

EXHIBIT "B" - CASE NO. 11353, ORDER NO. R-10470-A

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

8700 South First St., Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429RECEIVED
BLMForm C-107-A
New 3-12-96

APPROVAL PROCESS:

Administrative ☐ Hearing ☐

EXISTING WELLBORE

☒ YES ☐ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Operator Caulkins Oil Company Address P.O. Box 340, Bloomfield, NM 87413Lease Breach "B" Well No. 781 Unit Ltr. - Sec. - Twp. - Rge. L - Sec. 14-26N-7W County Rio ArribaOGRID NO. 003824 Property Code 2456 API NO. 30-039-25839 Spacing Unit Lease Types: (check 1 or more)
Federal ☒ State ☐ (and/or) Fee ☐

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zones	Lower Zone
1. Pool Name and Pool Code	Blanco Mesa Verde	Ice Canyon; Gallup	Basin Dakota
2. Top and Bottom of Pay Section (Perforations)	Approximately 4600' to 4740'	Approximately 5730' to 6000'	Approximately 6620' to 6765'
3. Type of production (Oil or Gas)	Gas and Condensate	Gas and Condensate	Gas and Condensate
4. Method of Production (Flowing or Artificial Lift)	Flowing	Flowing	Flowing
5. Bottomhole Pressure a. (Current) b. (Original) c. Estimated Current d. Measured Current e. Estimated Or Measured Original	Not completed 1087 psia (estimated)	Not completed 1388 psia (estimated)	Not completed 2680 psia (estimated)
6. Oil Gravity ($^{\circ}$ API) or Gas BTU Content	1187 BTU (estimated)	1196 BTU (estimated)	1148 BTU (estimated)
7. Producing or Shut-In?	Not completed	Not completed	Not completed
Production Marginal? (yes or no)	Anticipated to be	Anticipated to be	Anticipated to be
* If Shut-In, give 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: See R-10964 Rates: 75 MCFD + 0.5 BCPD	Date: See attached Rates: 100 MCFD + 1.0 BCPD	Date: See R-10964 Rates: 240 MCFD + 5.0 BCPD
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: Rates:	Date: Rates:	Date: Rates:
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 8 % Gas: 18 %	Oil: 16 % Gas: 24 %	Oil: 76 % Gas: 58 %

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 (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. ☒ Yes ☐ No
15. NMOCD Reference Cases for Rule 303(C) Exceptions: ORDER NO(S). DHC-1920, R-10963, R-10964, R-10239
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 June 26, 1998TYPE OR PRINT NAME Robert L. Verquer TELEPHONE NO. (505) 632-1544

Certificate Number

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

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
BL

99 JUN 30 PM 12:26

070 EMBARRAS, 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

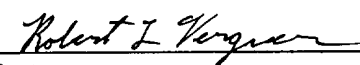
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	14	26N	7W		1800'	South	1150'	West	Rio Arriba

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.
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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>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i>  Signature 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

98 JUN 30 PM 12:26 ☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT 01, 191

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"	
⁷ OGRID No. 003824	⁸ Operator Name Caulkins Oil Company	⁶ Well Number 781
		⁹ Elevation 6124 GR

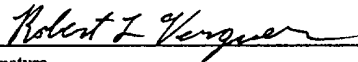
¹⁰ Surface Location

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				<div style="border: 1px solid black; padding: 5px;"> <div style="text-align: center; font-weight: bold; margin-bottom: 5px;">17 OPERATOR CERTIFICATION</div> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i></p> <div style="margin-top: 20px;">  </div> <p>Signature</p> <p>Printed Name Robert L. Verquer</p> <p>Title Superintendent</p> <p>Date June 26, 1998</p> </div>
<div style="border: 1px solid black; padding: 5px;"> <div style="text-align: center; font-weight: bold; margin-bottom: 5px;">18 SURVEYOR CERTIFICATION</div> <p><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></p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <div style="border: 1px solid black; height: 40px; margin-top: 10px;"></div> <p style="text-align: right; margin-top: 10px;">Certificate Number</p> </div>	<div style="border: 1px solid black; padding: 5px;"> <div style="text-align: center; font-weight: bold; margin-bottom: 5px;">18 SURVEYOR CERTIFICATION</div> <p><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></p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <div style="border: 1px solid black; height: 40px; margin-top: 10px;"></div> <p style="text-align: right; margin-top: 10px;">Certificate Number</p> </div>			

1150'

1800'



