

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

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

Application Acronyms:

[NSL-Non-Standard Location] [NSP-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]
 [SWD-Salt Water Disposal] [IPI-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 [B] or [C]

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

[A] ☐ 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] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **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.

David Catanach
Print or Type Name

David Catanach
Signature

Agent for Quantum Resources Management, LLC
Title

9/29/14
Date

drcatanach@netscape.com
E-Mail Address

-DHC 4701
-Quantum Resources Management, LLC
243874
WEL
-Endcone in state #7
30-025-40399
Pool
-Blinby oil and Gas (oil)
06660
-Drinkand
19190
-Wantz, 460
62700

September 29, 2014

Hand Delivered

New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505

Attention: Ms. Jami Bailey, CPG
Division Director

Re: Form C-107A: Application for Downhole Commingling
Quantum Resources Management, LLC ("Quantum")
Encore M State No. 7
API No. (30-025-40399)
749' FNL & 1610' FEL (Unit B)
Section 19, T-22 South, R-37 East, NMPM,
Lea County, New Mexico

Dear Ms. Bailey:

Attached is a C-107A Application to downhole commingle the Blinebry Oil & Gas (Oil-06660), Drinkard (19190), and Wantz-Abo (62700) Pools within Quantum's Encore M State Well No. 7.

The Encore M State Well No. 7 was drilled in March, 2012 and was completed in the Blinebry, Drinkard and Abo formations. At the time the well was completed, Quantum submitted a C-103 Sundry Notice to the Hobbs OCD District Office requesting approval to downhole commingle the Blinebry Oil & Gas, Drinkard and Wantz-Abo Pools within the wellbore. Quantum was under the impression at the time that the three subject pools were "pre-approved" as per Division Rule 19.15.12.11, and therefore the downhole commingling of these zones would qualify for District Office approval.

An examination of Division Rule 19.15.12.11 indicates that the Blinebry Oil & Gas and Wantz-Abo Pools and the Drinkard and Wantz-Abo Pools are "pre-approved", however the combination of Blinebry Oil & Gas, Drinkard and Wantz-Abo Pools are not a valid "pre-approved" pool combination.

To further complicate the situation, the Hobbs OCD District Office approved Quantum's request by Order No. DHC-HOB-493. Under the terms of that approval, 33 1/3% of the oil and gas was to be allocated each to the Blinebry Oil & Gas, Drinkard and Wantz-Abo Pools.

Quantum is now seeking to correct the previous errors and obtain a downhole commingling order from the Santa Fe Office of the OCD.

Attached is a 2014 production summary for the Encore M State No. 7 obtained from Division records. Based upon the 2014 average producing rate of this well, and based upon the production allocation that was previously approved by the Hobbs OCD District Office, Quantum requests that production be allocated as follows:

	<u>Oil</u>	<u>Gas</u>	<u>Water</u>
Blinebry Oil & Gas Pool	33 1/3%	33 1/3%	50%
Drinkard Pool	33 1/3%	33 1/3%	50%
Wantz-Abo Pool	33 1/3%	33 1/3%	0%

Please note that the working, royalty and overriding royalty interest ownership in this well is common throughout. Consequently notice of this application is not required to any interest owner.

Also please note that a copy of the Form C-103 that was filed with the Hobbs OCD District Office in May, 2012 was provided to the Commissioner of Public Lands for the State of New Mexico. Consequently, notice of this commingling has already been provided to the State Land Office.

Approval of this application will afford Quantum the opportunity to recover additional oil and gas reserves from the Blinebry Oil & Gas, Drinkard and Wantz-Abo Pools within the Encore M State No. 7 that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

If you should have any questions, please call me at (505) 690-9453.

Sincerely,



David Catanach, Agent
Quantum Resources Management, LLC
1401 McKinney Street, Suite 2400
Houston, Texas 77010

Xc: OCD-Hobbs

District I
1623 N. French Drive, Hobbs, NM 88240

District II
311 S. First Street, Artesia, NM 88210

District III
1000 Rio Bravo 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

Form C-107A
Revised August 1, 2011

APPLICATION TYPE

☒ Single Well

☐ Establish Pre-Approved Pools

EXISTING WELLBORE

☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Operator Quantum Resources Management, LLC Address 1401 McKinney St., Suite 2400 Houston, Texas 77010

Lease Encore M State Well No. 7 Unit Unit B, Section 19, T-22 South, R-37 East County Lea
Unit Letter-Section-Township-Range

OGRID No. 243874 Property Code 307932 API No. 30-025-40399 Lease Type: ☐ Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Blineby Oil & Gas (Oil)	Drinkard	Wantz-Abo
Pool Code	06660	19190	62700
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	5,490'-5,842'	6,484'-6,713'	6,784'-6,828'
Method of Production (Flowing or Artificial Lift)	Artificial Lift	Artificial Lift	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)	Not Required	Not Required	Not Required
Oil Gravity or Gas BTU (Degree API or Gas BTU)	38 Deg. API 1342 BTU	38 Deg. API 1342 BTU	38 Deg. API 1342 BTU
Producing, Shut-In or New Zone	Producing	Producing	Producing
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: 2014 Ave. Rate Rates: 4.4 BOPD 26.0 MCFGPD 9.4 BWPD	Date: 2014 Ave. Rate Rates: 4.4 BOPD 30.0 MCFGPD 9.4 BWPD	Date: 2014 Ave. Rate Rates: 4.4 BOPD 30.0 MCFGPD 0.0 BWPD
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas Water 33 1/3% 33 1/3% 50%	Oil Gas Water 33 1/3% 33 1/3% 50%	Oil Gas Water 33 1/3% 33 1/3% 0%

