

DATE IN 8/4/08	SUSPENSE	ENGINEER W Jones	LOGGED IN 8/4/08	TYPE DHC	APPROV. PKVRO821755838
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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 REGULATION 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 (N/A, Hearing Order # 9893)
 [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: Alan W. Bohling Signature: Alan W. Bohling Title: Regulatory Agent Date: July 30, 2008
 e-mail Address: ABohling@chevron.com

RECEIVED
 2008 AUG 4 PM 2:03



Chevron Midcontinent, L.P.
15 Smith Road
Midland, Texas 79705
Tel: 432-687-7158
Fax: 432-687-7289
ABohlin@chevron.com

July 30, 2008

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: Administrative Down Hole Commingling Application, Rincon Unit #57E Well
API No. 30-039-25185
Unit O, Section 1, Township 26 North, Range 7 West NMPM
Rio Arriba County, New Mexico

Gentlemen:

Chevron Midcontinent L.P. respectfully submits for New Mexico Oil Conservation Division approval of the commingling of three zones within the Rincon Unit # 57E well (the Mesaverde, Gallup and Dakota). The commingling of these three zones within the Rincon Unit has been previously approved by Oil Conservation Division Case No. 10663, Order No. R-9893. Pursuant to the Order, administrative approval may be granted without notice to all interest owners within the Dakota, Mesaverde and Gallup Areas within the Rincon Unit. However, Chevron Midcontinent, L.P. will provide the other working interest owners in the unit with Notice of our proposed operations by way of their election to participate in the well work-over pursuant to the terms of the Rincon Unit Joint Operating Agreement.

Enclosed with this cover letter, you will find the required information:

1. NMOCD Form C-102(s) (Showing each zone(s) spacing unit and acreage dedication).
2. NMOCD Form C-107A including Supplemental Information.
3. Copy of the Order No. R-9893.
4. Copies of Letters sent to the Bureau of Land Management and the offset Operators for the Rincon Unit # 57E well location advising them of the proposed operations.

A Copy of this Administrative DHC Application, with attachments, is concurrently being sent to the Commissioner of Public Lands, State Land Office and to the U. S. Bureau of Land Management-Farmington Office (under their BLM Form 3160-5, Sundry Notice).

If after your review of the enclosed material you should require any additional technical information, please contact Mr. Michael Murray at 281-561-3857 or, for non-technical information, please contact Mr. Arthur R. Boehm at 281-561-4880.

Thank you in advance for your review and approval of our Administrative Application for Downhole Commingling of the Mesaverde, Gallup and Dakota zones within the Rincon Unit #57E wellbore.

Sincerely,

A handwritten signature in cursive script that reads "Alan W. Bohling".

Alan W. Bohling
Regulatory Agent

Cc: Michael Murray
Arthur R. Boehm

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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 & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-25185		² Pool Code 872319		³ Pool Name Blanco-Mesaverde	
⁴ Property Code 302737		⁵ Property Name Rincon Unit			⁶ Well Number 57E
⁷ OGRID No. 241333		⁸ Operator Name Chevron Midcontinent, L.P.			⁹ Elevation 6457'

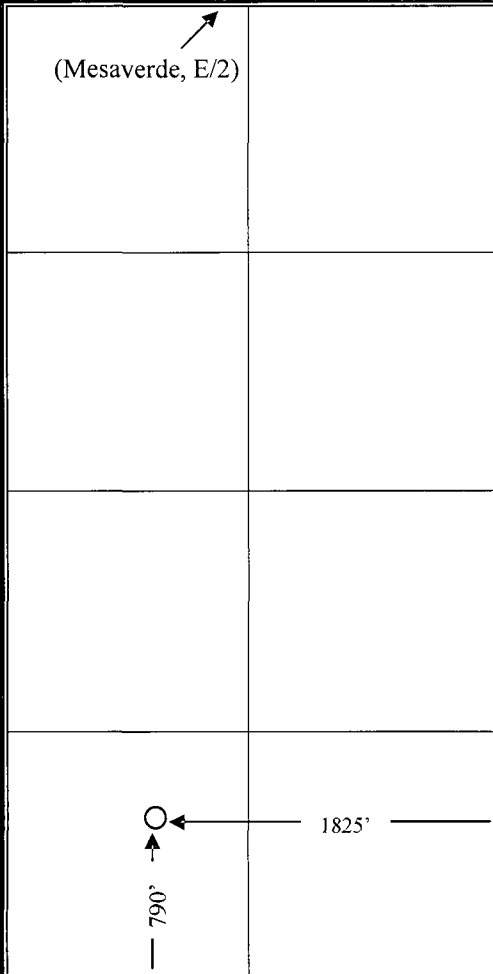
¹⁰ Surface Location

UL or lot no. O	Section 1	Township 26-N	Range 07-W	Lot Idn	Feet from the 790	North/South line South	Feet from the 1825	East/West line East	County Rio Arriba
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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
¹² 319.73 Dakota	¹³ Joint or Infill Y	¹⁴ Consolidation Code U	¹⁵ Order No. Unitization						