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

93 JUN 30 PM 12:26
ADMINISTRATIVE ORDER DHC-1920

070 FARMINGTON, NM

Dugan Production Corporation
P.O. Box 420
Farmington, New Mexico 87499-0420

Attention: Mr. John Alexander

RECEIVED
MAY 19 1990
OIL CON. DIV.
DIST. 3

*Mona Lisa No. 2
API No. 30-039-25745
Unit J, Section 14, Township 26 North, Range 7 West, NMPM,
Rio Arriba County, New Mexico.
Ice Canyon-Gallup (Gas - 93235),
Basin-Dakota (Prorated Gas - 71599) and,
Blanco-Mesaverde (Prorated Gas - 72319)*

Dear Mr. Alexander:

Reference is made to your request for an amendment to Division Order No. R-10963, which authorized the downhole commingling of Basin-Dakota and Blanco-Mesaverde Gas Pool production within the subject well, to add the Ice Canyon-Gallup Gas Pool as a third commingled zone in the wellbore.

It appearing that the subject well qualifies for approval for such amendment pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the zones is hereby placed in abeyance.

The maximum amount of gas which may be produced daily from the well shall be determined by Division Rules and Regulations or by the gas allowable for each respective prorated pool as printed in the Division's San Juan Basin Gas Proration Schedule.

Assignment of allowable to the well and allocation of production from the well shall be on the following basis:

Blanco-Mesaverde Gas Pool	Oil 30%	Gas 30%
Basin-Dakota Gas Pool	Oil 45%	Gas 45%
Ice Canyon-Gallup Gas Pool	Oil 25%	Gas 25%

Administrative Order No. DHC-1920
Dugan Production Corporation
May 11, 1998
Page 2

The allocation method established herein may be altered at some time subsequent to initiating downhole commingling operations upon request by the operator and for good cause shown.

REMARKS: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

Pursuant to Rule 303.H., the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 11th day of May, 1998.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

S E A L

LW/DRC

cc: Oil Conservation Division - Aztec /
Bureau of Land Management-Farmington
Case File-11897

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

RECEIVED
93 JUL 13 8 PM 12:27
070

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

**CASE NO. 11920
Order No. R-10964**

**APPLICATION OF CAULKINS OIL COMPANY
FOR COMPULSORY POOLING AND DOWNHOLE
COMMINGLING, 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 5, 1998, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2nd day of March, 1998, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised,

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) Division Case Nos. 11897, 11899 and 11920 were consolidated at the time of the January 8th hearing for the purpose of testimony. No additional appearances were entered in this case at the February 5th hearing.

(3) The applicant, Caulkins Oil Company, seeks an order pooling all mineral interests in the Blanco-Mesaverde and Basin-Dakota Gas Pools underlying the S/2 of Section 14, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, thereby forming a standard 320-acre gas spacing and proration unit for said pools. This unit is to be dedicated to its proposed Breech "B" 781 well to be drilled at a standard gas well location 1800 feet from the South line and 1150 feet from the West line (Unit L) of Section 14.

(4) The applicant further seeks authority to downhole commingle Blanco-Mesaverde and Basin-Dakota Gas Pool production within the subject well.

CASE NO. 11920
Order No. R-10964
Page -2-

(5) By Order No. R-10961 issued in companion Case No. 11899 on February 18, 1998, the Division, upon application of Dugan Production Corporation, established two 160-acre non-standard gas spacing and proration units in the Blanco-Mesaverde and Basin-Dakota Gas Pools comprising the SE/4 and SW/4 of Section 14, Township 26 North, Range 7 West, NMPM.

(6) As a result of the issuance of Order No. R-10961, the portion of the immediate case seeking to compulsory pool the interests within the S/2 of Section 14, thereby forming a standard 320-acre gas spacing and proration unit for the Blanco-Mesaverde and Basin-Dakota Gas Pools, is unnecessary and should therefore be dismissed.

(7) The evidence and testimony presented in this case indicates that:

- a) Caulkins proposes to commingle the Blanco-Mesaverde and Basin-Dakota Gas Pools and dually complete these commingled zones with the Chacra formation within the subject Breech "B" 781 well;
- b) a well drilled within the S/2 of Section 14 should encounter marginal gas production only from the Blanco-Mesaverde and Basin-Dakota Gas Pools;
- c) the estimated bottomhole pressures within the Mesaverde and Dakota formations are expected to exceed the requirements set forth in Division Rule No. 303.C., which states that the Division may grant administrative approval for downhole commingling provided that the bottomhole pressure of the highest pressured commingled zone does not exceed the original reservoir pressure of any other commingled zone in the wellbore, adjusted to a common datum. Administrative notice was taken in this case of the engineering evidence and testimony presented in Case No. 11815, in which case Conoco Inc. demonstrated that even though the bottomhole pressure of the Dakota formation exceeds the original bottomhole pressure of the Mesaverde formation, there is no possibility of damage to the Mesaverde formation, nor will there be any loss of reserves, waste, or violation of correlative rights. Conoco presented this evidence in support of a downhole commingling request for its San Juan 28-7 Unit which is located approximately four miles northwest of the proposed Breech "B" 781 well.

