<u> </u>		
	SUSPEN	ISE EZEANYIN 10/22/12 TYPE CTB APP NO PKUR 1229/04/6028
		ABOVE THIS LINE FOR DIVISION USE ONLY NEW MEXICO OIL CONSERVATION DIVISION - Engineering Bureau - 1220 South St. Francis Drive, Santa Fe, NM 87505 1220 South St. Francis Drive, Santa Fe, NM 87505 Sinclair A State :
		ADMINISTRATIVE APPLICATION CHECKLIST
		ANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE
(D	-Non-Star HC-Dowr [PC-Po EOR-Qual	ndard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication] nhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] ol Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion] [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase] lified Enhanced Oil Recovery Certification] [PPR-Positive Production Response] PPLICATION - Check Those Which Apply for [A]
.]	[A]	Location - Spacing Unit - Simultaneous Dedication
	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
] NOT	IFICAT	ION 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
-		CURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE
pproval is ac	curate a	TION: I hereby certify that the information submitted with this application for administrative nd complete to the best of my knowledge. I also understand that no action will be taken on this quired information and notifications are submitted to the Division.
	Note:	Statement must be completed by an individual with managerial and/or supervisory capacity.
<u>ARIE STOKER</u> Print or Type N	ame	<u>Signature</u> <u>Regulatory Affairs Coordinator</u> <u>16</u> 4112

CTB-661

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Bate

cstoker@alamoresources.com E-mail Address

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RECEIVED OCD

2012 OCT -9 P 12:35

October 3, 2012

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, R29E, Sinclair A State 1, Humble State 3, and Humble State 4 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,

3

Carie Stoker Regulatory Affairs Coordinator

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

Attachment

Enclosures

	hu May 24, 2012 HOL 7:01:49 Di	LYFRONTIER REI vision of Inte	'INING & MAR erest - Exhi	KETING LLC bit A	PA	REPORT: GE: 1 of	DC3 1
G/L Comp Operator	e 00018075 Sub p 66 Division 48 r 064025 Name Alamo PER	Period 04-201 MIAN RESOURCES	I, LLC	Username			Pay
Owner_	Name		Interest	_ Interest	Tax ID #	Type ID	-
	COMMISSIONER OF PUBLIC LAN P O BOX 1148 SANTA FE, NM 87504-1148	DS	0.12500000	RI	856000565	B	GS
005038	JAMES WARREN HANSON PO BOX 9		0.02500000	OR	525782249	S	AC
	GLENCOE, NM 88324-0009						
049427	MAPOO-NET AN OKLAHOMA GENERAL PARTNE C/O MINERAL ACQUISITION PA 101 NORTH ROBINSON AVE STE OKLANDA GIRK OK 72102	RTNERS INC 1000	0.05468750	OR	752889370	E	РА
061142	OKLAHOMA CITY, OK 73102-55 BH SIMMONS TRUST F/B/O MARY JANE HAND /OIL & GAS I WELLS FARGO BANK NA TRUSTE: P O BOX 1959	DIVISION	0.10253905	WI	266110399	E	PA
	MIDLAND, TX 79702 J E SIMMONS TRUST F/B/O MARY JANE HAND /OIL & GAS I WELLS FARGO BANK NA TRUSTED P O BOX 1959	DIVISION	0.10253905	WI	266110413	E	PA
064004	MIDLAND, TX 79702 ALAMO RESOURCES II LLC 820 GESSNER SUITE 1650 HOUSTON, TX 77024		0.59023440	WI	272826975	E	AC
	. •	otal Name HUMI eriod 04-2012	DLE STATE 3	& 4 Username	diane		
-	064025 Name ALAMO PERM	1	ivision Of	Туре	·		Pay
000001	Name COMMISSIONER OF PUBLIC LAND P O BOX 1148 SANTA FE, NM 87504-1148	S	0.12500000		<u>Tax_1D_#</u> 856000565	<u>Type ID</u> E	<u>Code</u> GS
1	EXXON CORPORATION ATTN: ROYALTY OWNER RELATIO P O BOX 2024 HOUSTON, TX 77252-2024	NS	0.06250000	OR	135409005	E	SW
I	JAMES WARREN HANSON PO BOX 9 Glencoe, NM 88324-0009		0.02500000	OR	525782249	S	AC
F	CHASE OIL CORPORATION O BOX 1767 RTESIA, NM 88211-1767		0.01250000	OR	850403681	E	SW
8	LAMO RESOURCES II LLC 20 GESSNER SUITE 1650 OUSTON, TX 77024		0.77500000	WI	272826975	E	AC
-	Interest To		1.00000000				