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			1825'

¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

 July 30, 2008
Signature Date

Alan W. Bohling - Regulatory Agent
Printed Name

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 of Survey
Signature and Seal of Professional Surveyor:

Certificate Number

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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 & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-25185	² Pool Code 80000 / 71599	³ Pool Name Largo-Gallop / Basin-Dakota
⁴ Property Code 302737	⁵ Property Name Rincon Unit	⁶ Well Number 57E
⁷ OGRID No. 241333	⁸ Operator Name Chevron Midcontinent, L.P.	⁹ Elevation 6457'

¹⁰ Surface Location

UL or lot no. O	Section 1	Township 26-N	Range 07-W	Lot Idn	Feet from the 790	North/South line South	Feet from the 1825	East/West line East	County Rio Arriba
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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 159.30 Gallup 319.73 Dakota	¹³ Joint or Infill Y	¹⁴ Consolidation Code U	¹⁵ Order No. Unitization (DHC-1865)						

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		(Dakota, E/2)		¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Alan W. Bohling July 30, 2008 Signature Date Alan W. Bohling - Regulatory Agent Printed Name
				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. March 5, 1992 Date of Survey Signature and Seal of Professional Surveyor: Cecil B. Tullis 9672 Certificate Number
		(Gallup, SE/4)		

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator UNOCAL		Lease RINCON Unit		Well No. 57E
Unit Letter 0	Section 1	Township 26N	Range 7W	County NMPM Rio Arriba
Actual Footage Location of Well: 790 feet from the South line and 1825 feet from the East line				
Ground level Elev. 6457	Producing Formation Gallup/Dakota		Pool EXT Largo/Basin	Dedicated Acreage: 320/160/320 Acres
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.</p> <p>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).</p> <p>3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.? <input type="checkbox"/> Yes <input type="checkbox"/> No If answer is "yes" type of consolidation _____</p> <p>If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)</p> <p>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 interest, has been approved by the Division.</p>				
				<p>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>Signature: <i>Robert C. Frank</i></p> <p>Printed Name: Robert C. Frank</p> <p>Position: Agent</p> <p>Company: Union Oil Company of California</p> <p>Date: March 23, 1992</p> <p>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 Surveyed: March 23, 1992</p> <p>Signature: <i>Robert C. Tullis</i></p> <p>Professional Surveyor: REGISTERED</p> <p>Certificate No.: 9672</p> <p>EXHIBIT 1</p>

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
Well
1000 Rio Bruzos 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.

APPLICATION TYPE
X Single

Santa Fe, New Mexico 87505

Establish Pre-Approved Pools
EXISTING WELLBORE
X Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

Chevron Midcontinent, L.P. (241333) 15 Smith Road, Midland, Texas 79705
Operator Address
Rincon Unit 57 E O - 1 -26N - 7W Rio Arriba
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 241333 Property Code 302737 API No. 30-039-25185 Lease Type: X Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Blanco-Mesaverde	Largo-Gallup Gas	Basin-Dakota
Pool Code	72319	80000	71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	4434' - 5108' (Proposed)	6330' - 6536'	7024' - 7258'
Method of Production (Flowing or Artificial Lift)	Flowing	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)	170 psi (Estimated from offset well)	223 psi	223 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1328 (Estimated from offset well)	1270	1181
Producing, Shut-In or New Zone	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: N/A Rates: 200 Mcfpd, 0 Bopd, <1 Bwpd	Date: 4/08 Rates: 238 Mcfpd, 2.5 Bopd, <1 Bwpd	Date: 4/08 Rates: 52 Mcfpd, .5 Bopd, <1 Bwpd
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 (Will determine by Subtraction method) % %	Oil Gas (Based on current approv'd allocation) 82% 82%	Oil Gas (Based on current approved allocation) 82% 82%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes No X
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? (Re: R- 9893) Yes No
Are all produced fluids from all commingled zones compatible with each other? Yes X No
Will commingling decrease the value of production? Yes No X
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 X No

NMOCD Reference Case No. applicable to this well: Notification Exemption per NMOCD Hearing Order No. R-9893, Case No. 10663

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. (Note: N/A due to R-9893)
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 Alan W. Bohling TITLE Regulatory Agent DATE July 30, 2008
TYPE OR PRINT NAME Alan W. Bohling TELEPHONE NO. (432) 687-7158
E-MAIL ADDRESS ABohling@chevron.com