CASE NO. 11920

Order No. R-10964

Page -3-

(8) At this time, the applicant seeks only an exception to the pressure requirements contained within Division Rule No. 303.C., as described above. The applicant testified that it will file a Division Form No. C-107-A subsequent to the entry of this order.

(9) The evidence and testimony in this case is sufficient to grant an exception to the pressure requirements for administrative approval for downhole commingling within the proposed Breach "B" 781 well.

IT IS THEREFORE ORDERED THAT:

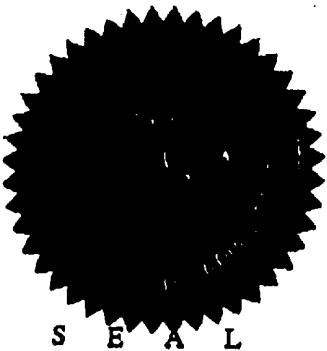
(1) The application of Caulkins Oil Company for an order pooling all mineral interests in the Blanco-Mesaverde and Basin-Dakota Gas Pools underlying the S/2 of Section 14, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, thereby forming a standard 320-acre gas spacing and proration unit for said pools, said unit to be dedicated to its proposed Breach "B" 781 well to be drilled at a standard gas well location 1800 feet from the South line and 1150 feet from the West line (Unit L) of Section 14, is hereby dismissed.

(2) The applicant, Caulkins Oil Company, is hereby granted an exception to the pressure requirements for administrative approval for downhole commingling as contained within Division Rule No. 303.C., for its proposed Breach "B" 781 well, which is to be drilled at a standard gas well location 1800 feet from the South line and 1150 feet from the West line (Unit L) of Section 14, and which is proposed to be downhole commingled in the Blanco-Mesaverde and Basin-Dakota Gas Pools.

(3) In order to obtain administrative approval to downhole commingle Blanco-Mesaverde and Basin-Dakota Gas Pool production within the aforesaid Breach "B" 781 well, the applicant shall file a Division Form No. C-107-A complete with all attachments.

(4) Jurisdiction of this cause is 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

Lori Wrotenberg
LORI WROTENBERY
Director

CAULKINS OIL COMPANY

P. O. BOX 340

BLOOMFIELD, NEW MEXICO 87413

PHONE: 505-632-1544

FAX 505-632-1471

June 26, 1998

The following list is all the offset operators that Caulkins Oil Company has notified by certified mail of the application to downhole commingle of Breech "B" 781, section 14, township 26N, range 7W.

