

DATE IN 3/3/09	SUSPENSE	ENGINEER W. Jones	LOGGED IN 3/3/09	TYPE DHC	APP NO. PKAA090625366i
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RECEIVED

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

2009 MAR 3 PM 2 01

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



30-039-25483
Ricon Unit #166E
Chevron Midcon
241333

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATION WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☒ Does Not Apply

- [A] ☒ Working, Royalty or Overriding Royalty Interest Owners
(N/A, Hearing Order# 9893)
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
(Attached Letter & Green Cards)
- [C] ☒ Application is One Which Requires Published Legal Notice
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
(U.S. Bureau of Land Management & Commissioner of Public Lands, State Land Office w/ copy this DHC)
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☒ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name: Alan W. Bohling Signature: Alan W. Bohling Title: Regulatory Agent Date: Feb 23, 2009
e-mail Address: ABohling@chevron.com



Chevron Midcontinent, L.P.
15 Smith Road
Midland, Texas 79705
Tel: 432-687-7158
Fax: 432-687-7289
ABohlin@chevron.com

February 23, 2008

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: Administrative Down Hole Commingling Application, Rincon Unit #166E Well
API No. 30-039-25483
Unit F, Section 32, Township 27 North, Range 6 West NMPM
Rio Arriba County, New Mexico

Gentlemen:

Chevron Midcontinent L.P. respectfully submits for New Mexico Oil Conservation Division approval of the commingling of three zones within the Rincon Unit # 166E well (the Pictured Cliff, Mesaverde, and Dakota). Rincon Unit has been previously approved for Exemption to Notification by Oil Conservation Division Case No. 10663, Order No. R-9893. However, Chevron Midcontinent, L.P., has provided the other working interest owners in the unit with Notice of our proposed operations by way of their election to participate in the well work-over pursuant to the terms of the Rincon Unit Joint Operating Agreement. Chevron has also provided Notice to immediate offset Operators.

Enclosed with this cover letter, you will find the required information:

1. NMOCD Form C-102(s) (Showing each zone(s) spacing unit and acreage dedication).
2. NMOCD Form C-107A including Supplemental Information.
3. Copy of the Order No. R-9893.
4. Copies of Letters sent to the Bureau of Land Management and the offset Operators for the Rincon Unit # 166E well location advising them of the proposed operations.

A Copy of this Administrative DHC Application, with attachments, is concurrently being sent to the U. S. Bureau of Land Management-Farmington Office and the Commissioner of Public Lands-State Land Office.

If after your review of the enclosed material you should require any additional technical information, please contact Mr. Michael Murray at 281-561-3857 or, for non-technical information, please contact Mr. Arthur R. Boehm at 281-561-4880.

Thank you in advance for your review and approval of our Administrative Application for Downhole Commingling of the Pictured Cliffs, Mesaverde and Dakota zones within the Rincon Unit #166E wellbore.

Sincerely,

A handwritten signature in cursive script that reads "Alan W. Bohling".

Alan W. Bohling
Regulatory Agent

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-25483	² Pool Code 72439	³ Pool Name Blanco, South-Pictured Cliffs
⁴ Property Code 302737	⁵ Property Name Rincon Unit	⁶ Well Number 166E
⁷ OGRID No. 241333	⁸ Operator Name Chevron Midcontinent, L.P.	⁹ Elevation 6650'

¹⁰ Surface Location

UL or lot no. F	Section 32	Township 27-N	Range 06-W	Lot Idn	Feet from the 1815	North/South line North	Feet from the 1840	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
¹² 159.74 Pictured Cliffs	¹³ Joint or Infill Y	¹⁴ Consolidation Code U	¹⁵ Order No. Unitization						

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, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i> February 18, 2009 Signature Date Alan W. Bohling - Regulatory Agent Printed Name
	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 belief.</i> 07/16/1992 Date of Survey Signature and Seal of Professional Surveyor: Cecil B Tullis 9672 Certificate Number

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-25483		² Pool Code 72319	³ Pool Name Blanco-Mesaverde
⁴ Property Code 302737	⁵ Property Name Rincon Unit		⁶ Well Number 166E
⁷ OGRID No. 241333	⁸ Operator Name Chevron Midcontinent, L.P.		⁹ Elevation 6650'

¹⁰ Surface Location

UL or lot no. F	Section 32	Township 27-N	Range 06-W	Lot Idn	Feet from the 1815	North/South line North	Feet from the 1840	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
¹² 319.18 Mesaverde	¹³ Joint or Infill Y	¹⁴ Consolidation Code U	¹⁵ Order No. Unitization						

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 #166P (DK & MV) 1815' 1840' #166E #24 (PC) #166R (DK & MV)	 (Mesaverde, W/2)	¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i> Signature February 18, 2009 Date Alan W. Bohling - Regulatory Agent Printed Name
		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 belief.</i> 07/16/1992 Date of Survey Signature and Seal of Professional Surveyor: Cecil B Tullis 9672 Certificate Number

District I
1625 N. French Dr., Hobbs, NM 88240
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1301 W. Grand Avenue, Artesia, NM 88210
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1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-25483	² Pool Code 71599	³ Pool Name Basin-Dakota
⁴ Property Code 302737	⁵ Property Name Rincon Unit	⁶ Well Number 166E
⁷ OGRID No. 241333	⁸ Operator Name Chevron Midcontinent, L.P.	⁹ Elevation 6650'

