

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Administrative Order DHC-4763

Order Date: June 19, 2015

Application Reference Number: pJAG1516655735

Legacy Reserves Operating, LP
303 West Wall Street, Suite 1800
Midland, Texas 79701

Attention: Ms. Laura Pina

Cooper Jal Unit Well No. 603
API No. 30-025-41764
Unit O, Section 24, Township 24 South, Range 36 East NMPM
Lea County, New Mexico

Pool	JALMAT; TAN-YATES-7 RVRS (OIL)	Oil (33820)
Names:	LANGLIE MATTIX; 7 RVRS-Q-GRAYBURG	Oil (37240)

Reference is made to your recent application for an exception to Division Rule 19.15.12.9A. NMAC of the Division Rules and Regulations to permit the above-described well to commingle production from the subject pools in the wellbore.

It appears that the subject well qualifies for approval for such exception pursuant to the provisions of Division Rule 19.15.12.11A. NMAC, and since 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 or otherwise required separation of the zones is hereby placed in abeyance.

In accordance with Division Rule 19.15.12.11A.(6) NMAC, the production attributed to any commingled pool within the well shall not exceed the allowable applicable to that pool.

As per the application, the assignment of allowable and allocation of oil production from the subject well shall be based on the analysis of production of the subject well, and electric logs.

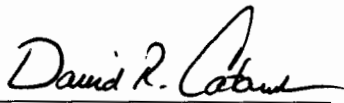
Assignment of allowable and allocation of production from the well shall be as follows:

JALMAT; TAN-YATES-7 RVRS (OIL)	Pct. Oil: 75	Pct. Gas: 75
LANGLIE MATTIX; 7 RVRS-Q-GRAYBURG	Pct. Oil: 25	Pct. Gas: 25

It is also understood that notice of this application, pursuant to Division Rule 19.15.4.12A.(6), is not required since the interest ownership between the zones to be commingled is common throughout.

REMARKS: The operator shall notify the Division's District I office upon implementation of commingling operations.

Pursuant to Division Rule 19.15.12.11B. NMAC, the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.



David R. Catanach
Director

DRC/mam

cc: New Mexico Oil Conservation Division – Hobbs

DATE IN <u>6/15/15</u>	SUSPENSE	ENGINEER <u>MAM</u>	LOGGED IN <u>6/15/15</u>	TYPE <u>DHC</u>	APP NO. <u>JAG1516653735</u>
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS 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
 [B] ☐ Offset Operators, Leaseholders or Surface Owner
 [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
 [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.

Laura Pina
 Print or Type Name

Laura Pina
 Signature

Regulatory Tech
 Title

6/12/15
 Date

lpina@legacylp.com
 e-mail Address

RECEIVED OGD
 2015 JUN 15 P 3:36

DHC 4763
Well: Cooper JAL Unit 603
API: 30-025-41764
Pool: JAL MAT; TAN-YATES-7 River
+1

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

District II
811 S. First St., 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

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

Form C-107A
Revised August 1, 2011

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

APPLICATION FOR DOWNHOLE COMMINGLING

LEGACY RESERVES OPERATING LP
Operator

PO BOX 10848 MIDLAND, TX 79702
Address

COOPER JAL UNIT
Lease

603
Well No.

UL O-24-T24S-R36E
Unit Letter-Section-Township-Range

LEA
County

OGRID No. 240974 Property Code 312454 API No. 30-025-41764 Lease Type: ☐ Federal ☐ State ☒ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	JALMAT		LANGLIE MATTIX
Pool Code	33820		37240
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3102'-3300'		3530'-3728'
Method of Production (Flowing or Artificial Lift)	ARTIFICIAL LIFT		ARTIFICIAL LIFT
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)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)	38 DEGREE API		38 DEGREE API
Producing, Shut-In or New Zone	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: 05/23/15 Rates: 7.5 BOPD, 8 MCFPD 248 BWPD	Date: Rates:	Date: 05/23/15 Rates: 2.5 BOPD, 3 MCFPD 83 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 75 % 75 %	Oil Gas % %	Oil Gas 25 % 25 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes ☒ No ☐
Yes ☐ No ☐

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: _____

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 Laura Pina TITLE REGULATORY TECH DATE 06/18/15

TYPE OR PRINT NAME LAURA PINA TELEPHONE NO. (432) 689-5273

E-MAIL ADDRESS lpina@legacylp.com

MAR 04 2014

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
Phone: (505) 393-6161 Fax: (505) 393-0720

DISTRICT II
311 S. First St., Artesia, NM 88210
Phone: (505) 768-1283 Fax: (505) 748-9720

DISTRICT III
1000 Red Dragon Road, Abo, NM 87410
Phone: (505) 334-5178 Fax: (505) 334-0170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