Supplemental Data for C-107A, Rincon Unit Well No. 57E

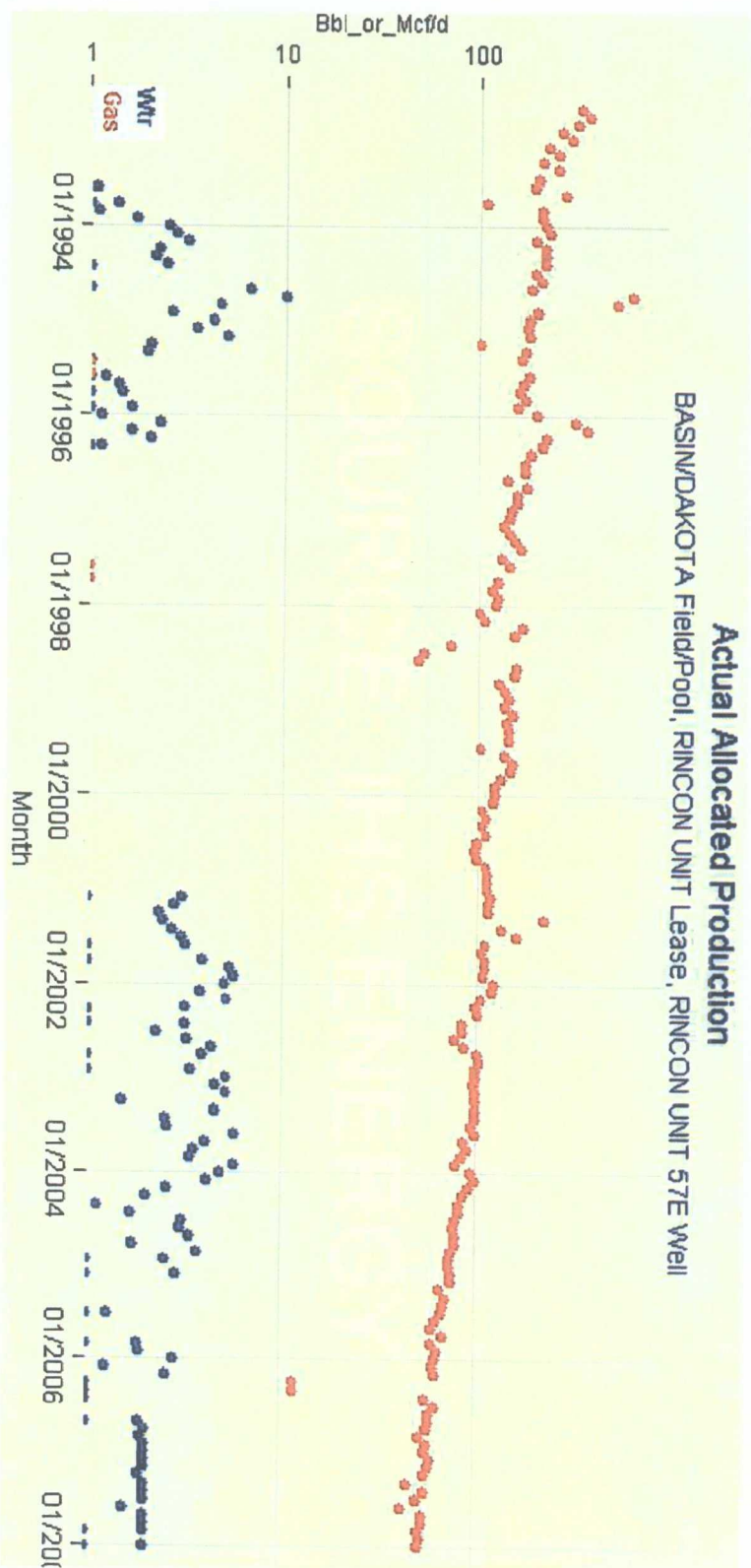
Well History: The Rincon Unit No. 57E was drilled and completed as a dual Dakota / Gallup producer in July 1992. The well was later downhole commingled in 1998 as approved in DHC Administrative Order #1865 on April 1, 1998. Chevron MidContinent proposes to add a Mesaverde completion and seeks approval to downhole commingle the Dakota, Gallup, and Mesaverde. On current spacing and with the economic limitations in drilling a stand-alone Mesaverde well, this is the most economic method of capturing the Mesaverde reserves.

