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RECEIVED

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -



OGX Resource

2009 DEC 7 PM 1 33

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

FILED TO AMEND PERMITTED INTERVAL TO ADD PERFORATIONS TO INTERVAL.

challenges! State #1

ADMINISTRATIVE APPLICATION COVERSHEET

30-015-36535

THIS COVERSHEET 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] [INSP-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]
- [ESWD-Salt Water Disposal] [11PI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
- NSL NSP SD

Check One Only for [13] or [C]

- [13] Commingling - Storage - Measurement
- DHC CTB PLC PC OLS OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

- WFX PMX SWD IPI EOR PPR

oil & Gas

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] 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] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Certification

I hereby certify that I, or personnel under my supervision, have reviewed the applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common, I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.

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

Ann E. Ritchie
Print or Type Name

Signature

Regulatory Agent
Title

12-1-09
Date

ann.wtor@gmail.com
e-mail Address

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 #1, 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 Corral 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 I
1625 N. French Drive, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

District II
1301 W. Grand Avenue, Artesia, NM 88210

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

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

APPLICATION FOR DOWNHOLE COMMINGLING

DAC-4244

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

Challenger 1 State 1 H (D), Sec 1, T25S, R29E Eddy
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 217955 Property Code API No. 30-015-36535 Lease Type: State State

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	<u>UNDES</u> Corral Canyon Delaware, NW		Pierce Crossing; Bone Spring East
Pool Code	Oil - 96473		Oil-96464
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	5386-5419'		8425-9895; 10,140-11,610'
Method of Production (Flowing or Artificial Lift)	Artificial Lift		<u>HORIZE-LEA</u> Artificial Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	<u>Not required</u> <u>2329</u> <u>Res PSI</u>		<u>Not required</u> <u>3559</u> <u>Res PSI</u>
Oil Gravity or Gas BTU (Degree API or Gas BTU)	40		40
Producing, Shut-In or New Zone	Producing		Packered 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 estimates and supporting data.)	Date: 11-01-09 Rates: 40 oil and 1 mcf	Date: Rates:	Date: 9-01-09 Rates: 37 oil and 183 mcf
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil 52 % Gas 2 %	Oil % Gas %	Oil 48 % Gas 98 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes X No

If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No

Are all produced fluids from all commingled zones compatible with each other? Yes X 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.

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 above is true and complete to the best of my knowledge and belief.

SIGNATURE Ann E. Ritchie TITLE Regulatory Agent DATE 11-25-09

TYPE OR PRINT NAME Ann E. Ritchie TELEPHONE NO. (432) 684-6381

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 %

Gas 2 %

Pierce Crossing; Bone Spring East

Oil 48 %

Gas 98 %

Interest Ownership

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

State of New Mexico
Commissioner of Public Lands
P.O. Box 1148
Santa Fe, nM 87504-1148

OXY USA, Inc.
P.O. Box 4294
Houston, TX 77210-4294

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.



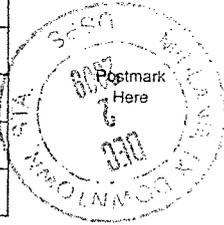
Ann E. Ritchie, Regulatory Agent
OGX Resources, LLC

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For delivery information visit our website at www.usps.com

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Postage	\$.44
Certified Fee	2.80
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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.24



Sent To
State of New Mexico
Street, Apt. No.,
or PO Box No. P.O. Box 1148
City, State, ZIP+4 Santa Fe, NM 87504-1148

PS Form 3800, August 2005 See Reverse for Instructions

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Postage	\$.44
Certified Fee	2.80
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.24



Sent To
Newbourn Oil Company
Street, Apt. No.,
or PO Box No. P.O. Box 7698
City, State, ZIP+4 Tyler, Tx 75711

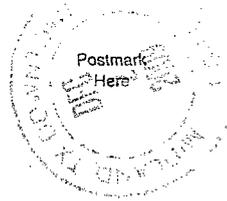
PS Form 3800, August 2006 See Reverse for Instructions