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

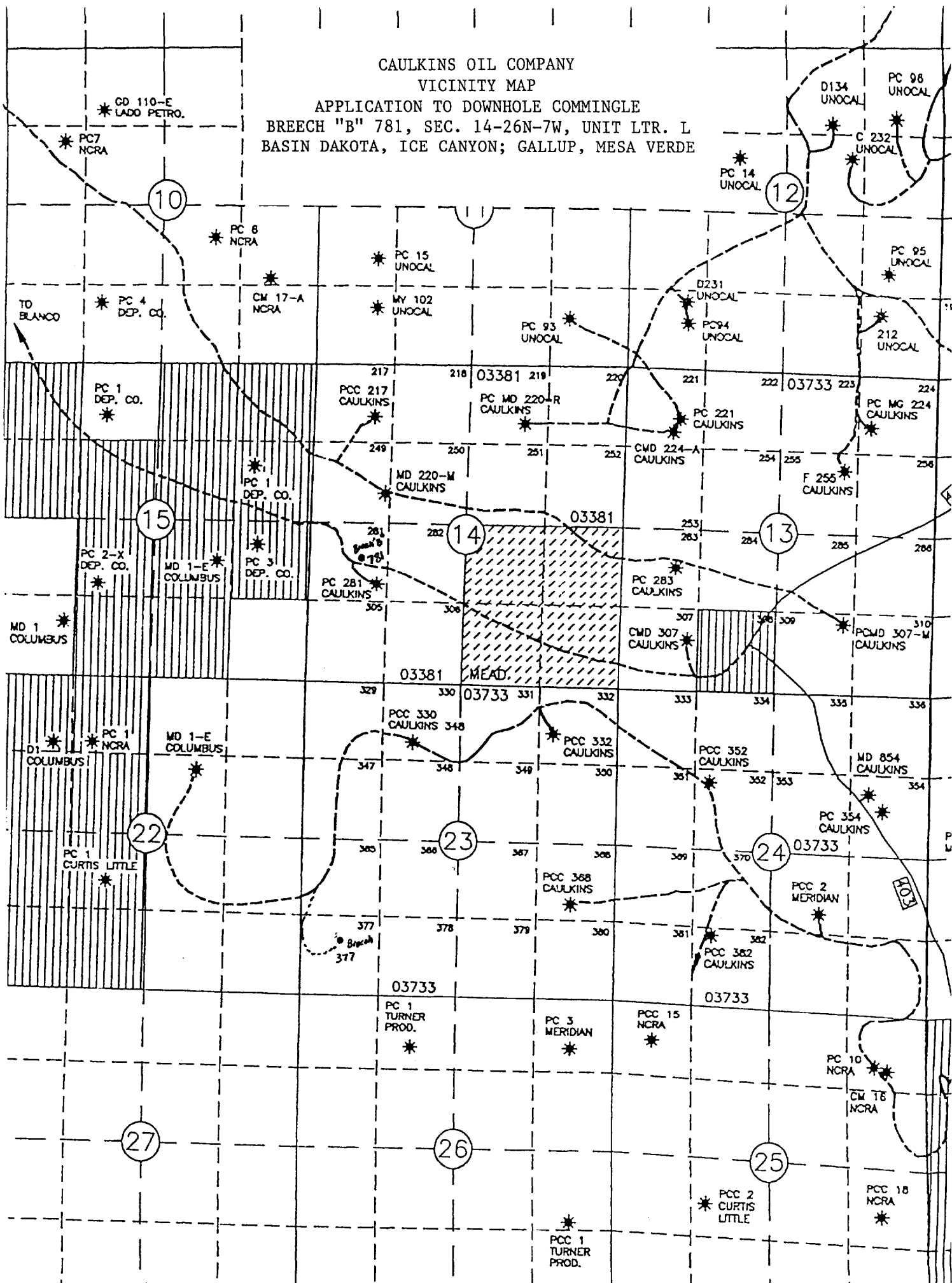
Chateau Oil & Gas
5802 U.S. Hwy 64
Farmington, NM 87402

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

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

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

CAULKINS OIL COMPANY
VICINITY MAP
APPLICATION TO DOWNHOLE COMMINGLE
BREECH "B" 781, SEC. 14-26N-7W, UNIT LTR. L
BASIN DAKOTA, ICE CANYON; GALLUP, MESA VERDE



Conditions of Approval

Caulkins Oil Company
Breech "B" No. 781
1800 FSL and 1150' FWL
Sec 14-26N-07W

- 1) After a review of a representative set of Mesaverde and Dakota production histories in the vicinity of this well and the recent well performance data from the Breech 377 well (SWSW 23-26N-7W), we have established the following allocation procedures since these formations have been extensively developed in this area. In addition, since the Ice Canyon Gallup pool has not been as extensively developed as the Dakota or Mesaverde, we cannot concur with your proposed method of allocation for this zone at this time. The following is the authorized allocation procedure for the Dakota, Gallup, and Mesaverde producing horizons:

<u>Formation</u>	<u>Gas</u>	<u>Oil</u>
Dakota	240 MCFD	5.0 BCPD
Mesaverde	75 MCFD	0.5 BCPD
Gallup	*	*

* The balance of the remaining production

Commingled production from each zone must be reported in accordance to the allocation factors presented above. Once **stabilized** production is exhibited from these combined intervals, file your final allocation factors with this office. Please notify this office when these final allocation factors are established

- 2) Within 30 days of the well's completion, file Well Completion Report, form # 3160-4. In addition, within 30 days of completing down hole commingling operations, file a subsequent report of all operations conducted.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

5. Lease

NMNM-03381

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)

6. If Indian, Allottee or Tribe Name

7. Unit Agreement Name

1. Oil Well ☐ Gas Well ☐ Other ☐
GAS WELL

8. Well Name and No.

BREECH "B" 781

2. Name of Operator:

Caulkins Oil Company

9. API Well No.

30-039-25839-00-X1

3. Address of Operator:

(505) 632-1544

P.O. Box 340, Bloomfield, NM 87413

10. Field and Pool, Exploratory Area

BASIN DAKOTA, ICE CANYON; GALLUP,
MESA VERDE

4. Location of Well (Footage, Sec., Twp., Rge.)

1800' F/S 1150' F/W

SEC. 14-26N-7W

11. Country or Parish, State

Rio Arriba Co., New Mexico

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

TYPE OF SUBMISSION

TYPE OF ACTION

☒ Notice of Intent

☐ Abandonment

☐ Change of Plans

☐ Subsequent Report

☐ Recompletion

☐ New Construction

☐ Plugging Back

☐ Non-Routine Fracturing

☐ Casing Repair

☐ Water Shut-Off

☐ Final Abandonment Notice

☐ Altering Casing

☐ Conversion to Injection

☒ Other Commingle well

☐ Dispose Water

17. Describe Proposed or Completed Operations:

6-26-98

Caulkins Oil Company has requested approval from NMOCD to downhole commingle this well.