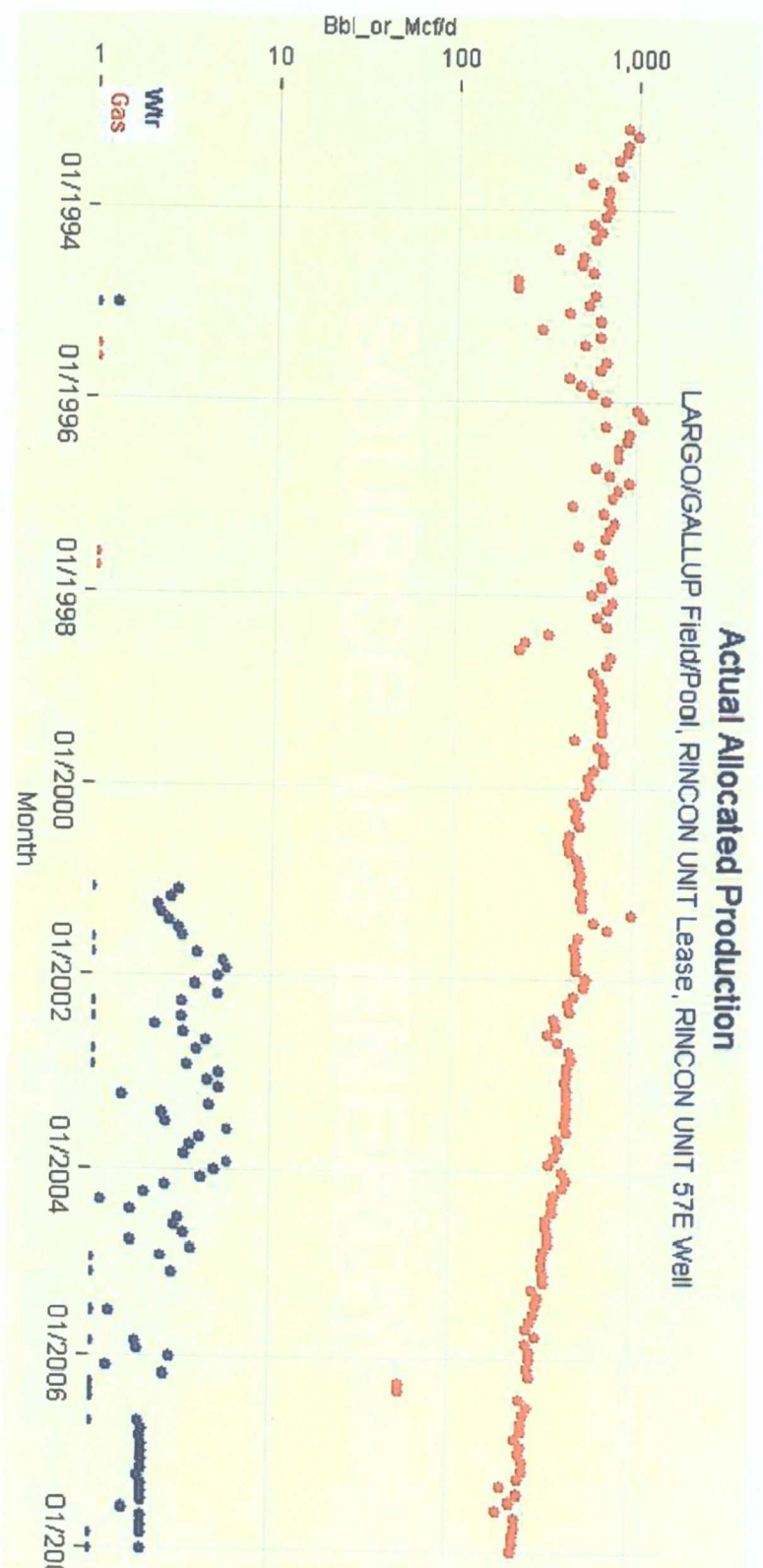
Production History: Current gas production is 52 Mcf/d from the Dakota and 238 Mcf/d from the Gallup based on the current approved allocation of 18% Dakota and 82% Gallup. Both zones produce very low amounts of water and condensate (< 3 Bbls/d). An estimated initial rate for the Mesaverde completion is 200 Mcf/d. This estimate is based on IPs and production from surrounding wells in offset sections. See attached graphs and table for supporting data.

Pressure Data: The bottomhole pressure of the current Dakota / Gallup commingled completion was taken from surface shut-in casing pressures. Rincon Unit No. 101, a well completed in the Mesaverde only (not commingled) located in the same section, was used to estimate the expected bottomhole pressure of the new completion. A surface shut-in casing pressure was used here also. Please see attachments for supporting data.

Allocation of Production: Chevron Midcontinent proposes to use an allocation based on the 'subtraction' method. A baseline of production and decline will be established from the existing production data. The incremental production added after the Mesaverde completion will be used to determine an appropriate allocation factor for the new zone. Please see attached production plots of existing Dakota and Gallup production based on the approved allocation factors.

