

RECEIVED: 5/11/20	REVIEWER:	TYPE: CTB	APP NO: pDM2015054254
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ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Geological & 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

Applicant: XTO Permian Operating LLC	OGRID Number: 373075
Well Name: Poker Lake Unit #42 & Poker Lake Unit #347H	API: 30-015-21095, 30-015-38668
Pool: Corral Canyon; Delaware, NE	Pool Code: 96209

**SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION
 INDICATED BELOW**

- 1) **TYPE OF APPLICATION:** Check those which apply for [A]
 A. Location – Spacing Unit – Simultaneous Dedication
☐ NSL ☐ NSP (PROJECT AREA) ☐ NSP (PRORATION UNIT) ☐ SD
- B. Check one only for [I] or [II]
 [I] Commingling – Storage – Measurement
☐ DHC ☒ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM
 [II] Injection – Disposal – Pressure Increase – Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
- 2) **NOTIFICATION REQUIRED TO:** Check those which apply.
 A. ☐ Offset operators or lease holders
 B. ☒ Royalty, overriding royalty owners, revenue owners
 C. ☐ Application requires published notice
 D. ☒ Notification and/or concurrent approval by SLO
 E. ☒ Notification and/or concurrent approval by BLM
 F. ☐ Surface owner
 G. ☒ For all of the above, proof of notification or publication is attached, and/or,
 H. ☐ No notice required

FOR OCD ONLY

- ☐ Notice Complete
☐ Application Content Complete

- 3) **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.

Tracie J. Cherry, Regulatory Coordinator

Print or Type Name

Signature

Date

05/11/2020

432-221-7379

Phone Number

tracie_cherry@xtoenergy.com

e-mail Address

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

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.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: XTO Permian Operating LLC

OPERATOR ADDRESS: 6401 Holiday Hill Rd. Bldg 5 Midland, TX 79707

APPLICATION TYPE:

☐ Pool Commingling ☒ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: ☐ Fee ☒ State ☒ Federal

Is this an Amendment to existing Order? ☐ Yes ☒ No If "Yes", please include the appropriate Order No. CTB - 573

Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling

☒ Yes ☐ No

(A) POOL COMMINGLING

Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes

(2) Are any wells producing at top allowables? ☐ Yes ☐ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No.

(4) Measurement type: ☐ Metering ☐ Other (Specify) Transitioning to test

(5) Will commingling decrease the value of production? ☐ Yes ☐ No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING

Please attach sheets with the following information

(1) Pool Name and Code, Corral Canyon; Delaware, NE (96209)

(2) Is all production from same source of supply? ☒ Yes ☐ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No

(4) Measurement type: ☒ Metering ☐ Other (Specify)

(C) POOL and LEASE COMMINGLING

Please attach sheets with the following information

(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 supply? ☐ Yes ☐ No

(2) Include proof of notice to all interest owners.

(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) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Tracie J. Cherry

TITLE: Regulatory Coordinator

DATE: 05/11/2020

TYPE OR PRINT NAME Tracie J. Cherry

TELEPHONE NO.: 432-221-7379

E-MAIL ADDRESS: tracie_cherry@xtoenergy.com

Proposal for Poker Lake Unit 42 Battery

XTO Permian Operating, LLC is requesting approval for Surface Commingle and Off-Lease measurement, sales and storage for the wells listed on the attached table.

Well Information and Lease Description

The Poker Lake Unit 42 Battery ("battery") is used as a common tank battery for two (2) wells. At this battery, both wells produce from the Delaware formation.

The battery has four (4), 500 bbl oil tanks and two (2) fiberglass produced water tanks on the location. The battery is located the well pad of well #42, SWNE Sec 10 T25S-R30E (32.146995, -103.866687). Oil from this facility is sent through a LACT into the pipeline. The gas from the battery is sent to Energy Transfer Company (ETC) through the gas sales meter off site.

Process Flow and Allocation Description

The flow of production is shown in detail on the enclosed facility diagram. A map is included with this application outlining lease/PA boundaries, location of wells and facility. All wells are located inside the Poker Lake Unit boundaries.

Oil Process Flow:

At this time, only two (2) wells are producing to the facility. Each well is routed to a dedicated metering separator allowing continuous metering (oil and gas) for each well.

