CAULKINS OIL COMPANY

P. O. BOX 340

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



Administrative Approval to Downhole Commingle

Breech "B" 781, Sec. 14-26N-7W Unit Letter L A

Ice Canyon Gallup, Blanco Mesa Verde and Otero Chaera 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

Robert Z Verque

State of New Mexico

OIL CONSERVATION DIVISION

Form C-107-A

Energy, Minerals and Natural Resources Department

<u>DISTRICT_II</u>

811 South First St., Artesia, NM 88210

P.O. Box 1980, hobbs, NM 88240

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

New 3-12-96

APPROVAL PROCESS: X Administrative ____ Hearing

EXISTING WELLBORE YES

1000 Rio Brazos Rd , Azicc.	NM	87410

APPLICATION FOR DOWNHOLE COMMINGLING

CAULKINS OIL COM	1PANY	P.O. BOX 340, BLOOMF	TIELD, NM 87413	
PERATOR		ADDRESS		
BREECH "B"	781	L - SEC. 14-26N-7W	RIO ARRIBA	
FASE	WELL NO	UNIT LTR SEC TWP RGE.	COUNTY	

LEASE	WELL NO.	UNIT LTR SEC TWP - RGE.	COUNTY		
			Spacing Unit Lease types: (cheek 1 or more)		
OGRID NO. <u>003824</u> Prope	rty Code <u>2456</u> API NO. <u>30-039</u>	9-25839 Federal>	C , State , (and/or) Fee		
The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone		
Pool Name and Pool Code	Otero Chacra	Mesa Verde	Gallup		
Top and Bottom of Pay Section (Perforations)	2827' – 3199'	4548' – 5249'	5669' – 6123'		
3. Type of production (Oil or Gas)	Gas	Condensate	Gas and Condensate		
Method of Production (Flowing or Artificial Lift)	Flowing	OC7 Restring	Flowing		
5. Bottomhole Pressure Zones – Artificial Lift: Estimated Current	a. (Current) Q.	5 17	a. 608		
Gas & Oil – Flowing: Measured Current All Gas Zones: Estimated or Measured Original	(Original)	b.	ь.		
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	Date: 12 month average Gas Oil Water	Date: 12 month average Gas Oil Water	Date: 12 month average Gas Oil Water		
Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data	Rates: 66 0 0 MCF/D Bbl Bbl	Rates: 29 .15 1 MCF/D Bbl Bbl	Rates: 40 .32 1.5 MCF/D Bbl Bbl Date:		
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date:	Date:	Rates:		
8. Fixed Percentage Allocation Formula - % for each zone	Oil Gas 0 % 48 %	Oil Gas 33 % 22 %	Oil Gas 30 %		
If allocation formula is based u with supporting data and/or ex	ipon something other than current or paper plaining method and providing ree proj	ast production, or is based upon some jections or other required data.	other method, submit attachments		
•	d royalty interests identical in all com		YesNo		
If not, have all working, overri	ding, and royalty interests been notifie	d by certified mail?	Yes No		
Have all offset operators been	given written notice of the proposed do	ownhole commingling? X	Yes No		
11. Will cross-flow occur? production be recovered, and v	X Yes No If yes, are fluid will the allocation formula be reliable.	ds compatible, will the formations notX_Yes No (If No, attach e	be damaged, will any cross-flowed xplanation)		
12. Are all produced fluids from al	Il commingled zones compatible with o				
13. Will the value of production be	• • •	Yes X No (If Yes, attac			
 If this well is on, or communit Management has been notified 	ized with, state or federal lands, either lin writing of this application.	the Commissioner of Public Lands orX_ Yes No	the United States Bureau of Land		
15. NMOCD Reference Cases of F	Rule 303© Exceptions: ORI	DER NO(S). <u>DHC - 1920, DHC</u>	<u> - 659, DHC - 2032</u>		
Production cFor zones wiData to supp	ch zone to be commingled showing its urve for each zone for at least one year th no production history, estimated proort allocation method or formula. list of all offset operators.	 r. (If not available, attach explanation.)		

TITLE SUPERINTENDENT DATE October 25, 2001

TELEPHONE NO. (505) 632-1544

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 by knowledge and belief.

