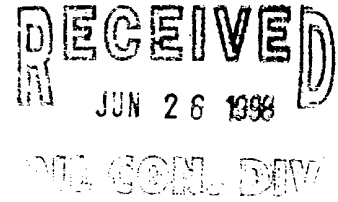


CAULKINS OIL COMPANY

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

June 25, 1998

State of New Mexico
Oil Conservation Division
ATTN: Mr. Ben Stone *DAKOTA CANYON*
2040 S. Pacheco
Santa Fe, NM 87505



Re: Administrative Approval to Commingle
Breech 377, Section 23, Township 26N, Range 7W, Unit Letter M
Basin Dakota, Ice Canyon Gallup, and Blanco Mesa Verde Formations

Dear Mr. Stone:

This well was first delivered to production on January 16, 1998 and is currently being produced as a dual completed Dakota, Gallup. Caulkins Oil Company plans to recomplete this well in the Blanco Mesa Verde, South Blanco Pictured Cliffs and Otero Chacra formations. Then dual compete well as a commingled Dakota - Gallup - Mesa Verde well below a packer and a commingled Chacra - Pictured Cliffs above. Special clearance 2 3/8" tubing will be run for Dakota - Gallup - Mesa Verde production tubing with a Baker model R-3 packer set above Mesa Verde perforations to separate commingled completions. 1 1/4" IJ tubing will be run for Chacra - Pictured Cliffs production tubing. Special clearance 2 3/8" and 1 1/4" IJ tubing will be required due to 5 1/2" casing run surface to TD in this well.

Pictured Cliffs and Chacra formations will be commingled under approved NMOCD order R-5648 which authorized Caulkins Oil Company to commingle these formations with an allocation split of 70% to the Pictured Cliffs and 30% to the Chacra.

In consideration of Caulkins Oil Company's application to commingle the Dakota - Gallup - Mesa Verde formations in the well, please reference NMOCD order DHC-1920 which allowed Dugan Production Corporation to commingle these zones in their Mona Lisa #2 well located in section 14, township 26N, range 7W, 1.2 miles northeast of our Breech 377 well. Also reference order R-10239 which allowed downhole commingling of the Basin Dakota, Ensenada Gallup and Blanco Mesa Verde pools. Burlington Resources provided adequate evidence that fluids from all three zones were compatible and non-damaging. The proximity of these wells (approximately 3 miles SE) is confirmation of fluid compatibility in the Breech 377 well.

Allocation percentages were calculated using the average production from the April and May monthly volume statements for the Dakota and Gallup zones in this well. Allocation for the proposed Mesa Verde zone was calculated using 1997 production history from Mesa Verde wells operated by Caulkins Oil Company in section 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. Notification list of offset operators
- E. Vicinity map
- F. 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,

A handwritten signature in cursive script, reading "Robert L. Verquer", followed by a horizontal flourish line.

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

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 87505-6429Form 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 Breech Well No. 377 Unit Ltr. - Sec. - Twp. - Rge. M-SEC. 23-26N-7W County Rio Arriba

OGRID NO. 003824 Property Code 2454 API NO. 30-039-25690 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 (G)	Basin Dakota
2. Top and Bottom of Pay Section (Perforations)	Approximately 4654' to 5372'	6455' to 6892'	7328' to 7499'
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) 1100 psia (estimated)	a. b. 1-7-98 1466 psia	a. b. 1-7-98 2452 psia
6. Oil Gravity (° API) or Gas BTU Content	1187 BTU (estimated)	1196 BTU	1148 BTU
7. Producing or Shut-In?	Not completed	Producing	Producing
Production Marginal? (yes or no)	Anticipated to be	Yes	Yes
* 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: Not completed Rates: 74 MCFD + 0.5 BCPD	Date: Rates:	Date: Rates:
* If Producing, give date and oil/gas/ water rates of recent test (within 60 days)	Date: Rates:	Date: April & May Avg. Rates: 101 MCFD + 1.10 BCPD	Date: April & May Avg. Rates: 239 MCFD + 5.28 BCPD
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 7 % Gas: 18 %	Oil: 16 % Gas: 24 %	Oil: 77 % 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 ☐ No11. 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 ☐ No13. 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 ☐ No15. NMOC Reference Cases for Rule 303(C) Exceptions: ORDER NO(S). DHC-1920, R-10963, 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 25, 1998TYPE 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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-25690		² Pool Code 71599	³ Pool Name BASIN DAKOTA
⁴ Property Code 2454	⁵ Property Name BREECH		⁶ Well Number 377
⁷ OGRID No. 003824	⁸ Operator Name Caulkins Oil Company		⁹ Elevation 6917 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
M	23	26N	7W		1165'	South	1025'	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 320	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 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 25, 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			

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>
				<i>Robert L. Verquer</i> Signature
				Printed Name Robert L. Verquer
				Title Superintendent
				Date June 25, 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

1025'

1165'

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-25690		² Pool Code 72319		³ Pool Name BLANCC MESA VERDE	
⁴ Property Code 2454		⁵ Property Name BREECH			⁶ Well Number 377
⁷ OGRID No. 003824		⁸ Operator Name Caulkins Oil Company			⁹ Elevation 6917 GR

¹⁰ Surface Location


UL or lot no. M	Section 23	Township 26N	Range 7W	Lot Idn	Feet from the 1165'	North/South line South	Feet from the 1025'	East/West line West	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
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¹² Dedicated Acres 320	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

6					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 25, 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

ADMINISTRATIVE ORDER DHC-1920

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

Attention: Mr. John Alexander

RECEIVED
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

CAULKINS OIL COMPANY

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

June 25, 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 377, section 23, township 26N, range 7W.