Interest Total

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1.00000000

October 05, 2012

To: Surface & Interest Owners:

Re: Alamo Resources II, LLC Application for Approval of Surface Commingling Part of Section 19, T17S, R29E, Sinclair A State 1, Humble State 3, and Humble State 4 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,

ane Stoles,

Carie Stoker Regulatory Affairs Coordinator

		•									
District I State of New Mexico Form											
1625 N. French Drive, Hobbs, NM 88240 District II	Energy, Minerals and	Revised August 1, 2011									
811 S. First St., Artesia, NM 88210											
District III 1000 Rio Brazos Road, Aztec, NM 87410		the original									
District IV	application to the Santa Fe										
1220 S. St Francis Dr, Santa Fe, NM 87505	Santa Fe, I	New Mexico 87505		office with one copy to the appropriate District Office.							
APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)											
	ermian Resources, LLC		DIVERSE	OWNERSHII)	. <u></u>						
OPERATOR ADDRESS: 415 W. Wall Street, Suite 500 Midland, TX 79701											
APPLICATION TYPE:											
Devision Pool Commingling Devise Comminglin	g Pool and Lease Cor	nmingling Off-Lease	Storage and Measur	ement (Only if not Surface	e Commingled)						
LEASE TYPE: 🗌 Fee 🛛	State 🗌 Feder	ral									
Is this an Amendment to existing Order			he appropriate O	order No.							
Have the Bureau of Land Management					ingling						
	(A) POO	L COMMINGLIN	G								
		s with the following in									
(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes						
· · ·	· · · · ·										
					<u> </u>						
······································											
(2) Are any wells producing at top allowal	oles? Yes No	L	L		!						
(3) Has all interest owners been notified by	y certified mail of the pro	posed commingling?	∐Yes □No.								
 (4) Measurement type: Metering [(5) Will commingling decrease the value of 	Other (Specify)	No. If "ves" descri	he why commingli	ng should be approved							
			be why commign	ing should be approved							
				······							
		SE COMMINGLIN									
(1) Pool Name and Code. AID; Yates-Sev		s with the following in	normation	<u> </u>							
(2) Is all production from same source of s		0									
(3) Has all interest owners been notified by			⊠Yes □N	0							
(4) Measurement type: Metering	Other (Specify) See atta	ched- Commingled Batter	ry testing & allocat	tion procedures							
	(C) POOL and	LEASE COMMIN	GLING								
		s with the following in									
(1) Complete Sections A and E.											
(D) OFF-LEASE STORAGE and MEASUREMENT Please attached sheets with the following information											
(1) Is all production from same source of s											
(2) Include proof of notice to all interest or	—										

	(E) ADDITIONAL INFORMATION (for all application types) Please attach sheets with the following information								
(1)	A schematic diagram of facility, including legal location.								
(2)	A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.								
(3)									
<u></u>									
i he	ereby certify that the information above is true and complete to the best of my knowledge and belief.								
SIG	SNATURE: DATE: DATE: DATE: DATE: DATE: DATE: DATE: DATE:								
TY	PE OR PRINT NAME <u>Carie Stoker</u> TELEPHONE NO.: <u>432.897.0673</u>								

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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 Humble State and one offset adjacent producing lease, the Sinclair A State, into a single Commingled Battery (the "Battery") located on the Humble State located at the SE/4 SW/4 UL-N, Section 19, Township 17S, Range 29E 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

