Initial

Application Part I

Received: 07/17/2019

This application is placed in file for record. It MAY or MAY NOT have been reviewed to be determined Administratively Complete

RECEIVED: 07/17/2019	REVIEWER: MAM	TYPE: CTB	APP NO: pMAM191	19853992
		ABOVE THIS TABLE FOR OCD DIVISION US DIL CONSERVATIO & Engineering Bui is Drive, Santa Fe	N DIVISION reau –	· · · · · · · · · · · · · · · · · · ·
THIS CHECKLIS	ADMINISTRATI ST IS MANDATORY FOR ALL ADM REGULATIONS WHICH REQUIRE		FOR EXCEPTIONS TO DIVISION	I RULES AND
Applicant: SPUR ENE			OGRID Num	ber: <u>328947</u>
Well Name: <u>LAKEWO(</u>			API: <u>30-0</u>	
Pool: <u>N SEVEN RIVERS</u> SUBMIT ACCURATE A		MATION REQUIRED		
		DICATED BELOW		
	DN: Check those which the set which the set of the set	ous Dedication		CTB-905
 DHC [II] Injection - WFX 2) NOTIFICATION REQUENT A. Offset operation B. X Royalty, overall C. Application D. Notification E. X Notification F. Surface owened G. For all of the H. No notice results 3) CERTIFICATION: I here 	ing – Storage – Meas XCTB PLC Disposal – Pressure II PMX SWD JIRED TO: Check those ators or lease holders erriding royalty owne and/or concurrent of and/or concurrent of and/or concurrent of ner e above, proof of no equired reby certify that the	PC OLS ncrease – Enhance IPI EOR se which apply. rs, revenue owners otice approval by SLO approval by BLM tification or publico	PPR	tion for
understand that no	oval is accurate and action will be taken omitted to the Division	on this application	, 0	
Note: Stat	ement must be completed b	y an individual with manc	agerial and/or supervisory c	apacity.
			7/12/2019	
Cory Walk			Date	
Print or Type Name		Ī	505-466-812 Phone Number	0
lory Wa	lk		cory@permitswe	est.com
Signature ()			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

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:	SPUR EN	NERGY PARTNERS, I	LLC	·	·			
OPERATOR ADDRESS:	OPERATOR ADDRESS: 920 MEMORIAL CITY WAY SUITE 1000 HOUSTON TX 77024							
APPLICATION TYPE:								
Deol Commingling Lease Commingling Deol and Lease Commingling Off-Lease Storage and Measurement (Only if not Surface Commingled)								
	LEASE TYPE: Fee State Federal							
Is this an Amendment to exis								
Have the Bureau of Land Ma	nagement	(BLM) and State Land	office (SLO) been not	ified in writing o	of the proposed comm	ingling		
			L COMMINGLIN s with the following ir					
(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			1 . 1. 0					
 (3) Has all interest owners bee (4) Measurement type: M 		<i>,</i> 1	posed commingling?	Yes No.				
(5) Will commingling decrease			□No If "yes", descri	be why commingli	ing should be approved			
		(B) LEAS	SE COMMINGLIN	G				

	Please attach sheets with the following information							
(1)	Pool Name and Code. N SEVEN RIVERS; GLORIETA-YESO							
(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? \square No							
(4)	Measurement type: Metering Other (Specify)							

(C) POOL and LEASE COMMINGLING Please attach sheets with the following information

Complete Sections A and E. (1)

(D) OFF-LEASE STORAGE and MEASUREMENT Please attached sheets with the following information

Is all production from same source of supply? □Yes □No (1) (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: DATE: July 12, 2019						
TYPE OR PRINT NAME Cory Walk TELEPHONE NO.: (505) 466-8120						
E-MAIL ADDRESS: cory@permitswest.com						

APPLICATION FOR SURFACE COMMINGLING, OFFLEASE MEASUREMENT, AND OFFLEASE ROYALTY FREE BENEFICIAL USE AT A COMMON CENTRAL TANK BATTERY

Percussion Petroleum, LLC is requesting approval to Surface Commingle the production from the following wells at a common central tank battery located on the Huber 3 Federal 3 Facility and #03H well location:

NM Lse #	Completion	API#	Pool Code	BLM Royalty Rate	
NMNM14758	Huber 3 Federal 03H	3001538163	97565	12.5%	
	Huber 3 Federal 04H	3001539022	-		
	Huber 3 Federal 05H	3001539177	-		
	Huber 3 Federal 06H	3001539765			
	Huber 3 Federal 07H	3001544706			
	Huber 3 Federal 08H	3001544707			
NMNM31200	Lakewood Federal 1	3001524231	97565	12.5% Sch B Competitive	

The Huber 3 Federal 03H, 04H, 05H, 06H, 07H and 08H will require Surface Commingling for gas sales.