Production from well #42 flows from the well location to the dedicated high volume 3-phase metering separator. Oil is measured off the 3-phase separator with a turbine test meter (SN #423382). Production flows into a shared oil line and is routed to the storage tanks on location.

Production from well #347H flows from the well location to the production header. The valves at the header have been sealed closed in a manner that routes only production from #347H to the high volume metering separator, where the gas is separated from the oil/water stream. From the separator, the oil/water stream goes through the free water knock out (FWKO) then through a turbine test meter (SN #423033). Oil from #347H flows into the shared oil line and combines with oil from #42 (downstream of the meters). The combined production stream flows through a second FWKO and a heater treater. From the treater, the oil goes to one of the oil storage tanks on location.

Oil production is allocated to each well based on their respective test meter reading and the volume recorded on LACT meter #DBPL0018OL. Oil is sold through the LACT directly into a pipeline. The LACT meter is proven quarterly. The LACT meter (#DBPL0018OL) will be the designated FMP for oil at the facility.

Gas Process Flow

Gas production from the wells also flows to this battery and follows the same separation, metering and allocation process as oil.

Gas from #42 is measured using electronic flow meter (EFM) DBPL0046G located directly off the metering separator.

Gas from 348H gathered off the separator and the FWKO and measured using EFM DBPL0018G.

The gas combines is a common gas line which is then routed to the sales scrubber and the battery "check" meter (DBPL0020G) then to an ETC sales meter (#57346) located in Section 10, T25S, R30E. All gas meters are installed and calibrated per API and 43 CFR 3174 requirements. The check meter (DBPL0020G) will be the designated FMP for gas at this facility.

In case of emergency or pipeline restrictions, gas can also be diverted upstream of check meter to the metered flare (#DBPL0037G) on location.

Gas production is allocated daily using the factor derived from the volumes recorded on the two test meters (DBPL0046G, and DBPL0018G) and gas check meter (DBPL0020G).

This facility utilizes a VRU to capture tank vapors. Gas from the VRU is recorded on gas meter #3718008000 and is allocated based on each wells' allocated oil production.

Water production is measured using turbine meters located off the separators. The water is discharged into a common water line to travel to the water tanks where it is stored until it enters the SWD system.

This facility previously serviced additional wells. At this time, all additional equipment will be maintained and remain on location until it can either be put back into service or removed and utilized elsewhere.

Economic Justification for Commingling Allowance:

Due to the high capital cost to separate production of well #42 relative to its estimated Federal Royalty Net Present Value (RNPV), XTO requests approval to commingle production from well #42 (including sales gas, flare gas, and lease use gas) with the remaining lease well at the PLU 42 Battery based on the definition of an economically marginal property. Economic justification that well #42 meets the criteria for an economically marginal property is included with this application.

To separate the oil and gas for the single well in NMLC06161A from the PA well would require, at a minimum, construction of a separate co-located battery. A second battery would require full buildout of gas, oil, and water handling equipment designed for low production volumes, including a heater treater, gas sales meter, recycle pump, vapor recovery unit, vapor recovery tower, sales scrubber, separated oil tanks, and associated piping and valving.

The total estimate for capital expenses to separate only oil production from the PA well (with commingled gas) is \$289,580. The total estimate for capital expenses to separate oil and gas production from the well #42 is \$1,023,580. These estimates exclude any gathering cost to connect gas, oil, and water pipelines to the new facility, or upgrade electrical service. The estimated RNPV from well #42 is \$4,838. Therefore with respect to de-commingling the oil and gas stream, well #42 meets the definition of an "economically marginal property." A discount rate of 10% has been applied to determine the RNPV at an economic cutoff of 3 BOPD (or ~150 BOPM). Attached economics provide an RNPV and CAPEX comparison for well #42 based on an estimated decline curve and current commodity pricing. Note that there is also an expected increase in operating expenses related to increased equipment maintenance and electricity not considered within the royalty calculation as well as potential for higher emissions.

Summary:

The proposed commingling and allocation will not result in reduced royalty or improper measurement of production. The proposed commingling will reduce the surface facility footprint and overall emissions.

Commingling of oil and gas production from the PA well and the lease well is necessary for the ultimate recovery of minerals from well #42. To the economic limit of 3 BOPD, it is expected that the PLU 42 will result in an RNPV of \$4,838 from the oil and an RNPV of \$604 from the gas. Thus, commingling oil and gas production of these wells is necessary for the complete economic recovery of minerals in place.