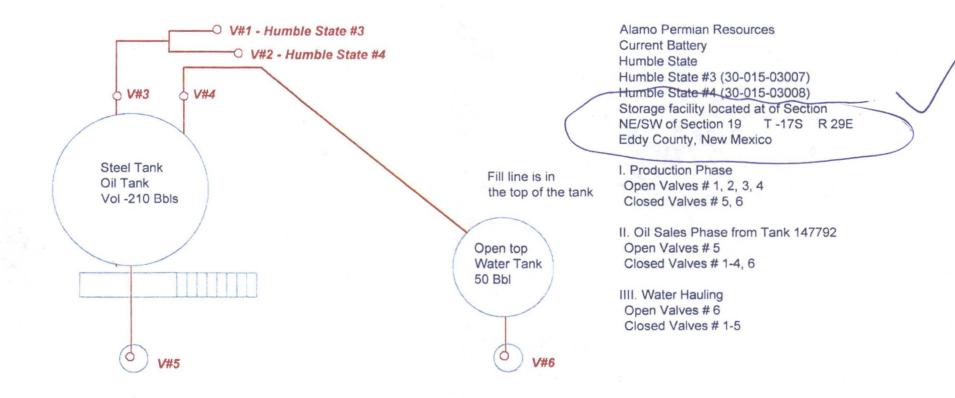
The Gusher #1 well is producing into the Battery. Determine the Monthly Allocated Production (oil and water) for the Gusher #1:

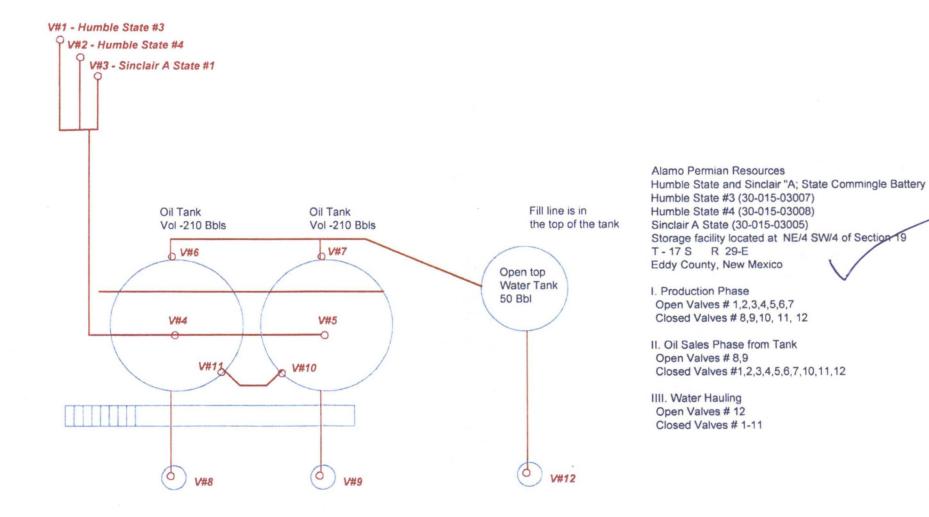
- Total Monthly Battery Production:
- Gusher #1 Well Test for the month:
- Gusher #1 Producing Days in the month:
- Gusher #1 Well Pseudo-Production:

Total Battery Pseudo-Production:

- Gusher #1 Monthly Well Allocation Factor:
- Gusher #1 Monthly Allocated Production:

4,500 BO & 3,000 BW 20 BOPD & 10 BWPD 25 Days (20 BOPD x 25 Days) = 500 PBO (10 BWPD x 25 Days) = 250 PBW 6,250 PBO & 5,000 PBW (500 PBO / 6,250 PBO) = 0.08 for Oil (250 PBW / 5,000 PBW) = 0.05 for Water (0.08 x 4,500 BO) = <u>360 BO</u> (0.05 x 3,000 BW) = <u>150 BW</u>





