

REVISED

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTN.M. Oil Cons. Division
1625 N. French Dr.
Hobbs, NM 88240FORM APPROVED
BLM No. 1004-0135
Expires November 30, 2000**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.*Serial No.
NM 9016**SUBMIT IN TRIPLICATE - Other instructions on reverse side**

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		6. If Indian, Allottee or Tribe Name
2. Name of Operator St. Mary Land & Exploration - c/o Nance Petroleum		7. If Unit or CA/Agreement, Name and/or No.
3a. Address P. O. Box 7168 Billings, MT 59103	3b. Phone No. (include area code) (406) 245-6248	8. Well Name and No. Inca Federal #5
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 1695' FNL & 470' FWL UL:E Sec. 19-T18S-R32E		9. API Well No. 30-025-35229
		10. Field and Pool, or Exploratory Area Shugart Y-SR-Q-GB
		11. County or Parish, State Lea, 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</u>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	<u>Battery</u>

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.)

Attached is a more detailed proposal to commingle Y-SR-Q-GB pool production from the newly drilled Inca Federal #5 with Delaware production at the Inca battery in NWNW Sec. 19. (This is to replace original form 3160-5 dated 11/14/00.)

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

Herb Thackeray

Title Operations Engineer

Signature

Herb Thackeray

Date 11/29/00

THIS SPACE FOR FEDERAL OR STATE OFFICE USE**(ORIG. S&D.) GARY GOURLEY**

Approved by

Title

PE

Date

12/11/00

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

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.

GW



A Subsidiary of
St. Mary Land & Exploration Co.

P.O. BOX 7168 • BILLINGS, MT 59103
550 N. 31ST ST, SUITE 500 • BILLINGS, MT 59101
PHONE: (406) 245-6248 • FAX: (406) 245-9106

November 29, 2000

Bureau of Land Management
Attention: Gary Gourley
2909 W. 2nd St.
Roswell, NM 88202

Re: Inca Federal #5
NM-9016
Commingling Order PC-738
Shugart Yates-Seven Rivers – Queen – Grayburg with Shugart Delaware, East
Lea County, NM

Dear Gary:

We recently TD'd the Inca Federal #5. As was specified in the APD we wish to complete as a Shugart Yates-Seven Rivers–Queen–Grayburg pool producer and utilize existing separation facilities at the Inca battery in NWNW Sec. 19 T18S-R32E. This battery previously was approved for commingling of Y-SR-Q-GB and Delaware production at a CTB by PC-738 (copy attached) in 1988. The previous Y-SR-Q-GB producer, Inca Federal #4, was later converted to injection in 1990.

By once again commingling production at the Inca Battery we can avoid the considerable expense of building a battery for Inca Federal #5 which we expect to IP for +/- 50 BOPD, 0 BWPD and 25 MCF but will likely stabilize around 20 BOPD after a year. This volume can easily be handled at the existing facility saving an estimated \$25-30M for unnecessary tanks (3), a heater treater and oil & gas pipeline connections. The Inca Federal #5 flowline would parallel the ESDU #11 (shares same pad) flowline so no additional ROW or surface disturbance would be required to tie it in.

The Inca battery has a separate treater, tanks for both oil & water, and gas sales meter for testing making tests extremely accurate. Attached is an updated schematic of the separation facilities. Wells are tested at least 2 days per month and production is allocated based on these tests minus any downtime during the month.

We request approval of this Sundry notice to once again commingle production at the Inca battery and allocate production based on well tests.

Sincerely,

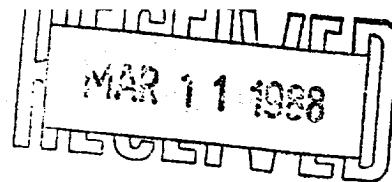
Herb Thackeray
Operations Engineer



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

COMMINGLING ORDER PC-738

Siete Oil and Gas Corporation
P.O. Box 2523
Roswell, NM 88201

Attention: Eddie Rodriquez

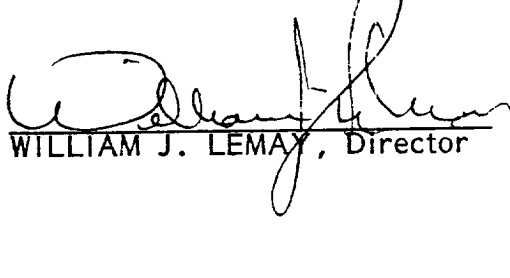
Lease Name: Inca Federal Lease

Description: N/2 NW/4, SW/4 NW/4 Section 19, Township 18 South,
Range 32 East, NMPM, Lea County, New Mexico

The above-named company is hereby authorized to commingle East Shugart Delaware and Shugart Yates Seven Rivers Queen Grayburg San Andres pool production in a common tank battery and to determine the production from each pool by separately metering the production from the Shugart Yates Seven Rivers Queen Grayburg San Andres Pool and determining East Shugart Delaware Pool production by the subtraction method.

