

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENTOCD-HOBBS  
RECEIVED

NOV 30 2009

FORM APPROVED  
OMB No 1004-0137  
Expires March 31, 2007

## 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.

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.  
Federal #19. API Well No.  
30-025-0846310. Field and Pool, or Exploratory Area  
Teas Yates (7-Rivers)11 County or Parish, State  
Lea County, New Mexico

## SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1 Type of Well

☒ Oil Well ☐ Gas Well ☐ Other2. Name of Operator  
Dakota Resources3a Address  
4912 N. Midkiff, Midland, Texas 797053b. Phone No (include area code)  
432-697-34204 Location of Well (Footage, Sec., T., R., M., or Survey Description)  
1980 FSL & 1980 FEL, Sec 18 T20S-R34E

## 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 type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. 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.)

It is proposed to have a dedicated separator which has only one direct inlet into the 3-phase separator. No other wells will be piped to the inlet. This 3-phase separator will separate the oil phase and have a meter on the oil outlet which will measure the oil production rate. The oil will then flow to a dedicated oil tank. Oil sales will be conducted via truck transport. A gas meter will be installed on the 3 phase separator to measure gas production; it is anticipated that the gas rate may be too small to measure at +/- 2 mcf/d. Gas from the dedicated Federal #1 separator will then be commingled and sold at the Existing DCP Midstream meter. Water will be unmeasured but will be commingled down stream of the separator into the water tank for the injection well.

SUBJECT TO LIKE  
APPROVAL BY STATE

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL

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

Robert G. Turner

Title Operation Engineer

Signature

Date

09/03/2009

DEC 02 2009

PETROLEUM ENGINEER

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ JD Whitlock Jr

Title

LDET

Date

11/27/09

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

CFD

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.

(Instructions on page 2)

Dakota Resources is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s):

Federal Lease No. LC-029512 (c)

Well Name	API No.	Loc: ¼ ¼ Sec.Twp.Rng.	Formation	BOPD	Oil Gravity	MCFPD	BTU
Federal #1 LC029512C	30-025-08463	NWSE Sec 18, T20S-R34E	Yates (7-R)	3	35	1	1000

With hydrocarbon production from:

Federal Lease No. LC-029512 (a)

Well Name	API No.	Loc: ¼ ¼ Sec.Twp.Rng.	Formation	BOPD	Oil Gravity	MCFPD	BTU
Wallen Federal #1 LC029512A	23861 30-025-25200	NWNW Sec 20, T20S-R34E	Yates (7-R)	4	35	2	1000
Wallen Federal #3 " "	30-025-24129	NENE Sec 19, T20S-R34E	Yates (7-R)	7	35	3	1000
Wallen Federal #4 " "	24291 30-025-24526	SWSW Sec 17, T20S-R34E	Yates (7-R)	8	35	4	1000
Wallen Federal #5 " "	30-025-25019	SESE Sec 18, T20S-R34E	Yates (7-R)	6	35	3	1000
Wallen Federal #6 113276	30-025-24311	SENE Sec 18, T20S-R34E	Yates (7-R)	3	35	1	1000
Wallen Federal #7 " "	30-025-24526	SWNE Sec 18, T20S-R34E	Yates (7-R)	4	35	2	1000
Wallen Federal #8Y " "	30-025-25200	NESW Sec 18, T20S-R34E	Yates (7-R)	3	35	1	1000

The storage and measuring facility is located at NW ¼, Sec. 20, T 20 S, R 34 E, on Lease No. LC-029512 (a), Lea Eddy (circle one), New Mexico. BLM will be notified if there is any future change in the facility location.

It is proposed to have a dedicated separator which has only one direct inlet into the 3-phase separator. No other wells will be piped to the inlet. This 3-phase separator will separate the oil phase and have a meter on the oil outlet which will measure the oil production rate. The oil will then flow to a dedicated oil tank. Oil sales will be conducted via truck transport. A gas meter will be installed on the 3 phase separator to measure gas production; it is anticipated that the gas rate may be too small to measure at +/- 2 mcf/d. Gas from the dedicated Federal #1 separator will then be commingled and sold at the Existing DCP Midstream meter. Water will be unmeasured but will be commingled down stream of the separator into the water tank for the injection well.