XTO understands the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument.

Working, royalty, and overriding interest owners will be notified of this proposal via certified mail.

The BLM and NMOCD will be notified of any future changes in the facilities.

Federal Lease: NMLC061616A (40 ac) 12.5% Fed Royalty						
Well Name (Property Code)	API	Loc ¼, ¼, Sec. Twp, Rng	Pool (NMOCD Pool Code)	BOPD		MCFPD
Poker Lake Unit 42 (325589)	30-015- 21095	SWNE Sec 10 T25S-R30E	Corral Canyon; Delaware, NE (96209)	5		10

Federal Lease: NMNM71016AF NMLC061616A (320.8 ac), NMLC063873A (80 ac) 12.5% Fed Royalty State B106790001 (120 ac)						
Well Name (Property Code)	API	Loc ¼, ¼, Sec. Twp, Rng	Pool (NMOCD Pool Code)	BOPD		MCFPD
Poker Lake Unit 347H (325589)	30-015- 38668	SHL: NENW Sec 11 T25S-R30E BHL: NESE Sec 3 T26S-R29E	Corral Canyon; Delaware, NE (96209)	300		500

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2018**SUNDRY NOTICES AND REPORTS ON WELLS**
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.***SUBMIT IN TRIPLICATE - Other instructions on page 2**

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other	8. Well Name and No. POKER LAKE UNIT 042
2. Name of Operator XTO PERMIAN OPERATING LLC Contact: TRACIE J CHERRY E-Mail: tracie_cherry@xtoenergy.com	9. API Well No. 30-015-21095
3a. Address 6401 HOLIDAY HILL RD BLDG 5 MIDLAND, TX 79707	10. Field and Pool or Exploratory Area CORRAL CANYON; DEL., NE
3b. Phone No. (include area code) Ph: 432-221-7379	
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 10 T25S R30E Mer NMP SWNE 1980FNL 1980FEL	11. County or Parish, State EDDY COUNTY, NM

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Hydraulic Fracturing	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Surface Commingling
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recomple in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

XTO Permian Operating LLC respectfully submits this sundry notice to commingle oil and gas production at a common tank battery. Oil will be transported to, stored and sold from the Poker Lake Unit 42 Battery via LACT from this location. Gas will be transported to this location.

Wells associated at this battery are:

Poker Lake Unit 42/ 30-015-21095
Poker Lake Unit 347H/ 30-015-38668

NMOCD is being petitioned for like approval.

All required exhibits are attached to this sundry.

14. I hereby certify that the foregoing is true and correct. Electronic Submission #513784 verified by the BLM Well Information System For XTO PERMIAN OPERATING LLC, sent to the Carlsbad	
Name (Printed/Typed) TRACIE J CHERRY	Title REGULATORY COORDINATOR
Signature (Electronic Submission)	Date 05/01/2020

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By _____	Title _____	Date _____
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.		Office _____