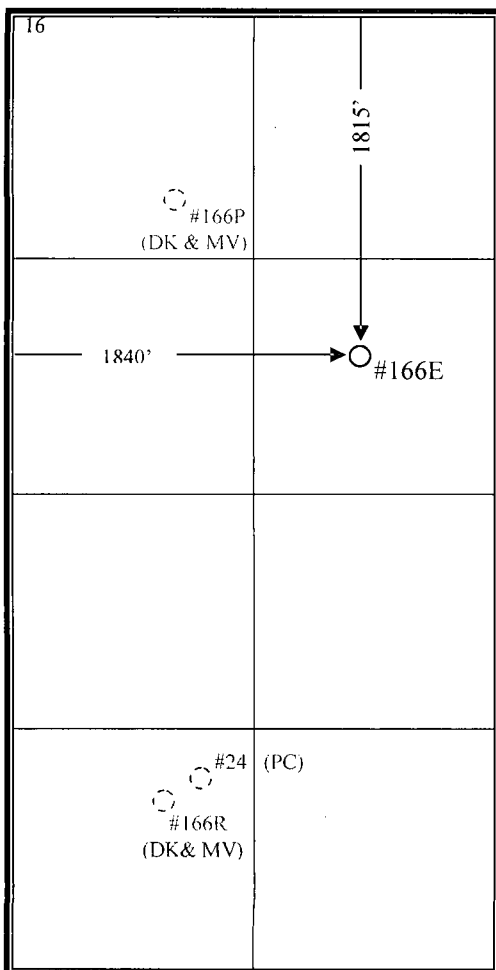

¹⁰ Surface Location

UL or lot no. F	Section 32	Township 27-N	Range 06-W	Lot Idn	Feet from the 1815	North/South line North	Feet from the 1840	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
¹² 319.18 Dakota	¹³ Joint or Infill Y	¹⁴ Consolidation Code U	¹⁵ Order No. Unitization						

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  #166P (DK & MV) #166E #166R (DK & MV) (PC)	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.  February 18, 2009 Signature Date Alan W. Bohling - Regulatory Agent Printed Name	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 belief. 07/16/1992 Date of Survey Signature and Seal of Professional Surveyor: Cecil B Tullis 9672 Certificate Number
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District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

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JUL - 5 1995
OIL CON. DIV.
DIST. 3

Form C-102
Revised February 21, 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 30-039-25483	² Pool Code 71599/72319/72439	³ Pool Name Basin Dakota/Blanco Mesaverde/South Blanco Pictured Cliffs
⁴ Property Code 011510	⁵ Property Name RINCON UNIT	⁶ Well Number 166-E
⁷ GRID No. 023708	⁸ Operator Name UNOCAL	⁹ Elevation 6650

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
F	32	27N	6W		1815	NORTH	1840	WEST	RIO ARRIBA

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
320/160	Y	U	

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

						<h3>¹⁷ OPERATOR CERTIFICATION</h3> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p>Signature: <i>Jim Benson</i> Printed Name: Jim Benson Title: Drilling Superintendent Date: 7-3-95</p>	
<h3>¹⁸ SURVEYOR CERTIFICATION</h3> <p>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 belief.</p> <p>July 10, 1995 Date of Survey Signature and Seal of Professional Land Surveyor: <i>Cecil B. Tullis</i> Cecil B. Tullis Certificate Number: 9672</p>							

District I
1625 N. French Drive, Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE

☒ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Chevron Midcontinent, L.P. (241333) 15 Smith Road, Midland, Texas 79705
Operator Address

DHC-1784-A

Rincon Unit 166E F-32-27N-6W Rio Arriba
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 241333 Property Code 302737 API No. 30-039-25483 Lease Type: ☐ Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	South, Blanco-Pictured Cliffs	Blanco-Mesaverde	Basin-Dakota
Pool Code	72359	72319	71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3134-54'	4876-5485'	7483-7570'
Method of Production (Flowing or Artificial Lift)	Flowing	Flowing	Flowing
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	162	170 (Estimated from offset well)	242 psi (Estimated from offset well)
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1177 (From offset well 135A)	1192	1192
Producing, Shut-In or New Zone	Producing	Producing	Producing
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: 9/08 Rates: 60 Mcfpd, .25 Bopd, 0 Bwpd	Date: 9/08 Combined production with Dakota Rates: 0 Mcfpd, .25 Bopd, .5 Bwpd	Date: 9/08 Combined production with Mesaverde Rates: 0 Mcfpd, .25 Bopd, .5 Bwpd
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 50% 45%	Oil Gas 28% 20%	Oil Gas 22% 35%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☐ No ☒

If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? (Re: R-9893)

Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No ☐

Will commingling decrease the value of production? Yes ☐ No ☒

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No ☐

NMOCD Reference Case No. applicable to this well: (Notification Exemption per NMOCD Hearing Order No. R-9893, Case No. 10663)

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 working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Alan W. Bohling TITLE Regulatory Agent DATE Feb. 18, 2009

TYPE OR PRINT NAME: Alan W. Bohling TELEPHONE NO. (432) 687-7158

E-MAIL ADDRESS ABohling@chevron.com

Supplemental Data for C-107A, Rincon Unit Well No. 166E

Well History:

The Rincon Unit No. 166E well was drilled and completed as a Dakota and Mesaverde well in 1995 as a dual completion (two tubing strings). Later in 1998, the Pictured Cliffs formation was added to the wellbore, and the well was completed as a dual completion with the Dakota and Mesaverde producing from one tubing string and the Pictured Cliffs producing from another. Chevron Midcontinent proposes downhole commingling the three zones and producing them through one string of tubing. Considering the current reservoir and wellbore conditions this is the best way to economically produce this well and capture the remaining reserves.

Production History:

Current gas production is 0 Mcf/d from the Dakota/Mesaverde string of tubing with no current oil or water production. The zone historically has produced 85 Mcf/d but is off production due to sand fill in the wellbore. The Pictured Cliffs produces 60 Mcf/d and very little water and condensate (< 2 Bbls/d).

Pressure Data:

The bottomhole pressures of the zones were estimated from surface shut-in pressures. The Pictured Cliffs data was taken from the subject well, Rincon Unit No. 166E, while the Dakota/Mesaverde pressure was estimated from offset wells in the Rincon Unit, No. 192 (Dakota well) and No. 101 (Mesaverde well). This was done since the sand fill in the Dakota/Mesaverde tubing string of the Rincon Unit No. 166E is not allowing an accurate surface pressure reading. Please see attachments for supporting data.