Also attached is a list of wells in the surrounding area that currently have Dakota, Gallup, and Mesaverde downhole commingles as well as a copy of NMOCD Case #10663 that describes the exceptions for the Rincon area.





Offset Well (80 Acres) Analysis for Rincon 57E (MV) IP & Reserves

Well	Average IP (Mscf)
101	125
57	80
192E	169
415	187
11E	157
11P	217
150	
150E	210
11	132
231	215
231E	454
231R	24
134E	284
410	148
176	90
176E	129
183	221
183E	226
183R	172
131	225
131E	593
168	207
168E	403
168R	160
187E	153
193	105
193M	380
23	84
201	229
201M	219
234	94
164R	250
233	189
302	270
304	419
304M	610
302M	184
102	242
Breech 123E	243
Breech 172E	33

Average	219
P50	200

Rincon 57E Dakota/Gallup Commingle

Gas Gravity= 0.686
N2= 0.549 %
CO2= 1.123 %
H2S= 0.000 %
Condensate? y (y/n)

Tpc= 376.13 R
Ppc= 666.10 psia

Average Temp.= 164 Deg F
TVD = 7141 Ft

	Press.	
	<u>psig</u>	<u>z</u>
SI Tubing Pressure=	192	0.978
BHP =	223	0.975
Average Tbg Pressure:	220	0.975

Procedure:

- 1) Input the SITP, Gas Gravity, TVD, Avg Temp, etc
- 2) Based on the calcd BHP, input the average Tbg Press and get the "Final" BHP estimate

Rincon 101 Mesaverde Sand

Gas Gravity= 0.774
N2= 0.860 %
CO2= 0.580 %
H2S= 0.000 %
Condensate? y (y/n)

Tpc= 396.51 R
Ppc= 658.82 psia

Average Temp.= 141 Deg F
TVD = 5089 Ft

	Press.	
	<u>psig</u>	<u>z</u>
SI Tubing Pressure=	150	0.976
BHP =	170	0.973
Average Tbg Pressure:	161	0.974

Procedure:

- 1) Input the SITP, Gas Gravity, TVD, Avg Temp, etc
- 2) Based on the calcd BHP, input the average Tbg Press and get the "Final" BHP estimate

Wells near 57E with DK/GL/MV commingles

Lease Name	Number	API	Last 5 API	Location	DHC Order #	
Rincon	192E	30-039-25060	25060	D-1-26N-7W		
Rincon	168E	30-039-25211	25211	I-36-27N-7W	1191	
Rincon	137E	30-039-25208	25208	J-24-27N-7W	913	
Breech	377	30-039-25690	25690	M-23-26N-7W	2031	
Johnston A Com G	17	30-039-20767	20767	A-36-26N-6W	1483	
Klein	28E	30-039-23937	23937	C-33-26N-6W	R-10245	
Klein	19	30-039-20499	20499	A-34-26N-6W	R-10239	
Klein	24	30-039-20633	20633	L-34-26N-6W	R-10239	
Klein	26	30-039-21970	21970	H-33-26N-6W	R-10239	
Klein	27	30-039-21603	21603	K-35-26N-6W	R-10239	
Klein	28	30-039-22261	22261	K-33-26N-6W	R-10246	
Klein	19M	30-039-23770	23770	C-34-26N-6W	R-10239	
Klein	24M	30-039-23771	23771	I-34-26N-6W	R-10239	
Klein	27M	30-039-23772	23772	O-35-26N-6W	R-10239	
Mona Lisa	2	30-039-25745	25745	J-14-26N-7W	1920	
Sanchez A	2	30-039-21968	21968	L-20-26N-6W	1484	
Vaughn	32M	30-039-23923	23923	D-29-26N-6W	R-10239	
Vaughn	8	30-039-20151	20151	A-26-26N-6W	R-10239	
Vaughn	12	30-039-20367	20367	K-26-26N-6W	R-10240	
Vaughn	13	30-039-20371	20371	A-27-26N-6W	R-10239	
Vaughn	14	30-039-20382	20382	K-27-26N-6W	R-10239	
Vaughn	15	30-039-20377	20377	A-28-26N-6W	R-10242	
Vaughn	30	30-039-21969	21969	K-28-26N-6W	R-10239	
Vaughn	31	30-039-22264	22264	B-29-26N-6W	R-10239	
Vaughn	32	30-039-22199	22199	K-29-26N-6W	R-10239	
Vaughn	12M	30-039-23922	23922	C-26-26N-6W	R-10239	
Vaughn	14M	30-039-23789	23789	D-27-26N-6W	R-10239	
Vaughn	15M	30-039-23822	23822	P-28-26N-6W	R-10239	
Vaughn	30M	30-039-23803	23803	D-28-26N-6W	R-10243	
Vaughn	31M	30-039-23936	23936	I-29-26N-6W	R-10244	
Vaughn	8E	30-039-23854	23854	P-26-26N-6W	R-10241	
Breech B	781	30-039-25839	25839	L-14-26N-7W	2032	DK, GL, MV, CH