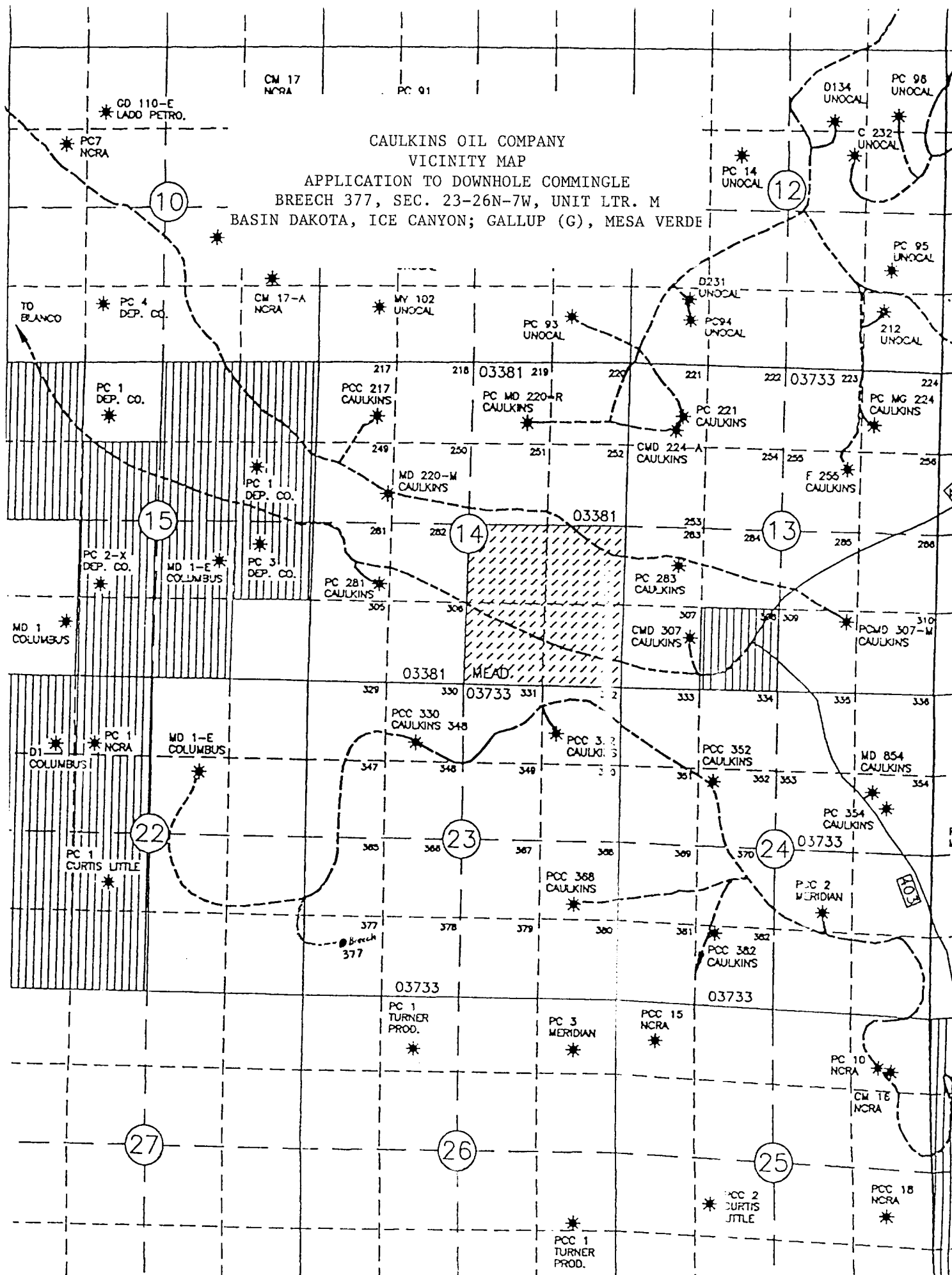
Central Resources, Inc.
1776 Lincoln St. Suite 1010
Denver, CO 80202

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

Little Oil & Gas, Inc.
P.O. Box 1258
Farmington, NM 87499

Turner Production Company
c/o Little Oil & Gas, Inc.
P.O. Box 1258
Farmington, NM 87499

BASIN DAKOTA, ICE CANYON; GALLUP (G), MESA VERDE



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.
Use "APPLICATION FOR PERMIT--" for such proposals)

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

2. Name of Operator:

Caulkins Oil Company

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

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

1165' F/S 1025' F/W SEC. 27 -26N-7W

5. Lease

NMNM-03733

6. If Indian, Allottee or Tribe Name

7. Unit Agreement Name

8. Well Name and No.

BREECH 377

9. API Well No.

30-039-25690-00-D1

10. Field and Pool, Exploratory Area

DAKOTA, ICE CANYON; GALLUP (G),
MESA VERDE

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

☐ Recompletion

☐ New Construction

☐ Subsequent Report

☐ 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:

6-25-98 Caulkins Oil Company has requested approval from NMOCD to downhole commingle this well.

Application and document attached.

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

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

18. I HEREBY CERTIFY THE FOREGOING IS TRUE AND CORRECT

SIGNED: Robert L. Verquer TITLE: Superintendent DATE: June 25, 1998
ROBERT L. VERQUER

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