DATE IN 2, 9, 12 SUSPENSE ENGINEER RE LOGGED IN 2, 9, 12 TYPE CTB APP NO. 1204046495

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 3 Wells

| TI | HIS CHECKLIST IS M | ANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE |
|-------|------------------------------------|--|
| Appli | cation Acronym | |
| | [NSL-Non-Sta [DHC-Dow [PC-Po | Indard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication] Inhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] Inhole Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] INTERPOLATION [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase] Infied Enhanced Oil Recovery Certification] [IPPR-Positive Production Response] |
| F13 | TVDE OE AL | PRINCATION Charle Those Which Apply for [A] Cedar Lake 34 - 85477 |
| [1] | [A] | PPLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication NSL NSP SD Cedar Lake 34 - 85477 Cedar Lake 34 - 85477 State BK 3 - 65273 |
| | Check [B] | COne Only for [B] or [C] 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] | NOTIFICAT [A] | TION REQUIRED TO: - Check Those Which Apply, or □ Does Not Apply 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] | | CURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE ATION INDICATED ABOVE. |
| | val is accurate a | TION: I hereby certify that the information submitted with this application for administrative and complete to the best of my knowledge. I also understand that no action will be taken on this equired information and notifications are submitted to the Division. |
| | Note: | Statement must be completed by an individual with managerial and/or supervisory capacity. |
| | STOKER or Type Name | Signature Title Regulatory Affairs Coordinator Date |
| | y _F \ | cstoker@alamoresources.com |

RECEIVED OCD

February 6, 2012

2012 FEB -9 A 10: 15:

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
District II
811 S. First St.
Artesia, NM 88210

RE:

Alamo Permian Resources, LLC, wholly owned operating company for Alamo Resources II, LLC, the title holding company for properties

Application for Approval of Surface Commingling

Part of Section 19, T17S, R31E,

State BK #3, State BK #5, Cedar Lake #3Y

Eddy County, New Mexico

Dear Sirs:

Please be advised that Alamo Resources II, LLC ("Alamo") has notified every individual who has been identified as owning an interest within the above described properties of Alamo's requested approval for surface commingling application for the properties. Attached and labeled Exhibit "A" is the list of notified individuals. Enclosed for your review, is a copy of the correspondence and copies of the certified receipts green cards.

Do not hesitate to contact us should you have any questions or need further data. Thank you for your attention in this matter.

Sincerely,

Carie Stoker

Regulatory Affairs Coordinator

ie Stoken

CC:

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Attachment

Enclosures

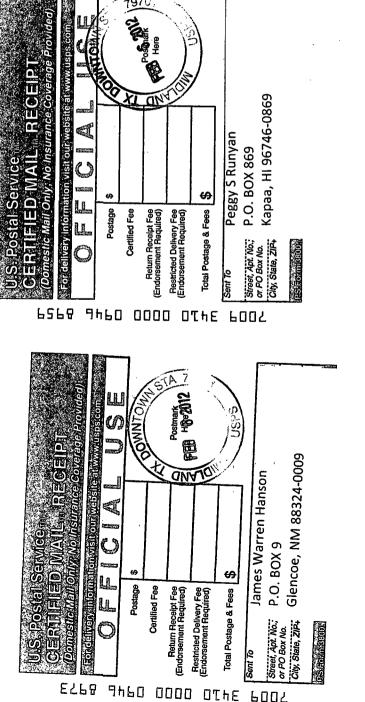
DATE: Mon Jan 30, 2012 HOLLYFRONTIER REFINING & MARKETING LLC