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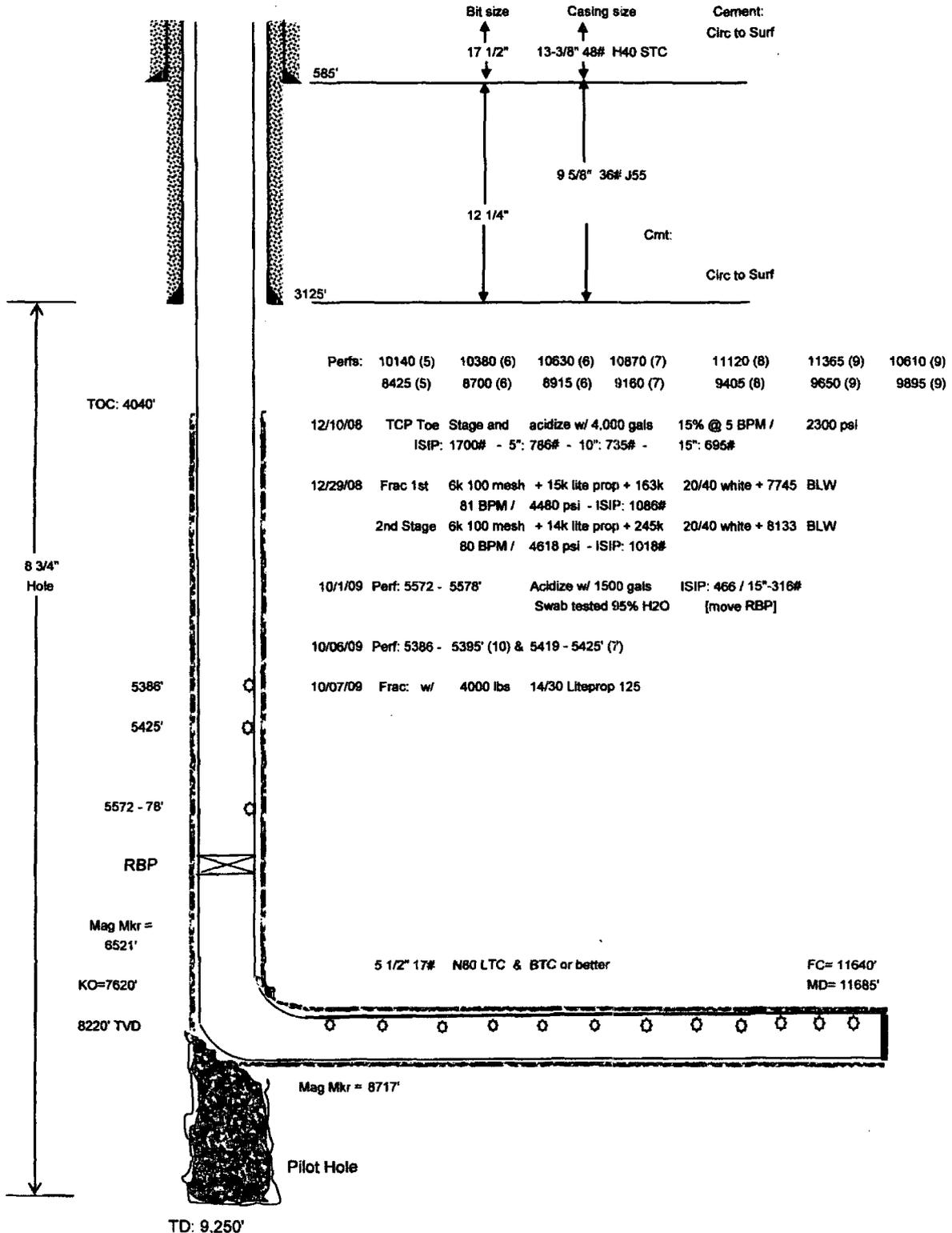
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Certified Fee	2.80
Return Receipt Fee (Endorsement Required)	
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Total Postage & Fees	\$ 3.24



