Form 3160-5 (June 1990)

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

| FORM APPR | OVED |
|-------------------|-----------|
| Budget Bureau No. | 1004-0135 |
| Expires: March | 31, 1993 |

5. Lease Designation and Serial No.

6. If Indian, Allottee or Tribe Name

NM 29234

| SUNDRY NOTICES AND REPORTS ON WELLS | |
|---|--|
| e this form for proposals to drill or to deepen or reentry to a different reservoir | |

Do not us

| Use "APPLICATION FOR PERMIT—" for such proposals | |
|--|--|
| SUBMIT IN TRIPLICATE ECENVEID | 7. If Unit or CA, Agreement Designation |
| 1. Type of Well Oil Gas Well Other | 8. Well Name and No. |
| 2 Name of Operator Sonat Exploration Company - Midland | Lotos 10 Federal No. 1 9. API Well No. |
| 3. Address and Telephone No. 110 West Louisiana, Suite 500 | 30 015 28572 10. Field and Pool, or Exploratory Area |
| 4. Location of Well (Footage, Sec., T., R., M., or Survey Description) | Sand Dunes (Lower Penn) So 11. County or Parish, State |
| 1980' FNL 1980' FEL G Section 10, T24S R31E | Eddy County, New Mexico |
| CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT | T, OR OTHER DATA |

| 12. | CHECK APPROPRIATE BOX(s |) TO INDICATE NATURE OF NOTICE, REPO | RT, OR OTHER DATA |
|-----|---|--|--|
| | TYPE OF SUBMISSION | TYPE OF ACTION | |
| | Notice of Intent Subsequent Report Final Abandonment Notice | Abandonment Recompletion Plugging Back Casing Repair Altering Casing Surface commingling | Change of Plans New Construction Non-Routine Fracturing Water Shut-Off Conversion to Injection Dispose Water (Note. Report results of multiple completion on Well Completion or Recompletion Report and Log form) |

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Attached is the application for surface commingling, off-lease storage, and measurement approval.

| 4. I hereby certify that the foregoing is true and correct Signed Hura Clepper | Tule Engineering Tech | Date 6/19/97 |
|---|-----------------------|--------------|
| (This space for Federal or State office use) | | |
| Approved by Conditions of approval, if any: | Title | Date |

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any marter within its jurisdiction

Sonat Exploration ompany 110 West Louisia.... Suite 500 Midland TX 79701 915 684 0400 915 684 0444 Telecopy

S©NAT EXPLORATION

APPLICATION FOR SURFACE COMMINGLING, OFF LEASE STORAGE AND MEASUREMENT APPROVAL

This Format Should Be Attached to a Sundry Notice

To: Bureau of Land Management

P. O. Box 1778

Carlsbad, New Mexico 88221-1778

Sonat Exploration Company - Midland is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s) on

Federal Lease No. NM 56741; Lease Name: Lotos A Federal Comm.

| Well No. | Location | Section | Twp | Rng | Formation |
|----------|------------|---------|------|-----|-----------|
| 1 | NE/4, NW/4 | 15 | 24\$ | 31E | Penn |

with hydrocarbon production from the following formation(s) and well(s) on Federal Lease No. NM 70895; Lease Name: Lotos B Federal

| Well No. | Location | Section | Twp | Rng | Formation |
|----------|------------|---------|-----|-----|-----------|
| 1 | NE/4, SW/4 | 10 | 24S | 31E | Penn |

and with hydrocarbon production from the following formation(s) and well(s) on Federal Lease No. NM 72619; Lease Name: Lotos Federal

| Well No. | Location | Section | Twp | Rng | Formation |
|----------|------------|---------|-----|-----|-----------|
| 1 | NW/4, SE/4 | 9 | 24S | 31E | Penn |

and with hydrocarbon production from the following formation(s) and well(s) on Federal Lease No. NM 29234; Lease Name: Lotos 10 Federal

| Well No. | Location | Section | Twp | Rng | Formation |
|----------|------------|---------|-----|-----|-----------|
| 1 | SW/4, NE/4 | 10 | 24S | 31E | Penn |

Two of these leases have only one producing well. The Lotos 10 Federal and the Lotos Federal are contained in the same lease.