Application and documents attached.

If there are any questions, please contact Robert L. Verquer at (505) 632-1544.

RECEIVED
JUL 30 1998
OIL CON. DIV.
DIST. 3

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
ROBERT L. VERQUER

TITLE: Superintendent

DATE: June 26, 1998

APPROVED BY:

/s/ Duane W. Spencer

TITLE:

DATE: JUL 28 1998

CONDITIONS OF APPROVAL, IF ANY

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

CAULKINS OIL COMPANY

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

RECEIVED
93 JUL 30 PM 12:27
070 FM BLOOMFIELD, NM

June 26, 1998

State of New Mexico
Oil Conservation Division
ATTN: Mr. David Catanach
2040 S. Pacheco
Santa Fe, NM 87505

Re: Administrative Approval to Commingle
Breech "B" 781, Section 14, Township 26N, Range 7W, Unit Letter L
Basin Dakota, Ice Canyon Gallup, and Blanco Mesa Verde Formations

Dear Mr. Catanach:

This well was originally proposed to be completed as a dual completion with Dakota – Mesa Verde commingled below a packer and Chacra above. NMOCD order R-10964 approved the commingling of Dakota – Mesa Verde with a completed C-107-A (order attached).

Caulkins Oil Company now plans to complete well in the Ice Canyon; Gallup formation and requests administrative approval to dual complete well as a commingled Dakota – Gallup – Mesa Verde below a packer and Chacra above.

Dugan Production Corporation recently received approval to commingle these three pools in their Mona Lisa #2 well located in section 14-26N-7W, unit letter J, by NMOCD order DHC-1920. This well has been completed and is currently producing approximately 600 MCF/D from the commingled zones.

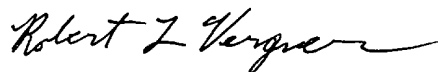
Allocation percentages and volumes were calculated using the average production from the April and May monthly volume statements for the Dakota and Gallup zones in our Breech 377 well. Allocation for the Mesa Verde zone was calculated using 1997 production history from Mesa Verde wells operated by Caulkins Oil Company in sections 13 and 14 of township 26N, range 7W.

Please find the enclosed documents:

- A. Form C-107-A
- B. Form C-102 for each zone
- C. Copy of order # DHC-1920
- D. Copy of order # R-10964
- E. Notification list of offset operators
- F. Vicinity map
- G. Sundry notice notifying BLM of intentions 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

EXHIBIT "B" - CASE NO. 11353, ORDER NO. R-10470-A

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

814 South First St., Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd, Aztec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429Form C-107-A
New 3-12-96

APPROVAL PROCESS:

Administrative ☒ Hearing ☐

EXISTING WELLBORE

☒ YES ☐ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Operator Caulkins Oil Company Address P.O. Box 340, Bloomfield, NM 87413
Lease Breach "B" Well No. 781 Unit Ltr. - Sec - Twp - Rge L - Sec. 14-26N-7W County Rio Arriba
OGRID NO. 003824 Property Code 2456 API NO. 30-039-25839 Spacing Unit Lease Types: (check 1 or more)
Federal ☒ State ☐ (and/or) Fee ☐

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zones	Lower Zone
1. Pool Name and Pool Code	Blanco Mesa Verde	Ice Canyon; Gallup	Basin Dakota
2. Top and Bottom of Pay Section (Perforations)	Approximately 4600' to 4740'	Approximately 5730' to 6000'	Approximately 6620' to 6765'
3. Type of production (Oil or Gas)	Gas and Condensate	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 & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) Not completed b. (Original) 1087 psia (estimated)	a. Not completed b. 1388 psia (estimated)	a. Not completed b. 2680 psia (estimated)
6. Oil Gravity ([°] API) or Gas BTU Content	1187 BTU (estimated)	1196 BTU (estimated)	1148 BTU (estimated)
7. Producing or Shut-In?	Not completed	Not completed	Not completed
Production Marginal? (yes or no)	Anticipated to be	Anticipated to be	Anticipated to be
* If Shut-In, give 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: See R-10964 Rates: 75 MCFD + 0.5 BCPD	Date: See attached Rates: 100 MCFD + 1.0 BCPD	Date: See R-10964 Rates: 240 MCFD + 5.0 BCPD
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: Rates:	Date: Rates:	Date: Rates:
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 8 % Gas: 18 %	Oil: 16 % Gas: 24 %	Oil: 76 % Gas: 58 %

