

07/15/13 DATE IN	SUSPENSE	ENGINEER <i>DR</i>	07/16/2013 LOGGED IN	TYPE <i>NSL</i>	APP NO. <i>PAK1319733503</i>
---------------------	----------	--------------------	-------------------------	-----------------	------------------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

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



2844

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] *30-615-41428*
- [A] Location - Spacing Unit - Simultaneous Dedication
X NSL ☐ NSP ☐ SD *Legend Natural Gas U/I CR*
- Check One Only for [B] or [C] *State GQ 5H*
- [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 _____

RECEIVED OGD
2013 JUL 15 PM 12:43

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply
- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] X 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] X 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.

Jennifer Mosley
Print or Type Name

Jennifer Mosley
Signature

Sr. Regulatory Analyst
Title

07/11/2013
Date

jmosley@lng2.com
e-mail Address



15021 Katy Freeway
Suite 200
Houston, TX 77094
(281) 644-5900
Fax: (281) 644-5901

777 Main Street
Suite 900
Fort Worth, TX 76102
(817) 872-7800
Fax: (817) 872-7898

July 11, 2013

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

Attn: Mr. David Brooks

RE: NSL Application
State GQ 5H
API 30-015-41428
Unit B, Sect. 7, 25S/28E; 200' FNL, 1775' FEL
Eddy County, New Mexico

Mr. Brooks:

Pursuant to Division Rule 19.15.15.13, Legend Natural Gas III, LP respectfully requests administrative approval of a non-standard location (NSL) for the State GQ 5H in Eddy County, New Mexico. This application is being sent in regards to the State GQ 5H production interval being 20' from the Quarter/Quarter line in Section 7 of Township 25S and Range 28E in the Hay Hollow; Bone Spring, North pool (30216).

The affected offset wells to the State GQ 5H are the State GQ Com 3H and the State GQ 4H. All three wells are operated by Legend Natural Gas III, LP, and all three are in the same lease and have common interest and surface owners.

Attached is Form C-102 showing the project area of the proposed well, as well as the two existing wells. Also, attached, showing in color, the half section that is operated by Legend and the placement of the three wells within that half section.

Approval of this application will allow Legend Natural Gas to recover additional oil and gas reserves from the Hay Hollow; Bone Spring, North pool underlying the East half of Section 7 that may otherwise not be recovered by the existing and proposed wells, thereby preventing waste, and will not violate correlative rights.

If you should have any questions, please call me at (817)872-7822.

Sincerely,
Jennifer Mosley
Legend Natural Gas
777 Main St. Suite 900
Fort Worth, TX 76102
jmosley@lng2.com

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
Phone (575) 393-6161 Fax: (575) 393-0720

DISTRICT II
811 S. First St., Artesia, NM 88210
Phone (575) 748-1283 Fax: (575) 748-0720

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-3480 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised August 1, 2011

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-41428	Pool Code 30210'	Pool Name Hay Hollow; Bone Spring, North
Property Code 39939	Property Name STATE GQ	Well Number 5H
OGRID No. 258894	Operator Name LEGEND NATURAL GAS III, L.P.	Elevation 3054'

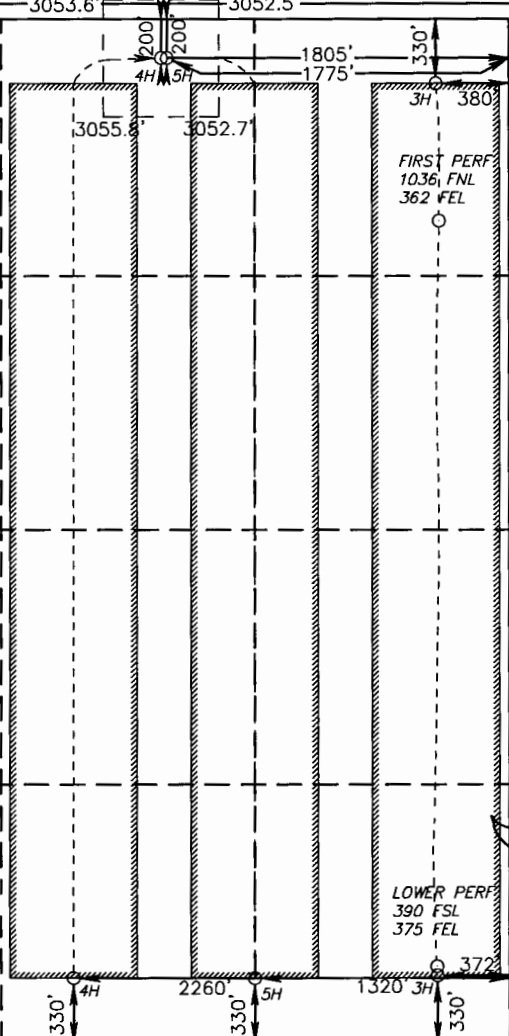
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	7	25 S	28 E		200	NORTH	1775	EAST	EDDY

