

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
811 South First St., Artesia, NM 88210-2835

DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
New 3-12-96

APPROVAL PROCESS:

___ Administrative ___ Hearing

EXISTING WELLBORE

___ YES ___ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Breck Operating Corp. c/o Walsh Engr. & Prod. Corp. 7415 E. Main Farmington, N.M. 87402

Operator Kutz Government Address F Sec. 2, T27N, R10W San Juan County, N.M.
Lease Well No. Unit Ltr. - Sec - Twp - Rge County

OGRID NO. 002799 Property Code 02223 API NO. 30-045-2426700 Spacing Unit Lease Types: (check 1 or more)
Federal X State (and/or) Fee

| The following facts are submitted in support of downhole commingling: | Upper Zone | Intermediate Zone | Lower Zone |
|--|---|-------------------|--|
| 1. Pool Name and Pool Code | Basin Fruitland Coal | | Pictured Cliffs |
| 2. Top and Bottom of Pay Section (Perforations) | 1731-1859' | | 1871-1917' |
| 3. Type of production (Oil or Gas) | Gas | | Gas |
| 4. Method of Production (Flowing or Artificial Lift) | Flowing | | Flowing |
| 5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original | a. (Current) 110 5/99 b. (Original) 232 psig | a. b. | a. 186 1/20/87 b. 230 psig |
| 6. Oil Gravity (°API) or Gas BTU Content | 1057 | | N/A |
| 7. Producing or Shut-In? | Producing | | Shut In |
| Production Marginal? (yes or no) | No | | 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: Rates: | Date: Rates: | Date: 7/17/92 Rates: 39 MCF/d 1990 Average |
| * If Producing, give date and oil/gas/water rates of recent test (within 60 days) | Date: 1998 Average Rates: 277 MCF/d | Date: Rates: | Date: Rates: |
| 8. Fixed Percentage Allocation Formula - % for each zone | Oil: % Gas: 87.7% | Oil: % Gas: % | Oil: % Gas: 12.3% |

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 X No
If not, have all working, overriding, and royalty interests been notified by certified mail? X Yes No
Have all offset operators been given written notice of the proposed downhole commingling? Yes X No

11. Will cross-flow occur? Yes No X 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. X Yes No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? X Yes No

13. Will the value of production be decreased by commingling? Yes X 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. X Yes No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S).

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 Paul C. Thompson TITLE Agent DATE 8/31/99