The Huber 3 Federal 03H, 04H, 07H and 08H will require Surface Commingling for oil storage and sales.

The Lakewood Federal 1 will require Surface Commingling, Offlease Measurement, storage and sales of oil and gas as well as Offlease Royalty Free Beneficial Use.

Please see the attached Process Description, Lease Plat, Flow Diagram, Allocation Methodology, and Site Facility Diagram.

OVERVIEW

The Lakewood Federal 1 well API# 3001524231 NMNM31200 is currently an idle well with an approved Shut-In Status. Percussion Petroleum, LLC is proposing to re-activate the well due to nearby drilling activity in the area in an attempt to establish economic productivity. There currently are no production facilities or sales connection for this well's production if the well can be restored to a producing condition. To minimize the required capital investment and maximize the opportunity to establish economic production from this well, is it proposed that this well's production be commingled with the production at the nearby Huber 3 Federal Facility. All of the wells are producing from the same formation N Seven Rivers – Glorieta Pool Code 97565.

The Huber 3 Federal Lease NMNM14758 currently has two (2) active tank battery facilities handling the production for six(6) wells. The Huber 3 Federal 3 Facility NMNM14758 currently handles the full wellstream production from four(4) Federal wells:

Huber 3 Federal 03H	API#3001538163
Huber 3 Federal 04H	API#3001539022
Huber 3 Federal 07H	API#3001544706
Huber 3 Federal 08H	API#3001544707

The Huber 3 Federal 3 Facility also handles the gas production from the Huber 3 Federal 5 Facility associated with two(2) Federal wells:

Huber 3 Federal 05H	API#3001539177
Huber 3 Federal 06H	API#3001539765

The attached Lease Plat shows the physical relationship of the wells, facilities, flowlines, and interconnections associated with the Lakewood Federal and Huber 3 Federal leases.

PROCESS DESCRIPTION AND ALLOCATION METHODOLOGY

The full wellstream production from the Lakewood Federal 1 well will flow to the Huber 3 Federal 3 Facility along with the full wellstream production from the Huber 3 Federal 03H, 04H, 07H, and 08H wells and only the gas production from the Huber 3 Federal 5 Facility after separation from the Huber Federal 05H and 06H wells. The Lakewood Federal 1 well produces from the NMNM31200 lease that currently has a Schedule B 12.5% royalty burden. All the Huber 3 Federal wells produce from the NMNM14758 lease that has a 12.5% royalty burden.

The full wellstream production from the Lakewood Federal 1 and Huber 3 Federal 03H, 04H, 07H, and 08H wells will be processed at the Huber 3 Federal 3 Facility through a well header system consisting of three(3) horizontal free-water knockouts all equipped with oil, gas, and water meters and a dedicated test separator that is also equipped with oil, gas, and water meters. The commingled oil production will flow to two(2) heater treaters that will further remove any residual water or sediments to allow the oil to become a saleable product. There is separate oil and water storage for all commingled liquids. The oil, gas, and water production will be proratedly allocated to each individual well based on metered well test rates.

The attached Flow Diagram will provide information on the flow, measurement, storage, and disposition of oil, gas, and water production from all wells.

The attached Oil, Gas, and Water Production Volume Allocation Example will provide information on the proposed well test allocation methodology for all wells.

The attached Lease Use Volume Allocation Example will provide information on the proposed well test allocation methodology for fuel gas for all wells.

GAS

The Lakewood Federal 1 and the Huber 3 Federal 03H and 04H wells will produce to a header system that will allow the wells to be separated through a horizontal free-water knockout and dedicated test separator all equipped with oil, gas, and water meters. The Huber 07H and 08H will each produce to a dedicated horizontal free-water knockout that are both equipped with oil, gas, and water meters. The gas production from the Huber 3 Federal 5 Facility 05H and 06H wells are both individually metered prior to leaving the facility and being commingled with the gas produced at the Huber 3 Federal 3 Facility after separation and measurement. The commingled production from all wells will then flow through a gas engine compressor to facilitate gas sales at a common Facility Measurement Point to DCP through sales meter #724979. All of the gas production and sales will be proratedly based on metered welltests for each individual well that will be updated monthly or more frequently to reflect any change in an individual well's productivity.