| | on Jan 30, 2012 | HOLLYFRONTIER RE | | | | REPORT: | |
|----------|---|------------------|-------------------------------|-----------------|--|------------|------|
| TIME: I(| 0:42:52 | Division of Int | erest - Exhil | oit A | PA | GE: 1 of | 1 |
| Lease | e 00014062 Sub | Name Si | TATE BK | | | | |
| G/L Comp | e 00014062 Sub | Period 01-20 |)12 | Username | diane | | |
| Operator | 064025 Name ALAMO | PERMIAN RESOURCE | יייי אייי | | | | |
| _ | | | Division Of | Туре | | | Pay |
| Owner | Name Name | | Interest | <u>Interest</u> | Tax ID # | Type ID | Code |
| 000001 | COMMISSIONER OF PUBLIC P O BOX 1148 | LANDS | 0.05000000 | RI | 856000565 | E | GS |
| | SANTA FE, NM 87504-114 | B | • | | | | |
| | | | | | | | |
| | | | | | | | |
| 001669 | PEGGY S RUNYAN | , | 0.06250000 | OŖ | 585180058 | S | PA |
| | PO BOX 869 | | | | | | |
| | KAPAA, HI 967460869 | | | | | | |
| | | | | | | | |
| 001670 | VICKY JANE MOSER | | 0.06250000 | OR | 585483093 | S | AĊ |
| | 3555 COMAL SPRINGS | | | | | | |
| | CANYON LAKE, TX 78133 | | i i | | | | |
| | | | | | | | |
| 005030 | JAMES WARREN HANSON | | 0.0250000 | 22 | 525782249 | s | AC |
| 003038 | PO BOX 9 | | 0.02500000 | OK | 323/02249 | 5 . | AC |
| | GLENCOE, NM 88324-0009 | | | | | | |
| | | | | | | | |
| | *************************************** | | | | | | |
| 020620 | CHASE OIL CORPORATION | | 0.0100000 | OR | 850403681 | E | SW |
| | P O BOX 1767 | | | | | | |
| | ARTESIA, NM 88211-1767 | | | | | | |
| | | · | | | | | |
| 064004 | ALAMO RESOURCES II LLC | | 0.7900000 | MI | 272826975 | E | AC |
| | 820 GESSNER SUITE 1650 | | | | | | |
| | HOUSTON, TX 77024 | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | Intere | st Total | 1.00000000 | r | | | |
| Lease | 00013466 Sub | Name CE | DAR LAKE | | | | |
| G/L Comp | 66 Division 48 | Period 01-20 | 12 | Username | diane | | |
| | 064025 Name ALAMO | | | | | | |
| | | | Division Of | Type | • •• | | Pay |
| | Name Name | | <u>Interest</u> 0.12500000 | | | | |
| | COMMISSIONER OF PUBLIC P O BOX 1148 | LANDS | 0.12500000 | KI | 636000303 | £ | |
| | SANTA FE, NM 87504-1148 | | 7 | | | | |
| | • | | | | | | |
| | | | | | 050076450 | _ | CIA |
| 000524 | MARSHALL & WINSTON INC | | 0.05468750 | OR | 320316420 | E | SW |
| | P O BOX 50880 MIDLAND, TX 79710-0880 | | | | | | |
| | ************************************** | | | | | | |
| | | | | | | | |
| 005038 | JAMES WARREN HANSON | | 0.02500000 | OR | 525782249 | S | AC |
| | PO BOX 9 | | | | | | |
| | GLENCOE, NM 88324-0009 | | | | | | |
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0.79531250 WI 272826975 E AC