Allocation of Production:

Chevron Midcontinent proposes an allocation as follows:

Formation	Gas Allocation	Oil Allocation
Dakota	38%	28%
Mesaverde	21%	22%
Pictured Cliffs	41%	50%

This allocation is based on historical production of the three zones previous to the sand fill in the Dakota/Mesaverde tubing string and the current allocation between the Dakota and Mesaverde in that commingled completion.

Dakota Gas Production = $85 \text{ Mcf/d} \times 65\%$ (previous allocation) = 55 Mcf/d

Mesaverde Gas Production = $85 \text{ Mcf/d} \times 35\%$ (previous allocation) = 30 Mcf/d

Pictured Cliffs Gas Production = 60 Mcf/d

Dakota Gas Allocation = $55 / 145 = 38\%$

Mesaverde Gas Allocation = $30 / 145 = 21\%$

Pictured Cliffs Gas Allocation = $60 / 145 = 41\%$

Dakota Oil Production = $.25 \text{ BOPD} \times 53\%$ (previous allocation) = .133 BOPD

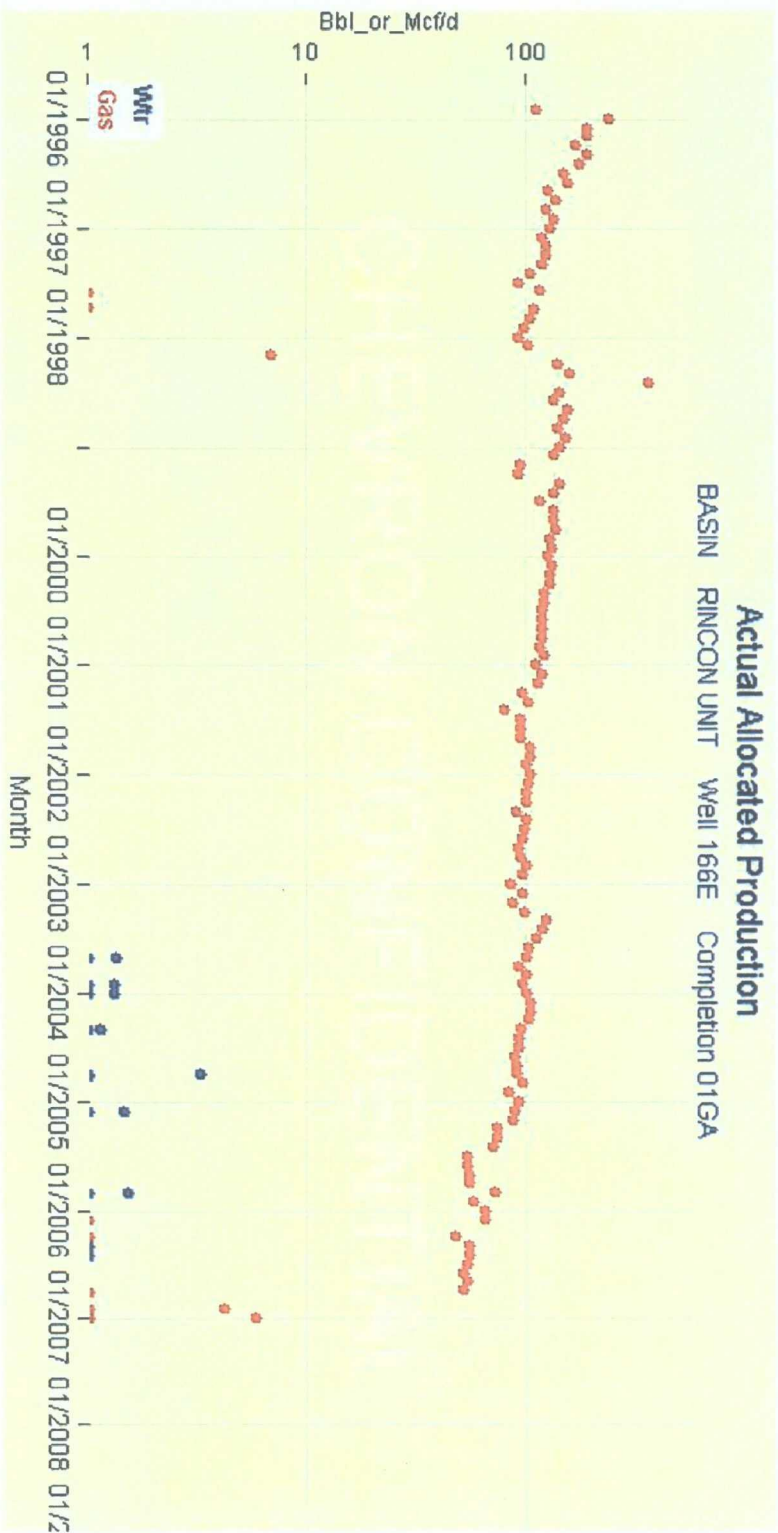
Mesaverde Oil Production = $.25 \text{ BOPD} \times 47\%$ (previous allocation) = .112 BOPD