Lease	Number	Gas Allocation			Oil Allocation		
		Dakota	Gallup	Mesaverde	Dakota	Gallup	Mesaverde
Rincon	192E *	70	30		70	30	
Rincon	168E	26	9	65	56	0	44
Rincon	137E	55	12	33	50	0	50
Breech	377	58	24	18	77	16	7
Johnston A Com G	17	36	6	58	33	33	34
Klein	28E						
Klein	19	10	5	85	10	45	45
Klein	24						
Klein	26						
Klein	27	15	5	80	10	45	45
Klein	28						
Klein	19M	15	5	80	5	45	50
Klein	24M	35	5	60	15	45	40
Klein	27M	15	5	80	10	45	45
Mona Lisa	2	45	25	30	45	25	30
Sanchez A	2	4	5	91	33	33	33
Vaughn	32M	30	5	65	10	45	45
Vaughn	8						
Vaughn	12						
Vaughn	13	29	25	46	6	94	0
Vaughn	14	30	5	65	20	45	35
Vaughn	15						
Vaughn	30						
Vaughn	31	10	5	85	10	45	45
Vaughn	32	100	0	0	0	0	100
Vaughn	12M	45	5	50	25	45	30
Vaughn	14M	20	5	75	10	45	45
Vaughn	15M						
Vaughn	30M						
Vaughn	31M						
Vaughn	8E						
Averages		32	9	59	24	36	40

Dakota/Gallup Commingles

Lease	Number	Gas Allocation			Oil Allocation		
		Dakota	Gallup	Mesaverde	Dakota	Gallup	Mesaverde
Rincon	57E	18	82	0	18	82	0
Rincon	182E	64	36	0	50	50	0
Rincon	306	58	42	0	100	0	0
Rincon	130E						
Rincon	164	9	91	0	0	100	0
Rincon	201E **	67	33	0	67	33	0
Lindrith	13						
Lindrith	14	18	82	0	18	82	0
Lindrith	110E						
Lindrith	24	28	72	0	70	30	0
Lindrith	24M						
Breech B	781						

* **Rincon 192E**, Dual Completed (Basin-Dakota w/Largo-Gallup by DHC 2097, 09/15/1998) and MV.

** **Rincon 201E**, Apprv'd Triple DHC (Amended DHC-1841 in Basin-Dakota, Largo-Gallup & Blanco-Mesaverde, 04/03/2000), but just DHC producing Basin-Dakota w/Largo-Gallup by DHC 1841, 03/06/1998.

Breech B 781 Quadruple DHC (Basin-Dakota, Gallup-Largo, Blanco-Mesaverde & Otero-Chacra)

Land

**CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS**

MICHAEL B. CAMPBELL
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BRADFORD C. BERGE
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JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4481
TELECOPIER: (505) 983-8043

May 20, 1993

VIA FACSIMILE AND MAILED

Mr. Bill Irwin
Unocal Corporation
14141 SW Freeway
Sugarland, TX 77478

Re: Oil Conservation Division Case No. 10663:
Application of Union Oil Company of California d/b/a Unocal for an
Administrative Downhole Commingling Procedure Within the Rincon Unit,
Rio Arriba County, New Mexico

Dear Mr. ~~Irwin~~ *Bill*:

Enclosed is a copy of Oil Conservation Division Order No. R-9893 which was entered on May 18, 1993 granting the application of Union Oil Company of California in the above-referenced case.

If you have questions concerning the enclosed, please advise.

I appreciated this opportunity to work for Unocal.

Best regards.

Very truly yours,

Bill Carr

WILLIAM F. CARR

WFC:mlh
Enclosure

RECEIVED

MAY 20 1993

Rocky Mtn Asset Group

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 10663
Order No. R-9893**

**APPLICATION OF UNION OIL COMPANY
OF CALIFORNIA d/b/a UNOCAL FOR AN
ADMINISTRATIVE DOWNHOLE COMMINGLING
PROCEDURE WITHIN THE RINCON UNIT
AREA, RIO ARriba COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 4, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 18th day of May, 1993, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Union Oil Company of California, d/b/a Unocal, seeks the adoption of an administrative procedure for authorizing the downhole commingling of Blanco-Mesaverde, Largo-Gallup, or Undesignated Gallup Pool production with production from the Basin-Dakota Gas Pool within certain existing and subsequently drilled wells in its Rincon Unit Area, Rio Arriba County, New Mexico, without additional notice to each affected interest owner within the Unit Area.