ADDITIONAL DATA

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

Will commingling decrease the value of production? Yes ☐ No ☒

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 ☒ 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.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- 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: David Catanach TITLE: Agent-Quantum Resources Management, LLC DATE: 9/29/14

TYPE OR PRINT NAME: David Catanach TELEPHONE NO.: (505) 690-9453

E-MAIL ADDRESS: drcatanach@netscape.com

HOBBS OCD

MAY 03 2012

District I

1626 N. French Dr., Hobbs NM 88240

District II

1301 W Grand Avenue, Artesia, NM 88210

District III

1000 Rio Brason Rd., Alton, NM 87410

District IV

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

RECEIVED

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised June 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-40399	² Pool Code 6660	³ Pool Name Blinebry Oil and Gas (Oil)
⁴ Property Code 307932	⁵ Property Name Encore M State	⁶ Well Number 007
⁷ OCRD No 243874	⁸ Operator Name Quantum Resources Management, LLC	⁹ Elevation 3413'

¹⁰Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	19	22 S	37 E		749	North	1610	East	Lea

¹¹Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNITL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	¹⁶	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Yolanda Perez Printed Name Regulatory Supervisor yperez@gracq.com Title and E-mail Address 02/03/2012 Date
	¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. 9-15-2011 Date of Survey Signature and Seal of Professional Land Surveyor 10324 Certificate Number	

6.5 Miles SW of Eunice, New Mexico.

File No. A-8050

HOBBS OCD

MAY 03 2012

District I
1625 K. 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

RECEIVED State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-40399	² Pool Code 19190	³ Pool Name Drinkard
⁴ Property Code 307932	⁵ Property Name Encore M State	⁶ Well Number 007
⁷ OGHD No. 243874	⁸ Operator Name Quantum Resources Management, LLC	⁹ Elevation 3413'

¹⁰Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	19	22 S	37 E		749	North	1610	East	Lea

¹¹Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Yolanda Perez Regulatory Supervisor yperez@gracq.com 02/03/2012
	¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. 9-15-2011 Date of Survey Signature and Seal of Professional Surveyor 10324 Certificate Number

6.5 Miles SW of Eunice, New Mexico.

File No. A-6050

HOBBSOCD

MAY 03 2012

District I
1825 N French Dr., Hobbs NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brason Rd., Artesia, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

RECEIVED

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102

Revised June 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-40399		² Pool Code 62700	³ Pool Name Wantz; Abo
⁴ Property Code 307932	⁵ Property Name Encore M State		⁶ Well Number 007
⁷ OGRD No. 243874	⁸ Operator Name Quantum Resources Management, LLC		⁹ Elevation 3413'

¹⁰Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	19	22 S	37 E		749	North	1610	East	Lea

¹¹Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres		¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>¹⁷OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Yolanda Perez</i> Signature</p> <p>Yolanda Perez Printed Name Regulatory Supervisor yperez@qracq.com Title and E-mail Address</p> <p>02/03/2012 Date</p>
	<p>¹⁸SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>9-15-2011 Date of Survey</p> <p><i>Michael L. Stanford</i> Signature and Seal of Professional Surveyor</p> <p>10324 Certificate Number</p>

6.5 Miles SW of Eunice, New Mexico.

File No. A-6050

Production Summary Report

API: 30-025-40399

ENCORE M STATE #007

Printed On: Wednesday, September 24 2014

		Production					Injection				
Year	Pool	Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days P/I	Water(BBLS)	Co2(MCF)	Gas(MCF)	Other	Pressure
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Jan	174	1120	264	31	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Feb	130	619	235	26	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Mar	104	558	341	31	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Apr	138	464	318	30	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	May	164	918	308	31	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Jun	97	817	253	28	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Jul	115	880	233	31	0	0	0	0	0
2014	[19190] DRINKARD	Jan	174	1120	264	31	0	0	0	0	0
2014	[19190] DRINKARD	Feb	130	818	235	26	0	0	0	0	0
2014	[19190] DRINKARD	Mar	104	956	341	31	0	0	0	0	0
2014	[19190] DRINKARD	Apr	138	674	318	30	0	0	0	0	0
2014	[19190] DRINKARD	May	164	918	308	31	0	0	0	0	0
2014	[19190] DRINKARD	Jun	97	817	253	28	0	0	0	0	0
2014	[19190] DRINKARD	Jul	115	880	233	31	0	0	0	0	0
2014	[62700] WANTZ;ABO	Jan	174	1120	0	31	0	0	0	0	0
2014	[62700] WANTZ;ABO	Feb	130	818	0	26	0	0	0	0	0
2014	[62700] WANTZ;ABO	Mar	104	956	0	31	0	0	0	0	0
2014	[62700] WANTZ;ABO	Apr	138	674	0	30	0	0	0	0	0
2014	[62700] WANTZ;ABO	May	164	918	0	31	0	0	0	0	0
2014	[62700] WANTZ;ABO	Jun	97	817	0	28	0	0	0	0	0
2014	[62700] WANTZ;ABO	Jul	115	880	0	31	0	0	0	0	0

HOBBS OCD

MAY 03 2012

RECEIVED

Order Number

DHC-493

API Number

30025-410399

Operator

Quantum Resources Mgmt

County

Lea

Order Date

5-3-2012

Well Name

Encore m State

Number

7

Location

B

UL

19

Sec

225

T (+Dir)

37E

R (+Dir)

Oil %

33%

Gas %

33%

Pool 1

10660

Blindery D+G

Pool 2

19190

Drinkard

Pool 3

62700

Wantz-Abo

Pool 4

Comments:

Posted in RBOMS 5-3-2012 C&M

MAY 08 2012