31	43	0.387
01/01	1,176	10	2	31	38	0.323
02/01	1,069	8	1	28	38	0.286
03/01	1,170	10	2	31	38	0.323
04/01	1,147	8	1	30	38	0.267
05/01	1,029	8	1	31	33	0.258
06/01	1,145	7	1	30	38	0.233
	14,540	117	18		40	0.322

MESA VERDE

MONTH	GAS	OIL	WATER	DAYS	GAS DPA	OIL DPA
07/00	973	6	1	31	31	0.194
08/00	986	5	1	31	32	0.161
09/00	943	7	1	30	31	0.233
10/00	950	4	1	31	31	0.129
11/00	897	4	1	28	32	0.143
12/00	982	7	1	31	32	0.226
01/01	861	4	1	31	28	0.129
02/01	783	4	1	28	28	0.143
03/01	857	5	1	31	28	0.161
04/01	841	4	1	30	28	0.133
05/01	751	4	1	31	24	0.129
06/01	839	3	0	30	28	0.100
	10,663	57	11		29	0.157

OTERO CHACRA

MONTH	GAS	OIL	WATER	DAYS	GAS DPA	OIL DPA
07/00	2,033	0	0	31	66	0.000
08/00	2,087	0	0	31	67	0.000
09/00	2,032	0	0	30	68	0.000
10/00	1,931	0	0	31	62	0.000
11/00	1,614	0	0	26	62	0.000
12/00	2,004	0	0	31	65	0.000
01/01	2,010	0	0	31	65	0.000
02/01	1,833	0	0	28	65	0.000
03/01	2,263	0	0	31	73	0.000
04/01	1,978	0	0	30	66	0.000
05/01	1,896	0	0	31	61	0.000
06/01	1,994	0	0	30	66	0.000
	23,675	0	0		66	0.000

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

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--" for such proposals)

5. Lease
NMNM-03381

6. If Indian, Allottee or Tribe Name

7. Unit Agreement Name

8. Well Name and No.
BREECH "B" 781

9. API Well No.
30-039-25839-00C2

10. Field and Pool, Exploratory Area
GALLUP, MESA VERDE, OTERO
CHACRA

11. Country or Parish, State
Rio Arriba Co., New Mexico

1. Oil Well Gas Well Other
GAS WELL

2. Name of Operator:
Caulkins Oil Company

3. Address of Operator: (505) 632-1544
P.O. Box 340, Bloomfield, NM 87413

4. Location of Well (Footage, Sec., Twp., Rge.)
1800' F/S 1150' F/W SEC. 14-26N-7W

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION	
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion	<input type="checkbox"/> New Construction
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Altering Casing	<input type="checkbox"/> Conversion to Injection
	<input checked="" type="checkbox"/> Other <u>Commingle Well</u>	<input type="checkbox"/> Dispose Water

17. Describe Proposed or Completed Operations:
10-25-01 Caulkins Oil Company has requested approval from NMOCD to downhole commingle this well.
Application and documents attached.
If there is any questions, please contact Robert L. Verquer at (505) 632-1544.

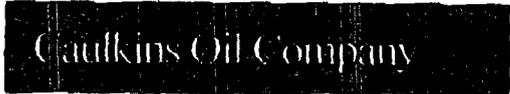
NOTE: The format is issued in lieu of U.S. BLM Form 3160-5

18. I HEREBY CERTIFY THE FOREGOING IS TRUE AND CORRECT

SIGNED: Robert L. Verquer TITLE: Superintendent DATE: October 25, 2001
ROBERT L. VERQUER

APPROVED BY: _____ TITLE: _____ DATE: _____
CONDITIONS OF APPROVAL, IF ANY

Phone: 505-632-1544
Fax: 505-632-1471



FAX

To: New Mexico Oil Conservation Division From: Caulkins Oil Company
 ATTN: Richard Ezeanyim Robert L. Verquer

Fax: (505) 476-3471 Date: November 1, 2001

Phone: (505) 476-3467 Pages: Two

Re: Breech "B" 781 Sec. 14-26N-7W

***Comments:**

Here is the administrative checklist and pool codes you requested for our Breech "B" 781.

Otero Chacra 82329

Mesa Verde 72319

Ice Canyon Gallup 93235

I apologize for the oversight of not including them originally.

Thank you

DATE IN	SUBPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
---------	----------	----------	-----------	------	---------

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.

Robert L. Verquer
 Print or Type Name

Robert L. Verquer
 Signature

Superintendent
 Title

11-1-01
 Date

 e-mail Address