4914 N. Midkiff  
Midland, Texas 79701  
(432) 697-3420-Phone  
(432) 697-3400-Fax

Dakota Resources, Inc.

September 8, 2009

Bureau of Land Management  
Oil Conservation District  
State of New Mexico

Surface Commingling & Off Lease Storage  
Federal #1 and Wallen Federal Leases

Dear Sirs,

Dakota Resources has initiated a request with both BLM and OCD for the purpose of surface commingling and off-lease storage of production from the Federal (aka Sparger Federal) lease #LC-029512(c) with the Wallen Federal lease #LC-029512 (a). The last production rate for the Federal #1 well was 1 bopd, 10 bwpd, and 0 mcf/d. We plan to acidize the well to stimulate production. However, even at the projected post stimulation production of 3 bopd, the economics for the well will not justify installation of surface separation and storage facilities. Estimated cost for surface handling and storage is +/-60,000. Our economics, based on 3 bopd, place a present discounted value of the well at only \$51,000. Obviously, this well will not support a large capital investment for surface facilities.

Our adjacent Wallen Federal lease already has an existing, currently unused, spare separator and tank. Our proposal, to surface commingle and off-lease store production from the Sparger Federal lease will enable us to economically produce the well an estimated five more years. Without approval of the application to commingle and off-lease store production the Sparger Federal #1 will be uneconomical to produce and subsequently plugged. This proposal will ensure the well is efficiently produced to its economic limit and will enhance royalties to both the federal and state agencies.

Should you have any questions regarding this letter please do not hesitate to call our office at the letterhead number. Thank you in advance for your assistance.

Very truly yours,

Robert G. Turner  
Operation Engineer

# OMSYS™ Exploration & Production Economics Report



Dakota Resources Federal #1 Economic Justification

## Production & Cash Flow Stream

Fiscal Year	Oil (BO)	Gas (MMCF)	Oil \$/BBL	Gas \$/MMBTU	Gross Revenue	Net Revenue	Net Op. & Cap. Exp.	Cash Flow (Undisc.)	Cash Flow (PV 10%)
2009	1,011	1	\$60.00	\$2.75	\$62,036	\$46,527	\$18,000	\$24,513	\$23,289
2010	859	0	\$60.00	\$2.75	\$52,730	\$39,548	\$18,000	\$18,136	\$15,602
2011	730	0	\$60.00	\$2.75	\$44,821	\$33,616	\$18,000	\$12,715	\$9,908
2012	621	0	\$60.00	\$2.75	\$38,098	\$28,573	\$18,000	\$8,108	\$5,725
2013	528	0	\$60.00	\$2.75	\$32,383	\$24,287	\$18,000	\$4,192	\$2,687
2014	343	0	\$60.00	\$2.75	\$21,058	\$15,793	\$13,500	\$931	\$549
<b>Total</b>	<b>4,092</b>	<b>2</b>			<b>\$251,125</b>	<b>\$188,343</b>	<b>\$103,500</b>	<b>\$68,594</b>	<b>\$57,760</b>

## Reserve Category

Reserve Category: PDP

## Valuation Parameters

Net Present Value @ 18%: \$50,954  
 50% of Undisc. Cash Flow: \$34,297  
 3 Year Cash Flow: \$55,363

## Interests

Operating Status: Operated

WI: 1.000

NRI: 0.750

## Net Present Value Profile

0%: \$68,594	18%: \$50,954	35%: \$40,269
5%: \$62,805	20%: \$49,459	40%: \$37,842
10%: \$57,760	22%: \$48,035	45%: \$35,662
12%: \$55,924	25%: \$46,027	50%: \$33,697
15%: \$53,343	30%: \$42,982	

## Decline

Decline Model: Exponential Decline Curve

Initial Flow Rate: 3 BO/D

Decline Rate: 15%/year

## Capital Investment Analysis

Acquisition Cost (Gross): \$0

Future Capital Expenditure (Gross): \$0

ROI: N/A [Help](#)