Pictured Cliffs Oil Production = .25 BOPD

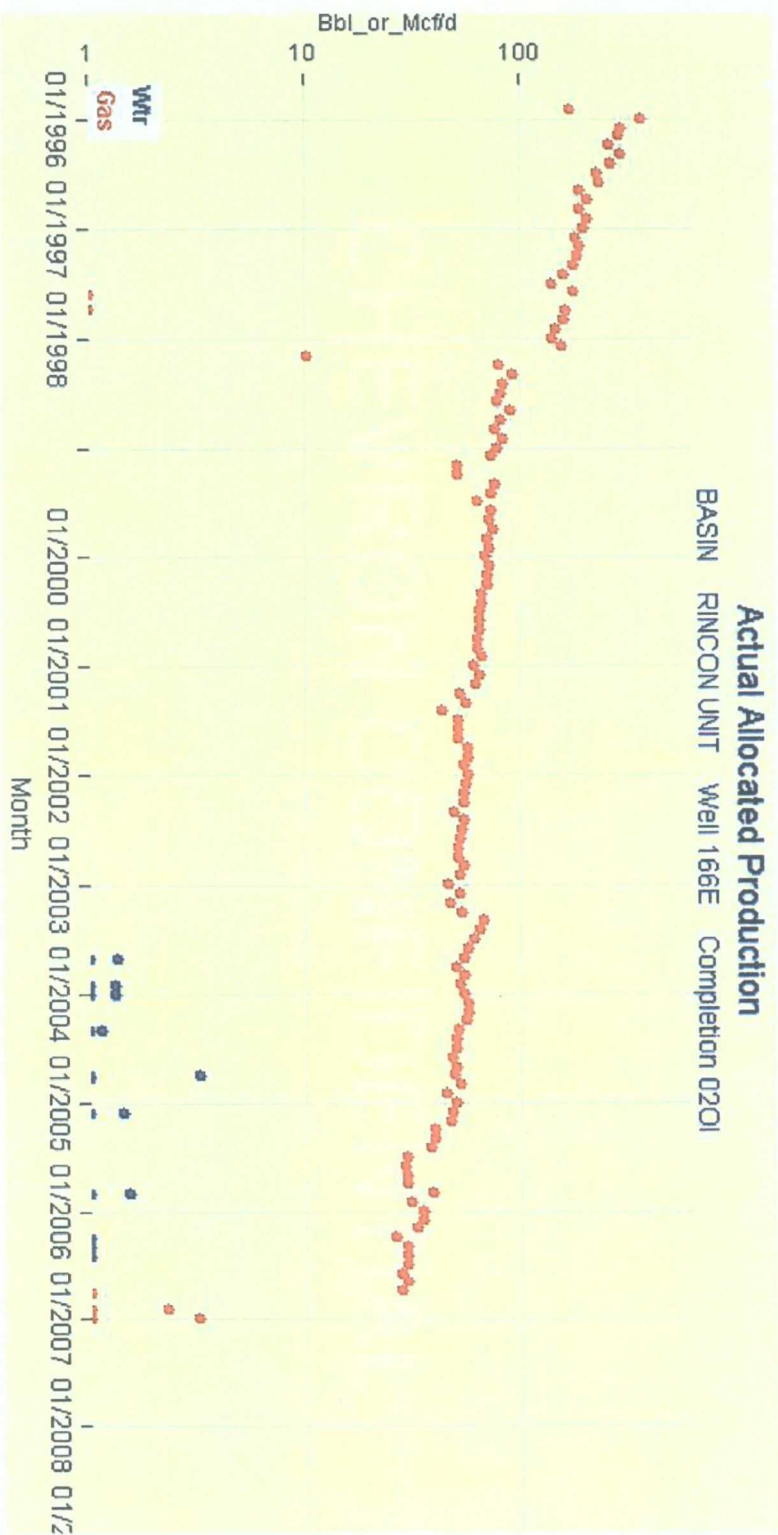
Dakota Oil Allocation = $.133 / .5 = 28\%$

Mesaverde Oil Allocation = $.112 / .5 = 22\%$

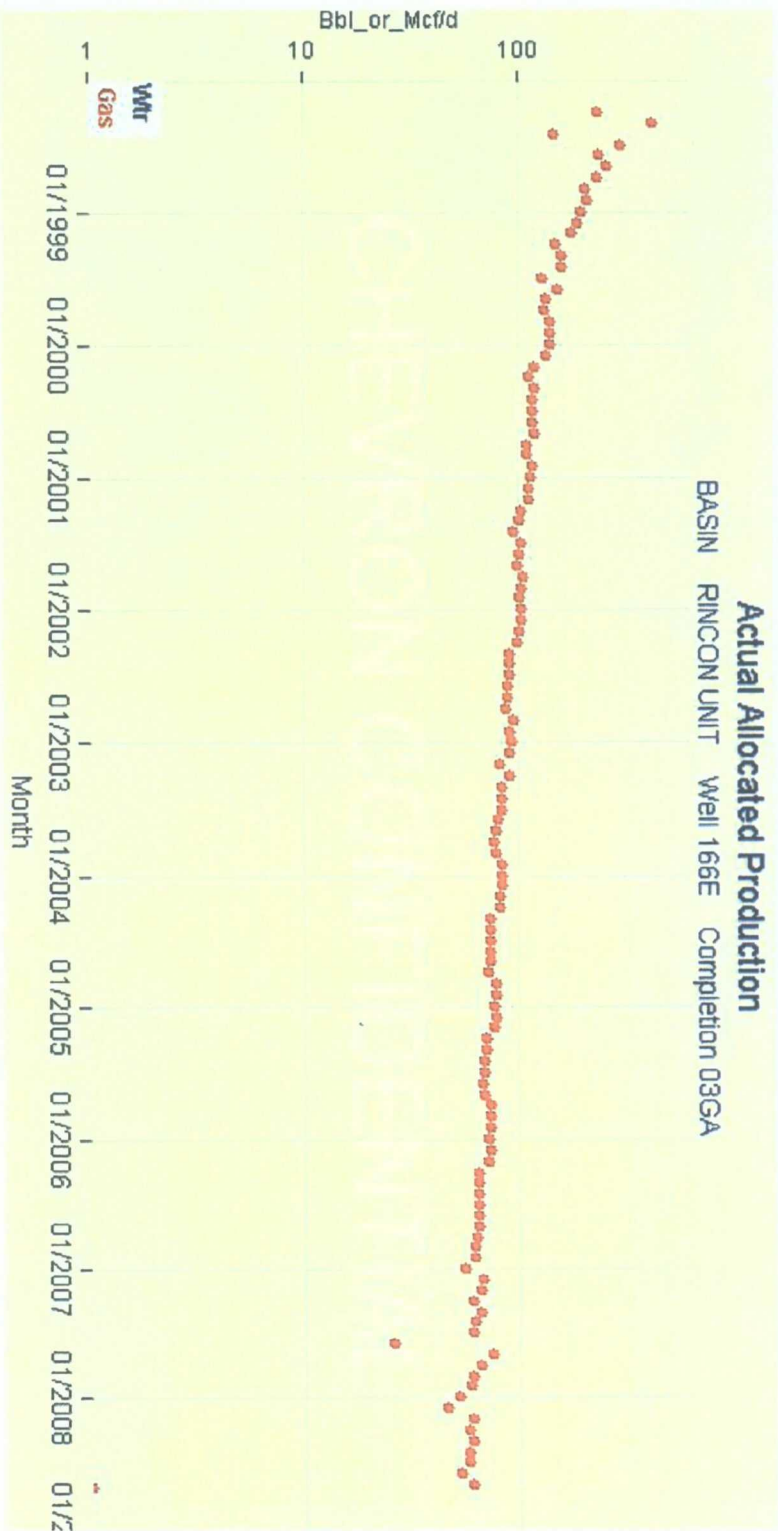
Pictured Cliffs Oil Allocation = $.25 / .5 = 50\%$



