

New Mexico Oil Conservation Division, District I
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires: January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.

NM 2537

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

East Shugart Delaware Unit #2

9. API Well No.

30-015-25847

10. Field and Pool, or Exploratory Area

Shugart Delaware East

11. County or Parish, State

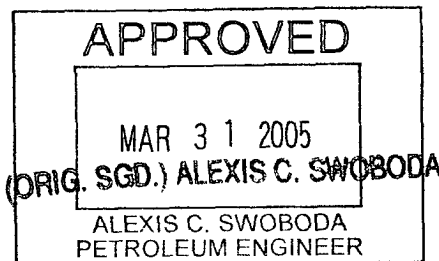
Eddy, NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Commingle in</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<u>Common Tank Battery at</u>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	<u>Geronimo Lease</u>

3. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Attached are drawings showing the current configuration (Attachment A and Attachment B) and the proposed configuration (Attachment C) of the Inca and Geronimo Leases. Product at the Inca Lease is currently being gauged and pumped into a pipeline. The proposal is to pipe the product from the Inca battery to the Geronimo tank battery and then through the current Geronimo lact meter for sales. The Geronimo Lease is located in Eddy County Sec 24 T18S R31E and Sec 23 T18S R31E. The Geronimo Pool name is Shugart Yates 7 Rivers Queen GB. Lease Serial No. NM02577. Production from the individual wells will be determined by separate well tests.



RECEIVED
HEAD OF LAND MGMT
ROSWEIL OFFICE

OCT 18 PM 1:50

RECEIVED

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Marcie St. Germain

Title Production Tech

Signature

Marcie St. Germain

Date October 15, 2004

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (Signature)

Name
(Printed/Typed)