TYPE OR PRINT NAME Paul C. Thompson TELEPHONE NO. (505) 327-4892

Office
Lease - 4 copies
Lease - 3 copies

Energy, Minerals and Natural Resources Department

Form 10-1

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

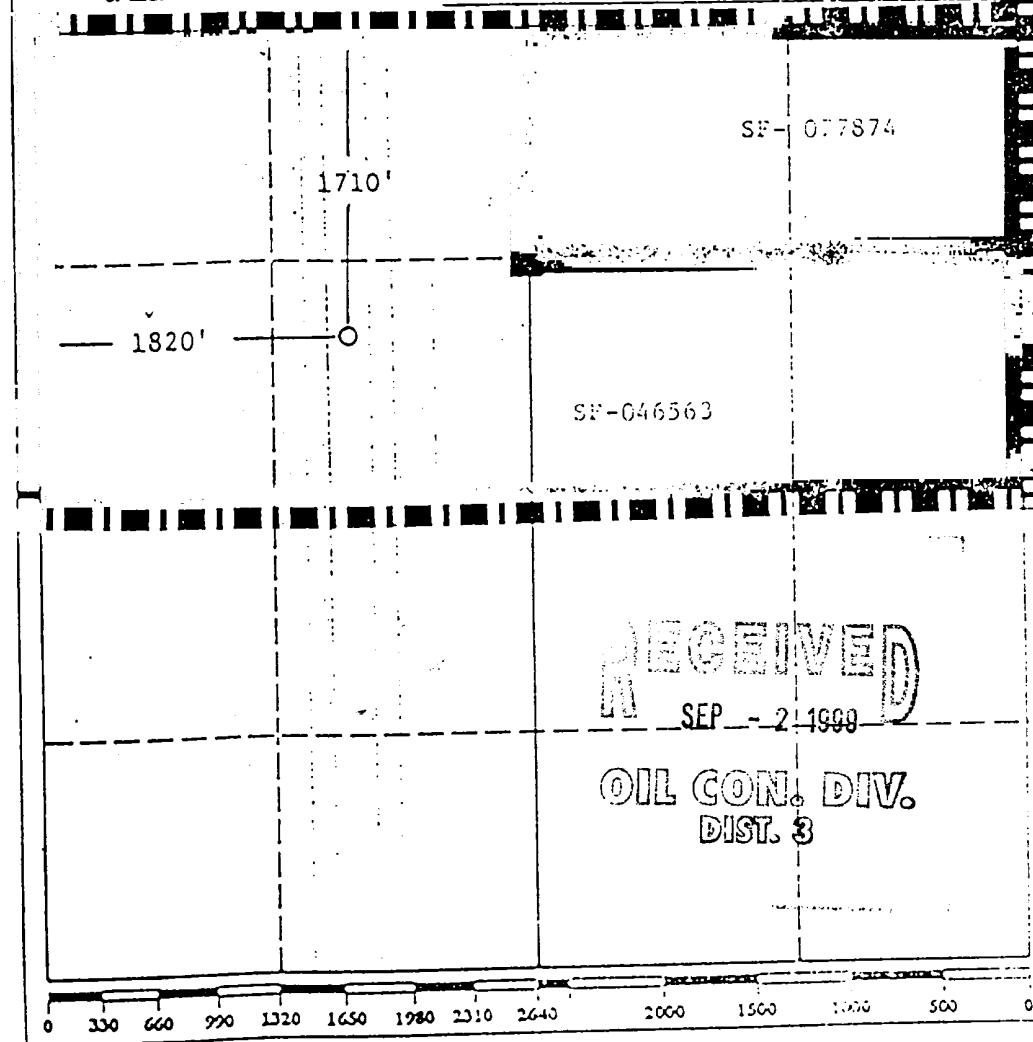
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section.

| | | | | | |
|--|--|------------------------|-------------------------------------|---------------------------|---|
| Operator BRECK OPERATING CORPORATION | | | Lease Kutz Government | | Well No. 5-J |
| Unit Letter F | Section 2 | Township 27N | Range 10W | County San Juan | |
| Actual Footage Location of Well: 1719 feet from the North line and 1820 feet from the West line | | | | | |
| Ground level Elev. 5912' | Producing Formation Fruitland Coal | | Pool Basin Fruitland Coal | | Indicated Acreage: 322.64 Acres |

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
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).
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.?
☒ Yes ☐ No If answer is "yes" type of consolidation North coming Communitization Agreement
If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION
I hereby certify that the info
contained herein is true and complete to
best of my knowledge and belief.

Signature
Paul C. Thompson
Printed Name
Paul C. Thompson
Position
President
Company
Walsh Engr. & Prod. Co.
Date
April 6, 1992

SURVEYOR CERTIFICATION
I hereby certify that the well location
on this plat was plotted from field notes
actual surveys made by me or under
supervision, and that the same is true
correct to the best of my knowledge
and belief.

Date Surveyed

Signature & Seal of
Professional Surveyor

NOTE: From Original
Survey

Certificate No.