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

RECEIVED

Form C-102

Revised August 1, 2011

Submit one copy to appropriate
District Office

DAMENED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-41764	Pool Code 33820 / 37240	Pool Name Salomat	Well Number 29-603
Property Code 312454	Property Name COOPER JAL UNIT 2A		Elevation 3315'
GRID No. 240974	Operator Name LEGACY RESERVES		

Surface Location

TL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	24	24-S	36-E		675	SOUTH	2575	EAST	LEA

Bottom Hole Location If Different From Surface

TL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Initial	Consolidation Code	Order No.
4.0			

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

<p>GEODETTIC COORDINATES NAD 27 NME</p> <p>SURFACE LOCATION Y=437305.2 N X=844980.5 E</p> <p>LAT.=32.197351° N LONG.=103.218109° W</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete in 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the Division.</p> <p>Signature: <u>[Signature]</u> Date: <u>3-3-14</u></p> <p>Printed Name: <u>Sheridan A. Young</u></p> <p>E-mail Address: <u>sheridan@legacyreserves.com</u></p>	
	<p>SURVEYOR CERTIFICATION</p> <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>FEBRUARY 11, 2014</p> <p>Date of Survey: <u>2/26/14</u></p> <p>Signature & Seal of Professional Surveyor: <u>[Signature]</u></p> <p>Certificate Number: <u>Gary G. Hudson 12641</u> <u>Ronald J. Hudson 3239</u></p> <p>ACK: <u>WSSC W.O. 14110129</u></p>	
	<p>Diagram showing well location on a grid. The grid is labeled with '10' and '2575' on the horizontal axis, and '675' on the vertical axis. The well location is marked with a dot and labeled 'WELL LOCATION'.</p>	
	<p>Diagram showing well location on a grid. The grid is labeled with '10' and '2575' on the horizontal axis, and '675' on the vertical axis. The well location is marked with a dot and labeled 'WELL LOCATION'.</p>	

APR 02 2014



June 12, 2015

New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505
Attention: Engineering Department

Re: Application to Downhole Commingle
Jalmat/Langlie Mattix Pools
Cooper Jal Unit #601, 602, 603 and 604
Unit Letter B, O, N; Sec. 24; T24S, R36E
Lea County, New Mexico

Legacy Reserves Operating LP respectfully requests administrative approval to downhole commingle the Jalmat and the Langlie Mattix Pools within the subject wellbores. Notification of offset operators is not an issue given the fact that Legacy offsets all of the wells.

Downhole commingling these wells will provide a more economical and efficient means of production. It will allow complete development of the productive capacity on the subject lease by allowing both pools to be artificially lifted simultaneously. This will extend the life of both completions, thereby preventing waste.

The subject wells meet all of the requirements of Rule 303 (C). All produced fluids from other downhole commingled wells have entered a common production facility with no fluid compatibility problems.

If you have any questions, please contact Shawn Young at (281) 465-8387 ext 222.

Sincerely,

Shawn Young
Operations Engineer

cc: NMOCD/Hobbs

To: Laura Pina
Cc: Shawn D. Young
Subject: RE: DHC application Lea Co NM

Also, all of the wells have more recent production than is listed on your application.

From: McMillan, Michael, EMNRD
Sent: Tuesday, June 16, 2015 9:34 AM
To: 'Laura Pina'
Cc: Shawn D. Young
Subject: RE: DHC application Lea Co NM

Ms. Pena and Mr. Young:

Is it more accurate to say that the production is based on production data and log analysis, not strictly on well data, because you show dates of last production for the wells?

Michael A. McMillan

Engineering and Geological Services Bureau, Oil Conservation Division
1220 South St. Francis Dr., Santa Fe NM 87505
O: 505.476.3448 F. 505.476.3462
Michael.mcmillan@state.nm.us

From: Laura Pina [<mailto:lpina@legacylp.com>]
Sent: Tuesday, June 16, 2015 8:20 AM
To: McMillan, Michael, EMNRD
Cc: Shawn D. Young
Subject: FW: DHC application Lea Co NM

Mr. McMillan,

See e-mail below from the engineer over this unit in answer to your questions.

Thank you,
Laura Pina
Regulatory Tech
Legacy Reserves Operating LP
432.689.5273

From: Shawn D. Young
Sent: Monday, June 15, 2015 5:03 PM
To: Laura Pina
Subject: RE: DHC application Lea Co NM

Unfortunately all of the wells where both pools are producing have been commingled and there is no historical data to use to allocate the production. Our estimate is based on a rough estimate of net pay counts from log data.

From: Laura Pina
Sent: Monday, June 15, 2015 4:05 PM