Sent To
Dry USA Inc.
Street, Apt. No.,
or PO Box No. P.O. Box 4294
City, State, ZIP+4 Houston, Tx 77210-4294

PS Form 3800, August 2006 See Reverse for Instructions

API: 30-015-36535



Submit To: Appropriate District Office
 State Lease - 6 copies
 Fee Lease - 5 copies
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W Grand Avenue, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S St Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

FEB - 2 2009 Form C-105
 Revised June 10, 2003

Oil Conservation Division
 1220 South St. Francis Dr.
 Santa Fe, NM 87505



WELL API NO. : 30 015 36535
 5. Indicate Type of Lease
 STATE X FEE
 State Oil & Gas Lease No.

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. Type of Well: OIL WELL GAS WELL DRY OTHER _____
 b. Type of Completion: NEW WORK DEEPEN: PLUG DIFF. WELL OVER OTHER: BACK RESVR.
 2. Name of Operator: OGX Resources, LLC Ogrid: 217955
 3. Address of Operator: P.O. Box 2064, Midland, TX 79702
 7. Lease Name or Unit Agreement Name: Challenger 1 State
 8. Well No.: 1
 9. Pool name or Wildcat: Pierce Crossing; Bone Spring, East

4. Well Location
 Unit Letter D : 660' Feet From The North Line and 660' Feet From The West Line
 Section 1 Township 25S Range 29E NMPM Eddy County
 10. Date Spudded: 8-30-08 11. Date T.D. Reached: 11-28-08 12. Date Compl. (Ready to Prod.): 1-2-2009 13. Elevations (DF& RKB, RT, GR, etc): 3100' GR 14. Elev Casinghead
 15. Total Depth: 11,865' 16. Plug Back T.D.: 11,648' 17. If Multiple Compl. How Many Zones? 18. Intervals Drilled By: Rotary Tools: X Cable Tools
 19. Producing Interval(s), of this completion - Top, Bottom, Name: Bone Springs: 8425-9895'; 10,140-11,610' 20. Was Directional Survey Made: Y
 21. Type Electric and Other Logs Run: GR/CCL 22. Was Well Cored: No

23. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT LB/FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
13 3/8"	48#	585'	17 1/2"	500 sx - surface	None
9 5/8"	36#	3125'	12 1/4"	1100 sx - surface	None
5 1/2"	17#	11,865'	7 7/8"	2100 sx - surface	None

24. LINER RECORD

SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN

25. TUBING RECORD

SIZE	DEPTH SET	PACKER SET
2 3/8"	7556'	

26. Perforation record (interval, size, and number): 8425-9895'; 10,140-11,610'

27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED
8425-9895'	4000 gals acid; 8133 bbl frac w/264,740# prop
10,140-11,610'	5000 gals acid; 7745 bbl frac w/183,320# prop

28. PRODUCTION

Date First Production: 1-2-09 Production Method (Flowing, gas lift, pumping - Size and type pump): Flowing Well Status (Prod. or Shut-in): Producing

Date of Test	Hours Tested	Choke Size	Prod'n For Test Period	Oil - Bbl	Gas - MCF	Water - Bbl.	Gas - Oil Ratio
1-16-09	24	32/64"		122	570	1316	

Flow Tubing Press: 600 psi Casing Pressure packer Calculated 24-Hour Rate: Oil - Bbl. Gas - MCF Water - Bbl. Oil Gravity - API - (Corr.)