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
P	7	25 S	28 E		330	SOUTH	1320	EAST	EDDY
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

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>SURFACE LOCATION Lat - N 32°09'04.83" Long - W 104°07'26.93" NMSPCE- N 418856.0 E 606076.0 (NAD-83)</p>		<p>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.</p> <p>Signature: <i>[Signature]</i> Date: 7/12/2013 Printed Name: Jennifer Mosley Email Address: mosley@mg2.com</p>
<p>PROPOSED BOTTOM HOLE LOCATION Lat - N 32°08'17.83" Long - W 104°07'21.03" NMSPCE- N 414108.3 E 606592.7 (NAD-83)</p>		<p>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.</p> <p>Date Surveyed: MAY 24 2013 Signature: <i>[Signature]</i> Professional Surveyor: 7977 Certificate No.: Cory L. Jones 7977 BASIN SURVEYS 28660</p>

1625 N. French Dr., Hobbs, NM 88240
Phone (575) 393-8161 Fax: (575) 393-0720

DISTRICT II

811 S. First St., Artesia, NM 88210
Phone (575) 748-1283 Fax: (575) 748-9720

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 334-6170 Fax: (505) 334-6170

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 and Natural Resources Department

OIL CONSERVATION DIVISION

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

Form C-102

Revised August 1, 2011

Submit one copy to appropriate
District Office

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-41428	Pool Code 30214	Pool Name Hay Hollow; Bone Spring, North
Property Code 39939	Property Name STATE GQ	Well Number 5H
OGRID No. 258894	Operator Name LEGEND NATURAL GAS III, L.P.	Elevation 3054'