064004 ALAMO RESOURCES II LLC

820 GESSNER SUITE 1650 HOUSTON, TX 77024



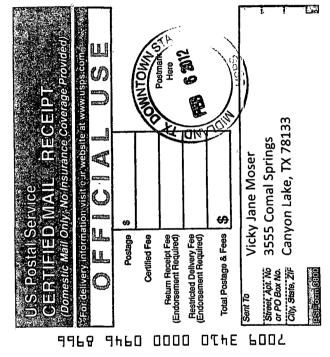
Kapaa, HI 96746-0869

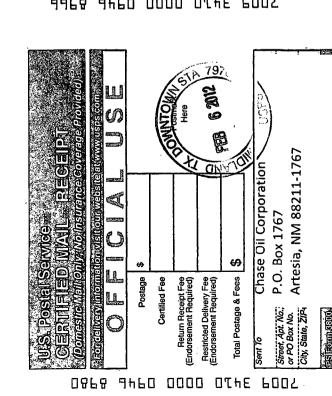
Peggy S Runyan P.O. BOX 869

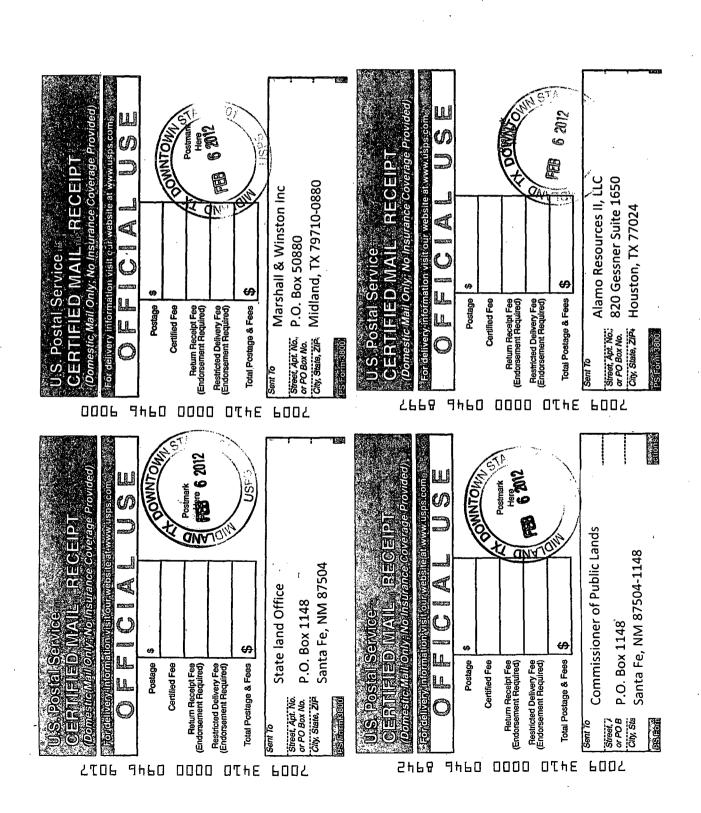
Postage

U.

Certified Fee







February 6, 2012

To: Surface & Interest Owners:

-Re: Alamo Resources II, LLC

Application for Approval of Surface Commingling

Part of Section 19, T17S, R31E,

State BK #3, State BK #5, Cedar Lake #3Y

Eddy County, New Mexico

Ladies and gentlemen:

Please be advised that Alamo Resources II, LLC ("Alamo") has requested approval for a surface commingling application. You have been identified as a surface or interest owner in the above referenced lands therefore, requiring notification of this application. Enclosed for your review, is a copy of the submitted application. Please be advised that any objections must be made in writing to the New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, NM 87504 within twenty (20) days of this applications filing date.

Please do not hesitate to contact us should you have any questions. Thank you for your attention to this matter.

Sincerely,

Carie Stoker

Regulatory Affairs Coordinator

Carie, Stoken

<u>District I</u>
1625 N. French Drive, Hobbs, NM 88240
<u>District II</u>
811 S. First St., Artesia, NM 88210
<u>District III</u>
1000 Rio Brazos Road, Aztec, NM 87410
<u>District IV</u>
1220 S. St Francis Dr, Santa Fe, NM
87505

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-107-B Revised August 1, 2011