Payout: 1 month [Help](#)

## Product Price Assumptions

Oil Price: \$60.00/BBL Esc: 0%

Gas Price: \$2.75/MMBTU Esc: 0%

BTU Content of Gas: 1,000 BTU/SCF

## Cumulative & Estimated Future Production

### Operating Expense, Tax Assumptions

Initial Op. Exp.: \$1,500/month Esc: 0%

Oil Severance Tax: 3.75%

Gas Severance Tax: 2.75%

Ad Valorem Tax: 4.9%

Oil (MBO) Gas (MMCF)

Est. Expected Ultimate Recovery (EUR): 4 2

You may optionally name and save this report.

Report Name:

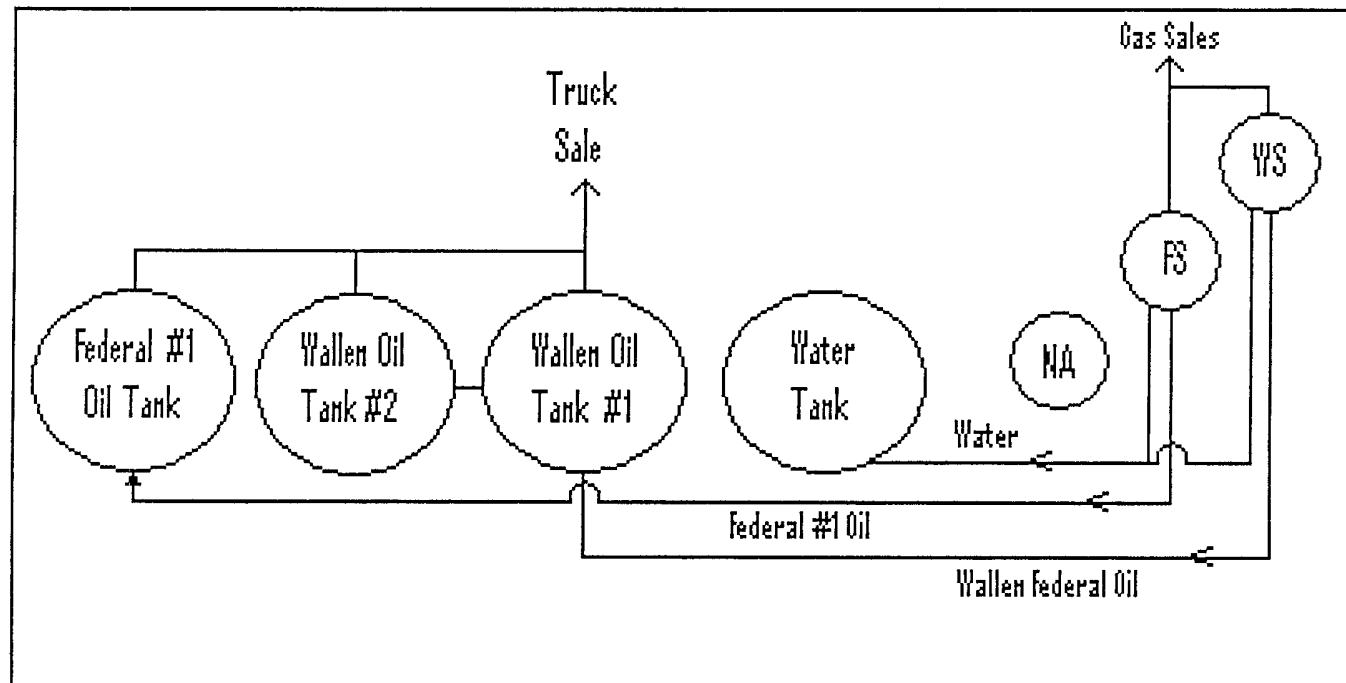
[Help](#)

# Dakota Resources

## Wallen Federal Tank Battery Schematic



NW 1/4 NW 1/4 Sec 20 T20S R34E



WS - Wallen Separator for Wallen Fed #1, #3, #4, #5, #6, #7, #8y

FS - Federal #1 Separator (exclusively)

NA - Separator Not-In-Service

T20S R34E

18

17

WALLEN FEDERAL

6

7

SPARGER

8

8y

1

FEDERAL

LC029512(c)

WALLEN FEDERAL

5

4

3

1

LC029512(a)

19

20

4914 N. Midkiff  
Midland, Texas 79701  
(432) 697-3420-Phone  
(432) 697-3400-Fax

.....  
Dakota Resources, Inc.