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 (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. ☒ Yes ☐ No

15. NMOCD Reference Cases for Rule 303(C) Exceptions: ORDER NO(S). DHC-1920, R-10963, R-10964, R-10239

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 June 26, 1998

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

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

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☐ AMENDED REPORT

070 PACHECO, NM

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-25839	² Pool Code 71599	³ Pool Name BASIN DAKOTA
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

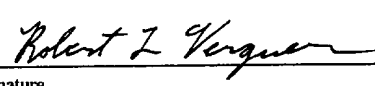
¹⁰ Surface Location

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

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
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State of New Mexico
Energy, Minerals & Natural Resources Department

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Santa Fe, NM 87505

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☐ 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

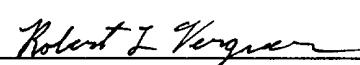
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	14	26N	7W		1800'	South	1150'	West	Rio Arriba

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

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					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

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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
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070 PACHICO, NM

☐ AMENDED REPORT

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

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



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

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ADMINISTRATIVE ORDER DHC-1920

070 FARMINGTON, NM

Dugan Production Corporation
P.O. Box 420
Farmington, New Mexico 87499-0420

Attention: Mr. John Alexander

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MAY 19 1998
OIL CON. DIV.
DIST. 3

*Mona Lisa No. 2
API No. 30-039-25745
Unit J, Section 14, Township 26 North, Range 7 West, NMPM,
Rio Arriba County, New Mexico.
Ice Canyon-Gallup (Gas - 93235),
Basin-Dakota (Prorated Gas - 71599) and,
Blanco-Mesaverde (Prorated Gas - 72319)*

Dear Mr. Alexander:

Reference is made to your request for an amendment to Division Order No. R-10963, which authorized the downhole commingling of Basin-Dakota and Blanco-Mesaverde Gas Pool production within the subject well, to add the Ice Canyon-Gallup Gas Pool as a third commingled zone in the wellbore.

It appearing that the subject well qualifies for approval for such amendment pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the zones is hereby placed in abeyance.

The maximum amount of gas which may be produced daily from the well shall be determined by Division Rules and Regulations or by the gas allowable for each respective prorated pool as printed in the Division's San Juan Basin Gas Proration Schedule.

Assignment of allowable to the well and allocation of production from the well shall be on the following basis:

Blanco-Mesaverde Gas Pool	Oil 30%	Gas 30%
Basin-Dakota Gas Pool	Oil 45%	Gas 45%
Ice Canyon-Gallup Gas Pool	Oil 25%	Gas 25%

Administrative Order No. DHC-1920
Dugan Production Corporation
May 11, 1998
Page 2

The allocation method established herein may be altered at some time subsequent to initiating downhole commingling operations upon request by the operator and for good cause shown.

REMARKS: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

Pursuant to Rule 303.H., the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 11th day of May, 1998.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

S E A L

LW/DRC

cc: Oil Conservation Division - Aztec /
Bureau of Land Management-Farmington
Case File-11897

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**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. 11920
Order No. R-10964**

**APPLICATION OF CAULKINS OIL COMPANY
FOR COMPULSORY POOLING AND DOWNHOLE
COMMINGLING, 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 5, 1998, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2nd day of March, 1998, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised,

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) Division Case Nos. 11897, 11899 and 11920 were consolidated at the time of the January 8th hearing for the purpose of testimony. No additional appearances were entered in this case at the February 5th hearing.

(3) The applicant, Caulkins Oil Company, seeks an order pooling all mineral interests in the Blanco-Mesaverde and Basin-Dakota Gas Pools underlying the S/2 of Section 14, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, thereby forming a standard 320-acre gas spacing and proration unit for said pools. This unit is to be dedicated to its proposed Breech "B" 781 well to be drilled at a standard gas well location 1800 feet from the South line and 1150 feet from the West line (Unit L) of Section 14.

(4) The applicant further seeks authority to downhole commingle Blanco-Mesaverde and Basin-Dakota Gas Pool production within the subject well.

CASE NO. 11920
Order No. R-10964
Page -2-

(5) By Order No. R-10961, issued in companion Case No. 11899 on February 18, 1998, the Division, upon application of Dugan Production Corporation, established two 160-acre non-standard gas spacing and proration units in the Blanco-Mesaverde and Basin-Dakota Gas Pools comprising the SE/4 and SW/4 of Section 14, Township 26 North, Range 7 West, NMPM.

(6) As a result of the issuance of Order No. R-10961, the portion of the immediate case seeking to compulsory pool the interests within the S/2 of Section 14, thereby forming a standard 320-acre gas spacing and proration unit for the Blanco-Mesaverde and Basin-Dakota Gas Pools, is unnecessary and should therefore be dismissed.

