REC	EIVED	NEW MEXICO OIL CONSERVATION DIVISION USE ONLY - Engineering Bureau - 1220 South St. Francis Drive, Santa Fe, NM 87505 RMITTED INTERVAL TO ADD PERFORATIONS TO INTERVAL. Challenger (Tute)
y UFILE		MITTED INTERVAL TO ADD PERFORATIONS TO INTERVAL. Challenger (1416)
 TI		MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS
Appli	[DHC-Dow [PC-Po	WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE s: ndard Location] INSP-Non-Standard Proration-Unit] [SD-Simultaneous Dedication] nhole Commingling] (CTB-Lease Commingling] [PLC-Pool/Lease Commingling] ool Commingling] (OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion) ESWD-Salt Water Disposal] 11PI-Injection Pressure Increase] alified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]
[I]	TYPE OF AP [A]	PLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication NSL NSP SD to One Only for [13] or [C]
	Check [13]	Cone Only for [13] or [C] Commingling - Storage - Measurement ☑ DHC □ CTI3 □ PLC □ PC □ OLS □ OLM
	[Ç]	Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
[2]	NOTIFICAT [A]	TION REQUIRED TO: - Check Those Which Apply, or Does Not Apply Working, Royalty or Overriding Royalty Interest Owners
	[13]	□ 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]	Solution For all of the above, Proof of Notification or Publication is Attached, and/or,
		U Waivers are Attached
	[F]	

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

and Tuleto	Regulatory Agent	12-1-09
 Signature	Title	Date

ann.wtor@gmail.com e-mail Address

Ann E. Ritchie Print or Type Name

November 25, 2009

Energy, Minerals and Natural Resources Department Oil Conservation Division 1220 South St. Francis Drive Santa Fe, NM 87505

Attn: Mr. Mark E. Fesmire, Director

Re: Form C-107A, OGX Resources, LLC, Challenger 1 State, Well #11, API 30 015 36535 Surface Location: 660' FNL & 660' FWL, Sec 1, T25S, R29E, Eddy County, NM

Dear Mr. Fesmire,

Enclosed please find a Division Form C-107A for the OGX Resources, LLC, Challenger 1 State, Well #1. It is proposed to downhold commingle the Pierce Crossing, Bone Spring East and the Corrall Canyon Delaware, NW within the subject well. Approval of the application will allow OGX Resources, LLC to economically produce the oil and gas reserves in the Delaware and Bone Spring intervals, thereby preventing waste. Please note that the ownership is identical, as provided on the ownership listing included in this application. Pursuant to Division rules, all interest owners are being provided notice of this application by certified mail. The proposed allocation of production, which is based upon actual production tests conducted on each of the zones, is fair and reasonable, and will protect the correlative rights of all interest owners in the well.

I believe that all the information necessary to approve the application is enclosed. If additional information or documentation is needed, please contact me as below. Thank you.

Yours truly,

Ann E. Ritchie, Regulatory Agent OGX Resources, LLC P.O. Box 2064 Midland, TX 79702 (432) 684-6381; (432) 682-1458-fax ann.wtor@gmail.com

xc: OCD – Artesia Interest Owners-Listing attached District 1 ch Drive, Hobbs, NM 88240 1625 N. Free

District II

1301 W. Grand Ave 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

APPLICATION TYPE Single Well Establish Pre-Approved Pools **EXISTING WELLBORE** Yes _ __No

APPLICATION FOR DOWNHOLE COMMINGLING

OGX Resources, LLC (217955), P.O. Box 2064, Midland, TX 79702 Operator Address

-	. 1.	
	DH- 1-244	Ì
	DAC-4244)

Challenger 1 State	<u>1 A</u>	(D), Sec 1, '	T25S, R29E		Eddy	y
Lease	Well No.		ion-Township-Range		Cou	unty
OGRID No. 217955 Property C	Code API No.	30-015-365	35 Lease Type	e:State	eState	
DATA ELEMENT	UPPER ZO	NE	INTERMEDIATE ZO	NE	LOWER	20NE
Pool Name	Corral Canyon Delay	ware, NW			Pierce Crossing; E	Bone Spring East
Pool Code	Oil - 96473				Oil-96	5464
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)					8425-9895; 10	,140-11,610' EE
Method of Production (Flowing or Artificial Lift)	Artificial Li	_		<u> </u>	Artifici:	
Bottomhole Pressure (Note: Pressure data will not be required if the botto perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	Notrequires	Portsi			Notres	g Rosts
Oil Gravity or Gas BTU (Degree API or Gas BTU)	40	/			/ / 40	
Producing, Shut-In or New Zone	Producing				Packer	ed off
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production	of Date: 11-01-09	E	Date:		Date: 9-01-09	
estimates and supporting data.)	Rates: 40 oil and 1	mcf R	lates:]	Rates: 37 oil an	d 183 mcf
Fixed Allocation Percentage (Note: If allocation is based upon something other	Oil (Gas C	Dil Gas		Oil	Gas
than current or past production, supporting data or explanation will be required.)	52 %	2 %	%	%	48 %	98 %

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_X Yes	No No
Are all produced fluids from all commingled zones compatible with each other?	YesX	No
Will commingling decrease the value of production?	Yes	No_X
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_X	_ 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.) C-105 for each pool attached

For zones with no production history, estimated production rates and supporting data.

Data to support allocation method or formula. Based on production history from each pool.

Notification list of working, royalty and overriding royalty interests for uncommon interest cases. List attached.

Any additional statements, data or documents required to support commingling.

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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 about	A is true and complete to the best of	my knowledge and belief.
		, ,
1. A the		

SIGNATURE	Min. Tulahio	TITLE_Regulatory Agent	DATE1	1-25-09
TYPE OR PRINT NA	ME_Ann E. Ritchie	TELEPHONE NO. (_432684-63	381

E-MAIL ADDRESS ____ann.wtor@gmail.com_

Attachments and/or Supporting Data Application for Downhole Commingling OGX Resources, LLC Challenger 1 State, Well #1H API 30 015 36535 Section 1, T25S, R29E, NMPM Eddy County, New Mexico

Production Data & Proposed Allocation

The Challenger 1 State, Well #1H was drilled in August-November 2008. This well was initially completed in the Pierce Crossing; Bone Spring Pool. A completion production test was submitted to the district Oil Conservation Division on 1-21-09, indicating a producing rate of 122 bbls oil, 570 mcf gas and 1316 bbls water on a 32/64" choke. In September 2008 the producing rate was down to an average of 37 bbls oil per day, 183 mcf and 348 bbls water. Proposal was submitted to come up hole to perforate and test the Corral Canyon Delaware, NW Pool. A production test on 10-12-09 indicated that this pool produced, on artificial lift, 39 bbls oil, 10 mcf gas and 132 bbls water. Subsequently the gas from the Delaware pool has decreased to 1-2 mcf/day.

OGX Resources, LLC proposes that the production from the Challenger 1 State, Well #1H be allocated on the basis of the production tests as reflected on the C-107A as follows: Corral Canyon Delaware, NW: 11-1-09 test – 40 bbls oil, 1 mcf gas/day Pierce Crossing; Bone Spring East: 9-1-09 – 37 bbls oil, 183 mcf gas/day

Corral Canyon Delaware, NW Oil 52 % Pierce Crossing; Bone Spring East Oil 48 % Gas 98 %

Interest Ownership

OGX Resources, LLC P.O. Box 2064 Midland, TX 79702

Gas 2 %

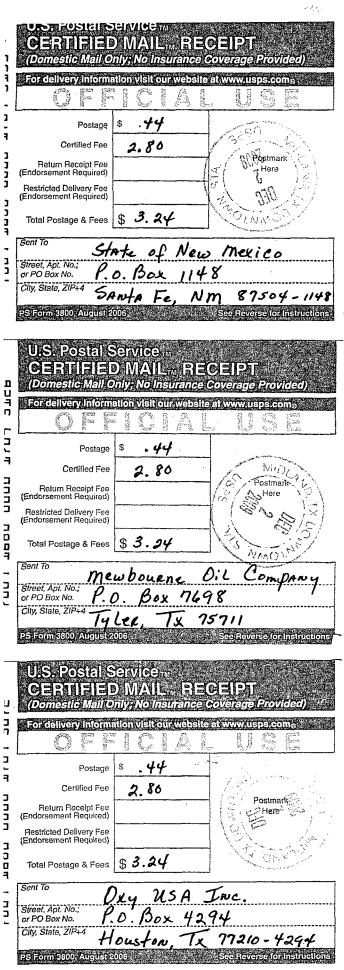
OXY USA, Inc. P.O. Box 4294 Houston, TX 77210-4294 State of New Mexico Commissioner of Public Lands P.O. Box 1148 Santa Fe, nM 87504-1148

Mewbourne Oil Company P.O. Box 7698 Tyler, TX 75711

Copies of the C-107A, Downhole Commingling request letter, and C-105s have been sent to the above stated parties by certified mail on December 1, 2009.