September 3, 2009

**Sparger Federal Lease  
Wallen Federal Lease  
Off-Lease Measurement &  
Surface Commingling Application**

To: Interest Owners  
Sparger Federal & Wallen Federal Leases

This letter is to inform each of the interest owners of the subject leases of our intent to off-lease measure and then surface commingle production from the Sparger Federal #1 at the existing Wallen Federal battery facilities. By commingling production at our existing facilities, we will significantly reduce the capitalization costs associated with producing the Sparger Federal #1 well in an attempt to complete a commercially viable well.

The Wallen Federal battery currently has an extra vertical separator and tank that are not currently in use. The Wallen lease is a direct offset to the Sparger Federal lease and is physically located approximately 1/2 of a mile to the southeast of the Sparger lease. This change should require only minor facility modifications to ensure proper measuring and handling of the separate flow streams. On your behalf, I will be filing the regulatory required documentation with both the Federal and State agencies to facilitate legislative approval.

Should you have any questions regarding this letter please do not hesitate to call our office at the letterhead number. Thank you for your patience with us.

Very truly yours,

Bob Turner  
Operation Engineer  
Dakota Resources

.....

4914 N. Midkiff  
Midland, Texas 79701  
(432) 697-3420-Phone  
(432) 697-3400-Fax

.....  
Dakota Resources, Inc.

August 17, 2009

Duncan Whilock  
Lead Petroleum Engineering Technician  
Bureau of Land Management

Re: Surface Commingling & Off Lease Storage/Measurement Application  
Federal and Wallen Federal Leases

Dear Duncan,


As per your recent request, please find attached the following documents:

- 1) Sparger Federal & Wallen Federal lease road map,
- 2) Wallen Federal flowline map, &
- 3) Update Battery Schematic including valvage.

Hope this information is useful and according to your request.

Please let me know if I can be of any further assistance.

Very truly yours,



Bob Turner  
Operations Engineer  
Ph 432-631-4659

Bureau of Land Management  
RECEIVED

OCT 26 2009

Carlsbad Field Office  
Carlsbad, N.M.