Production from the well(s) involved is as follows:

| Well Name and No. | BOPD | Oil Gravity | <u>MCFPD</u> |
|-------------------------|------|-------------|--------------|
| Lotos A Federal Comm. 1 | 0 | N/A | 32 |
| Lotos B Federal No. 1 | 0 | N/A | 119 |
| Lotos Federal No. 1 | 0 | N/A | 108 |
| Lotos 10 Federal No. 1 | 0 | N/A | 1,048 |

The proposed operation is described in detail on the attached diagrams. A map is enclosed showing the lease numbers and location of all leases and wells that will contribute production to the proposed commingling/common storage facility.

A schematic diagram is also attached which clearly identifies all equipment that will be utilized.

Details of the proposed method for allocating production to contributing sources is as follows:

Gas and water production will be separately metered from each lease prior to commingling in the compressor and lines.

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production.

The proposed commingling is necessary for continued operations of the abovereferenced Federal leases.

We understand that the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. And we will submit within thirty (30) days an application for right-of-way approval to the BLM's Realty Section in your office if this has not already been done.

Additional well(s) will require additional commingling approvals.

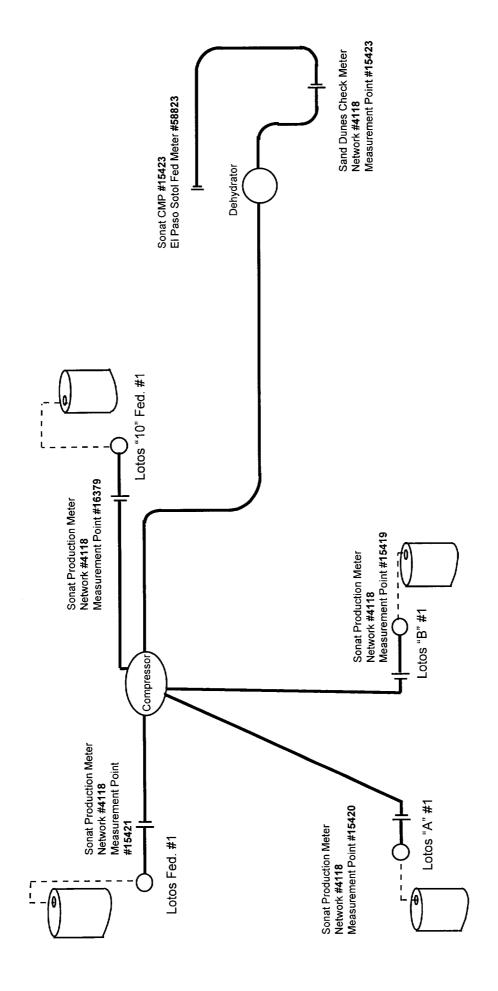
| Signature | : Lura Clapper |
|-----------|------------------|
| | Laura Clepper |
| Title: | Engineering Tech |
| Date: | 6/19/97 |

Legal Description of Leases

All leases described below are in T24S, R31E, Eddy County, New Mexico.

- Lotos A Federal Comm. Lease Federal Lease Number 56741
 NE/4 NW/4 of Section 15
- Lotos B Federal Lease Federal Lease Number 70895
 NE/4 SW/4 of Section 10
- Lotos Federal Lease Federal lease Number 72619
 NW/4 SE/4 of Section 9
- Lotos 10 Federal Lease Federal Lease Number 29234
 SW/4 NE/4 of Section 10

LOTOS FEDERAL #1 FACILITY



LEGEND: Gas Line • Water Line m:VclepVfacilityNotosfd1.ppt 6/17/97 LC