All distances must be from the outer boundaries of the Section

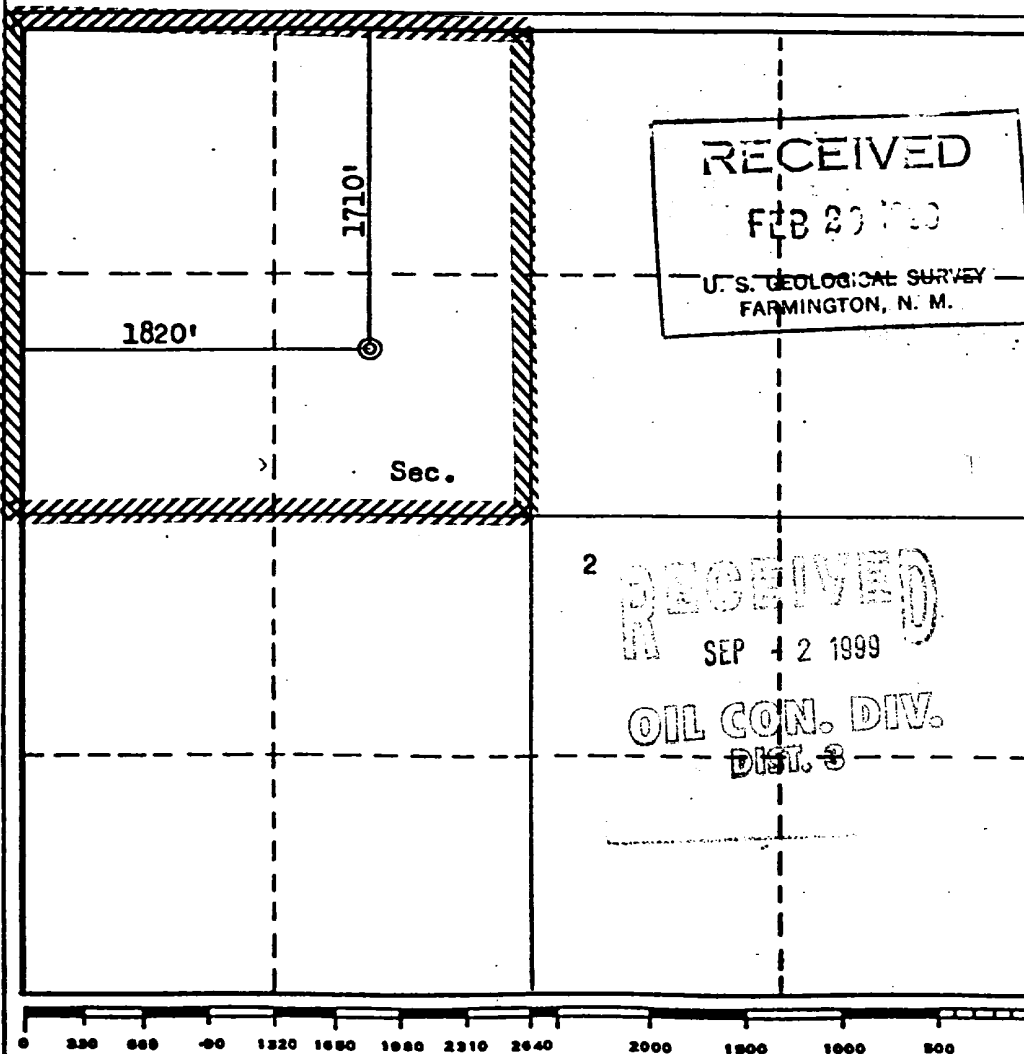
| | | | | | |
|----------------------------------|--|--------------------------------------|--------------------------|---------------------------------|-----------------|
| PETROLEUM CORPORATION OF TEXAS | | | Lease KUTZ-GOVERNMENT | | Well No. 5-J |
| Unit Letter F | Section 2 | Township 27N | Range 10W | County San Juan | |
| Actual Footage Location of Well: | | | | | |
| 1710 feet from the North | | line and 1820 feet from the West | | line | |
| Ground Level Elev. 5912 | Producing Formation Pictured Cliffs | Pool Fulcher-Kutz Pictured Cliffs | | Dedicated Acreage: 160 Acres | |

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
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).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

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 interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.
FOR: PETROLEUM CORP. OF TEXAS

Name
Ewell N. Walsh, P. E.
Position
ORIGINAL SIGNED BY
President EWELL N. WALSH
Company
Walsh Engineering & Prod. C
Date
2/28/80

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 Surveyed
September 1979
Registered Professional Engineer
and/or Land Surveyor No.
Fred B. Kern, Jr.
Certificate No. 3950