COMMINGLED LIQUIDS

<u>Water Production</u> - As noted above, the Lakewood Federal 1 and Huber 3 Federal 03H, 04H, 07H, and 08H wells will be processed at the Huber 3 Federal 3 Facility through a well header system that allows the production to be separated, metered, and tested for each individual well. All separated liquids are collected on location and stored in sealed tanks. After separation and metering, the produced water is stored in four(4) separate produced water tanks that is either metered and pumped or is transported via truck to Percussion Petroleums' Dagger Draw Saltwater Disposal System for injection into one of four permitted disposal wells. The total produced water will be allocated back to each producing well on a

prorated basis using metered welltests for each individual well that will be updated monthly or more frequently to reflect any change in an individual well's productivity.

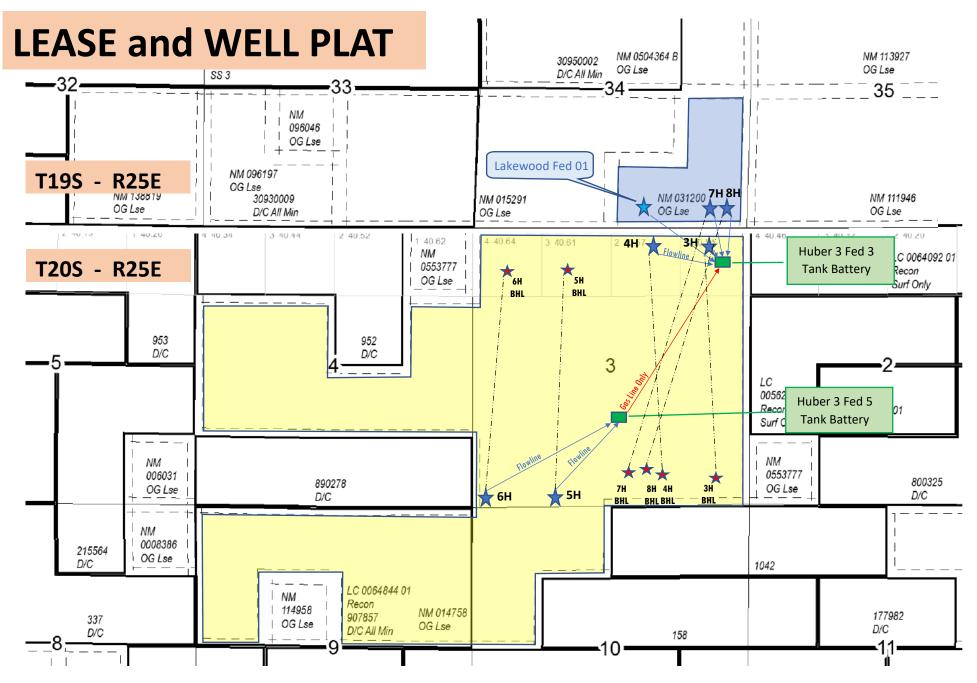
<u>Oil Production</u> - After separation and metering, the produced oil from each well is then commingled and is directed to one of two heater treaters to obtain a saleable oil product that is then stored in common oil stock tanks. The commingled oil will then be sold from the sealed and strapped oil storage tanks via truck or thru a truck-LACT unit. There are two(2) Oil Facility Measurement Points (FMP) associated with this facility. FMP#1 is a truck-LACT unit and FMP#2 is a common oil load line for gauged, oil truck sales for the commingled oil. The oil sold through either Oil FMP#1 or FMP#2 will be allocated back to each producing well on a prorated basis using metered welltests for each individual well that will be updated monthly or more frequently to reflect any change in an individual well's productivity.