OIL CONSERVATION DIVISION

1220 S. St Francis Drive Santa Fe, New Mexico 87505 Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

| APPLICATIO | N FOR SURFACE | COMMINGLING | (DIVERSE | OWNERSHIP) | |
|--|-------------------------------|--|-----------------------|----------------------------|---------------|
| OPERATOR NAME: Alamo | Permian Resources, LL | С | | | |
| and the second s | . Wall Street, Suite 500 | Midland, TX 79 | 701 | | |
| APPLICATION TYPE: | | | | | |
| ☐ Pool Commingling ☐ Lease Commin | gling Pool and Lease Co | mmingling Off-Lease | Storage and Measur | ement (Only if not Surface | e Commingled) |
| | State Fede | | | | |
| Is this an Amendment to existing Or Have the Bureau of Land Manageme | ler? ∐Yes ⊠No If | "Yes", please include: | the appropriate O | of the proposed somm | ingling |
| Yes □No | iii (BLW) and State Land | d office (SLO) been no | uned in wriding (| or the proposed comin | inging |
| | ` , | OL COMMINGLIN ts with the following in | | | |
| | Gravities / BTU of | Calculated Gravities / | | Calculated Value of | |
| (1) Pool Names and Codes | Non-Commingled Production | BTU of Commingled Production | | Commingled Production | Volumes |
| | | | | | |
| | | _ | | | |
| | | | | | |
| | | | <u></u> | | |
| | | | | | |
| (2) Are any wells producing at top allo(3) Has all interest owners been notified | | onosed commingling? | □Yes □No. | | |
| (4) Measurement type: Metering | = = | oposed comminging: | | | |
| (5) Will commingling decrease the val | ie of production? | ☐No If "yes", descri | be why commingli | ng should be approved | |
| | | | | | |
| | (B) LEA | SE COMMINGLIN | IG | | |
| | | ts with the following i | nformation | | |
| 1 7 7 | AYBURG JACKSON; SR-C | - | | | |
| (2) Is all production from same source(3) Has all interest owners been notified | | | ⊠Yes □N | 0 | |
| (4) Measurement type: Metering | | | | | |
| | | | | | |
| | (C) POOL and | LEASE COMMIN | CLINC | | |
| | | ts with the following in | | | |
| (1) Complete Sections A and E. | | | | | |
| | | | | | |
| | (D) OFF-LEASE ST | FORAGE and MEA ets with the following | | | |
| (1) Is all production from same source | | | inioi mation | | |
| (2) Include proof of notice to all intere | | | | | |
| | | | | | |
| | | DRMATION (for all ts with the following in | | pes) | |
| (1) A schematic diagram of facility, in | | | | | |
| (2) A plat with lease boundaries showi(3) Lease Names, Lease and Well Nun | = | ions. Include lease numb | ers it rederal or Sta | ite lands are involved. | |
| (c) Lease Harris, Lease and Well Hull | | | | | |
| I hereby certify that the information above | e is true and complete to the | e best of my knowledge ar | d belief. | | 1 |
| SIGNATURE: | tolen 1 | ITLE: Regulatory Affa | airs Coordinator | DATE: | 1017 |
| TYPE OR PRINT NAME Carie Stoke | | | TELEPHO | ONE NO.: 432.897.0 | <u>673</u> |
| E-MAIL ADDRESS: cstoker@alar | noresources.com | | | | |



ALAMO PERMIAN RESOURCES, LLC Commingled Battery Testing & Allocation Procedures

Eddy County, NM

Alamo Permian Resources, LLC ("Alamo Permian Resources") proposes the surface commingling of its wells on the State BK and one offset adjacent producing lease, the Cedar Lake, into a single Commingled Battery (the "Battery") located on the State BK located at the NW/4 SW/4 UL-L, Section 19, Township 17S, Range 31E in Eddy County, New Mexico The following discussion outlines the basic equipment that will be installed in the Commingled Battery, as well as the basic procedures that will be instituted by Alamo Permian Resources to test producing wells and equitably allocate monthly oil and water production to each well based on well test results.

Battery Equipment & Vessels

A Commingled Battery permitted and constructed by Alamo Permian Resources with the basic equipment, vessels, and facilities in its design in order to test producing wells on a regular basis and equitably allocate oil and water production between all wells producing into the Battery. This Battery equipment will include:

- Inlet Well Header(s) which allow the switching of each well tied into the Battery from production to the Test Tank(s) individually;
- Test Tank(s) for the isolation and testing of each well. The number of Test Tanks will be dependent on the number of wells producing into the Battery;
- At least 2 steel Oil Tanks where total oil production is gauged and oil is sold;
- One to two fiberglass Water Tanks, depending on the amount of water produced on a daily basis from the wells and how it is handled;
- A Gun Barrel as a secondary separation vessel to separate the remaining water from the oil and send the oil to the Oil Tanks; and
- A Circulating Pump to allow for transfer of oil and water between Test Tanks, separation vessels, Oil Tanks, and Water Tanks in the Battery.

Tank Gauging

Each day, each Oil Tank, Water Tank, and Test Tank in the Battery will be gauged by the Alamo Permian Resources Pumper using a steel tape line. The amount of oil and water is measured by using water-finding paste ("color-cut") on the steel tape line. The gauge levels of oil and water in the battery tanks are recorded in the daily field gauge report and used to calculate the total daily and monthly oil and water production volumes for the Battery. The daily Battery oil and water production are sent to the Alamo Permian Resources – Midland, Texas office each day and are used at the end of each month to determine the Total Monthly Battery Production – oil and water production volumes.