litukhio

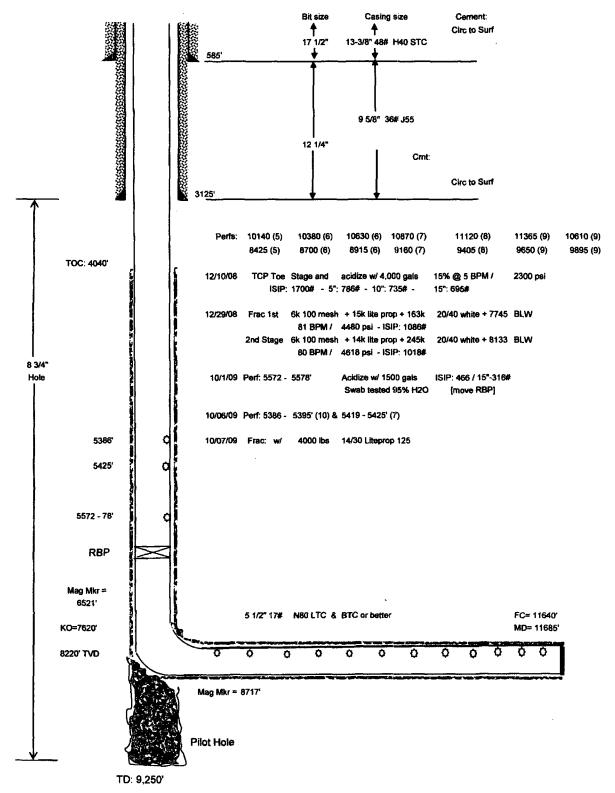
Ann E. Ritchie, Regulatory Agent OGX Resources, LLC