Title

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

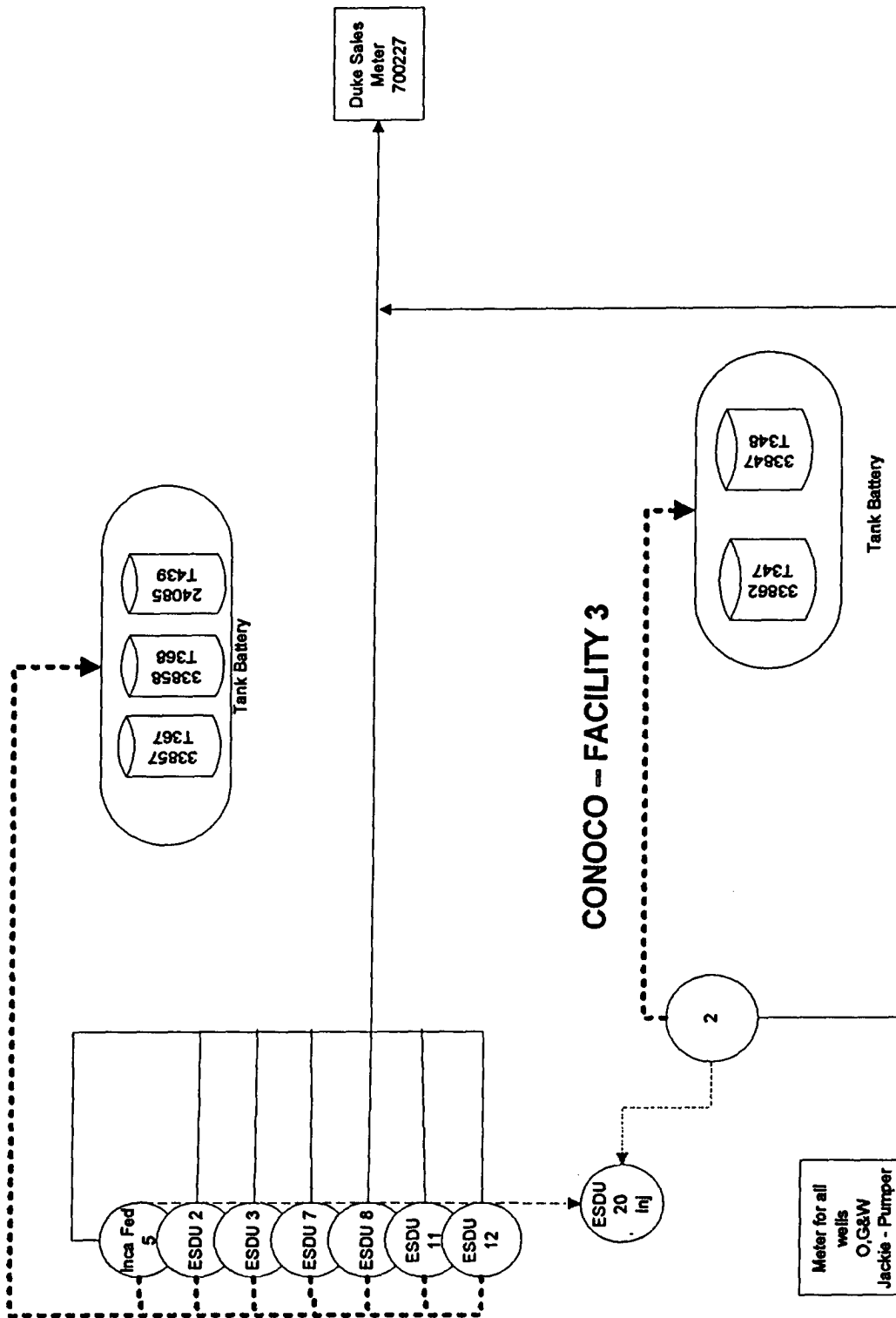
Date