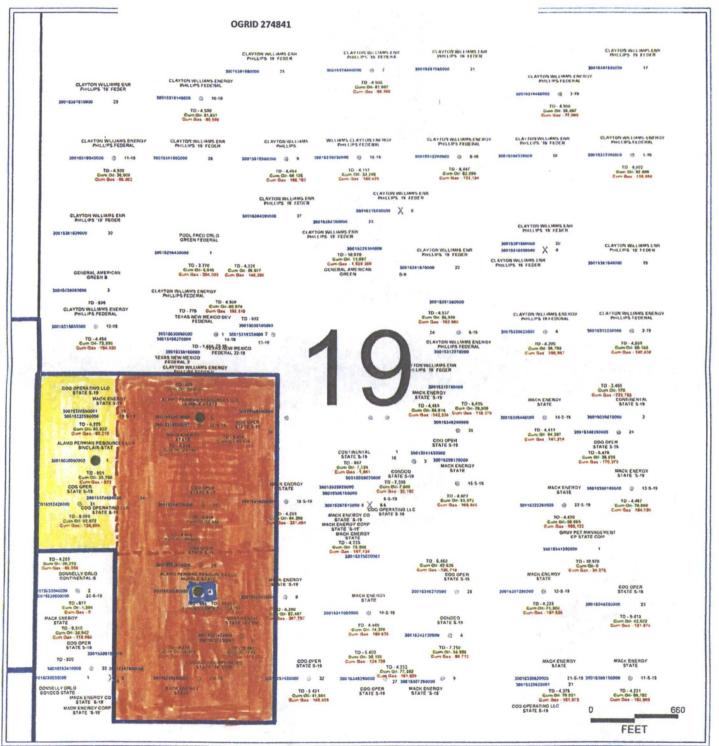


SINCLAIR A ST 1

HUMBLE ST 3 & 4

COMMINGLING STORAGE FACILITY

LEASE BOUNDARY LINES

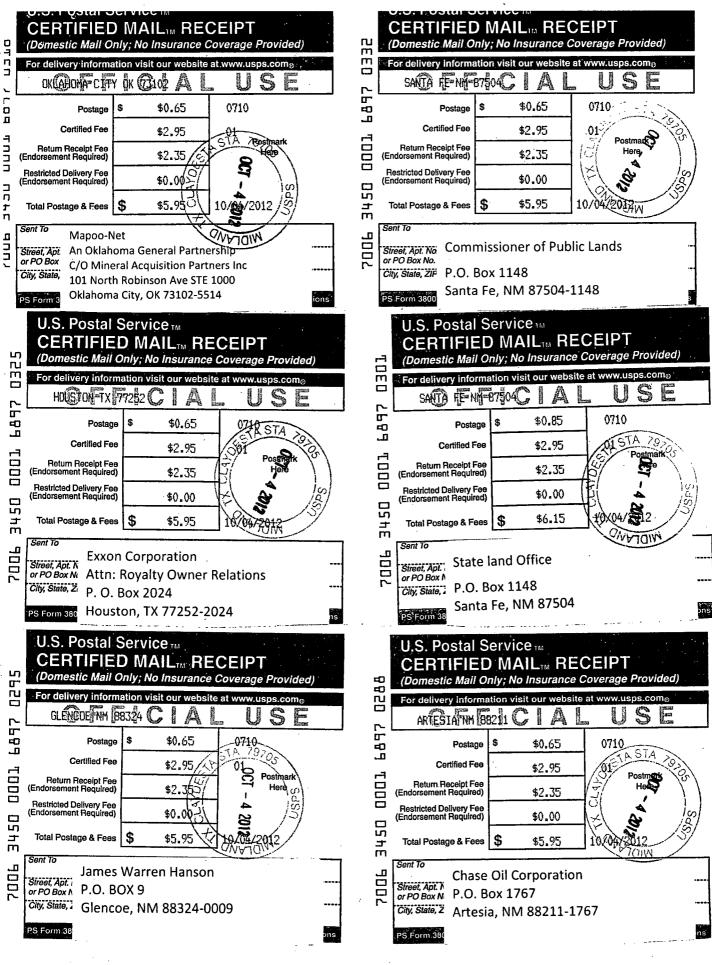


PETRA 5/21/2012 10:08 48 AM

COMMINGLE PRODUCTION FACILITY

LEGAL LOCATION: SE/4 SW/4 UL-N, SEC 19, T175, R29E, EDDY COUNTY, NM

						Location									
API No. 14 Digit	API No. 10 Digit	OPERATOR NAME	LEASE NAME	WELL NUM	PROD ZONE NAME	Lease	SEC	TWP	RNG	E/W	N/S	Unit Letter	FOOTAGE CALLS	LAT	LONG
30-015-03005-0000	30-015-03005	ALAMO PERMIAN RESOURCES LLC	SINCLAIR A STATE	1	YATES-SEVEN RIVERS	State	19	17	29	E	5	L	1980 FSL 452 FWL	32 8183110	-104.1199860
30-015-03007-0000	30-015-03007	ALAMO PERMIAN RESOURCES LLC	HUMBLE STATE	3	YATES-SEVEN RIVERS	State	19	17	29	E	s	к	2310FNL 1234FWL	32.8192107	-104.1174259
30-015-03008-0000	30-015-03008	ALAMO PERMIAN RESOURCES LLC	HUMBLE STATE	4	YATES-SEVEN RIVERS	State	19	17	29	E	s	N	990FSL 1236FWL	32.8155826	-104.1174294
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