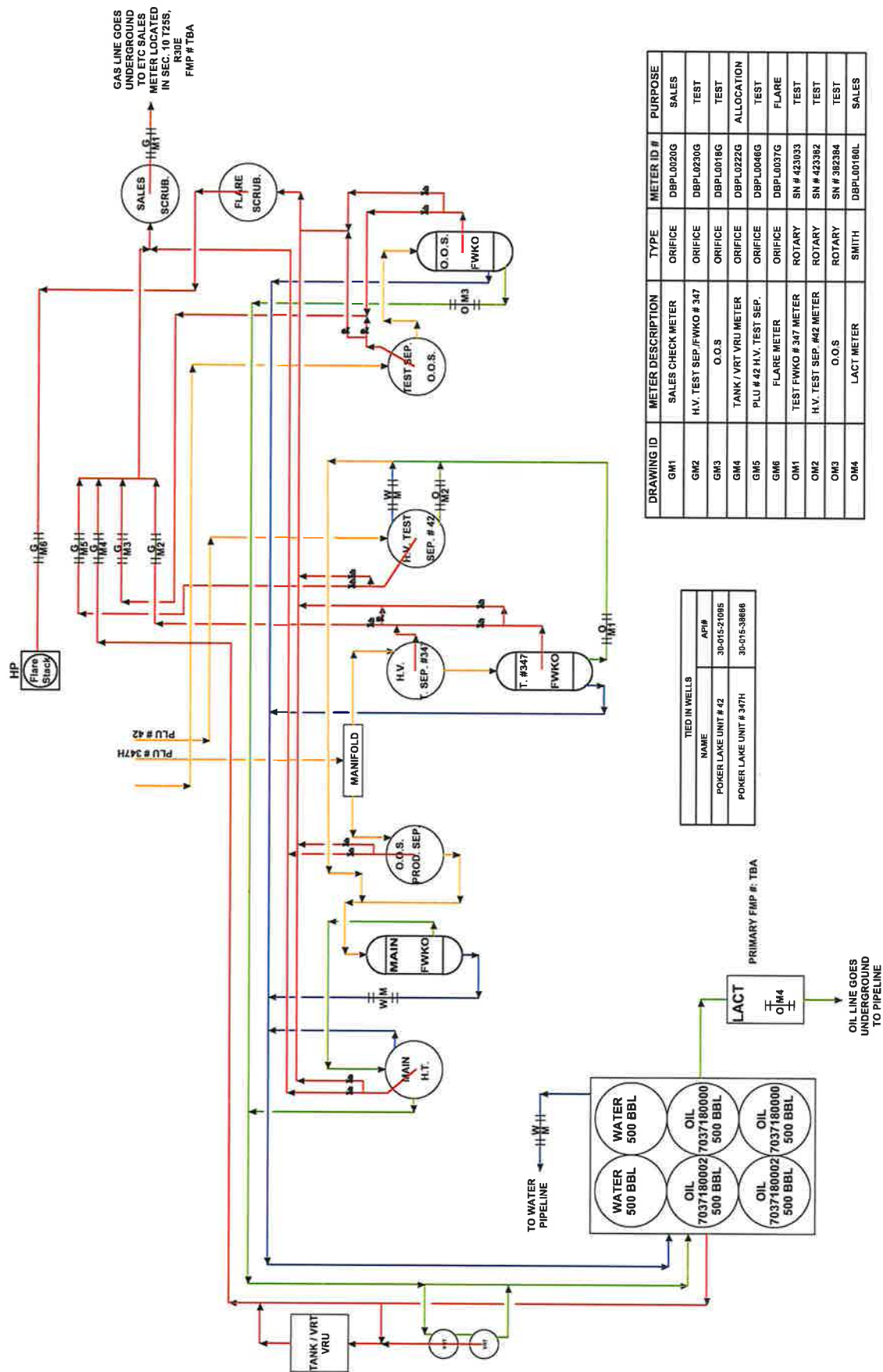
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****

Received by OCD: 5/11/2020 2:43:42 PM

Page 6 of 10



DRAWING ID	METER DESCRIPTION	TYPE	METER ID #	PURPOSE
GM1	SALES CHECK METER	ORIFICE	DBPL0020G	SALES
GM2	H.V. TEST SEP. / FWKO # 347	ORIFICE	DBPL0020G	TEST
GM3	O.O.S.	ORIFICE	DBPL0016G	TEST
GM4	TANK / VRT VRU METER	ORIFICE	DBPL0022G	ALLOCATION
GM5	PLU # 42 H.V. TEST SEP.	ORIFICE	DBPL0046G	TEST
GM6	FLARE METER	ORIFICE	DBPL0037G	FLARE
OM1	TEST FWKO # 347 METER	ROTARY	SN # 423033	TEST
OM2	H.V. TEST SEP. #42 METER	ROTARY	SN # 423382	TEST
OM3	O.O.S.	ROTARY	SN # 382384	TEST
OM4	LACT METER	SMITH	DBPL00180L	SALES

TIED IN WELLS	
NAME	API#
POKER LAKE UNIT # 42	30-015-21095
POKER LAKE UNIT # 347H	30-015-38886

PRIMARY FMP #. TBA

OIL LINE GOES UNDERGROUND TO PIPELINE

EMULSION
WATER
OIL
GAS

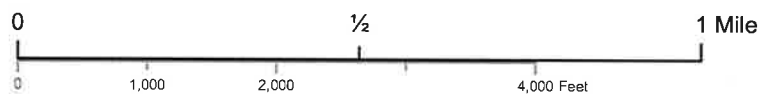
POKER LAKE UNIT # 42
CENTRAL TANK BATTERY
EDDY COUNTY, NEW MEXICO