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

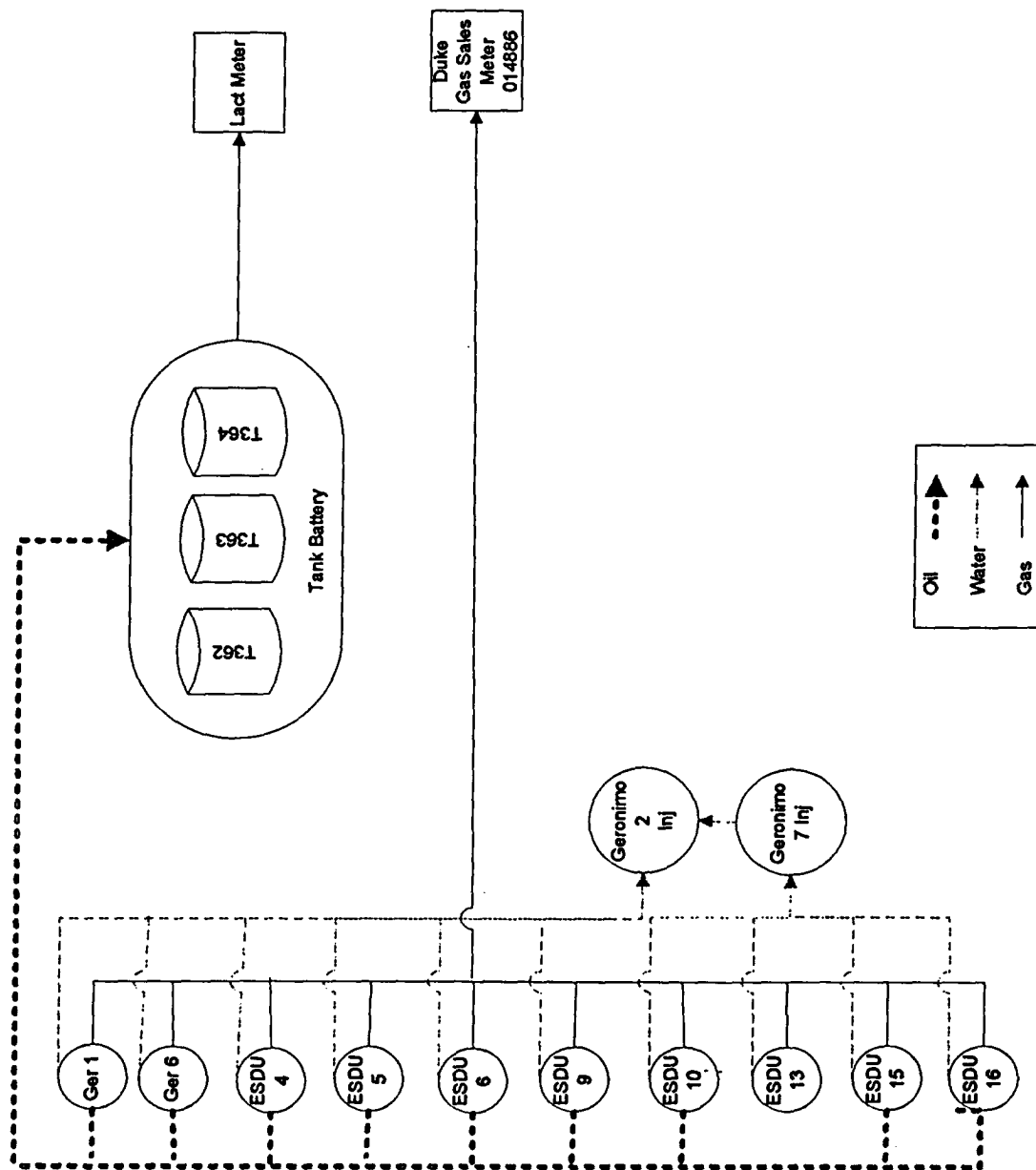
(Continued on next page)