29. Disposition of Gas (Sold, used for fuel, vented, etc.): Test Witnessed By

30. List Attachments: C-104, logs, directional

Signature: Name: Ann E. Ritchie Title: Regulatory Agent Date: 1-21-09
 E-mail Address: ann.wtor@gmail.com

MM

Submit To Appropriate District Office
Two Copies
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-105

July 17, 2008

1. WELL API NO.
30 015 36535
2. Type of Lease
 STATE FEE FED/INDIAN
3 Oil & Gas Lease No

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

4. Reason for filing:
 COMPLETION REPORT (Fill in boxes # I through #31 for State and Fee wells only)
 C-1 44 CLOSURE ATTACHMENT (Fill in boxes # I through #9,415 Date Rig Released and 432 and/or #33, attach this and the plat to the C- 1 44 closure report in accordance with 19.15.17.13.K NMAQ)
5. Lease Name or Unit Agreement Name
Challenger 1 State
6. Well Nurriber:
1

7. Type of Completion:
 NEW WELL WORKOVER DEEPENING PLUGBACK DIFFERENT RESERVOIR OTHER

8. Name of Operator
OGX Resources, LLC
9. OGRID
217955

10. Address of Operator
P.O. Box 2064, Midland, TX 79702
11. Pool name or Wildcat
Corral Canyon Delaware, NW 96464

12. Location	Unit Ltr	Section	Township	Range	Lot	Feet from the	N/S Line	Feet from the	E/W Line	County
Surface:	D	1	25S	29E		660	North	660	West	Eddy
BHL:										

13. Date Spudded
8-30-08
14. Date T.D. Reached
11-28-08
15. Date Rig Released
11-29-08
16. Date Completed (Ready to Produce)
Re-completion: 10-9-09
17. Elevations (DF and RKB, RT, GR, etc.)
3100' GR
18. Total Measured Depth of Well
11,865'
19. Plug Back Measured Depth
5525'
20. Was Directional Survey Made?
21. Type Electric and Other Logs Run
GR/CCL/CBL

22. Producing Interval(s), of this completion - Top, Bottom, Name
Delaware: 4386-5415'

23. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT LB./FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
13 3/8"	48#	585'	17 1/2"	500 sx	none
9 5/8"	36#	3125'	12 1/4"	1100sx	none
5 1/2"	17#	11,865'	7 7/8"	2250 sx	none

24. LINER RECORD				25. TUBING RECORD			
SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	SIZE	DEPTH SET	PACKERSET
					2 7/8"	5175'	

26. Perforation record (interval, size, and number)	27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC.
DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED
5419-5415' w/ 7 holes; 5386-5395' w/10 holes	5419-5395' 34,000 gal frac w/14/30 lite prop

28. PRODUCTION

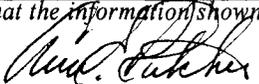
Date First Production 10-9-09	Production Method (Flowing, gas lift, pumping - Size and type pump) pumping	Well Status (Prod. or Shut-in) producing					
Date of Test 10-12-09	Hours Tested 24	Choke Size	Prod'n For Test Period	Oil - Bbl 39	Gas - MCF 10	Water - Bbl. 132	Gas - Oil Ratio 256
Flow Tubing Press.	Casing Pressure	Calculated 24-Hour Rate	Oil - Bbl.	Gas - MCF	Water - Bbl.	Oil Gravity - API - (Corr) 40	

29. Disposition of gas (Sold, used for fuel, vented, etc)
Sales
30. Test Witnessed By

31. List Attachments
logs, deviation on file.

32. If a temporary pit was used at the well, attach a plat with the location of the temporary pit.

33. If an on-site burial was used at the well, report the exact location of the on-site burial.

I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief
Signature  Printed Name Ann E. Ritchie Title Regulatory Agent Date 10-14-09
E-mail Address ann.wtor@gmail.com

Jones, William V., EMNRD

From: Ann Ritchie [ann.wtor@gmail.com]
Sent: Monday, January 04, 2010 9:54 AM
To: 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
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

*Reservoir Pressure
with LIQUID ABOVE*

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

Jeff - did you get these figures for me?

Thanks,

Ann

----- Forwarded message -----

From: **Jones, William V., EMNRD** <William.V.Jones@state.nm.us>

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 <ann.wtor@gmail.com>

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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