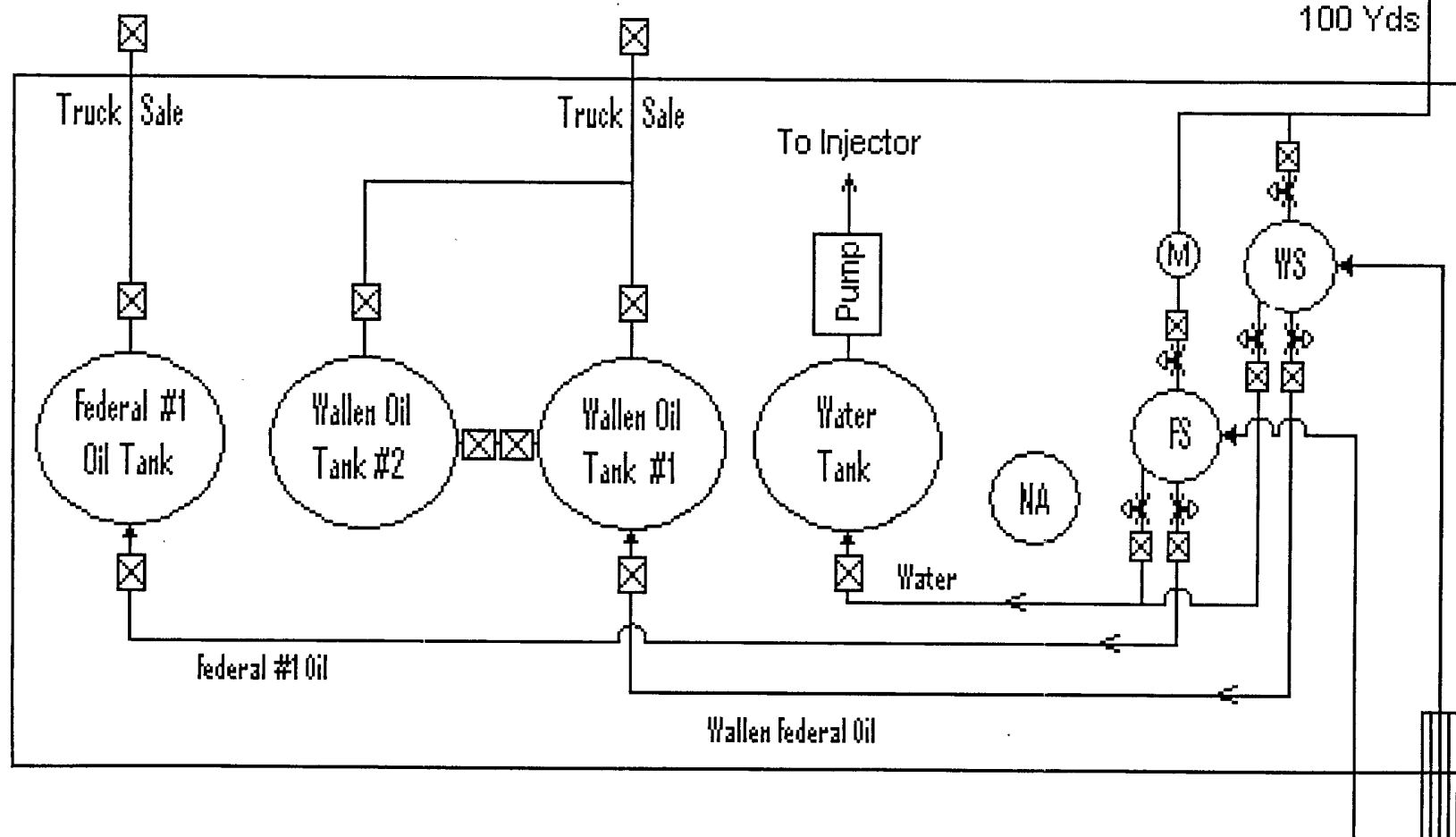
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# Dakota Resources Wallen Federal Tank Battery Schematic