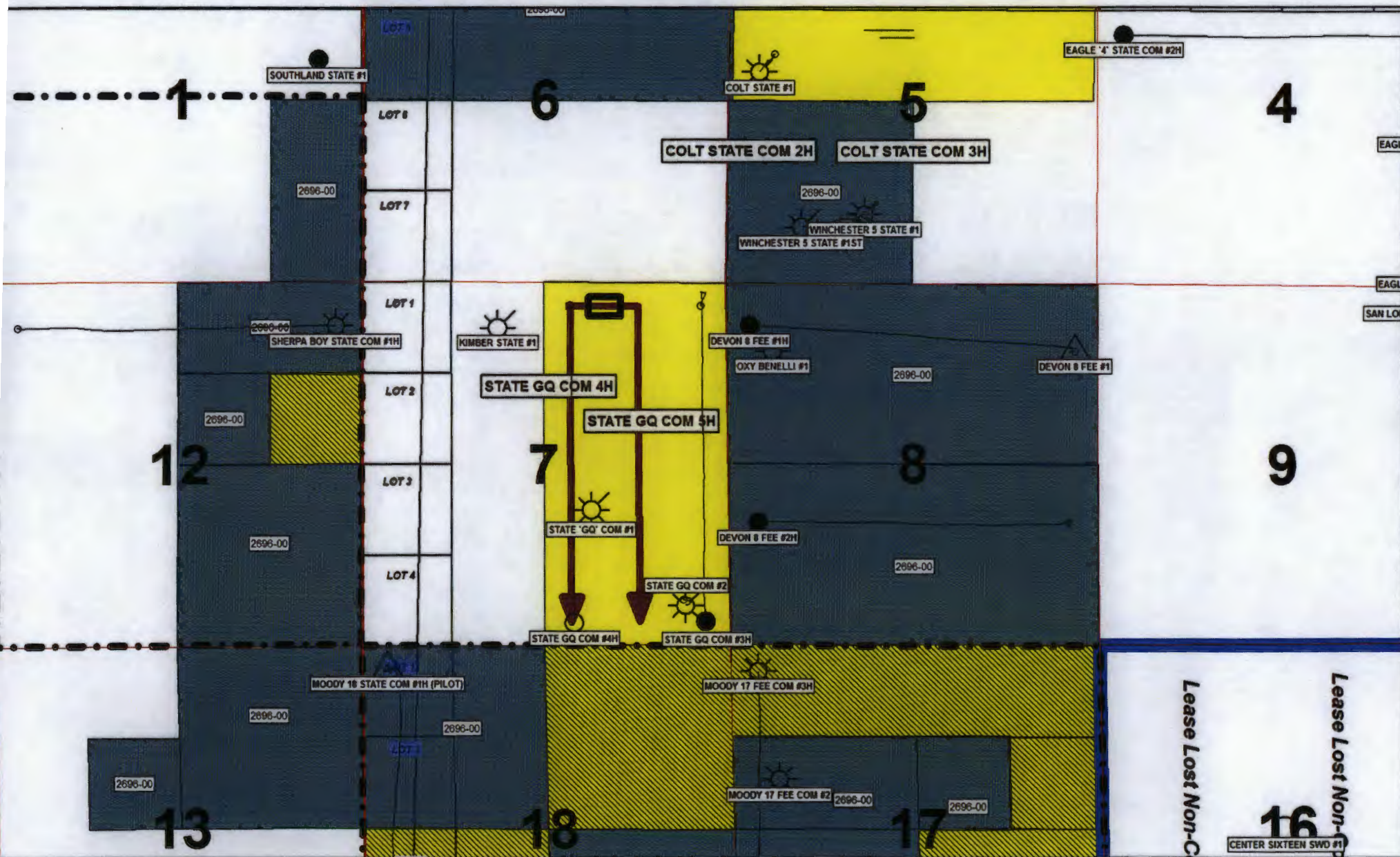
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	7	25 S	28 E		200	NORTH	1775	EAST	EDDY

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
P	7	25 S	28 E		330	SOUTH	1320	EAST	EDDY
Dedicated Acres		Joint or Infill		Consolidation Code		Order No.			

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



1

6

5

4

12

7

8

9

13

18

17

16

SOUTHLAND STATE #1

COLT STATE #1

EAGLE '4' STATE COM #2H

COLT STATE COM 2H

COLT STATE COM 3H

2696-00

2696-00

WINCHESTER 5 STATE #1
WINCHESTER 5 STATE #1ST

SHERPA BOY STATE COM #1H

KIMBER STATE #1

DEVON 8 FEE #1H

OXY BENELLI #1

2696-00

DEVON 8 FEE #1

STATE GQ COM 4H

STATE GQ COM 5H

2696-00

2696-00

2696-00

STATE 'GQ' COM #1

DEVON 8 FEE #2H

STATE GQ COM #2

STATE GQ COM #4H

STATE GQ COM #3H

MOODY 18 STATE COM #1H (PILOT)

MOODY 17 FEE COM #3H

2696-00

2696-00

2696-00

MOODY 17 FEE COM #2

2696-00

2696-00

Lease Lost Non-C

Lease Lost Non-C

CENTER SIXTEEN SWD #1

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

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

State of New Mexico

Form C-101
Revised November 14, 2012

Energy Minerals and Natural Resources

Oil Conservation Division

1220 South St. Francis Dr.

Santa Fe, NM 87505

AMENDED REPORT
RECEIVED
JUN 07 2013
NMOCD ARTESIA

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address LEGEND NATURAL GAS III, LP 15021 KATY FREEWAY, SUITE 200 HOUSTON, TX 77094		² OGRID Number 258894
		³ API Number 30-015- <i>41428</i>
⁴ Property Code <i>39989</i>	⁵ Property Name STATE GQ	⁶ Well No. 5H

⁷ Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet from	N/S Line	Feet From	E/W Line	County
B	7	25S	28E		200	NORTH	1775	EAST	EDDY

⁸ Proposed Bottom Hole Location

UL - Lot	Section	Township	Range	Lot Idn	Feet from	N/S Line	Feet From	E/W Line	County
P	7	25S	28E		330	SOUTH	1320	EAST	EDDY