OGX Resources LLC

Sec. 1, T25S, R29E Eddy County, New Mexico

API: 30-015-36535



11/5/2009

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Based: Junct Dr., Holdo, NM 8240 Bill Construction Division Bill Construction	Subinit To Appropriat State Lease - 6 copies		et Office	- France	-	tate of New M				FEB - 2	2009	D.	Form C-105 evised June 10, 2003	
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2 same of Operator: OGX Resources, LLC Ogrid: 217955 J 8. Wet No: 1 J 3. Address of Operator: P.O. Box 2064, Midland, TX 79702 9. Poot name or Wildcat: Pierce Crossing; Bone Spring, East 4. Well Location Unit Letter: D		WOF		IN:						Challenge	er 1 State	N		
3. Address of Operator 9. Pool name of Wildcat: P.O. Box 2064, Midland, TX 79702 9. Pool name of Wildcat: 14. Well Location 10. Date State of the Constance of Wildcat: 15. Vold Person 10. Date Spudded 11. Date of Wildcat: 10. Date Spudded 11. Date State of the Constance of Wildcat: 13. Elevators (DF& RKB, RT, GR, etc.) 14. Elev Cossinghead 16. Date Spudded 11. Date State 12. 2086 12. 2080 13. 000' GR 15. Tool Depth: 16. Prog Rask TO:: 17. If Multiple Compl. How Many 18. Intervals: Rotiny Tools: X Cable Tools 19. Producting Interval(s) of this completion: Top, Bottom, Name 20. Was Dispectional Survey Made 20. Was Dispectional Survey Made 21. Type Electric and Other Logs Ran. GR/CCL 22. Was Well Corect: No 23. Machine State None 23. State WEIGHT LB. PT DEPTH SET HOLE SIZE CEMENTING RECORD AMOUNT PULLED 13. 387* 3.66# 312.25* 12. 1/4" 1100 sx - surface None 5 12.2* 17.9 11.865 7. 7/8* 2100 sx - surface None 5 12.2* 17.9 10. 16.0* SockS CEMENT Size DEP					BACK			OTHER:		0 NI 0 NI	1			
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E-mail Address: ann.wtor@gmail.com	Signature	M	W. Juli	ny	1	Name : Ann E. I	Ritchie	Т	fitle:	Regulatory	Agent	Date: 1	-21-09	
	E-mail Address	s. ann	wtorMomail	com										
Mr.		. am											~	
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Submit To Appropriate District OfficeState of New MexicoFormTwo CopiesForm									rm C-105									
Distnict I 1625 N. French Dr., 1	Hobbe N	JM 88	740		Ene	ergy, l	Minerals and	d Na	itural	Re	esources	-	July 17, 2008					
District 11 1301 W. Grand Aven					Oil Conservation Division						1. WELL API NO. 30 015 36535							
District III 1000 Rio Brazos Rd.,	Aztec, 1	NM 874	410		1220 South St. Francis Dr.						2. Type of Lease							
District IV 1 1220 S. St. Francis D							Santa Fe, N					ł			Lease N		ED/IND	
					RECO	_	ETION RE				0106	-+						
4. Reason for filing		L			(200							+	5. Lease Name	or U	Init Agre	ement Na	ame	
	ON REI	PORT	(Fill in	ooxes	# I throu	gh #31	for State and Fee	e well	s only)				Challeng 6. Well Nurribe	· · · · ·	1 State	. <u>.</u>		
C-1 44 CLOSU #33, attach this and												/or	1					
7. Type of Comple		٦wr						-	DIFFEI	יםכ	UT DECEDU		OTHER					
8. Name of Operato	ог						MILCOBACK		DIFFEI	<u>VE</u> I	NI KESEK V		9. OGRID					
I 0. Address of Ope		UGA	(Resou	irces	, LLC				<u> </u>				I I. Pool name	$\frac{2179}{01}$				//
		0.00	17.41.	1.77	W 707	00											V O	
	BOX 2		, Midla Section	nd, I	X /9/ Towns		Range	Lot			Feet from t	he	Corrall Can	<u> </u>	from the			6464 County
Surface:		-+	1		255		29E	201		_	660		North	66		Wes		Eddy
BHL:			1		233		2915				000		North	000				1.00y
13. Date Spudded 8-30-08	1	Date T.	.D. Reach	ied		Date Rig -29-0	Released 8				- Date Comp -completi		(Ready to Produ 10-9-09	ice)		17. Eleva T, GR, e		and RKB, 0' GR
18. Total Measured 11,865'	l Depth	of We	ell			'lug Bac 25'	k Measured Dep	oth		20.	Was Directi	ional	Survey Made?			e Electri		her Logs Run
22, Producing Inter Delaware: 438			s comple	ion - 1			me		L						011 0			
23.						CAS	ING RECC	RD	(Rer	10	rt all str	ing	s set in we	11)				
CASING SIZE	E		WEIGHT	LB./I			DEPTH SET			HC	LE SIZE		CEMENTING	<u> </u>	CORD	Al	MOUNT	PULLED
13 3/8"		48 #				585'			17 1/2				500 sx			none		
9 5/8" 5 1/2"		36#				3125			12 1/4				1100sx			none		
51/2		17#				11,80	53'		7 7/8				2250 sx			none		
24.		·				LINI	ER RECORD					25.	TU		NG REC			
SIZE	TOP			BOI	гтом		SACKS CEMI	ENT	SCRE	EEN		SIZ			EPTH SE	T	PACK	ERSET
												2 7/	8	13	175'			<u></u>
26. Perforation rec	l cord (in	iterval	l, size, ar	l Id nun	nber)		<u> </u>		27 A	CI	D. SHOT.	FRA	CTURE, CEN	1 AEN	T. SOU	EEZE.	ETC.	
5419-5415' w/ 7 h									DEPT	Ή	INTERVAL,		AMOUNT AN	ND K	IND MA	TERIAL	USED	
									5419	-53	395'		34,000 gal f	rac	w/14/3	0 lite p	rop	
20										C	TION		1					
28. Date First Production	on	<u>.</u>	P	oducti	on Metho	d (Flow	ing, gas lift, pun					}	Well Status (Prod	. or Shut	-in)	·	
10-9-09				oump			0.0 0 1						producing					
Date of Test	Hour	s Test			oke Size		Prod'n For		Oil - I	вы		Gas	- MCF	W	ater - Bbl		Gas - C	il Ratio
10-12-09	24						Test Period		39			10	ļ		132		256	
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3 1, List Attachmen	its						·									·····		
- 30 10			viation						-									
32. If a temporary p					-			-		•								
33, If an on-site bu	ria was	used	at the we	,Irepc	ort the ex	act loca		te bur	iali:				T '' '					0.1007.1000
I hereby certify	that t	hein	itormat	ions	hown	n both	Latitude 1 sides of this	for	n is tri	ue	and compi	lete	Longitude to the best of	f mv	knowle	edge an	NA. d beliei	D 1927 1983
Signature	//	/ /	O. Fa	40	4	F	Printed Name Ann E						Regulatory A					10-14-09
E-mail Address	ann		r@gma				<u> </u>					-						

INSTRUCTIONS OGX Challenger 1 State #1

This form is to be filed with the appropriate District Office of the Division not later than 20 days after the completion of any newly-drilled deepened well. It shall be accompanied by one copy of all electrical and radio-activity logs run on the well and a summary of all special test conducted, including drill stem tests. All depths reported shall be measured depths. In the case of directionally drilled wells, true vertical depths shall also be reported. For multiple completions, items 25 through 29 shall be reported for each zone. The form is to be filed in quintuplicate except on state land, where six copies are required. See Rule 1105.

INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

Southe	astern New Mexico	Northwestern New Mexico					
T. Anhy 1	T. Canyon	T. Ojo Alamo	T. Penn. "B"				
T. Salt	T. Strawn	T. Kirtland-Fruitland	T. Penn. "C"				
B. Salt	T. Atoka	T. Pictured Cliffs	T. Penn. "D"				
T. Yates	T. Miss	T. Cliff House	T. Leadville				
T. 7 Rivers	T. Devonian	T. Menefee	T. Madison				
T. Queen	T. Silurian	T. Point Lookout	T. Elbert				
T. Grayburg	T. Montoya	T. Mancos	T. McCracken				
T. San Andres	T. Simpson	T. Gallup	T. Ignacio Otzte				
T. Glorieta	T. McKee	Base Greenhorn	T. Granite				
T. Paddock	T. Ellenburger	T. Dakota	Т				
T. Blinebry	T. Gr. Wash	T. Morrison	<u>T.</u>				
T.Tubb	T. Delaware Sand 5419.	T.Todilto	T				
T. Drinkard	T. Bone Springs 7601'	T. Entrada	<u> </u>				
T. Abo	T. Morrow	T. Wingate	T.				
T. Wolfcamp	T. MiddleMorrow:	T. Chinle	T.				
T. Penn	T	T. Permian	Т.				
T. Cisco (Bough C)	Т.	T. Penn "A"	T				

OIL OR GAS ANDS OR ZONES

	SANDS UK ZOINES
No. 1, fromto	No. 3, fromto
No. 2, fromto	No. 4, fromto

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

LITHOLOGY RECORD (Attach additional sheet if necessary)

From	То	Thickness In Feet	Lithology	 From	То	Thickness In Feet	Lithology
						Ŧ	
		,					· · · · · · · · · · · · · · · · · · ·

Jones, William V., EMNRD

	Ann Ritchie [ann.wtor@gmail.com] Monday, January 04, 2010 9:54 AM
То:	Jones, William V., EMNRD
Subject:	Fwd: DHC application from OGX Resources: Challenger 1 State 1H 30-015-36535

Will.

Please see below information from Jeff the engineer with OGX. Please let me know if this information is sufficient and what you needed. Thank you, Ann West Texas Oil Reports "Since 1948" P.O. Box 953 Midland, TX 79702 432 684-6381 432 682-1458-fax www.wtor.us ----- Forwarded message ------From: Jeff Birkelbach <JBirkelbach@ogxresources.com> Date: Mon, Jan 4, 2010 at 10:46 AM Reparation Liquity About Subject: RE: DHC application from OGX Resources: Challenger 1 State 1H 30-015-36535 To: Ann Ritchie <ann.wtor@gmail.com> Delaware -2329

Bone Spring - 3559

Both zones will support a column of water; therefore, pumping the well down will not allow comingling of any formation fluids.

From: Ann Ritchie [mailto:ann.wtor@gmail.com] Sent: Monday, January 04, 2010 10:36 AM To: Jeff Birkelbach Subject: Fwd: DHC application from OGX Resources: Challenger 1 State 1H 30-015-36535 Thanks,

Ann

------ Forwarded message ------From: Jones, William V., EMNRD <<u>William.V.Jones@state.nm.us</u>> Date: Tue, Dec 22, 2009 at 5:33 PM Subject: DHC application from OGX Resources: Challenger 1 State 1H 30-015-36535 To: Ann Ritchie <<u>ann.wtor@gmail.com</u>> Cc: "Warnell, Terry G, EMNRD" <TerryG.Warnell@state.nm.us>

Ann:

The formation depths seem to exceed the 150% of depth as shown in OCD rules and on the C-107A form.

Please ask OGX to estimate the reservoir pressures for the two Pools involved in this commingle.

And forward to me these estimates and I will add the numbers to this application and process the permit.

Happy Holidays,

William V. Jones PE

New Mexico Oil Conservation Division

1220 South St. Francis

Santa Fe, NM 87505

505-476-3448

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Confidentiality Notice: This e-mail, including all attachments is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited unless specifically provided under the New Mexico Inspection of Public Records Act. If you are not the intended recipient, please contact the sender and destroy all copies of this message. -- This email has been scanned by the Sybari - Antigen Email System.