Additionally, a record is kept of the number of Producing Days each month for each well. This information is recorded by the Pumper each day on a monthly "Days On and Off Report" form which tracks the days on production and the days off production for each well over the course of the month. This report is sent to the Alamo Permian Resources – Midland, Texas office at the end of each month to be used in the allocation process.

Well Testing

Prior to each Well Test, the Test Tank is emptied using Circulating Pump to move contents to the FWKO. The remaining volume in the Test Tank, if any, is gauged and color-cut to determine the oil and water volumes in the tank at the start of the Well Test.

- At the Well Header at the entry to the Battery, the well selected to be tested is switched from Production to Test by opening and closing the appropriate valves on the header manifold to route the produced fluids from the well to a Test Tank.
- Each well producing into the Battery is to be tested at least once per month, but will be tested as many times as practical.
- The well will be left "on test" until a stabilized daily production rate is established, with a minimum test time of 48 hours.
- After the well has been on test a minimum of 24 hours, the produced fluids in the Test
 Tank will be gauged and color-cut. If the color-cut demarcation between oil and water
 is not clear, a fluid sample will be taken from the Test Tank using a "thief" sample
 catcher which allows the sampling of fluids in the tank at any desired depth in order to
 verify the composition of the produced fluids in the tank, both oil and water.
- Once the volumes of oil and water in the Test Tank have been determined, the well's Test Volumes over the preceding 24 hours are determined by subtracting the Test Tank volumes at the start of the test period from the Test Tank volumes recorded at the end of the period.
- The 24-hour Test Volumes of Oil and Water production from the well are recorded and sent to the Alamo Permian Resources Midland, Texas office.
- At the conclusion of each Well Test, the produced oil and water volumes in the Test Tank are sent to the Battery FWKO by Circulating Pump.

Monthly Production Allocations

Each month, the Total Monthly Battery oil and water production volumes are allocated to each producing well producing into the Battery based on the well's Well Tests during the month and its number of Producing Days during the month. The Monthly Production Allocations methodology is as follows:

- The Total Monthly Battery Production (oil and water) is determined from the daily field gauge reports from the Pumper.
- The representative Well Test for each well is selected from the Well Tests run during the month. If more than one Well Test is run on a well during the month and all are determined to be representative, then the arithmetic average of the individual Well Tests is used as the Well Test for the well during the month.

- For each well producing into the Battery, the Well Test for the month is multiplied by the well's Producing Days during the month to calculate the Well Pseudo-Production for the month.
- The Well Pseudo-Production for each well is calculated and then all are summed for the month to calculate the Total Battery Pseudo-Production for the month.
- The Monthly Well Allocation Factor is then calculated for each well by dividing the Well Pseudo-Production for the month by the Total Battery Pseudo-Production for the month. Individual allocation factors are determined for both oil and water production for each well in the Battery by this method.
- The Monthly Allocated Production for each well is then calculated by multiplying the well's Monthly Well Allocation Factor by the Total Monthly Battery Production. Individual monthly oil and water allocated production volumes for each well in the Battery are determined by this method.
- Monthly Oil Sales for each well are also determined using the Monthly Well Allocation Factors and the Total Monthly Battery Oil Sales volumes for the Battery.

Example Monthly Well Allocation

The Gusher #1 well is producing into the Battery. Determine the Monthly Allocated Swall Company Production (oil and water) for the Gusher #1:

4,500 BO & 3,000 BW **Total Monthly Battery Production:** Gusher #1 Well Test for the month: 20 BOPD & 10 BWPD