⁹ Pool Information

Pool Name	Pool Code
HAY HOLLOW; BONE SPRING, NORTH	30216

Additional Well Information

¹¹ Work Type N	¹² Well Type O	¹³ Cable/Rotary R	¹⁴ Lease Type S	¹⁵ Ground Level Elevation 3054'GR
¹⁶ Multiple N	¹⁷ Proposed Depth 7900'TVD, 12700'MD	¹⁸ Formation BONE SPRING	¹⁹ Contractor	²⁰ Spud Date UPON ARRIVAL
Depth to Ground water <133'		Distance from nearest fresh water well 3196' E OF WINDMILL		Distance to nearest surface water 1180'S OF NAMELESS DRAW

²¹ Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
SURFACE	17.5	13.375	48	400'TVD	445	SURFACE
INTERMED.	12.25	9.625	36	2500'TVD	655	SURFACE
PROD.	7.785	5.5	17	7900TVD&12700MD	2380	SURFACE

Casing/Cement Program: Additional Comments

LEAD 740 SXS; TAIL 1640 SXS

²² Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that I have complied with 19.15.14.9 (A) NMAC <input type="checkbox"/> and/or 19.15.14.9 (B) NMAC <input type="checkbox"/> if applicable. Signature: <i>Jennifer Mosley</i> Printed name: JENNIFER MOSLEY Title: SR. REGULATORY ANALYST E-mail Address: jmosley@lng2.com Date: _____ Phone: 817-872-7822	OIL CONSERVATION DIVISION	
	Approved By: <i>T. L. Shepherd</i>	
	Title: <i>Chief Geologist</i>	
	Approved Date: <i>6/7/2013</i>	Expiration Date: <i>6/7/2015</i>
	Conditions of Approval Attached	

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Tuesday, August 13, 2013 5:24 PM
To: Jennifer Mosley (jmosley@lng2.com)
Subject: State GQ #5H; NSL Application

Dear Ms. Mosley

The persons to whom notice is required for approval of this NSL would be the working interest owners in the Bone Spring formation in Unit O of Section 6-25S-28E, unless Legend is the sole working interest owner in that unit, or the ownership of that unit is identical to the ownership of the State GQ #5H Well.

Please advise.

Sincerely

David K. Brooks
505-476-3450

Brooks, David K., EMNRD

From: Jennifer Mosley <jmosley@lng2.com>
Sent: Tuesday, August 20, 2013 2:15 PM
To: Brooks, David K., EMNRD
Subject: RE: State GQ #5H; NSL Application
Attachments: State GQ 5H_As Drilled Plat_Propose Perfs_130820.pdf

Mr. Brooks,

Attached is the as drilled plat with proposed perfs. The LP will be no closer to the lease line than what it is and the UP should not be any shallower than what it shown. It will be sharing a production area with State GQ 3H and we are already set for hearing to increase the allowable for that production area. If there is something else you need, or anything else I need to do, please let me know.

Respectfully,
Jennifer Mosley

From: Brooks, David K., EMNRD [<mailto:david.brooks@state.nm.us>]
Sent: Wednesday, August 14, 2013 12:33 PM
To: Jennifer Mosley
Cc: Shapard, Craig, EMNRD
Subject: RE: State GQ #5H; NSL Application

Good morning Ms. Mosley

If the beginning of the completed interval of the proposed well is at least 330 feet from the north line of Section 7, then you are correct that notice to owners in Unit O of Section 6 is not required. I did not see any statement to that effect in your application when I read it yesterday.

The way the well path is sketched on the attached C-102, however, raises an additional notice issue. Under our interpretation of our setback rules as applied to diagonal offsetting spacing units, if any part of the "completed interval" is less than 467 feet from the common corner of Unit B of Section 7 and Unit P of Section 6, then notice to affected persons in Unit P of Section 6 is required. This is because the location would be closer to the common corner than the closest standard location (330 feet from N and 1650 from E).

In addition to the foregoing, the well path as you have drawn it on the attached C-102 raises another issue. If the lateral will actually be 1320 from the East line, it would be exactly on the quarter-quarter line. Although it is difficult to believe it could be drilled that precisely, my understanding of OCD interpretation would be that a spacing unit is not "penetrated" by a lateral that is exactly on its outer boundary. Thus, a W/2 E/2 project area could not be designated for the proposed well so located. This difficulty would be obviated if the location of the lateral were moved 10 feet to the west.