Dakota



Mesa Verde



Pictured Cliffs

Rincon 192 Dakota Sand

Gas Gravity= 0.640
N2= 1.060 %
CO2= 0.710 %
H2S= 0.000 %
Condensate? y (y/n)

Tpc= 365.00 R
Ppc= 667.53 psia

Average Temp.= 159 Deg F
TVD = 7144 Ft

	Press.	
	<u>psig</u>	<u>z</u>
SI Tubing Pressure=	210	0.978
BHP =	242	0.975
Average Tbg Pressure:	227	0.976

Procedure:

- 1) Input the SITP, Gas Gravity, TVD, Avg Temp, etc
- 2) Based on the calcd BHP, input the average Tbg Press and get the "Final" BHP estimate

Rincon 101 Mesaverde Sand

Gas Gravity= 0.774
N2= 0.860 %
CO2= 0.580 %
H2S= 0.000 %
Condensate? y (y/n)

Tpc= 396.51 R
Ppc= 658.82 psia

Average Temp.= 141 Deg F
TVD = 5089 Ft

	Press.	
	<u>psig</u>	<u>z</u>
SI Tubing Pressure=	150	0.976
BHP =	170	0.973
Average Tbg Pressure:	161	0.974

Procedure:

- 1) Input the SITP, Gas Gravity, TVD, Avg Temp, etc
- 2) Based on the calcd BHP, input the average Tbg Press and get the "Final" BHP estimate

Rincon 166E Pictured Cliffs Sand

Gas Gravity= 0.681
N2= 0.610 %
CO2= 0.970 %
H2S= 0.000 %
Condensate? y (y/n)

Tpc= 375.20 R
Ppc= 666.03 psia

Average Temp.= 98 Deg F
TVD = 3144 Ft

	Press.	
	<u>psig</u>	<u>z</u>
SI Tubing Pressure=	150	0.975
BHP =	162	0.973
Average Tbg Pressure:	161	0.973

Procedure:

- 1) Input the SITP, Gas Gravity, TVD, Avg Temp, etc
- 2) Based on the calcd BHP, input the average Tbg Press and get the "Final" BHP estimate