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 303 of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

DONE at Santa Fe, New Mexico, on this 7th day of March, 1988.

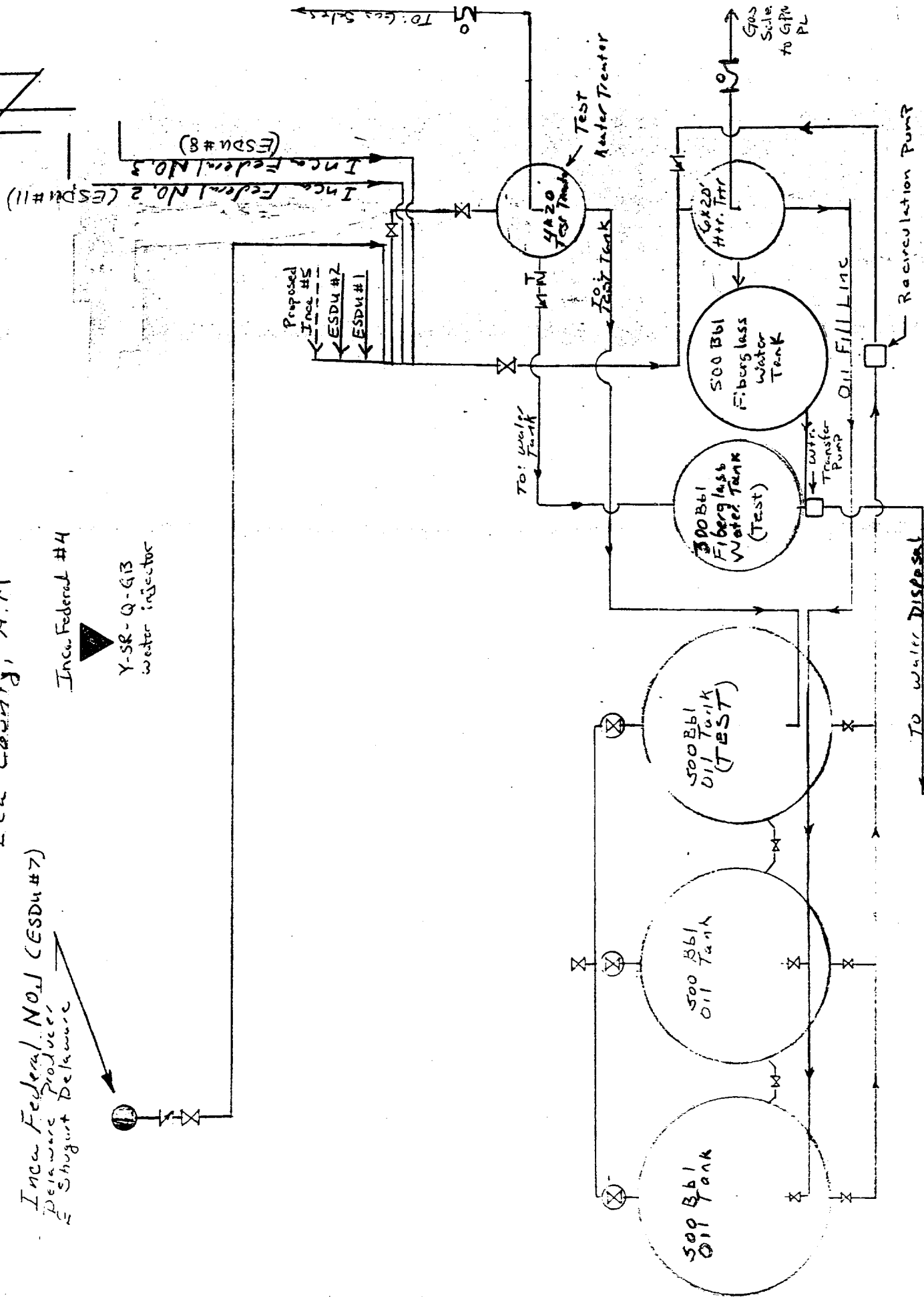

WILLIAM J. LEMAY, Director

WJL/DRC/ag

Inca Federal No. 1 (ESD# 7)
Delaware Producer
Shugart Delaware

Inco. Federal #4

Y-SR-Q-Q13
water injector



Updated 11/00 HET