(7) The evidence and testimony presented in this case indicates that:

- a) Caulkins proposes to commingle the Blanco-Mesaverde and Basin-Dakota Gas Pools and dually complete these commingled zones with the Chacra formation within the subject Breech "B" 781 well;
- b) a well drilled within the S/2 of Section 14 should encounter marginal gas production only from the Blanco-Mesaverde and Basin-Dakota Gas Pools;
- c) the estimated bottomhole pressures within the Mesaverde and Dakota formations are expected to exceed the requirements set forth in Division Rule No. 303.C., which states that the Division may grant administrative approval for downhole commingling provided that the bottomhole pressure of the highest pressured commingled zone does not exceed the original reservoir pressure of any other commingled zone in the wellbore, adjusted to a common datum. Administrative notice was taken in this case of the engineering evidence and testimony presented in Case No. 11815, in which case Conoco Inc. demonstrated that even though the bottomhole pressure of the Dakota formation exceeds the original bottomhole pressure of the Mesaverde formation, there is no possibility of damage to the Mesaverde formation, nor will there be any loss of reserves, waste, or violation of correlative rights. Conoco presented this evidence in support of a downhole commingling request for its San Juan 28-7 Unit which is located approximately four miles northwest of the proposed Breech "B" 781 well.

CASE NO. 11920

Order No. R-10964

Page -3-

(8) At this time, the applicant seeks only an exception to the pressure requirements contained within Division Rule No. 303.C., as described above. The applicant testified that it will file a Division Form No. C-107-A subsequent to the entry of this order.

(9) The evidence and testimony in this case is sufficient to grant an exception to the pressure requirements for administrative approval for downhole commingling within the proposed Breech "B" 781 well.

IT IS THEREFORE ORDERED THAT:

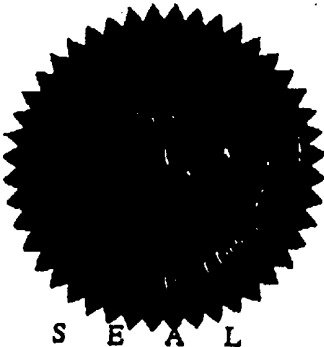
(1) The application of Caulkins Oil Company for an order pooling all mineral interests in the Blanco-Mesaverde and Basin-Dakota Gas Pools underlying the S/2 of Section 14, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, thereby forming a standard 320-acre gas spacing and proration unit for said pools, said unit to be dedicated to its proposed Breech "B" 781 well to be drilled at a standard gas well location 1800 feet from the South line and 1150 feet from the West line (Unit L) of Section 14, is hereby dismissed.

(2) The applicant, Caulkins Oil Company, is hereby granted an exception to the pressure requirements for administrative approval for downhole commingling as contained within Division Rule No. 303.C., for its proposed Breech "B" 781 well, which is to be drilled at a standard gas well location 1800 feet from the South line and 1150 feet from the West line (Unit L) of Section 14, and which is proposed to be downhole commingled in the Blanco-Mesaverde and Basin-Dakota Gas Pools.

(3) In order to obtain administrative approval to downhole commingle Blanco-Mesaverde and Basin-Dakota Gas Pool production within the aforesaid Breech "B" 781 well, the applicant shall file a Division Form No. C-107-A complete with all attachments.

(4) Jurisdiction of this cause is 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

Lori Wrotenbery
LORI WROTENBERY
Director

CAULKINS OIL COMPANY

P. O. BOX 340

BLOOMFIELD, NEW MEXICO 87413

PHONE: 505-632-1544

FAX 505-632-1471

June 26, 1998

The following list is all the offset operators that Caulkins Oil Company has notified by certified mail of the application to downhole commingle of Breech "B" 781, section 14, township 26N, range 7W.