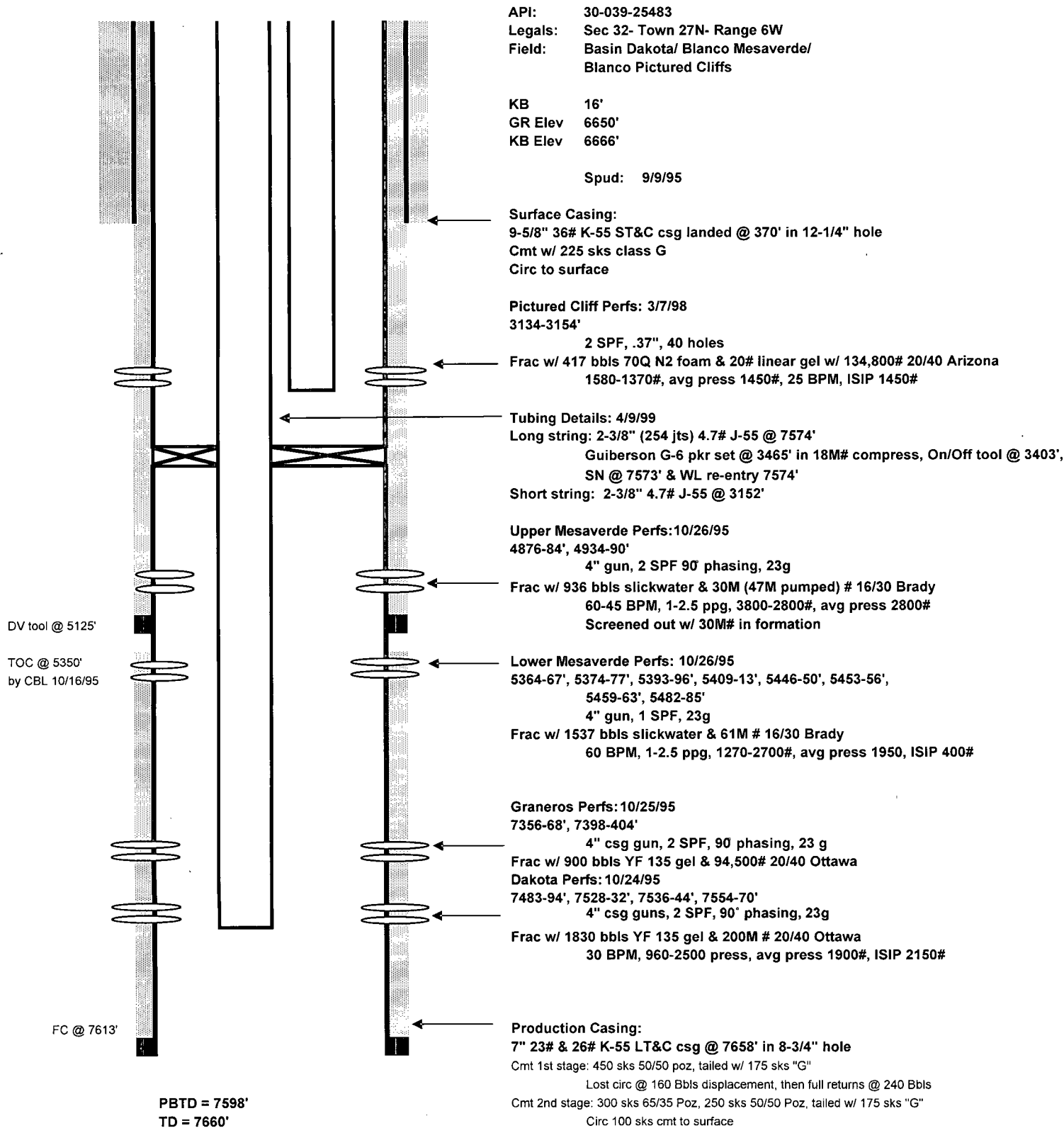


Rincon 166E

API # 30-039-25483

Rio Arriba County, New Mexico

Current Well Schematic as of 7/30/08





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-1784

Union Oil Company of California
P.O. Box 3100
Midland, Texas 79702

Attention: Ms. Heather Dahlgren

RECEIVED
JUL 27 1984

OIL CON. DIV.
PAGE 2

*Rincon Unit No. 166E
API No. 30-039-25483
Unit F, Section 32, Township 27 North, Range 6 West, NMPM,
Rio Arriba County, New Mexico.
Blanco-Mesaverde (Prorated Gas - 72319) and
Basin-Dakota (Prorated Gas - 71599) Gas Pools*

Dear Ms. Dahlgren:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the above described well to commingle production from the subject pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception 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:

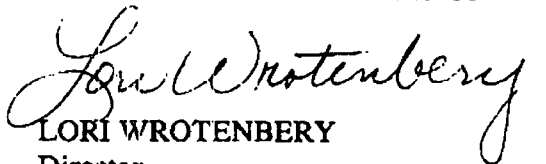
Blanco-Mesaverde Gas Pool	Oil 53%	Gas 35%
Basin-Dakota Gas Pool	Oil 47%	Gas 65%

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 24th day of February, 1998.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

S E A L

LW/DRC

cc: Oil Conservation Division - Aztec
State Land Office-Oil & Gas Div.

Pand

**CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS**

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM B. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL M. FELDEWERT
DAVID B. LAWRENZ

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 968-4421
TELECOPIER: (505) 963-6043

May 20, 1993

VIA FACSIMILE AND MAILED

Mr. Bill Irwin
Unocal Corporation
14141 SW Freeway
Sugarland, TX 77478

Re: Oil Conservation Division Case No. 10663:
Application of Union Oil Company of California d/b/a Unocal for an
Administrative Downhole Commingling Procedure Within the Rincon Unit,
Rio Arriba County, New Mexico

Dear Mr. Irwin: *Bin*

Enclosed is a copy of Oil Conservation Division Order No. R-9893 which was entered on May 18, 1993 granting the application of Union Oil Company of California in the above-referenced case.

If you have questions concerning the enclosed, please advise.

I appreciated this opportunity to work for Unocal.

Best regards.

Very truly yours,

Bill Carr

WILLIAM F. CARR

WFC:mlh
Enclosure

RECEIVED

MAY 20 1993

Rocky Mtn Asset Group

**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. 10663
Order No. R-9893**

**APPLICATION OF UNION OIL COMPANY
OF CALIFORNIA d/b/a UNOCAL FOR AN
ADMINISTRATIVE DOWNHOLE COMMINGLING
PROCEDURE WITHIN THE RINCON UNIT
AREA, 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 4, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 18th day of May, 1993, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

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) The applicant, Union Oil Company of California, d/b/a Unocal, seeks the adoption of an administrative procedure for authorizing the downhole commingling of Blanco-Mesaverde, Largo-Gallup, or Undesignated Gallup Pool production with production from the Basin-Dakota Gas Pool within certain existing and subsequently drilled wells in its Rincon Unit Area, Rio Arriba County, New Mexico, without additional notice to each affected interest owner within the Unit Area.

(3) The Rincon Unit is a Federal exploratory unit initially comprising some 20,643 acres in portions of Townships 26 and 27 North and Ranges 6 and 7 West, NMPM, Rio Arriba County, New Mexico. The unit was formed in 1952 and is currently operated by Union Oil Company of California.

CASE NO. 10663
Order No. R-9893
Page -2-

(4) The evidence and testimony presented indicates that the Basin-Dakota Gas Pool has been fully developed on 320-acre spacing within the Rincon Unit and that approximately half of the Unit Area has been infill drilled in the Basin-Dakota Gas Pool on 160-acre spacing. The Dakota Participating Area (PA) currently comprises virtually the entire unit area.

(5) The applicant has identified approximately thirty-three (33) infill Basin-Dakota well locations within the Unit Area which may be subsequently drilled.

(6) Based upon historical production, the applicant expects Basin-Dakota initial production from infill drilling to be marginal in nature ranging from approximately 150-600 MCF gas per day per well.

(7) Testimony and evidence presented by the applicant indicates that gas reserves in the Dakota formation on an individual well basis are not sufficient to economically justify the drilling of new wells to produce such reserves.

(8) The current well economics and expected Dakota producing rates virtually assure that these wells will be candidates for downhole commingling with either the Mesaverde or Gallup zones.

(9) The applicant has also identified approximately forty-two (42) current Dakota producing wells, some recently drilled, which also by virtue of well economics and producing rates make them candidates for downhole commingling.