Sincerely

David K. Brooks

From: Jennifer Mosley [<mailto:jmosley@lng2.com>]
Sent: Wednesday, August 14, 2013 9:56 AM
To: Brooks, David K., EMNRD
Subject: RE: State GQ #5H; NSL Application

David,
Just a question. I'm not understanding why we would need to notify that unit when we are not too close to that unit? Our production interval will be 330' from the North section line that affects Unit O of Section 6-25S-28E. I was told that the NSL was because the State GQ 5H is too close to the quarter/quarter line and not an outside section line.

Thank you,
Jennifer Mosley

From: Brooks, David K., EMNRD [<mailto:david.brooks@state.nm.us>]
Sent: Tuesday, August 13, 2013 6:24 PM
To: Jennifer Mosley
Subject: State GQ #5H; NSL Application

Dear Ms. Mosley

The persons to whom notice is required for approval of this NSL would be the working interest owners in the Bone Spring formation in Unit O of Section 6-25S-28E, unless Legend is the sole working interest owner in that unit, or the ownership of that unit is identical to the ownership of the State GQ #5H Well.

Please advise.

Sincerely

David K. Brooks
505-476-3450

AS DRILLED
W/ PROPOSED PERFS

Form C-102

Revised August 1, 2011

Submit one copy to appropriate
District Office

DISTRICT I

1625 N. French Dr., Hobbs, NM 88240
Phone (575) 393-6161 Fax: (575) 393-0720

DISTRICT II

611 S. First St., Artesia, NM 88210
Phone (575) 716-1263 Fax: (575) 716-9725

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 334-6174 Fax: (505) 334-6170

DISTRICT IV

1220 S. St. Francis Dr., Santa Fe, NM 87605
Phone (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-015-41428	Pool Code 30274	Pool Name Hay Hollow; Bone Spring, North
Property Code 39939	Property Name STATE GQ	Well Number 5H
OGRID No. 258894	Operator Name LEGEND NATURAL GAS III, L.P.	Elevation 3054'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	7	25 S	28 E		200	NORTH	1775	EAST	EDDY

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
P	7	25 S	28 E		305	SOUTH	1312	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

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>N: 419078.7 E: 602558.3</p> <p>SURFACE LOCATION Lat - N 32°08'04.83" Long - W 104°07'26.93" NMSPCE - N 418856.0 E 606076.0 (NAD-83)</p>	<p>N: 419061.1 E: 605213.6</p> <p>3053.6'</p> <p>3052.5'</p> <p>200'</p> <p>3055.8'</p> <p>3052.7'</p> <p>5'</p> <p>325'</p> <p>UP 530 FNL 1314 FEL</p>	<p>N: 419044.9 E: 607848.3</p> <p>1775'</p> <p>530'</p>	<p>OPERATOR CERTIFICATION</p> <p>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.</p> <p><i>Jennifer Mosley</i> 05/20/2013 Signature Date</p> <p>Jennifer Mosley Printed Name</p> <p>mosley@lng2.com Email Address</p>
<p>BOTTOM HOLE LOCATION Lat - N 32°08'17.59" Long - W 104°07'20.93" NMSPCE - N 414083.6 E 606601.0 (NAD-83)</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>DATE SURVEYED MAY 24, 2013 SIGNATURE OF PROFESSIONAL SURVEYOR <i>[Signature]</i> PROFESSIONAL SURVEYOR 7977 W.D. No. 28663</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS 28663</p>

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Tuesday, August 20, 2013 3:05 PM
To: Jennifer Mosley (jmosley@lng2.com)
Subject: Legend Natural Gas III, LP

Good afternoon Ms. Mosley

Respectfully, I am still confused.

If the point identified on the new plat that appears to be on the line between units A and B is the beginning of the completed interval, the notice issue is resolved, because that point is indicated to be 530 FNL and therefore greater than either the straight or the diagonal offset distances from both Units O and P of Section 6.

However, if the beginning of the completed interval is 1325 FEL, as the plat seems to suggest, that would put that point in Unit B of Section 7, and would accordingly require that Unit B be included in the project area.

Please advise.

Sincerely

David K. Brooks