ATTACHMENT A

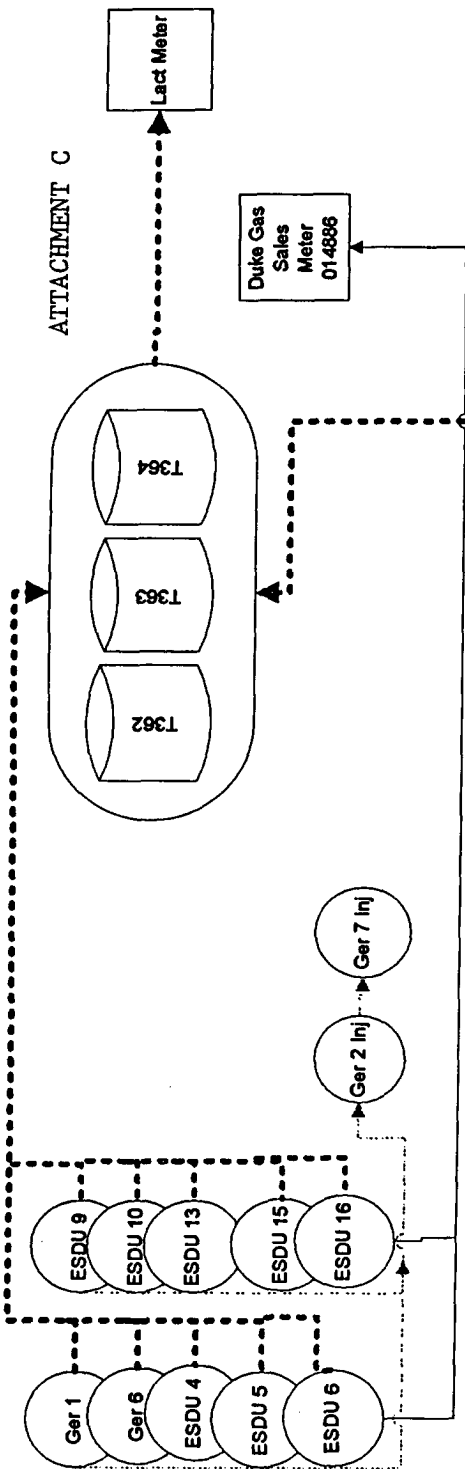
INCA 1 - FACILITY 8



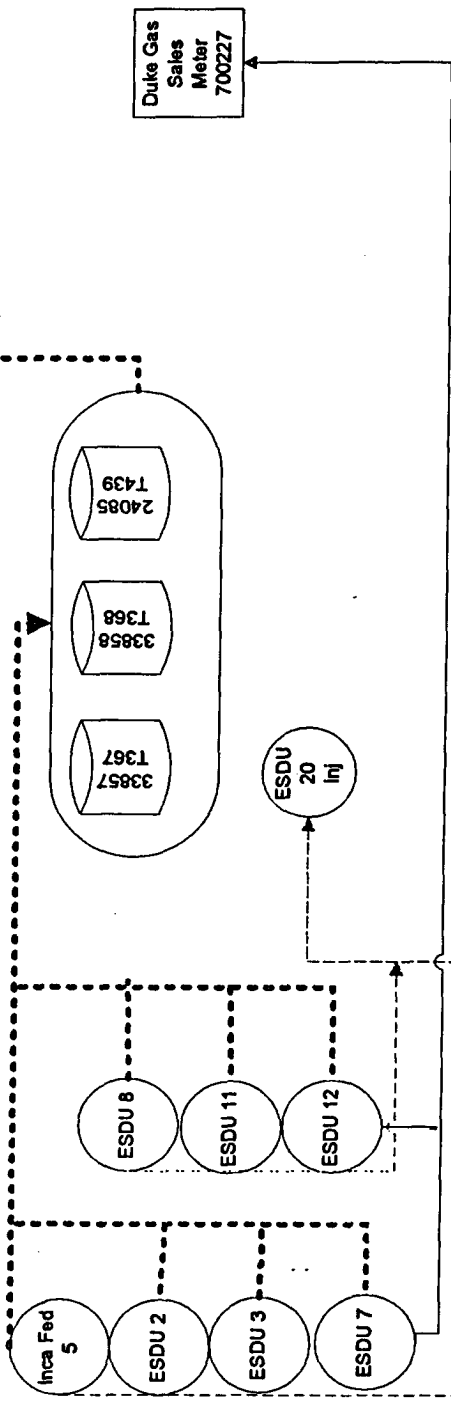
GERONIMO – FACILITY 6



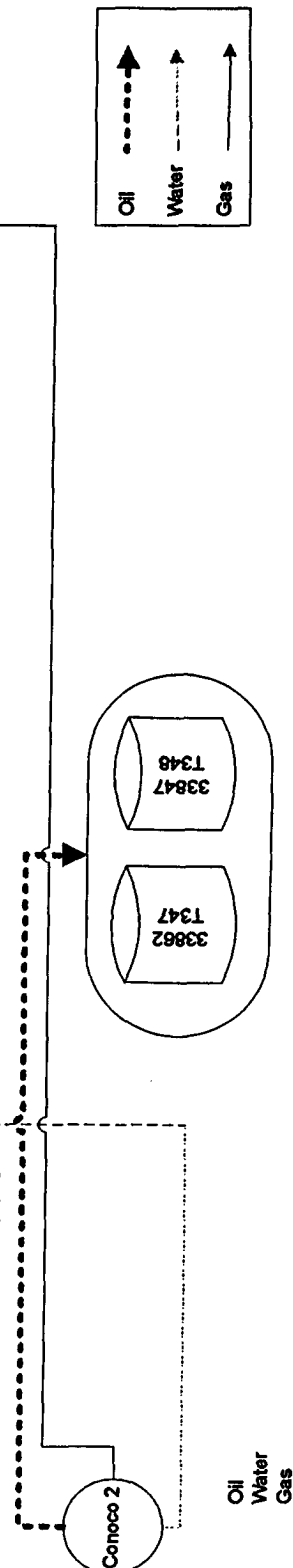
GERONIMO – FACILITY 6



INCA 1 – FACILITY 8



CONOCO – FACILITY 3



580 WESTLAKE PARK BLVD., SUITE 600

HOUSTON, TEXAS 77079

281/677-2800

FAX 281/677-2810



December 28, 2004

United States Department of the Interior
Bureau of Land Management
2909 West Second Street
Roswell, NM 88201-2019
Attn: Alexis

Re: Sundry Notices and Reports on Wells-Request to Commingle
Inca Federal #5 NM-9016; ESDU #7 NM-9016; ESDU #8 NM-9016;
ESDU #11 NM-9016; ESDU #3 NM-9017; ESDU #2 NM-2537;
ESDU #12 NM-67987

Dear Alexis:

Please find enclosed a map showing the lease numbers and location of all leases and wells that will contribute production to the proposed commingling.

In response to the questions presented on the Guidelines for Off-Lease Measurement, Storage, and Surface Commingling Approvals, the monthly production for the month of September 2004 is as follows:

Well Name	Bbls. Oil Produced	Gravity	Bbls. Oil Sold
Inca 5	160	36.6	150
ESDU 7	540		576
ESDU 8	257	ESDU	259
ESDU 11	1059	property	988
ESDU 3	449	summary	419
ESDU 2	257	38.0	240
ESDU 12	257		240

As to details of the proposed method for measuring and allocating production, there is no change in the allocation method of sales, only the sales point. Allocation will continue to be done on individual well test data. Federal royalties will not be reduced since all leases involved in the commingling are Federal. Interest owners were not notified as no change will occur in the production or sales from these leases, only the point of sale.