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

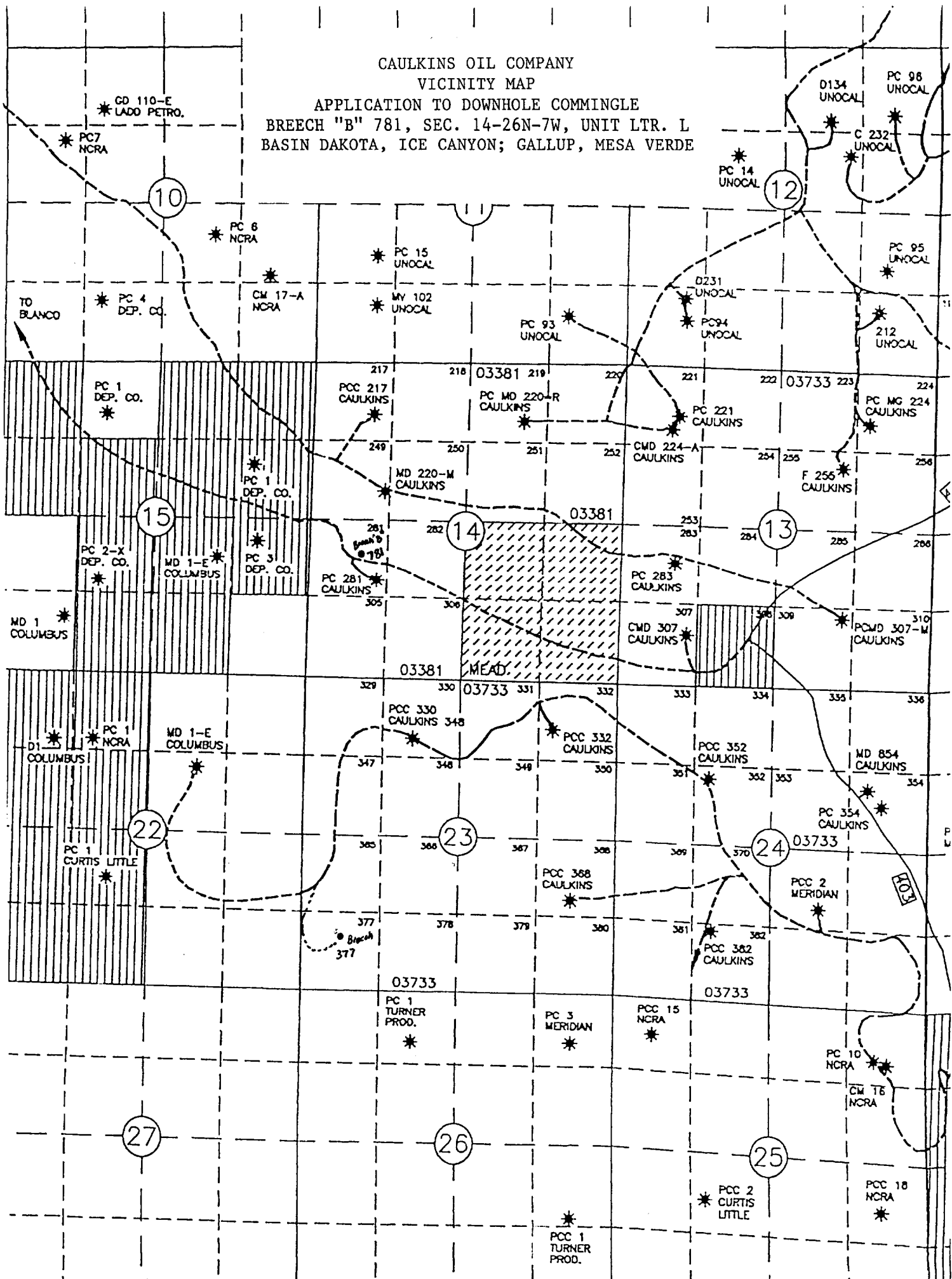
Chateau Oil & Gas
5802 U.S. Hwy 64
Farmington, NM 87402

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

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

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

APPLICATION TO DOWNHOLE COMMINGLE
BREECH "B" 781, SEC. 14-26N-7W, UNIT LTR. L
BASIN DAKOTA, ICE CANYON; GALLUP, MESA VERDE



Conditions of Approval

Caulkins Oil Company
Breech "B" No. 781
1800 FSL and 1150' FWL
Sec 14-26N-07W

- 1) After a review of a representative set of Mesaverde and Dakota production histories in the vicinity of this well and the recent well performance data from the Breech 377 well (SWSW 23-26N-7W), we have established the following allocation procedures since these formations have been extensively developed in this area. In addition, since the Ice Canyon Gallup pool has not been as extensively developed as the Dakota or Mesaverde, we cannot concur with your proposed method of allocation for this zone at this time. The following is the authorized allocation procedure for the Dakota, Gallup, and Mesaverde producing horizons:

<u>Formation</u>	<u>Gas</u>	<u>Oil</u>
Dakota	240 MCFD	5.0 BCPD
Mesaverde	75 MCFD	0.5 BCPD
Gallup	*	*

* The balance of the remaining production

Commingled production from each zone must be reported in accordance to the allocation factors presented above. Once **stabilized** production is exhibited from these combined intervals, file your final allocation factors with this office. Please notify this office when these final allocation factors are established

- 2) Within 30 days of the well's completion, file Well Completion Report, form # 3160-4. In addition, within 30 days of completing down hole commingling operations, file a subsequent report of all operations conducted.