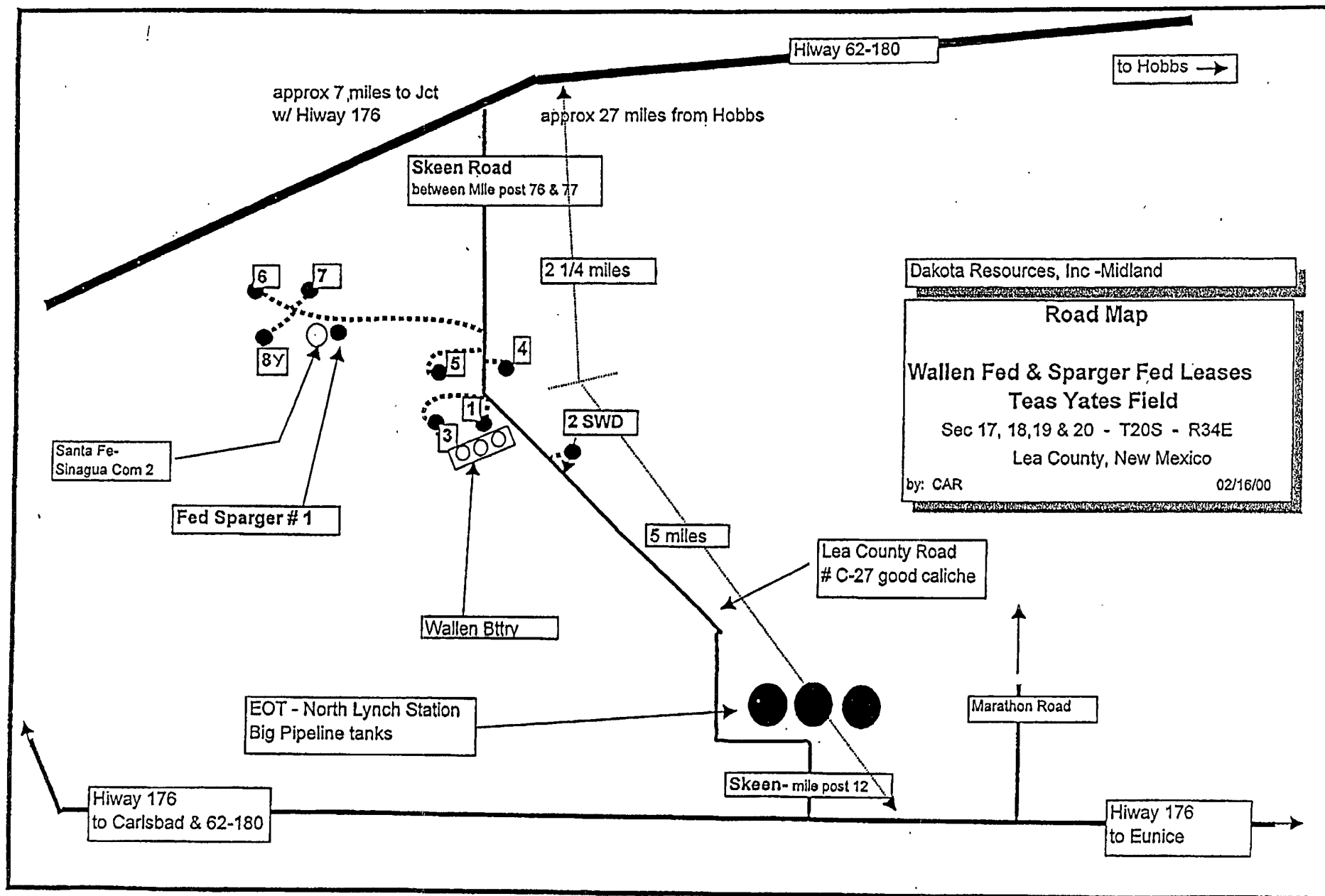
NW 1/4 NW 1/4 Sec 20 T20S R34E



WS - Wallen Separator for Wallen Fed #1, #3, #4, #5, #6, #7, #8y

FS - Federal #1 Separator (exclusively)

NA - Separator Not-In-Service



by: CAR

03/01/01

Wallen Federal & Sparger Fed  
Lease Roads.

approx 7 miles to Jct  
w/ Hiway 176

approx 27 miles from Hobbs

Skeen Road  
between Mile post 76 & 77

2 1/4 miles

--- Wallen Fed #6, #7, #8 + trunkline  
..... Wallen Fed #1, #4, #3, #5  
Individual flowlines

Federal #1 will have  
Individual flowline that  
follows trunkline path.