Rate/Time Graph

Project: C:\Program Files\IHS Energy\PTools35\PROJECTS\Kutz5.MDB

Date: 8/30/1999
Time: 11:36 AM

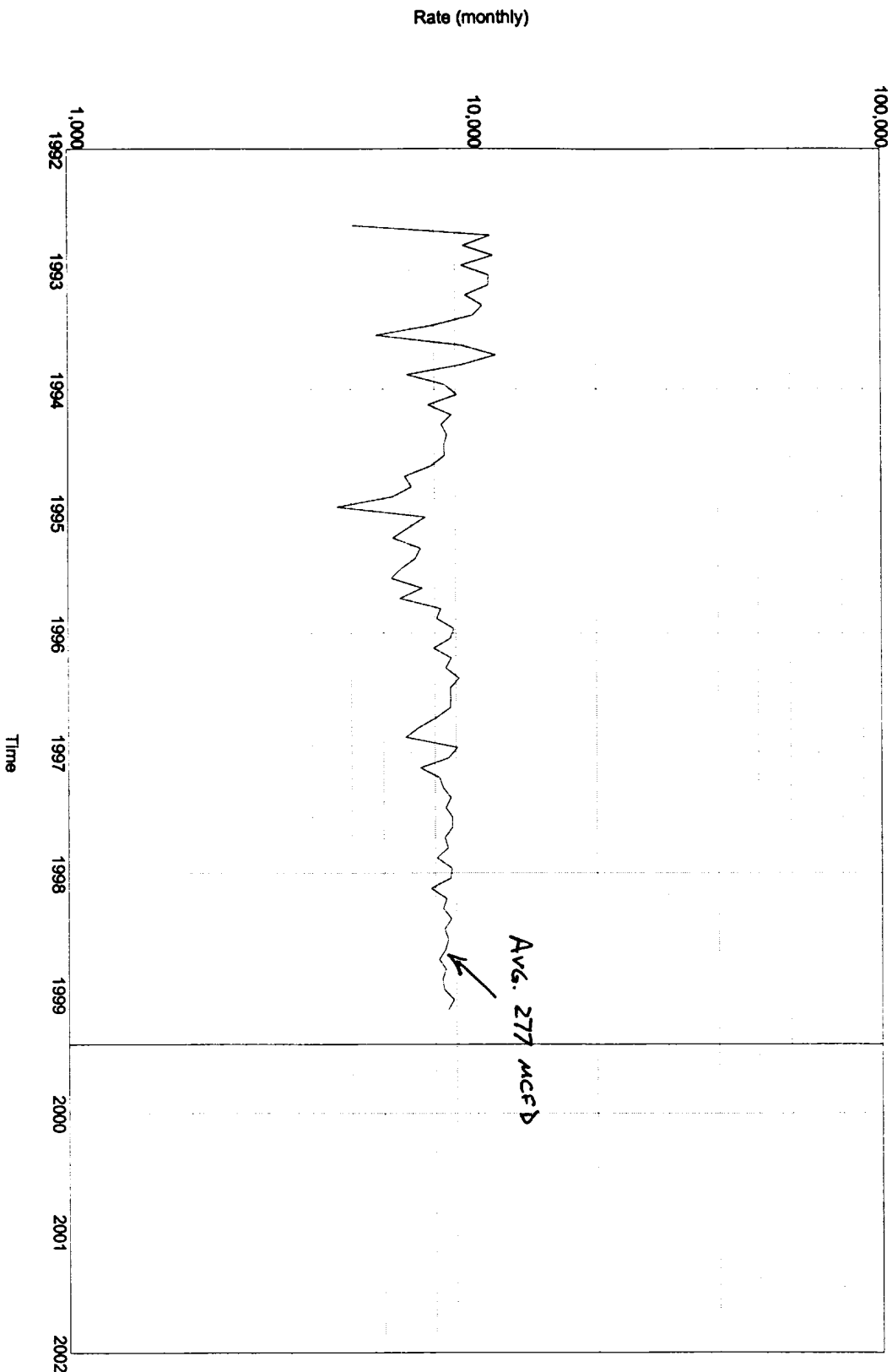
Lease Name:
County, ST:
Location:

KUTZ GOVT (5)
SAN JUAN, NM
27N-10W-2

Field Name:
Operator:

BASIN (FRUITLAND COAL) FT
BRECK OPERATING CORP

KUTZ GOVT - BASIN (FRUITLAND COAL) FT



Rate/Time Graph

Project: C:\Program Files\IHS Energy\PTools\35\PROJECTS\Kutz5.MDB

Date: 8/30/1999
Time: 11:37 AM

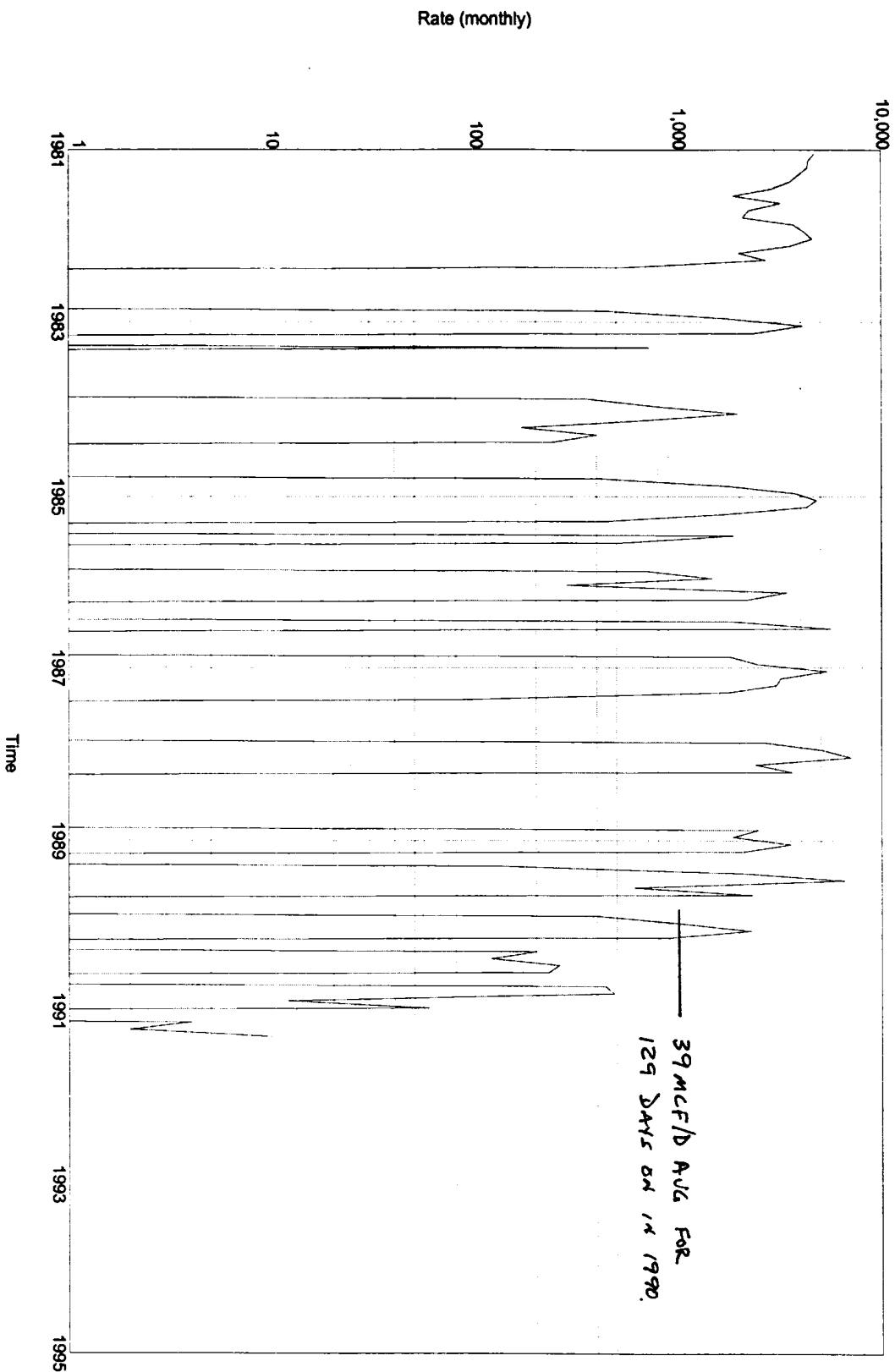
Lease Name:
County, ST:
Location:

KUTZ GOVT (00005-J)
SAN JUAN, NM
27N-10W-2

Field Name:
Operator:

FULCHER KUTZ (PICTURED CLIFFS) PC
BRECK OPERATING CORP

KUTZ GOVT - FULCHER KUTZ (PICTURED CLIFFS) PC



Kutz Government #5J
Commingling Application

Allocation Formula

The Fulcher Kutz Pictured Cliffs formation was completed by Petroleum Corp. of Texas, on August 12, 1980. The Pictured Cliffs was fraced with 40,000# of 20/40 sand in a CO₂ foam system. The well produced steadily, with the exception of pipeline curtailments, until the 1989 when the reservoir pressure declined level of the pipeline pressure. The well would only produce when line pressures were low until July of 1992 when the Pictured Cliffs was abandoned and the Fruitland Coal was completed. The decline curves for both formations are attached.

Since the Pictured Cliffs appears to only be capable of marginal production, Breck Operating proposes to downhole commingle the production from both zones.

Both zones have very similar bottom hole pressures so cross flow will not be a factor. The last recorded pressure for the Pictured Cliffs was 186 psi in 1987 after a 7 days build up. The Fruitland Coal was measured at 110 psi after a 24 hour buildup in May of 1999. Neither zone produces a significant amount water (less than 1 bbls/week) and neither zone produces any liquid hydrocarbons. Neither zone is fluid sensitive and the fluids from the two zones are compatible.

The Pictured Cliffs formation was producing approximately 39 MCF/D when it was abandoned in 1992. The Fruitland Coal produced an average of 277 MCFD during 1998. Based on these rates, the proposed allocation is 87.7% to the Fruitland Coal and 12.3% to the Pictured Cliffs.

**Breck Operating Company
Downhole Commingle Application
Kutz Government #5J
NE/4 Section 2, T27N, R10W**

Pictured Cliffs Formation

| | | |
|-----------------------------|------|--------------|
| BBL, Ltd. | WI | 0.835 |
| Minerals Management Service | RI | 0.125 |
| Scott, Hill, and Hodge | ORRI | <u>0.040</u> |
| | | 1.000 |

Fruitland Coal Formation

| | | |
|-----------------------------|------|---------------|
| BBL, Ltd. | WI | 0.4175 |
| Burlington Resources | WI | 0.3975 |
| Minerals Management Service | RI | 0.1250 |
| Scott, Hill, and Hodge | ORRI | 0.0200 |
| Altrogge Resources, et. Al. | ORRI | <u>0.0400</u> |
| | | 1.0000 |

BRECK OPERATING CORPORATION

Kutz Government #5J
1710'FNL & 1820'FWL
Sec. 2, T27N, R10W
San Juan County, New Mexico

The following revenue owners have received written notice of the proposed downhole commingling application.

Van L. Goebel
Burlington Resources
P. O. Box 4289
Farmington, N.M. 87499

Minerals Management Service
Royalty Management Program
P. O. Box 5810 T.A.
Denver, CO 80202

Ira Scott
7th Floor Patterson Building
Denver, CO 80202

T. H. Hodge
P1J Ft. Worth Club TWR
777 Tayalor Street, Suite 890
Ft. Worth, Texas 76102

Altrogge Resources, et al
6901 W. Walsh Place
Denver, CO 80224

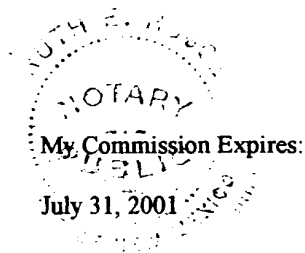
I certify that copies of the Application for a non-standard Fruitland Coal well has been mailed to the above Operators.