(3) The Rincon Unit is a Federal exploratory unit initially comprising some 20,643 acres in portions of Townships 26 and 27 North and Ranges 6 and 7 West, NMPM, Rio Arriba County, New Mexico. The unit was formed in 1952 and is currently operated by Union Oil Company of California.

CASE NO. 10663

Order No. R-9893

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(4) The evidence and testimony presented indicates that the Basin-Dakota Gas Pool has been fully developed on 320-acre spacing within the Rincon Unit and that approximately half of the Unit Area has been infill drilled in the Basin-Dakota Gas Pool on 160-acre spacing. The Dakota Participating Area (PA) currently comprises virtually the entire unit area.

(5) The applicant has identified approximately thirty-three (33) infill Basin-Dakota well locations within the Unit Area which may be subsequently drilled.

(6) Based upon historical production, the applicant expects Basin-Dakota initial production from infill drilling to be marginal in nature ranging from approximately 150-600 MCF gas per day per well.

(7) Testimony and evidence presented by the applicant indicates that gas reserves in the Dakota formation on an individual well basis are not sufficient to economically justify the drilling of new wells to produce such reserves.

(8) The current well economics and expected Dakota producing rates virtually assure that these wells will be candidates for downhole commingling with either the Mesaverde or Gallup zones.

(9) The applicant has also identified approximately forty-two (42) current Dakota producing wells, some recently drilled, which also by virtue of well economics and producing rates make them candidates for downhole commingling.

(10) The applicant expects initial producing rates from the Mesaverde and Gallup formation to be marginal in nature.

(11) The Gallup, Dakota and Mesaverde Participating Areas within the Rincon Unit are not common.

(12) According to applicant's evidence, the working interest ownership within the Rincon Unit is fixed and common among the various wells and zones and is not affected by participating areas.

(13) According to further testimony, the royalty and overriding royalty interest ownership within the Rincon Unit varies between participating areas established for different locations and pools.

CASE NO. 10663

Order No. R-9893

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(14) Applicant's Exhibit No. 6 in this case is a list of one hundred and twenty (120) royalty and overriding royalty interest owners in the Dakota, Gallup and Mesaverde Participating Areas within the Rincon Unit. All such royalty and overriding royalty interest owners, as well as working interest owners, were notified of the application in this case.

(15) Rule No. 303(C) of the Division Rules and Regulations provides that administrative approval for downhole commingling may be granted provided that the interest ownership, including working, royalty and overriding royalty interest, is common among the commingled zones.

(16) Applicant's proposed administrative procedure would provide for Division approval to downhole commingle wells in the Rincon Unit Area without hearing, and without the requirement that each interest owner in the Dakota, Mesaverde and/or Gallup Participating Areas be notified of such commingling.

(17) The downhole commingling of wells within the Rincon Unit Area will benefit working, royalty and overriding royalty interest owners. In addition, the downhole commingling of wells within the Rincon Unit Area should not violate the correlative rights of any interest owner.

(18) The evidence in this case indicates that notice to each interest owner within the Dakota, Mesaverde and/or Gallup Participating Areas of subsequent downhole comminglings within the Rincon Unit is unnecessary and is an excessive burden on the applicant.

(19) No interest owner and/or offset operator appeared at the hearing in opposition to the application.

(20) An administrative procedure should be established within the Rincon Unit for obtaining approval for subsequently downhole commingled wells without notice and hearing, provided however that, all provisions contained within Rule No. 303(C) of the Division Rules and Regulations, with the exception of Part 1 (b)(v), are fully complied with.

(common ownership)
exception

(21) The proposed administrative procedure for obtaining approval for downhole commingling will allow the applicant the opportunity to recover additional gas reserves from the Rincon Unit Area which may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

CASE NO. 10663

Order No. R-9893

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IT IS THEREFORE ORDERED THAT:

(1) An administrative procedure for obtaining approval to downhole commingle wells within the Rincon Unit, located in portions of Townships 26 and 27 North, Ranges 6 and 7 West, NMPM, Rio Arriba County, New Mexico, is hereby established.