(32.1469955, -103.8666817)

COMMINGLE DRAWING

By **PERMAN OPERATING, LLC**
Date **4/23/2020**
Description of Change **COMMINGLE DRAWING**

Revision **8**



- Page 8 of 10

CERTIFIED MAILING LIST

XTO PERMIAN OPERATING LLC
POKER LAKE UNIT 42 BATTERY

CERT #7019 0700 0001 4218 1315

JC RESOURCES LP
1717 S BOULDER AVE STE 400
TULSA, OK 74119-4833

CERT #7019 0700 0001 4218 1353

SANTA ELENA MINERALS IV LP
PO BOX 2063
MIDLAND, TX 79702

CERT #7019 1640 0001 6436 4891

BARR FAMILY TRUST UWO
R.K. BARR & B.J. RENFRO BARR TTEE
8027 CHALK KNOLL DR
AUSTIN, TX 78735

CERT #7019 0700 0001 4218 1322

SCOTT A HEWELL H MUSE III
5802 KENTUCKY DERBY CT
AUSTIN, TX 78746

CERT #7019 0700 0001 4218 1360

BUREAU OF LAND MANAGEMENT
620 E GREENE ST
CARLSBAD, NM 88220

CERT #7019 1640 0001 6436 4907

DEVON ENERGY PRODUCTION CO LP
333 W SHERIDAN AVE
OKLAHOMA CITY, OK 73102-5015

CERT #7019 0700 0001 4218 1339

PAUL SLAYTON
PO BOX 2035
ROSWELL, NM 88202-2035

CERT #7019 0700 0001 4218 1360

NM COMMISSIONER OF PUBLIC LANDS
NM STATE LAND OFFICE
310 OLD SANTA FE TRAIL
SANTA FE, NM 87501

CERT #7019 1640 0001 6436 4914

JOHN S TITTL
DBA EXILE ROYALTY COMPANY LLC
515 HOUSTON ST SUITE 631
FORT WORTH, TX 76102

CERT #7019 0700 0001 4218 1346

HUGH C MONTGOMERY III, MGR LAND
BEPKO, LP
201 MAIN STREET STE 3100
FORT WORTH, TX 76102

CERT #7019 1640 0001 6436 4921

BILLY R TAYLOR & JOYCE C TAYLOR
TRUST
PO BOX 9
ALEDO, TX 76008

CERT #7019 1640 0001 6436 4938

SCOTT E WILSON BYPASS TRUST
CYNTHIA M WILSON TTEE
4601 MIRADOR DRIVE
AUSTIN, TX 78735

Each of the individuals/organizations listed below are interest owners in one or all of the wells included in this application. Per the letter attached, each of the individuals/organizations has agreed to one point of notice; Mr. Hugh C. Montgomery, Director of Land for BEPCO, LP.

- 2016 SAMANTHA BASS FAM TR BMT I BPEOR NM LLC
- 2016 HYATT BASS FAM TR BMT II BPEOR NM LLC
- 32 MINERAL I BPEOR NM LLC
- 32 MINERAL II BPEOR NM LLC
- ANNE CHANDLER BASS EVANS 2016 CHILDRENS TRUST DBA ACB BPEOR NM LLC
- CAPITAL PARTNERSHIP II (CTAM)
- CTV-CTAM BPEOR NM LLC
- CTV-LMB I BPEOR NM LLC
- CTV-LMB II BPEOR NM LLC
- CTV-SRB I BPEOR NM LLC
- CTV-SRB II BPEOR NM LLC
- SRBI I BPEOR NM LLC
- SRBI II BPEOR NM LLC
- THE BASS SICKEL 2016 CHILDRENS TR DBA MLB BPEOR NM LLC
- THE CHRISTOPHER MADDOX BASS 2016 CHILDREN'S TRUST
- THRU LINE BPEOR NM LLC
- TIMOTHY RICHARDSON BASS 2016 CHILDRENS TRUST DBA TRB BPEOR NM LLC

I, Tracie J Cherry, do hereby certify the interest owners for the well(s) in the Poker Lake Unit 42 Battery were furnished a copy of XTO's application, via certified mail on this date.

Signed: 
Tracie J. Cherry
Regulatory Coordinator
Date: 05/11/2020