If additional information is required, please contact me at (281) 677-2772.

Sincerely,

Marcie St. Germain

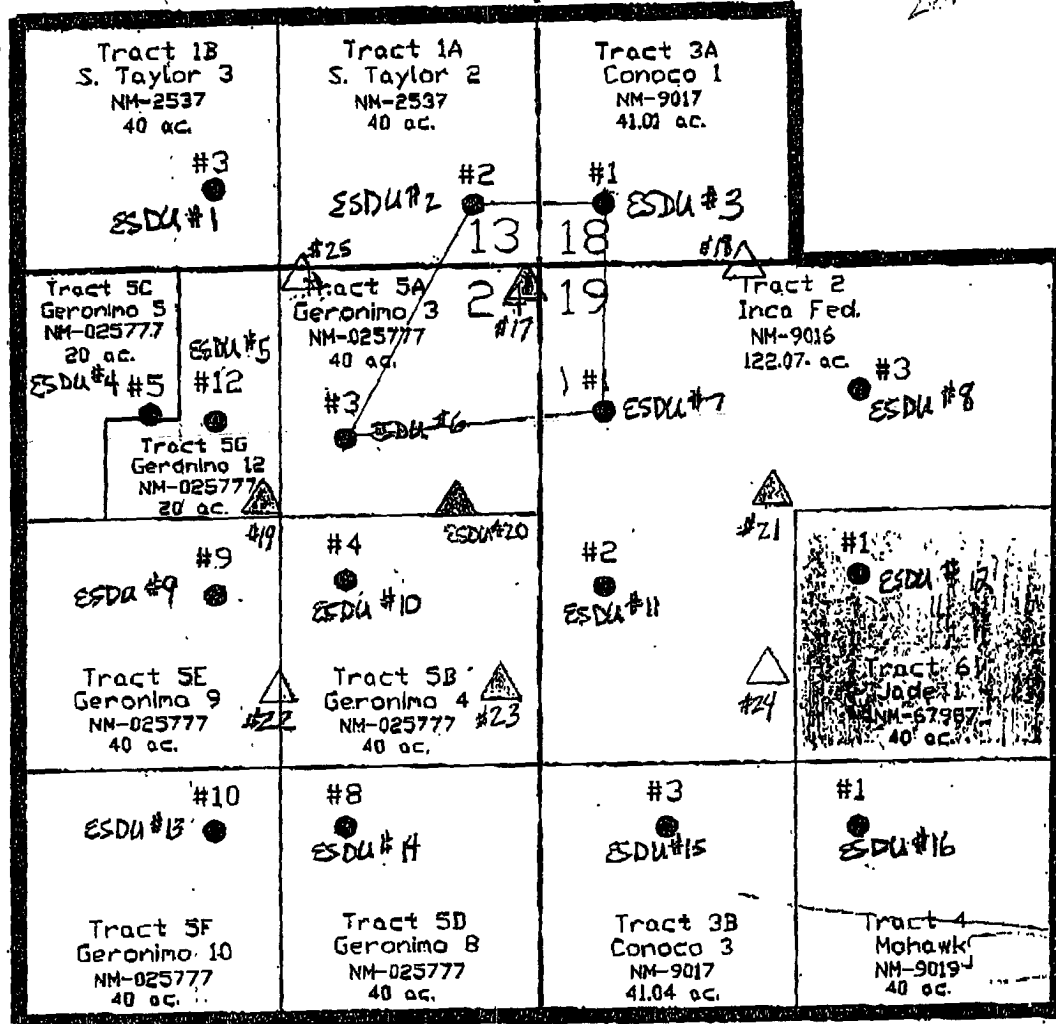
Marcie St. Germain
Production Tech

EXHIBIT A

R 31 E

R 32

HSG:
LET ME KNOW IF
THIS PLAT DOESNT
WORK.
LH



T 18 S

T 18 S

EDDY COUNTY | LEA COUNTY

604.12 ACRES

ST. MARY LAND & EXPLORATION COMPANY
EAST SHUGART (DELAWARE) UNIT
EDDY & LEA COUNTIES, NEW MEXICO

▲ existing water injector

△ future water injector

PROPOSED UNIT BOUNDARY

SCALE: 1" = 1000'