(10) The applicant expects initial producing rates from the Mesaverde and Gallup formation to be marginal in nature.

(11) The Gallup, Dakota and Mesaverde Participating Areas within the Rincon Unit are not common.

(12) According to applicant's evidence, the working interest ownership within the Rincon Unit is fixed and common among the various wells and zones and is not affected by participating areas.

(13) According to further testimony, the royalty and overriding royalty interest ownership within the Rincon Unit varies between participating areas established for different locations and pools.

CASE NO. 10663

Order No. R-9893

Page -3-

(14) Applicant's Exhibit No. 6 in this case is a list of one hundred and twenty (120) royalty and overriding royalty interest owners in the Dakota, Gallup and Mesaverde Participating Areas within the Rincon Unit. All such royalty and overriding royalty interest owners, as well as working interest owners, were notified of the application in this case.

(15) Rule No. 303(C) of the Division Rules and Regulations provides that administrative approval for downhole commingling may be granted provided that the interest ownership, including working, royalty and overriding royalty interest, is common among the commingled zones.

(16) Applicant's proposed administrative procedure would provide for Division approval to downhole commingle wells in the Rincon Unit Area without hearing, and without the requirement that each interest owner in the Dakota, Mesaverde and/or Gallup Participating Areas be notified of such commingling.

(17) The downhole commingling of wells within the Rincon Unit Area will benefit working, royalty and overriding royalty interest owners. In addition, the downhole commingling of wells within the Rincon Unit Area should not violate the correlative rights of any interest owner.

(18) The evidence in this case indicates that notice to each interest owner within the Dakota, Mesaverde and/or Gallup Participating Areas of subsequent downhole comminglings within the Rincon Unit is unnecessary and is an excessive burden on the applicant.

(19) No interest owner and/or offset operator appeared at the hearing in opposition to the application.

(20) An administrative procedure should be established within the Rincon Unit for obtaining approval for subsequently downhole commingled wells without notice and hearing, provided however that, all provisions contained within Rule No. 303(C) of the Division Rules and Regulations, with the exception of Part 1 (b)(v), are fully complied with.

(common ownership)
exception

(21) The proposed administrative procedure for obtaining approval for downhole commingling will allow the applicant the opportunity to recover additional gas reserves from the Rincon Unit Area which may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

CASE NO. 10663

Order No. R-9893

Page -4-

IT IS THEREFORE ORDERED THAT:

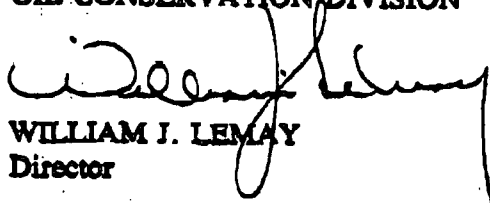
(1) An administrative procedure for obtaining approval to downhole commingle wells within the Rincon Unit, located in portions of Townships 26 and 27 North, Ranges 6 and 7 West, NMPM, Rio Arriba County, New Mexico, is hereby established.

(2) In order to obtain Division authorization to downhole commingle wells within the Rincon Unit, the applicant shall file an application with the Santa Fe and Aztec Offices of the Division. Such application shall contain all of the information required under Rule No. 303(C) of the Division Rules and Regulations, provided however that the applicant shall not be required to provide notice to all interest owners within the Dakota, Mesaverde and/or Gallup Participating Areas in the Rincon Unit of such proposed commingling. In addition, the application shall contain evidence that all offset operators and the United States Bureau of Land Management (BLM) have been notified of the proposed commingling.

(3) Jurisdiction is hereby 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


WILLIAM J. LEMAY
Director

S E A L

Received 1/15/08 *AWB*



RECEIVED

JAN 29 2008

Bureau of Land Management
Farmington Field Office

MidContinent SBU
Chevron North America
Exploration and Production Company
P. O. Box 36366
Houston, TX 77236

December 23, 2008

Via Certified Mail 7004 2510 0004 5412 6395

Bureau of Land Management
Attn: Margie Dupree
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

RE: Proposed DHC Commingling
Pictured Cliffs/Mesaverde/Dakota
Rincon Unit: Well # 166E
API NO. 30-039-25483
Unit F, Sec 32 T27N, R6W
Rio Arriba County, New Mexico

Dear Ms. Dupree,

Unocal, our predecessor operator, applied for and received approval to down hole commingle production from the Mesaverde and Dakota formations in Well #166E Rincon Unit [Administrative Order DHC-1784]. Chevron Midcontinent, L. P. has recently applied to the NMOCD for approval to DHC production from the Pictured Cliffs formation as well. All production from this well is located inside their respective Participating Areas of the Rincon Unit, making the ownership common. We are required to notify the United States Bureau of Land Management, as well as all offset operators of the proposed commingling. Under the Rincon Unit 2008 Plan of Development the above referenced well was included as potential commingling zone add. The attached plat indicates the location of the well and also identifies the two offset operators being notified by certified mail of even date.

The Rincon Unit No. 166E well was drilled and completed as a Dakota and Mesaverde well in 1995 as a dual completion (two tubing strings). Later in 1998, the Pictured Cliffs formation was added to the wellbore, and the well was completed as a dual completion with the Dakota and Mesaverde producing from one tubing string and the Pictured Cliffs producing from another. Chevron MidContinent proposes down hole commingling the three zones and producing them through one string of tubing. Considering the current reservoir and wellbore conditions this is the best way to economically produce this well and capture the remaining reserves.

Should you have any questions please feel free to call Michael Murray, petroleum engineer, for the project: Phone: 281-561-3857.