ROBERT L. VERQUER

SIGNATURE Robert I Gerguer

TYPE OR PRINT NAME

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•			((
District I			•		State of	f Nev	w Mexico	``				Form C-102
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1000 Rio Brazos R District IV	td., Aztec, NI	M 87410						JUN	30 P	M 12: 25		ee Lease - 3 Copies
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'OGRID	No.				* Op	perator	Name	-				* Elevation
00382	14	1			Caulkins	s Oil	Company					6124 GR
<u> </u>			-		10 Sur	face	Location					
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¹² Dedicated Acre 160	is 13 Joint o	er Infill 14 (Consolidation	ı Code	¹⁵ Order No.							
NO ALLOV	VABLE W						UNTIL ALL INT N APPROVED B				OXSO	LIDATED OR A
16									¹⁷ OPI	ERATOR	CER	TIFICATION
		l						,	l hereby cert	tify that the info	rmation o	contained herein is true

CATION ed herein is true and complete to the best of my knowledge and belief Signature Robert L. Verquer Printed Name Superintendent June 26, 1998 18 SURVEYOR CERTIFICATION 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 1150 best of my knowledge and belief. Date of Survey Signature and Seal of Professional Surveyor. 1800 Certificate Number

Energy Minerais & Natural Resources Department Revised October 18, Instructions or BL M Submit to Appropriate District II 11 South Pirat, Artesia, NM 88210 District II 11 South Pirat, Artesia, NM 88210 District II 1000 Rio Brazos Rd., Aztec, NM 87410 District II 1000 Rio Brazos Rd., Aztec, NM 87410 District IV 10040 South Pacheco, Santa Fe, NM 87505 WELL LOCATION AND ACREAGE DEDICATION PLAT 1 'APT Number 30-039-25839 1 'Property Code 2456 BREECH "B" 2 Ogernstor Name 4 'Beat Number 781 1 OGRID No. 003824 Caulkins Oil Company 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 1 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 1 Dedicated Acres 1 Joint or Infill Consolidation Code 1 Order No. NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED ON NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION	To Des 1989, Hobbes, Not 88241-1980 Descript III South First, Artesia, NNK 88210 OIL CONSERVATION DIVISION BL M Southmit to Appropriate District III South First, Artesia, NNK 88210 OIL CONSERVATION DIVISION BL M Southmit to Appropriate District III South First, Artesia, NNK 88210 OIL CONSERVATION DIVISION BL M Southmit to Appropriate District III South First, Artesia, NNK 87419 South Pacheco, Santa Fe, NNK 87505 South Pacheco, Santa Fe, NNK 87505 South Pacheco, Santa Fe, NNK 87505 WELL LOCATION AND ACREAGE DEDICATION PLAT 'AFT Number 'APPROPRIATE Code 'Property Code 1 Property Code 2 Prop	٠.											
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Date June 26, 1998 18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plan plotted from field notes of actual surveys made by me of my supervision, and that the same is true and correct to	Date June 26, 1998 18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this play plotted from field notes of actual surveys made by me of my supervision, and that the same is true and correct to best of my knowledge and belief.				1 · 9		COLOR	割	•	Printed Nam	e Robe	rt L. Ve	rquer
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4.60	best of my knowledge and belief.									1			
				·						plotted from	field notes of a	ctual surve	ys made by me or

1800'

Signature and Seal of Professional Surveyor:

Certificate Number

Certificate Number

District I PO Box 1980, Hobbs, NM 88241-1980 District II \$11 South First, Artesia, NM 88210 District III 1000 Rio Brazos Rd., Aztec, NM 87410 District IV

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 Offic State Lease - 4 Copie Fee Lease - 3 Copie

2040 South Pachec	:o, Santa F	•							L	AM	MENDED REPOR
	API Numb		WELL L	OCAT	ION AND	ACR	EAGE DED				
	-039-258			¹ P901 823					ool Name O CHACRA		
Property (Ī				roperty N	Vame	V		<u> </u>	Well Number
2456					BRF	EECH	["B"				781
OGRID I					_	perator N		· -	<u> </u>	·	* Elevation
00382	4	<u></u>					Company			l	6124 GR
***							Location				
UL or lot no.	Section 1.4	Townshi	• •	Lot Idn	1		North/South line	Feet from the			County
L	14	26N		<u></u>	1800		South	1150'	We	est	Rio Arriba
	T.,						Different Fr				
UL or lot no.	Section	Township	p Range	Lot Idn	Feet from the	the	North/South line	Feet from the	East/West	line	County
¹ Dedicated Acres	s ^{is} Joint (or Infill	14 Consolidation	on Code	¹⁵ Order No.						
160											
			OCT 200			CIE CON	1 0 1999 ON. DIV	Signature Printed I	to the best of my kn	t L. Verd	quer ent
1150.	- ⊚		·					I hereby of plotted from the superior of my kno	RVEYOR certify that the well of om field notes of according to the consistent, and that the whedge and belief.	location s tual surve same is tr	TIFICATION thown on this plat was ys made by me or under rue and correct to the bes
18	100·										