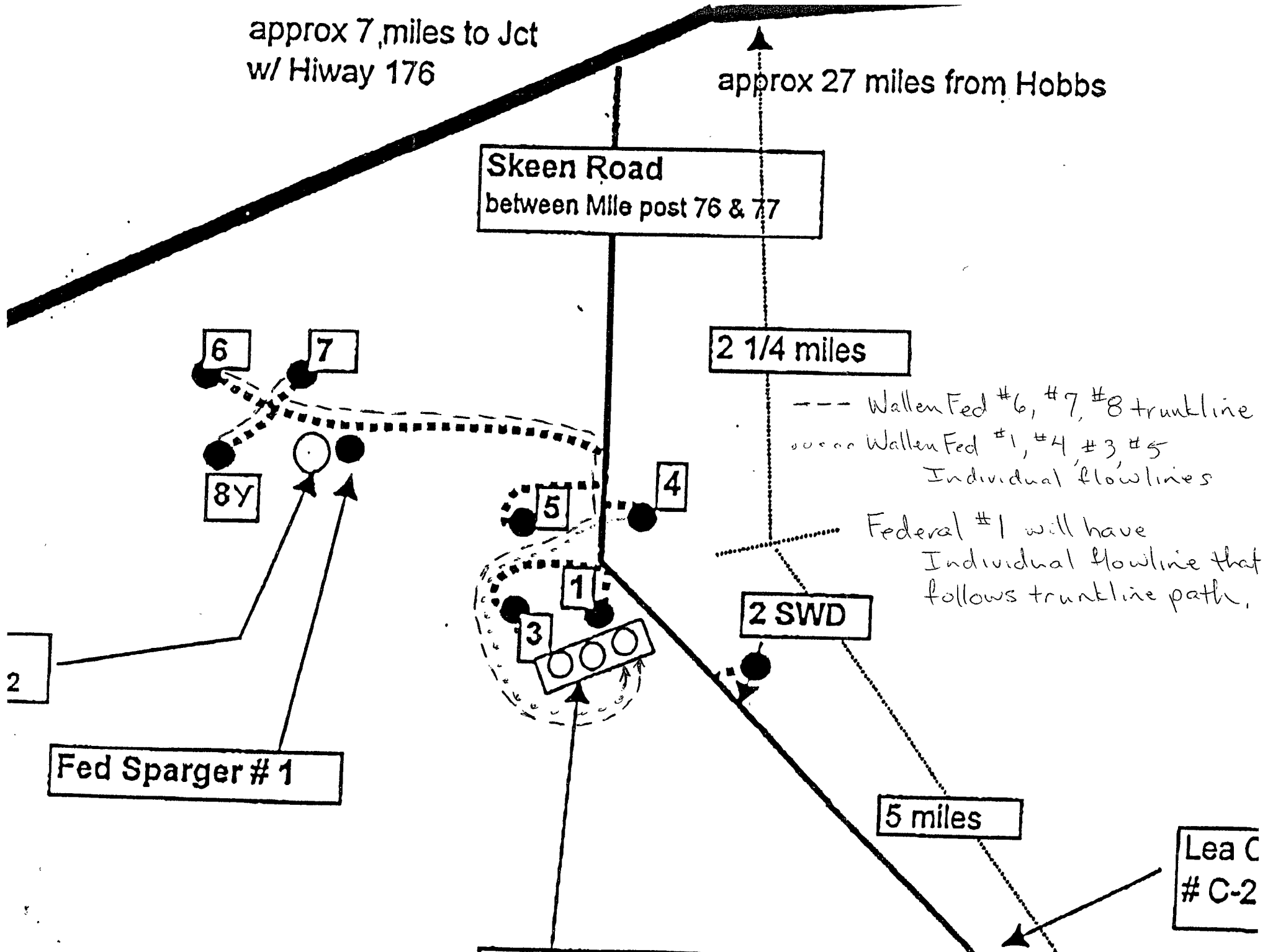
2 SWD

5 miles

Lea C  
# C-2

2

Fed Sparger # 1



Wallen Federal #1, 3, 4, 5, 6, 7, 8Y and Federal #1

Dakota Resources

November 27, 2009

Condition of Approval

1. This approval is subject to like approval by the New Mexico Oil Conservation Division.
2. This agency shall be notified of any spill or discharge as required by NTL-3A.
3. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
4. This approval does not constitute right-of-way approval for any off-lease activities. Within 30 days, an application for right-of-way approval must be submitted to the Realty Section if not already done.
5. Approval for combining production from various sources is a privilege which is granted to lessees for the purpose of aiding conservation and extending the economic life of leases. Applicants should be cognizant that failure to operate in accordance with the provisions outlined in the Authorized Officer's conditions of approval and/or subsequent stipulations or modifications will subject such approval to revocation.
6. All above ground structures on the lease shall be painted Shale Green (5Y 4/2), or as per approved APD stipulations. This is to be done within 90 days, if you have not already done so.
7. Gas measurement for allocation must be measured as per Onshore Order #5 for sales meters.