FUEL GAS

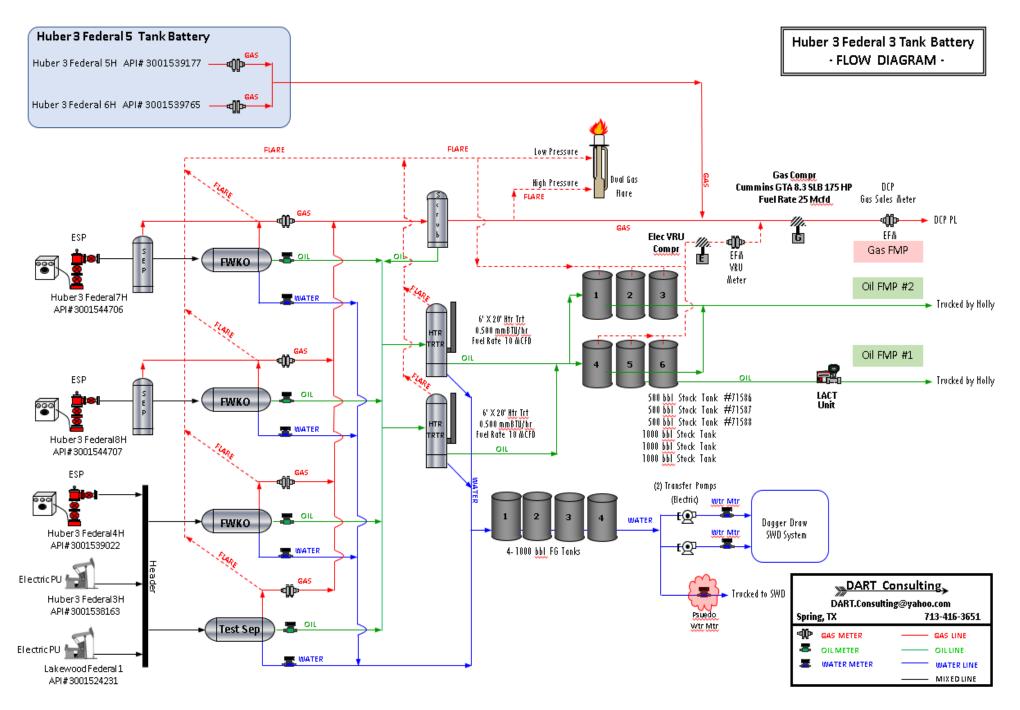
The Huber 3 Federal 3 Facility currently has two(2) active heater treaters downstream of the initial production separation point operating to treat the produced oil to obtain a saleable oil product. The estimated fuel gas usage for each heater treater is 10 Mcfd and the gas engine compressor is 25 Mcfd based on the engineering formulas provided on Pg 2 of the Site Facility Diagram. The amount of Lease Use will be allocated back to each producing well on a prorated basis using each individual well's oil well test rate or gas well test rate as appropriate. Offlease Royalty-Free Beneficial Lease Use for the allocated fuel assigned to the Lakewood Federal 1 well is requested.

TEMPORARY OPERATING PROCEDURES

Percussion Petroleum recognizes that the Lakewood Federal 1 NMNM31200 lease has a Step-Scale, Schedule B Competitive Royalty Burden that is subject to change per the producing capability of the well. To insure the proper Federal Royalty is paid for any production recovered from the Lakewood Federal 1 as a result of re-operating this well and commingling it with the Huber 3 Federal lease, Percussion Petroleum will monitor the allocated production from the well on a 3 month, quarterly basis for a period of 12 months after initial production is re-established in the well. If the average production from the well over the most recent 3 month, quarterly period exceeds 50 BOPD and/or 5000 MCFD (calculated separately), a re-evaluation will occur at that time to determine how the ongoing production from the Lakewood Federal 1 will be managed. Percussion Petroleum agrees to communicate the well tests, monthy production, and calculated 3 month quarterly average oil and gas production rates to the BLM Carlsbad Field Office on a quarterly basis via Sundry Notice – Subsequent Report after production is re-established. Percussion also agrees to conduct frequent welltests on the Lakewood Federal 1 as part of an effort to accurately monitor the well's performance during the 12 month temporary evaluation timeperiod.



Page 4 of 7



OIL, GAS, and WATER PRODUCTION VOLUME ALLOCATION - EXAMPLE COMMINGLED PRODUCTION

	OIL Production	GAS Production	WATER Production
	(Bbls)	(Mcf)	(Bbls)
TOTAL	800	1000	2000

					0	il	GA	S	WA	TER
					Oil	Allocated	Gas	Allocated	Water	Allocated
		Oil	Gas	Water	Volume	Oil	Volume	Gas	Volume	Water
		Well Test	Well Test	Well Test	Allocation	Volume	Allocation	Volume	Allocation	Volume
Facility	Well	(BPD)	(MCFD	(BPD)	Factor	(Bbls)	Factor	(Bbls)	Factor	(Bbls)
Huber 3 Federal 3	Huber 3 Federal 3H	25.0	25.0	50.0	0.030	24.24	0.028	27.78	0.02439	48.78
	Huber 3 Federal 4H	50.0	50.0	100.0	0.061	48.48	0.056	55.56	0.04878	97.56
	Huber 3 Federal 7H	350.0	350.0	900.0	0.424	339.39	0.389	388.89	0.43902	878.05
	Huber 3 Federal 8H	350.0	350.0	900.0	0.424	339.39	0.389	388.89	0.43902	878.05
	Lakewood Federal 1	50.0	50.0	100.0	0.061	48.48	0.056	55.56	0.04878	97.56
Huber 3 Federal 5	Huber 3 Federal 5H	n/a	25.0	n/a	n/a	n/a	0.028	27.78	n/a	n/a
	Huber 3 Federal 6H	n/a	50.0	n/a	n/a	n/a	0.056	55.56	n/a	n/a
	TOTAL	825.0	900.0	2,050.0	1.000	800.00	1.000	1,000.00	1.00000	2,000.00