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

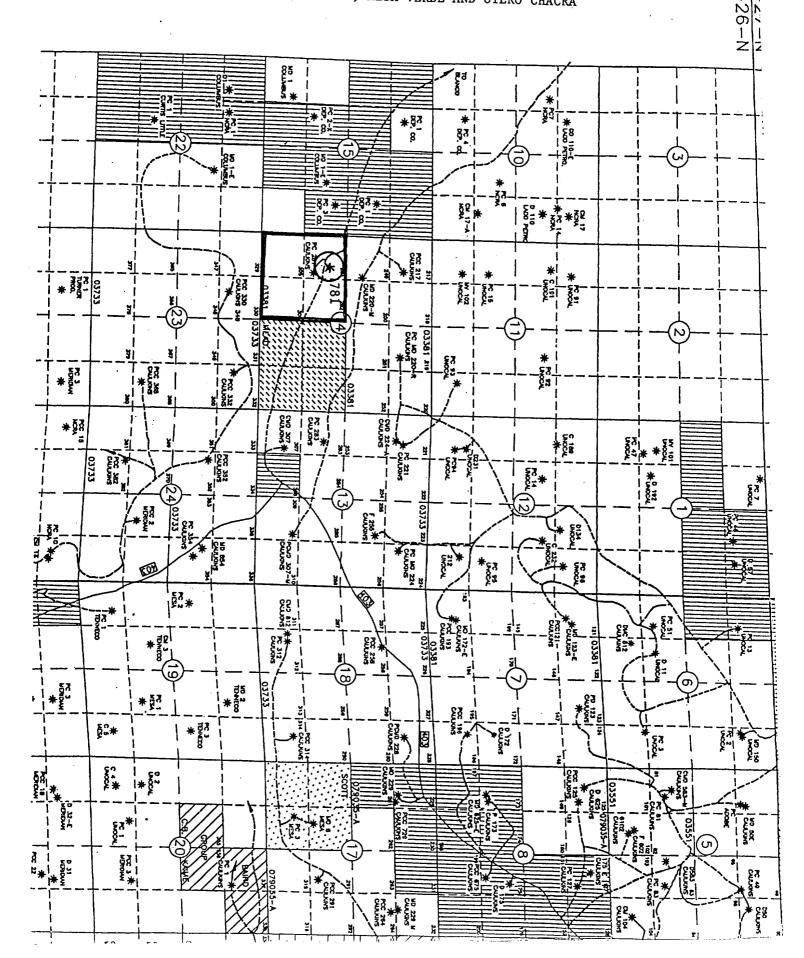
Dugan Production Corp. 709 E. Murray Dr. Box 420 Farmington, NM 87401

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

CAULKINS OIL COMPANY VICINITY MAP

BREECH "B" 781, SEC. 14-26N-7W, UNIT LTR. L DAKOTA, GALLUP, MESA VERDE AND OTERO CHACRA



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

5. Lease **UNITED STATES** NMNM-03381 DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT 6. If Indian, Allottee or Tribe Name SUNDRY NOTICES AND REPORTS ON WELLS 7. Unit Agreement Name (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) 8. Well Name and No. 1. Oil Well [] Gas Well [] Other [] **GAS WELL BREECH "B" 781** 2. Name of Operator: 9. API Well No. **Caulkins Oil Company** 30-039-25839-00C2 3. Address of Operator: 10. Field and Pool, Exploratory Area (505) 632-1544 P.O. Box 340, Bloomfield, NM 87413 GALLUP, MESA VERDE, OTERO **CHACRA** 4. Location of Well (Footage, Sec., Twp., Rge.) 11. Country or Parish, State 1800' F/S 1150' F/W SEC. 14-26N-7W 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 [X] Notice of Intent [] Abandonment [] Change of Plans []Recompletion [] New Construction [] Subsequent Report [] Plugging Back [] Non-Routine Fracturing [] Casing Repair [] Water Shut-Off [] Final Abandonment Notice [] Altering Casing [] Conversion to Injection [X] Other <u>Commingle Well</u> l Dispose Water 17. Describe Proposed or Completed Operations: 10-25-01 Caulkins Oil Company has reque4sted 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 I Yerone TITLE: Superintendent DATE: October 25, 2001 ROBERT L. VEROUER APPROVED BY: TITLE: CONDITIONS OF APPROVAL, IF ANY