Sincerely,

Greg P. Davis
Contract Landman
Midcontinent SBU
281-561-4897

ACCEPTED FOR RECORD

JAN 07 2009

FARMINGTON FIELD OFFICE

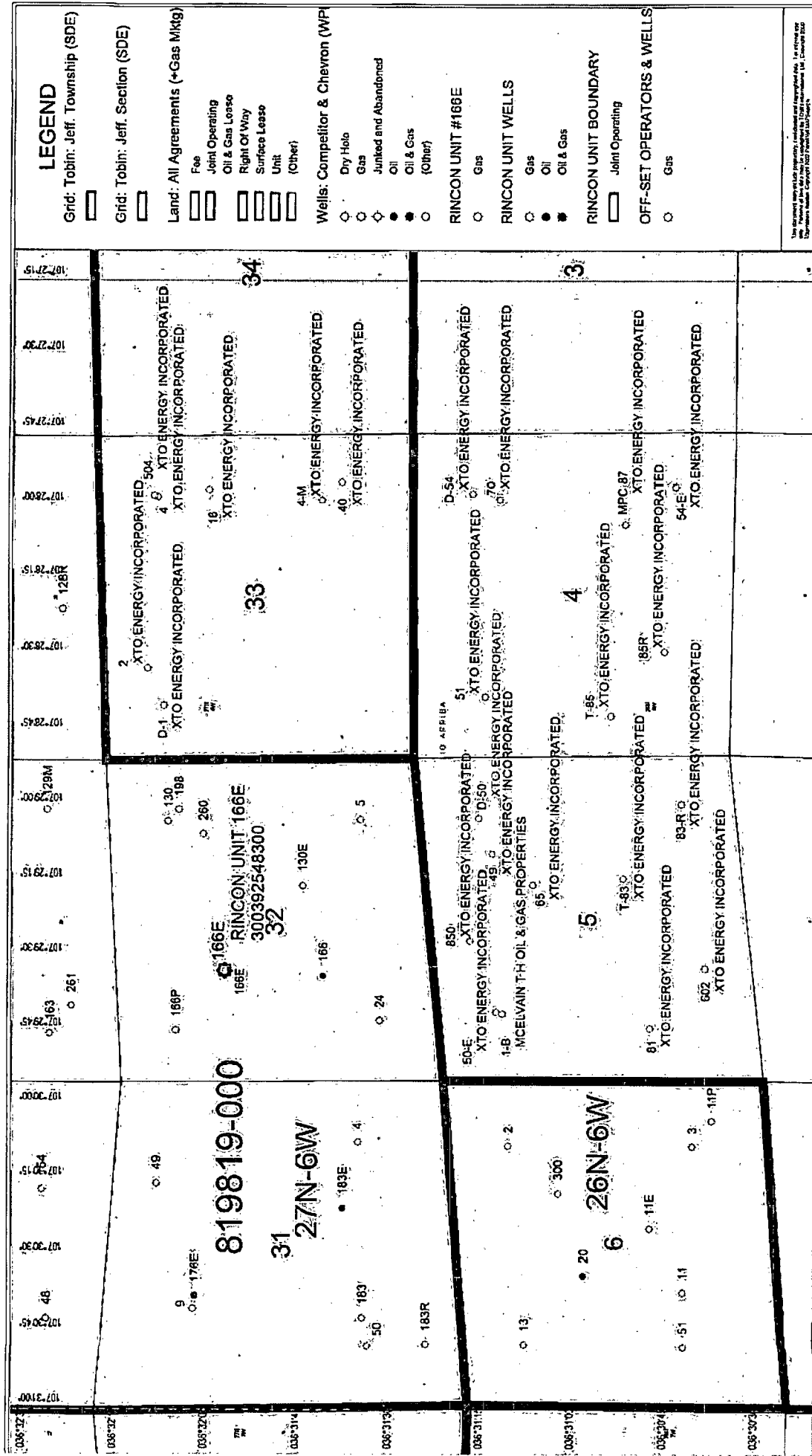
Joe Hewitt

OPERATOR

OFFSET OPERATORS:

- 1) XTO ENERGY, INC CERTIFIED MAIL 7004 2510 0004 5412 6401
382 ROAD 3100
AZTEC NM 87410

- 2) MCELVAIN OIL & GAS PROPERTIES, INC. CERTIFIED MAIL 7004 2510 0004 5412 6418
1050 17th Street, Ste 1800
DENVER CO 80265



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 1050 17th Street, Ste 1800
 DENVER CO 80265

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 1050 17th Street, Ste 1800
 DENVER CO 80265

2. Article Number
 (Transfer from service label) 7004 2510 0004 5412 6418

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M

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 X *[Signature]* ☐ Agent ☐ Addressee

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 GPOA 512158

To
 Bureau of Land Management
 Attn: Margie Dupree
 1235 La Plata Highway, Suite A
 Farmington, New Mexico 87401

Form 3811, June 2002 See Reverse for Instructions

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1. Article Addressed to:
 Bureau of Land Management
 Attn: Margie Dupree
 1235 La Plata Highway, Suite A
 Farmington, New Mexico 87401

2. Article Number
 (Transfer from service label) 7004 2510 0004 5412 6395

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *Tamara J. Faust* ☐ Agent ☐ Addressee

B. Received by (Printed Name)
 X *Tamara J. Faust*

C. Date of Delivery
 X 12/29

D. Is delivery address different from item 1? ☐ Yes
 If YES, enter delivery address below: ☐ No

3. Service Type
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To
 XTO ENERGY, INC
 382 ROAD 3100
 AZTEC NM 87410

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SENDER: COMPLETE THIS SECTION

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1. Article Addressed to:
 XTO ENERGY, INC
 382 ROAD 3100
 AZTEC NM 87410

2. Article Number
 (Transfer from service label) 7004 2510 0004 5412 6401

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *[Signature]* ☐ Agent ☐ Addressee

B. Received by (Printed Name)
 X

C. Date of Delivery
 X 26 DE

D. Is delivery address different from item 1? ☐ Yes
 If YES, enter delivery address below: ☐ No

3. Service Type
☒ Certified Mail ☐ Express Mail
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4. Restricted Delivery? (Extra Fee) ☐ Yes