Paul C. Thompson

San Juan County)
)
State of New Mexico)

The Following instrument was acknowledged before me this 31st day of August 1999 by Paul C. Thompson.


Beth E. Hodge
Notary Public



**WALSH****ENGINEERING & PRODUCTION CORP.**Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

August 31, 1999

CERTIFIED - RETURN RECEIPTT. F. Hodge
P1J Ft. Worth Club TWR
777 Taylor Street, Suite 890
Ft. Worth, Texas 76102RE: Downhole Commingling Application
Breck Operating Corp.
Kutz Government #5J
1710' FNL, 1820' FWL
Section 2, T27N, R10W
San Juan County, N.M.
Fulcher Kutz Pictured Cliffs and Basin Fruitland Coal

Dear Mr. Hodge:

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. As a revenue interest owner in this well, you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to Ms. Lori Wrotenbery, Director, New Mexico Oil Conservation Division, Santa Fe, New Mexico, within 20 days from the receipt of this notice. If you have no objection to the proposal, no action is required on your part.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson
Agent

**WALSH****ENGINEERING & PRODUCTION CORP.**Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9634

August 31, 1999

CERTIFIED - RETURN RECEIPTIra Scott
7th Floor Patterson Building
Denver, CO 80202RE: Downhole Commingling Application
Breck Operating Corp.
Kutz Government #5J
1710' FNL, 1820' FWL
Section 2, T27N, R10W
San Juan County, N.M.
Fulcher Kutz Pictured Cliffs and Basin Fruitland Coal

Dear Mr. Scott:

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. As a revenue interest owner in this well, you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to Ms. Lori Wrotenbery, Director, New Mexico Oil Conservation Division, Santa Fe, New Mexico, within 20 days from the receipt of this notice. If you have no objection to the proposal, no action is required on your part.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson
Agent

**WALSH**

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

August 31, 1999

CERTIFIED - RETURN RECEIPT

Van L. Goebel
Meridian Oil, Inc.
P. O. Box 4289
Farmington, N.M. 87499

RE: Downhole Commingling Application
Breck Operating Corp.
Kutz Government #5J
1710' FNL, 1820' FWL
Section 2, T27N, R10W
San Juan County, N.M.
Fulcher Kutz Pictured Cliffs and Basin Fruitland Coal

Dear Mr. Goebel:

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. As a revenue interest owner in this well, you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to Ms. Lori Wrotenbery, Director, New Mexico Oil Conservation Division, Santa Fe, New Mexico, within 20 days from the receipt of this notice. If you have no objection to the proposal, no action is required on your part.

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Sincerely,

Paul C. Thompson
Agent

**WALSH****ENGINEERING & PRODUCTION CORP.**Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9634

August 31, 1999

CERTIFIED - RETURN RECEIPTMinerals Management Service
Royalty Management Program
P. O. Box 5810 T.A.
Denver, CO 80202RE: Downhole Commingling Application
Breck Operating Corp.
Kutz Government #5J
1710' FNL, 1820' FWL
Section 2, T27N, R10W
San Juan County, N.M.
Fulcher Kutz Pictured Cliffs and Basin Fruitland Coal

Dear Sir:

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. As a revenue interest owner in this well, you are being notified of this application pursuant to NMOCD rules.

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Sincerely,

Paul C. Thompson
Agent

**WALSH****ENGINEERING & PRODUCTION CORP.**Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87401
(505) 327-4892 • Fax: (505) 327-9831

August 31, 1999

CERTIFIED - RETURN RECEIPTAltrogge Resources, et al
6901 W. Walsh Place
Denver, CO 80224

RE: Downhole Commingling Application
Breck Operating Corp.
Kutz Government #5J
1710' FNL, 1820'FWL
Section 2, T27N, R10W
San Juan County, N.M.
Fulcher Kutz Pictured Cliffs and Basin Fruitland Coal

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Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson
Agent