Gusher #1 Producing Days in the month: 25 Days

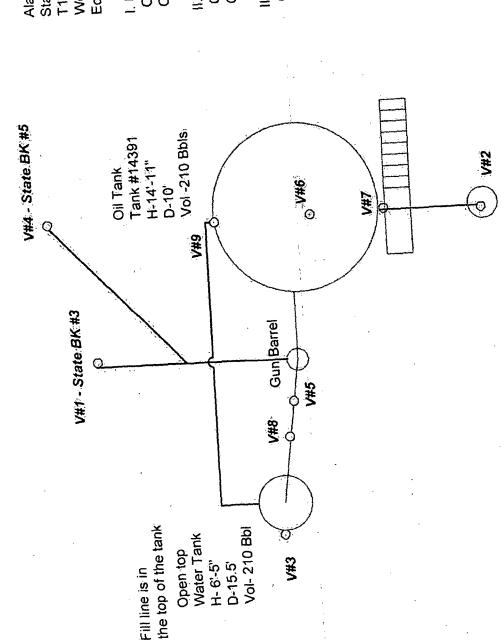
Gusher #1 Well Pseudo-Production: $(20 BOPD \times 25 Davs) = 500 PBO$ (10 BWPD x 25 Days) = 250 PBW

Total Battery Pseudo-Production: 6,250 PBO & 5,000 PBW

Gusher #1 Monthly Well Allocation Factor: (500 PBO / 6,250 PBO) = 0.08 for Oil

(250 PBW / 5,000 PBW) = 0.05 for Water

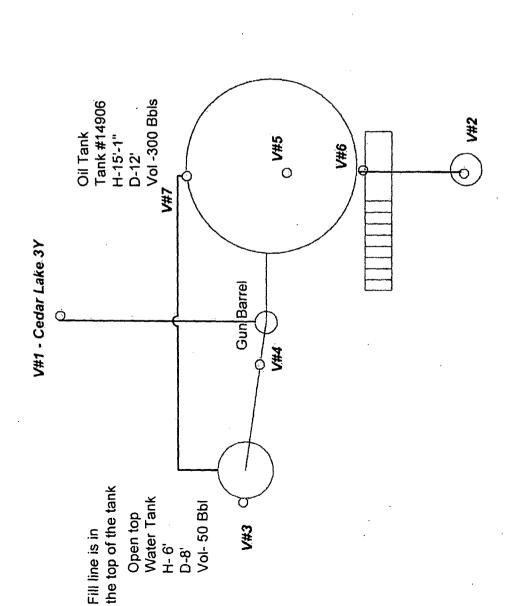
Gusher #1 Monthly Allocated Production: $(0.08 \times 4,500 BO) = 360 BO$ $(0.05 \times 3,000 \text{ BW}) = 150 \text{ BW}$



Alamo Permian Resources State BK Lease T17 S R31E Section 19 Unit Letter L Well #3 (API: #30-015-05273); #5 (API 30-015-10167) Eddy County, New Mexico

I. Production Phase
Open Valves # 1, 4, 6, 8
Closed Valves # 5, 9
II. Oil Sales Phase from Tank 14906
Open Valves # 2, 7

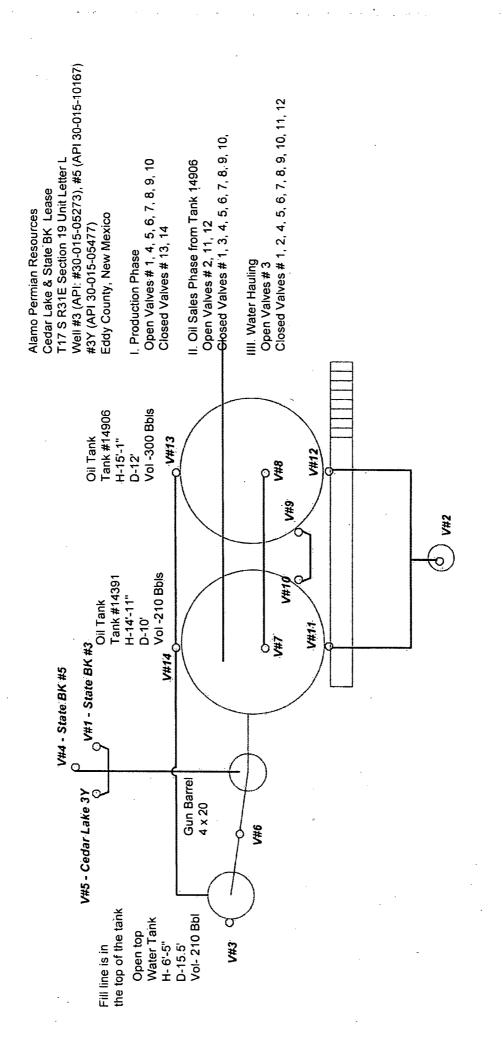
Open Valves # 2, 7
Closed Valves # 1, 3, 4, 5, 6, 8, 9
IIII. Water Hauling
Open Valves # 3
Closed Valves # 1, 2, 4, 5, 6, 7, 8, 9