(2) In order to obtain Division authorization to downhole commingle wells within the Rincon Unit, the applicant shall file an application with the Santa Fe and Aztec Offices of the Division. Such application shall contain all of the information required under Rule No. 303(C) of the Division Rules and Regulations, provided however that the applicant shall not be required to provide notice to all interest owners within the Dakota, Mesaverde and/or Gallup Participating Areas in the Rincon Unit of such proposed commingling. In addition, the application shall contain evidence that all offset operators and the United States Bureau of Land Management (BLM) have been notified of the proposed commingling.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

June 11, 2008

Via Certified Mail 7004 1160 0006 9933 1839

Bureau of Land Management
Attn: Margie Dupree
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

RE: Proposed DHC Commingling
Mesaverde/Gallup/Dakota
Rincon Unit: Well # 57E, 134R & 201E
Rio Arriba County, New Mexico

Dear Ms. Dupree,

Unocal, our predecessor operator, applied for and received approval to downhole commingle production from the Mesaverde, Gallup and Dakota formations within the Rincon Unit [Order No. R-9893]. In order to receive administrative approval to proceed with this operation we are required to notify the United States Bureau of Land Management, as well as all offset operators of the proposed commingling. Under the Rincon Unit 2008 Plan of Development the above referenced wells were include as potential zone adds. The attached plat indicates the location of these three wells and also identifies the offset operators being notified by certified mail of even date.

The **Rincon Unit No. 57E**, SE/4- O- Sec 1 26N7W, was drilled and completed as a dual Dakota / Gallup producer in July 1992. The well was later downhole commingled in April 1998. Chevron Midcontinent, L.P. proposes to add a Mesaverde completion and will be filing with the NMOCD for approval to downhole commingle the Dakota, Gallup, and Mesaverde.

The **Rincon Unit No. 134R**, NE/4- A- Sec 12 26N7W, well was drilled and completed as a Dakota well in 2002. Chevron Midcontinent, L.P. proposes to add the Gallup and Mesaverde pools to this completion and will be filing for approval to downhole commingle the Dakota, Gallup, and Mesaverde.

The **Rincon Unit No. 201E**, SE/4- J- Sec 2 26N7W, was drilled and completed as a separately producing Dakota/Gallup well (Gallup isolated by packer) in 1992. The well was later downhole commingled in April 1992. Chevron Midcontinent, L.P. proposes to add a Mesaverde completion and will be filing with the NMOCD for approval to downhole commingle the Dakota, Gallup, and Mesaverde.

Should you have any questions please feel free to call Michael Murray, petroleum engineer, for the project: Phone: 281-561-3857.

Regards,

Arthur R. Boehm, Jr.
Senior Land Representative

OFFSET OPERATORS:

- 1) XTO ENERGY, INC
382 ROAD 3100
AZTEC NM 87410

CERTIFIED MAIL 7004 1160 0006 9933 1846

- 2) Dugan Production Corp.
P.O. BOX 420
FARMINGTON NM 87499

CERTIFIED MAIL 7004 1160 0006 9933 1853

- ELM RIDGE EXPLORATION
3) COMPANY, LLC
P O BOX 156
BLOOMFIELD NM 87413

CERTIFIED MAIL 7004 1160 0006 9933 1860

- 4) QUESTAR EXPLORATION & PRODUCTION CO
1050 17th ST STE 500
DENVER CO 80265

CERTIFIED MAIL 7004 1160 0006 9933 1884

June 11, 2008

Via Certified Mail

RE: Proposed DHC Commingling
Mesaverde/Gallup/Dakota
Rincon Unit: Well # 57E, 134R & 201E
Rio Arriba County, New Mexico

Gentlemen:

Chevron Midcontinent, L.P. has requested from the State of New Mexico Oil Conservation Division, approval to down hole commingle production from the Blanco Mesaverde, Largo Gallup and Basin Dakota formations in the following Rincon Unit wells, Rio Arriba County, New Mexico.

Well	Lease	Legal Location
57E	SF 079160	790' FSL & 1825 FEL, O-1-26N-7W
134R	SF 079160	665' FNL & 665' FEL, A-12-26N-7W
201E	SF 079160	1765' FSL & 1705' FEL, J-2-26N-7W

If an offset operator has an objection to this proposal, please notify NMOCD within twenty days. If you have any questions regarding this application, please contact Michael Murray 281/561-3857.

Sincerely,

Greg Davis
Contract Landman

OFFSET OPERATORS:

- 1) XTO ENERGY, INC
382 ROAD 3100
AZTEC ,NM 87410

CERTIFIED MAIL 7004 1160 0006 9933 1846

- 2) Dugan Production Corp.
P.O. Bo 420
Farmington, NM 87499

CERTIFIED MAIL 7004 1160 0006 9933 1853

- 3) ELM RIDGE EXPLORATION COMPANY, LLC
P O BOX 156
Bloomfield, NM 87413

CERTIFIED MAIL 7004 1160 0006 9933 1860

- 4) QUESTAR EXPLORATION & PRODUCTION CO
300 Memorial Drive 1050 17TH ST-STE 500
Okarche, OK 73762 DENVER CO 80265
CERTIFIED MAIL 7004 1160 0006 9933 1877

CERTIFIED MAIL 7004 1160 0006 9933 1884