Commingled Production Volume Allocations will be performed on a prorated basis using Oil, Gas, and Water well test rates

Commingled Oil Volume Allocation = $\left(\frac{\text{Individual Well Oil Test Rate}}{\sum All Well Oil Test Rates}\right) x$ Total Commingled Oil Production Volume
Commingled Gas Volume Allocation = $\left(\frac{\text{Individual Well Gas Test Rate}}{\sum All Well Gas Test Rates}\right) x$ Total Commingled Gas Production Volume
Commingled Water Volume Allocation = $\left(\frac{\text{Individual Well Water Test Rate}}{\sum All Well Water Test Rates}\right) x$ Total Commingled Water Production Volume

LEASE USE VOLUME ALLOCATION - EXAMPLE

REQUEST FOR OFF-LEASE BENEFICIAL USE OF FUEL GAS

Inventory of Common, Off-Lease Equipment Handling Commingled Oil Production

	Estimated Fuel Consumption	
Heater Treater #1 0.500 mmBTU Firetube Rating	10.0 Mcfd	13.54 mmBTU/D
Heater Treater #2 0.500 mmBTU Firetube Rating	10.0 Mcfd	13.54 mmBTU/D
TOTAL	20.0	27.08

OFF-LEASE BENEFICIAL USE EXAMPLE ALLOCATION

			Fuel V	'olume	olume Fuel Qu	
Facility	Well	Oil Well Test (BPD)	Oil Volume Allocation Factor	Allocated Lease Use Volume MCFD	Well Gas Sales BTU Factor	Allocated Lease Use mmBTU/D
Huber 3 Federal 3	Huber 3 Federal 3H	25.0	0.030	0.61	1.35400	0.82
	Huber 3 Federal 4H	50.0	0.061	1.21		1.64
	Huber 3 Federal 7H	350.0	0.424	8.48		11.49
	Huber 3 Federal 8H	350.0	0.424	8.48		11.49
	Lakewood Federal 1	50.0	0.061	1.21		1.64
Huber 3 Federal 5	Huber 3 Federal 5H	n/a	n/a	n/a	n/a	n/a
	Huber 3 Federal 6H	n/a	n/a	n/a	n/a	n/a
		825.0	1.000	20.00	-	27.08

Beneficial Use Fuel Volume Allocations will be performed on a prorated basis using the Oil Well Test Rate of each well

Beneficial Use Fuel Volume Allocation =	(Individual Well Oil Test Rate)	x S All Common Fauinment Fuel Usage Volume
	\sum All Well Oil Test Rates) x $\sum All common Equipment Fuel osage volume$

Beneficial Use Fuel Quality Allocations will be performed using a common Heating Value BTU Factor obtained at the POM sales meter distributed volumetrically to each well.

Heating Value Allocation = Individual Well BTU Factor X Beneficial Use Fuel Volume Allocation for Each Well

Allocations will be adjusted according to BTU value and based on the BTU determination frequency as required by 43 CFR 3175

Off-Lease Royalty Free Benficial Use of Fuel Gas for common equipment, fuel consumption is requested for the Lakewood Federal 1 handling commingled liquids