Alamo Permian Resources
Cedar Lake Lease
T17 S R31E Section 30 Unit Letter D
Well #3Y (API: #30-015-05477)
Proposed Abandon location
Storage facility located at T17 S R31 E Section 19
Eddy County, New Mexico

I. Production Phase Open Valves # 1, 4, 5 Closed Valves # 2, 3, 6, 7 II. Oil Sales Phase from Tank 14906Open Valves # 2, 6Closed Valves # 1, 3, 4, 5, 7IIII. Water Hauling

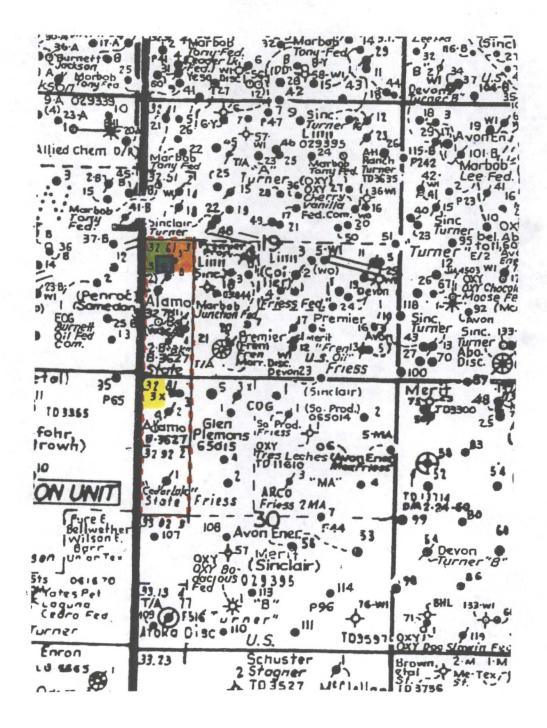
IIII. Water Hauling Open Valves # 3 Closed Valves # 1, 2, 4, 5, 6, 7





415 W. Wall Street, Suite 500 Midland, TX 79701

OGRID 274841





CEDAR LAKE 3 Y

COMMINGLE PRODUCTION FACILITY

STATE BK 3

LEGAL LOCATION: NW/4 SW/4 UL-L, SEC 19, T17S, R31E, EDDY COUNTY, NM

STATE BK 5

COMMINGLING STORAGE FACILITY

| | | | LEASE N | VAMES, LE | ASE NAMES, LEASE & WELL NUMBERS, & API'S | IBERS | ø | API's | | | | | | |
|-------------------|------------------|-----------------------------|------------|-------------|--|----------|-------|-------|---------------------------|--------------------|---------------|---------|------------|--------------|
| | | | | | | | | | | | Location | | | |
| API No. 14 Digit | API No. 10 Digit | OPERATOR NAME | LEASE NAME | WELL NUMBER | PROD ZONE NAME | Lease | SEC T | VP | Lease SEC TWP RNG E/W N/S | Unit N/S Letter | FOOTAGE CALLS | ECALLS | IAT | FONG |
| 30-015-05477-0000 | 30-015-05477 | ALAMO PERMIAN RESOURCES LLC | CEDAR LAKE | λε | QUEEN/ SAN ANDRES | State | 30 1 | 17 31 | w | Q S | 330 FNL | 731 FWL | 32.8118674 | -103.9145052 |
| 30-015-05273-0000 | 30-015-05273 | ALAMO PERMIAN RESOURCES LLC | STATE BK | 8 | QUEEN/ SAN ANDRES | State | 19 1 | 17 31 | ш | 3 (| . 2310 FSL | 906 FWL | 32.8191243 | -103.9139426 |
| 30-015-10167-0001 | 30-015-10167 | ALAMO PERMIAN RESOURCES LLC | STATE BK | S | QUEEN/ SAN ANDRES | State 19 | 19 1 | 17 31 | w | l S | 1650 FSL | 330 FWL | 32.8173081 | -103.9158239 |