Form 3160-5 (June 2015) UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT 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 ☐ Gas Well ☐ Other 2. Name of Operator HOUSTON, TX 77024 3b. Phone No. (include area code) (832) 930-8502 4. Location of Well (Footage, Sec., T, R, M., or Survey Description) 660 FSL & 1993 FEL, SECTION 34, T19S, R25E			5. Lease Serial No. NI 5. Lease Serial No. NI 6. If Indian, Allottee o 7. If Unit of CA/Agree 8. Well Name and No. 9. API Well No. 30-01 10. Field and Pool or I N SEVEN RIVERS	NMNM031200 6. If Indian, Allottee or Tribe Name 7. If Unit of CA/Agreement, Name and/or No. 8. Well Name and No. LAKEWOOD FEDERAL #1 9. API Well No. 30-015-24231 10. Field and Pool or Exploratory Area N SEVEN RIVERS; GLORIETA-YESO 11. Country or Parish, State	
12. CHE	CK THE APPROPRIATE BOX(ES) TO IN	DICATE NATURE OF	NOTICE, REPORT OR OTH	IER DATA	
TYPE OF SUBMISSION TYPE OF ACTION Image: Construction of the term of t					
14. I hereby certify that the foregoing is true and correct. Name (<i>Printed/Typed</i>) Cory Walk		Consultant Title			
Signature Why Whe	U.	Date 05/31/2019			
THE SPACE FOR FEDERAL OR STATE OFICE USE					
certify that the applicant holds legal or e which would entitle the applicant to com Title 18 U.S.C Section 1001 and Title 4.	ned. Approval of this notice does not warran equitable title to those rights in the subject le duct operations thereon. 3 U.S.C Section 1212, make it a crime for ar ents or representations as to any matter with	ase Office		Date	
Instructions on page 2)					







U.S. Postal Service[™] **CERTIFIED MAIL® RECEIPT** LO Domestic Mail Only П m For delivery information, visit our at www.usps.com _ -0 Certified Mail Fee P-F Extra Services & Fees (check box, add fee as appropriate) 1 2019 Return Receipt (hardcopy) ŝ Return Receipt (electronic) Postmark Certified Mail Restricted Delivery Here. Adult Signature Required P Adult Signature Restricted Delivery \$ 59.99 Postage m XTO HOLDINGS LLC =0 Total Postage and Fees 810 HOUSTON ST -7 FORT WORTH TX 76102 Sent To =0 Percuss Lakewood Fed 1 Co-Mingle 701 Street and Apt. No., or PO Box No. City, State, ZIP+4® PS Form 3800, April 2015 P







U.S. Postal Service[™] **CERTIFIED MAIL® RECEIPT** Domestic Mail Only Π П ц w.usps.com For delivery information, visit our website at 8 =0 Certified Mail Fee 5 all the MAY 31 2019 _ Extra Services & Fees (check box, add fee as appropriate the second seco Return Receipt (hardcopy) Return Receipt (electronic) Postmark assin Certified Mail Restricted Delivery Here Adult Signature Required 2.999 Adult Signature Restricted Delivery \$ Postage NEARBURG EXPL CO LLC Total Postage and Fees PO BOX 823085 -0 -7 DALLAS TX 75382 Sent To -0 Percuss Lakewood Fed 1 Co-Mingle TO Street and Apt. No., or PO Box No. City, State, ZIP+4® See Reverse for Instruction PS Form 3800, April 2015 PSN 7530-02-000-9047



















Postmark

Here













U.S. Postal Service[™] **CERTIFIED MAIL® RECEIPT** Domestic Mail Only ГU 1 T For delivery information, visit our website at www.usps.com®. ____ -0 SEE5-000 Certified Mail Fee n-Ē Л Extra Services & Fees (ch Return Receipt (hardcopy) Return Receipt (electronic) ark 6107 I E AWN Postm Certified Mail Restricted Delivery Adult Signature Required Adult Signature Restricted Delive WN Postage 0 m AAR LP -П -П Total Po tage and Fees PO BOX 823085 1 DALLAS TX 75382 Sent To .0 -0 Percuss Lakewood Fed 1 Co-Mingle 701 Street and Apt. No., or PO Box No. City, State, ZIP+4® PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instruction



U.S. Postal Service[™] **CERTIFIED MAIL® RECEIPT** Domestic Mail Only -0 For delivery information, visit our website at www.uzps.com® -0 Certified Mail Fee T opriate AY 3 1 2019 Extra Services & Fees (check box, add fee as ap _ MANUTAR Return Receipt (hardcopy) S Postmark Return Receipt (electronic) 44544541451 Certified Mail Restricted Delivery Here Adult Signature Required 57 Adult Signature Restricted Delivery \$ Postage m **BOERNE LAND & CATTLE** Total Postage and Fees 307 HERFF RD 97 **BOERNE TX 78006** Percuss Lakewood Fed 1 Co-Mingle Sent To -0 TOL Street and Apt. No., or PO Box No. City, State, ZIP+4® PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

n



Sent To

Street and Apt. No., or PO Box No.

City, State, ZIP+4®

-0

TD

Percuss Lakewood Fed 1 Co-Mingle

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions