

|                        |                          |                     |                          |                               |                           |
|------------------------|--------------------------|---------------------|--------------------------|-------------------------------|---------------------------|
| DATE IN <u>12.9.11</u> | SUSPENSE <u>12/30/11</u> | ENGINEER <u>WVT</u> | LOGGED IN <u>12.9.11</u> | TYPE <u>CTB</u><br><u>638</u> | APP NO. <u>1134348324</u> |
|------------------------|--------------------------|---------------------|--------------------------|-------------------------------|---------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
**- Engineering Bureau -**  
 1220 South St. Francis Drive, Santa Fe, NM 87505



*Alamo Permian*  
*274841*

**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] *30-015-01769*
- [A] Location - Spacing Unit - Simultaneous Dedication *" " - 01771*  
☐ NSL ☐ NSP ☐ SD *" " - 01773*
- Check One Only for [B] or [C] *" " - 01774*
- [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.

CARIE STOKER  
 Print or Type Name

*Carie Stoker*  
 Signature

Regulatory Affairs Coordinator  
 Title

*12/7/11*  
 Date

*cstoker@alamoresources.com*  
 E-mail Address

*State Eddy*  
*2-105-20E*  
*(ONE ONLY)*

December 5, 2011

State of New Mexico  
Energy, Minerals and Natural Resources  
Oil Conservation Division  
District II  
811 S. First St.  
Artesia, NM 88210


**RE:** Alamo Permian Resources, LLC, wholly owned operating company for  
Alamo Resources II, LLC, the title holding company for properties  
Application for Approval of Surface Commingling  
Part of Section 2, T18S, R28E,  
Featherstone St #1, Featherstone St #3, Featherstone St #4, Featherstone St #5  
Eddy County, New Mexico

Dear Sirs:

Please be advised that Alamo Resources II, LLC ("Alamo") has notified every individual who has been identified as owning an interest within the above described properties of Alamo's requested approval for surface commingling application for the properties. Attached and labeled Exhibit "A" is the list of notified individuals. Enclosed for your review, is a copy of the correspondence and copies of the certified receipts green cards.

Do not hesitate to contact us should you have any questions or need further data. Thank you for your attention in this matter.

Sincerely,



Carie Stoker  
Regulatory Affairs Coordinator

**CC:** State of New Mexico  
Energy, Minerals and Natural Resources  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Attachment

Enclosures

RECEIVED OOD  
2011 DEC -9 A 11:37

December 07, 2011

To: Surface & Interest Owners:

Re: Alamo Resources II, LLC  
Application for Approval of Surface Commingling  
Part of Section 2, T18S, R28E,  
Featherstone St #1, Featherstone St #3, Featherstone St #4, Featherstone  
St #5  
Eddy County, New Mexico

Ladies and gentlemen:

Please be advised that Alamo Resources II, LLC ("Alamo") has requested approval for a surface commingling application. You have been identified as a surface or interest owner in the above referenced lands therefore, requiring notification of this application. Enclosed for your review, is a copy of the submitted application. Please be advised that any objections must be made in writing to the New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, NM 87504 within twenty (20) days of this applications filing date.

Please do not hesitate to contact us should you have any questions. Thank you for your attention to this matter.

Sincerely,



Carie Stoker  
Regulatory Affairs Coordinator

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: Alamo Permian Resources, LLC  
OPERATOR ADDRESS: 415 W. Wall Street, Suite 500 Midland, TX 79701  
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. \_\_\_\_\_  
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<br>Non-Commingled<br>Production | Calculated Gravities /<br>BTU of Commingled<br>Production |  | Calculated Value of<br>Commingled<br>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)  
(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. QUEEN-GRAYBURG-SAN ANDRES  
(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) See attached- Commingled Battery testing & allocation procedures

**(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: Carie Stoker TITLE: Regulatory Affairs Coordinator DATE: 12/07/2011

TYPE OR PRINT NAME Carie Stoker TELEPHONE NO.: 432.897.0673  
E-MAIL ADDRESS: cstoker@alamoresources.com

**EXHIBIT A**

James Warren Hanson  
P.O. Box 9  
Glencoe, NM 88324-0009

Gayle Wolcott Smith  
9430 MANOR DR  
LA MESA, CA 92042-3620

Richard Wolcott  
8141 CALLE FANITA  
SANTEE, CA 92071-3938

Hanson-McBride Pet.  
P.O. BOX 1515  
ROSWELL, NM 88202-1515

Laura Schmidhammer  
3159 FRENCH HILL DR  
POWHATAN, VA 23139-4527

Carole Jean Brandon  
10660 2<sup>ND</sup> ST  
SANTEE, CA 92071-1970

State land Office  
P.O. Box 1148  
Santa Fe, NM 87504

Alamo Resources II LLC  
820 Gessner  
Ste. 1650  
Houston, TX 77024

Commissioner of Public Lands  
P.O. Box 1148  
Santa Fe, NM 87504-1148

COG Operating, LLC  
550 West Texas Ave, Suite 100  
Midland, TX 79701

Ruth Jeffers Calvert  
P.O. BOX 65  
ARTESIA, NM 88211-0065

Concho Resources, Inc.  
550 West Texas Ave, Suite 100  
Midland, TX 79701

Georgie Johnson  
P.O. BOX 1473  
ARTESIA, NM 88211-1473

Paul Slayton  
P.O. BOX 2035  
ROSWELL, NM 88202-2035

T.E. Brown, Jr.  
P.O. BOX 68  
ARTESIA, NM 88211-0068

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City, State

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Sent To: Richard Wolcott  
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City, St: SANTEE, CA 92071-1970

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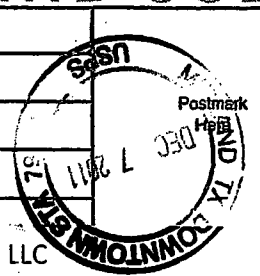
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City, St: Ste. 1650  
Houston, TX 77024

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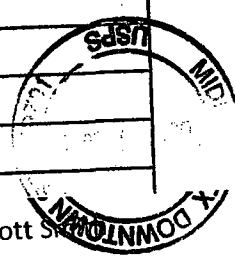
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Street, Apt, or PO Box: 9430 MANOR DR  
City, State: LA MESA, CA 92042-3620

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**550 West Texas Ave, Suite 100**  
**Midland, TX 79701**

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**Midland, TX 79701**

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**ALAMO PERMIAN RESOURCES, LLC**

**Commingled Battery Testing & Allocation Procedures**

**Eddy County, NM**

Alamo Permian Resources, LLC ("Alamo Permian Resources") proposes the surface commingling of its wells on the Featherstone St 3 & 5 Unit and two offset adjacent producing leases, the Featherstone St 1 and the Featherstone St 4 into a single Commingled Battery (the "Battery") located on the Featherstone St 4 located at the NE/4 SW/4 UL-K, Section 2, Township 18S, Range 28E in Eddy County, New Mexico. The following discussion outlines the basic equipment that will be installed in the Commingled Battery, as well as the basic procedures that will be instituted by Alamo Permian Resources to test producing wells and equitably allocate monthly oil and water production to each well based on well test results.

**Battery Equipment & Vessels**

A Commingled Battery permitted and constructed by Alamo Permian Resources with the basic equipment, vessels, and facilities in its design in order to test producing wells on a regular basis and equitably allocate oil and water production between all wells producing into the Battery. This Battery equipment will include:

- Inlet Well Header(s) which allow the switching of each well tied into the Battery from production to the Test Tank(s) individually;
- Test Tank(s) for the isolation and testing of each well. The number of Test Tanks will be dependent on the number of wells producing into the Battery;
- At least 2 steel Oil Tanks where total oil production is gauged and oil is sold;
- One to two fiberglass Water Tanks, depending on the amount of water produced on a daily basis from the wells and how it is handled;
- A Gun Barrel as a secondary separation vessel to separate the remaining water from the oil and send the oil to the Oil Tanks; and
- A Circulating Pump to allow for transfer of oil and water between Test Tanks, separation vessels, Oil Tanks, and Water Tanks in the Battery.

**Tank Gauging**

Each day, each Oil Tank, Water Tank, and Test Tank in the Battery will be gauged by the Alamo Permian Resources Pumper using a steel tape line. The amount of oil and water is measured by using water-finding paste ("color-cut") on the steel tape line. The gauge levels of oil and water in the battery tanks are recorded in the daily field gauge report and used to calculate the total daily and monthly oil and water production volumes for the Battery. The daily Battery oil and water production are sent to the Alamo Permian Resources – Midland, Texas office each day and are used at the end of each month to determine the Total Monthly Battery Production – oil and water production volumes.

Additionally, a record is kept of the number of Producing Days each month for each well. This information is recorded by the Pumper each day on a monthly "Days On and Off Report" form which tracks the days on production and the days off production for each well over the course of the month. This report is sent to the Alamo Permian Resources – Midland, Texas office at the end of each month to be used in the allocation process.

### **Well Testing**

Prior to each Well Test, the Test Tank is emptied using Circulating Pump to move contents to the FWKO. The remaining volume in the Test Tank, if any, is gauged and color-cut to determine the oil and water volumes in the tank at the start of the Well Test.

- At the Well Header at the entry to the Battery, the well selected to be tested is switched from Production to Test by opening and closing the appropriate valves on the header manifold to route the produced fluids from the well to a Test Tank.
- Each well producing into the Battery is to be tested at least once per month, but will be tested as many times as practical.
- The well will be left "on test" until a stabilized daily production rate is established, with a minimum test time of 48 hours.
- After the well has been on test a minimum of 24 hours, the produced fluids in the Test Tank will be gauged and color-cut. If the color-cut demarcation between oil and water is not clear, a fluid sample will be taken from the Test Tank using a "thief" sample catcher which allows the sampling of fluids in the tank at any desired depth in order to verify the composition of the produced fluids in the tank, both oil and water.
- Once the volumes of oil and water in the Test Tank have been determined, the well's Test Volumes over the preceding 24 hours are determined by subtracting the Test Tank volumes at the start of the test period from the Test Tank volumes recorded at the end of the period.
- The 24-hour Test Volumes of Oil and Water production from the well are recorded and sent to the Alamo Permian Resources – Midland, Texas office.
- At the conclusion of each Well Test, the produced oil and water volumes in the Test Tank are sent to the Battery FWKO by Circulating Pump.

### **Monthly Production Allocations**

Each month, the Total Monthly Battery oil and water production volumes are allocated to each producing well producing into the Battery based on the well's Well Tests during the month and its number of Producing Days during the month. The Monthly Production Allocations methodology is as follows:

- The Total Monthly Battery Production (oil and water) is determined from the daily field gauge reports from the Pumper.
- The representative Well Test for each well is selected from the Well Tests run during the month. If more than one Well Test is run on a well during the month and all are determined to be representative, then the arithmetic average of the individual Well Tests is used as the Well Test for the well during the month.

- For each well producing into the Battery, the Well Test for the month is multiplied by the well's Producing Days during the month to calculate the Well Pseudo-Production for the month.
- The Well Pseudo-Production for each well is calculated and then all are summed for the month to calculate the Total Battery Pseudo-Production for the month.
- The Monthly Well Allocation Factor is then calculated for each well by dividing the Well Pseudo-Production for the month by the Total Battery Pseudo-Production for the month. Individual allocation factors are determined for both oil and water production for each well in the Battery by this method.
- The Monthly Allocated Production for each well is then calculated by multiplying the well's Monthly Well Allocation Factor by the Total Monthly Battery Production. Individual monthly oil and water allocated production volumes for each well in the Battery are determined by this method.
- Monthly Oil Sales for each well are also determined using the Monthly Well Allocation Factors and the Total Monthly Battery Oil Sales volumes for the Battery.

### Example Monthly Well Allocation

The Gusher #1 well is producing into the Battery. Determine the Monthly Allocated Production (oil and water) for the Gusher #1:

- Total Monthly Battery Production: 4,500 BO & 3,000 BW
- Gusher #1 Well Test for the month: 20 BOPD & 10 BWPD
- Gusher #1 Producing Days in the month: 25 Days
- Gusher #1 Well Pseudo-Production:  $(20 \text{ BOPD} \times 25 \text{ Days}) = 500 \text{ PBO}$   
 $(10 \text{ BWPD} \times 25 \text{ Days}) = 250 \text{ PBW}$
- Total Battery Pseudo-Production: 6,250 PBO & 5,000 PBW
- Gusher #1 Monthly Well Allocation Factor:  $(500 \text{ PBO} / 6,250 \text{ PBO}) = 0.08 \text{ for Oil}$   
 $(250 \text{ PBW} / 5,000 \text{ PBW}) = 0.05 \text{ for Water}$
- Gusher #1 Monthly Allocated Production:  $(0.08 \times 4,500 \text{ BO}) = \underline{360 \text{ BO}}$   
 $(0.05 \times 3,000 \text{ BW}) = \underline{150 \text{ BW}}$

Fill line is in  
the top of the tank

V#1 - Featherstone State #1

Open top  
Water Tank  
200 Bbl  
V#12

Bolted Steel Tank  
Oil Tank  
Tank #14792  
H-8'  
D-15'-6"  
Vol -265 Bbls

Bolted Steel Tank  
Oil Tank  
Tank #14793  
H-8'  
D-15'-6"  
Vol -265 Bbls

Gun Barrel  
Palmer of Texas  
4'x20'

V#13

V#4

V#6

V#8

V#10

V#5

V#7

V#9

V#11

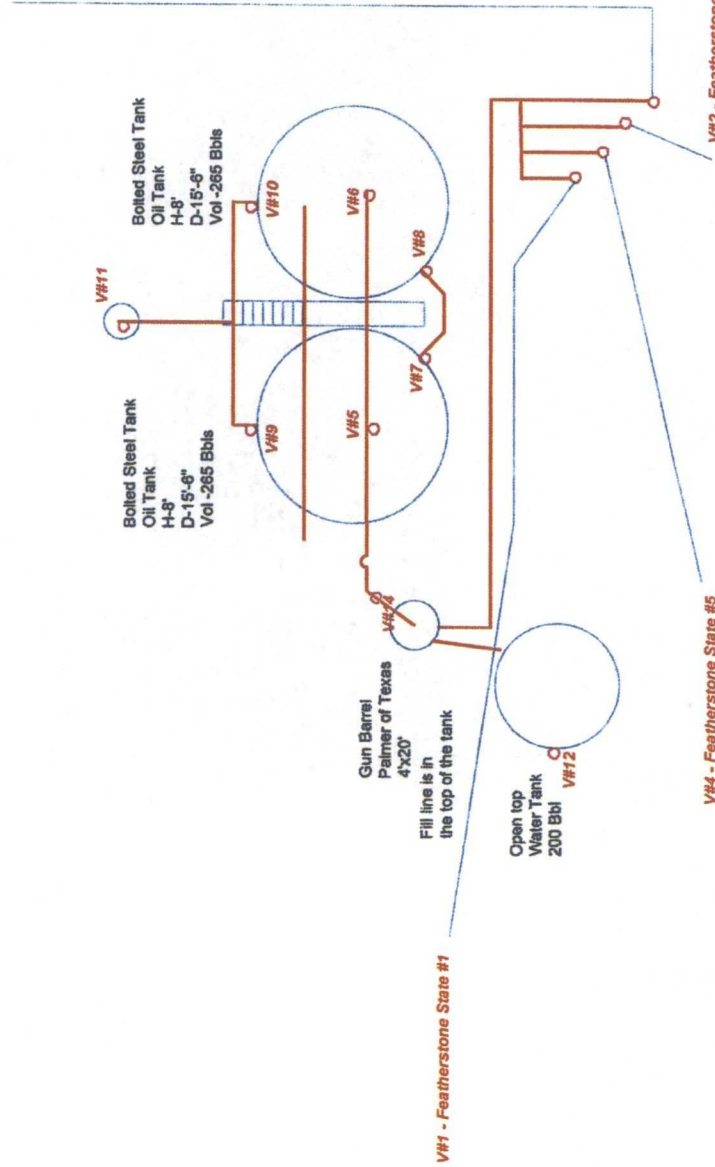
Alamo Permian Resources  
Featherstone State Lease  
Well #1 (API: #30-015-01769)  
Proposed Abandon location  
Storage facility located at NE1/4 SW1/4 of Section 2 T 18S  
R 28E  
Eddy County, New Mexico

I. Production Phase  
Open Valves # 1, 14, 13, 5, 6, 7, 8  
Closed Valves # 9, 10, 11, 12

III. Oil Sales Phase  
Open Valves # 9, 10, 11  
Closed Valves # 1, 5, 6, 7, 8, 12, 13, 14

IIII. Water Hauling  
Open Valves # 12  
Closed Valves # 1, 5, 6, 7, 8, 9, 10, 11, 13, 14

V#3 - Featherstone State #4



V#2 - Featherstone State #3

V#4 - Featherstone State #5

V#1 - Featherstone State #1

Alamo Permian Resources  
Featherstone State Lease  
Well #1 (API: #30-015-01769), Well #3 (API  
#30-015-01771) Well #4 (API #30-015-01773) & Well  
#5 (API: #30-015-01774)  
Storage facility located at NE/4 SW/4 of Section 2  
T18S R28E  
Eddy County, New Mexico

#### I. Production Phase

Open Valves # 1, 2, 3, 4, 5, 6, 7, 8, 14,  
Closed Valves # 9, 10, 11, 12

#### II. Oil Sales Phase

Open Valves # 9, 10, 11  
Closed Valves # 1, 2, 3, 4, 5, 6, 7, 8, 12, 14

#### III. Water Hauling

Open Valves # 12  
Closed Valves # 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14

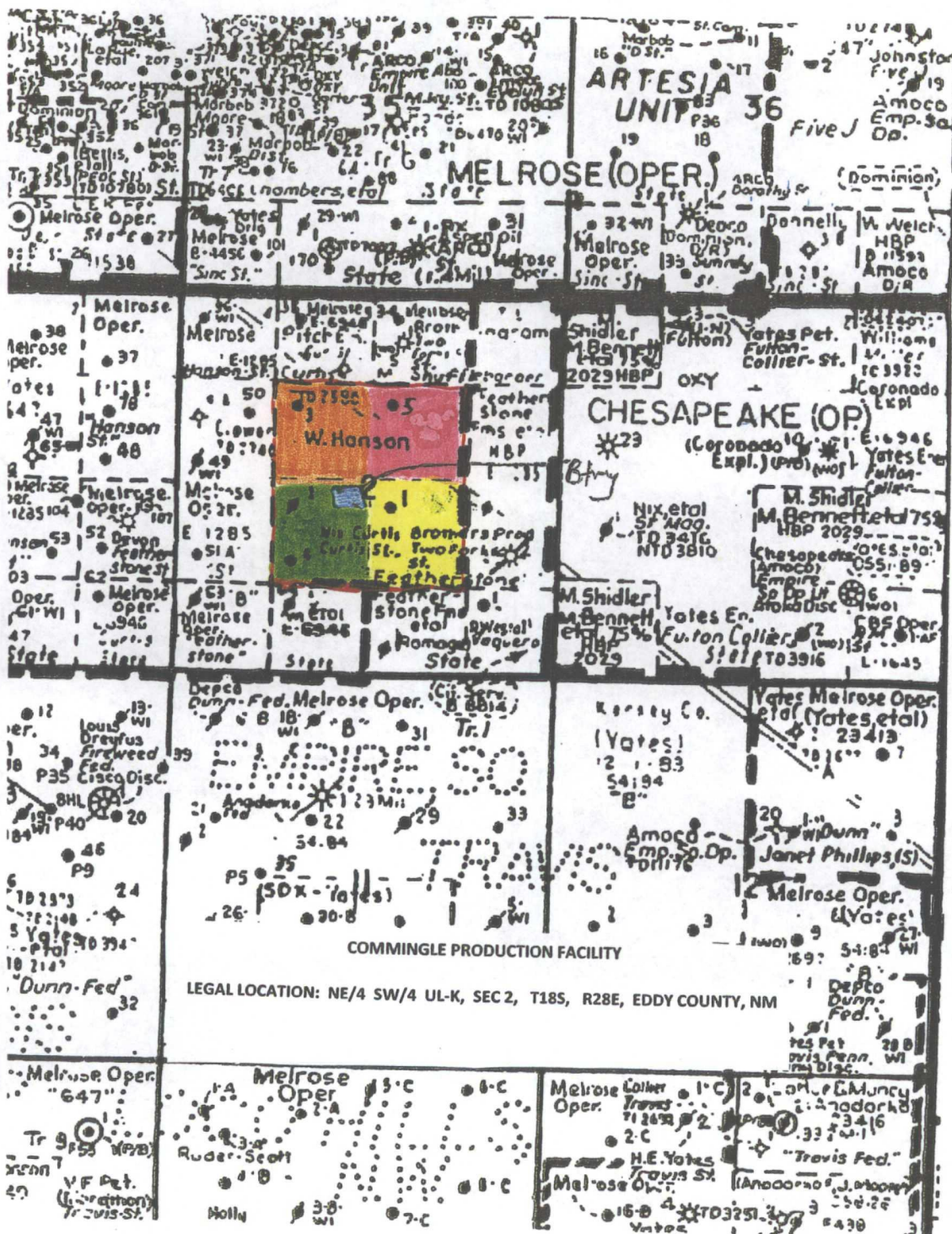


# ALAMO

PERMIAN RESOURCES, LLC

415 W. Wall Street, Suite 500  
Midland, TX 79701

OGRID 274841



FEATHERSTONE ST 1

FEATHERSTONE ST 3

FEATHERSTONE ST 4

FEATHERSTONE ST 5

COMMINGLING STORAGE FACILITY

## Well Selection Criteria Quick Print

(opno = 274841 and WH\_SEC = 2 and WH\_TWPN = 18 and WH\_TWPD Like 'S' and WH\_RNGN = 28 and WH\_RNGD Like 'E' and WL\_STATUS Like 'A')

| API Well #         | Well Name and No.  | Operator Name | Typ                      | Stat | County | Surf | UL | Sec | Twp | Rng | Ft N/S | Ft E/W | UICPrmt | Lst Insp Dt |
|--------------------|--------------------|---------------|--------------------------|------|--------|------|----|-----|-----|-----|--------|--------|---------|-------------|
| 30-015-01771-00-00 | FEATHERSTONE STATE | 003           | ALAMO PERMIAN RESOURCES, | O    | A      | Eddy | S  | F   | 2   | 18S | 28E    | 1650N  | 1650W   | 2/7/2011    |
| 30-015-01774-00-00 | FEATHERSTONE STATE | 005           | ALAMO PERMIAN RESOURCES, | O    | A      | Eddy | S  | G   | 2   | 18S | 28E    | 1650N  | 2310E   | 2/7/2011    |
| 30-015-01769-00-00 | FEATHERSTONE STATE | 001           | ALAMO PERMIAN RESOURCES, | O    | A      | Eddy | S  | J   | 2   | 18S | 28E    | 2310S  | 2310E   | 2/7/2011    |
| 30-015-01773-00-00 | FEATHERSTONE STATE | 004           | ALAMO PERMIAN RESOURCES, | O    | A      | Eddy | S  | K   | 2   | 18S | 28E    | 1650S  | 1650W   | 2/7/2011    |



| API No. 14 Digit  | API No. 10 Digit | OPERATOR NAME               | LEASE NAME         | WELL NUM | PROD ZONE NAME                                    | Location |     |     |     |     |     |             |                   |            |              |
|-------------------|------------------|-----------------------------|--------------------|----------|---|----------|-----|-----|-----|-----|-----|-------------|-------------------|------------|--------------|
|                   |                  |                             |                    |          |   | Lease    | SEC | TWP | RNG | E/W | N/S | Unit Letter | FOOTAGE CALLS     | LAT        | LONG         |
| 30-015-01769-0000 | 30-015-01769     | ALAMO PERMIAN RESOURCES LLC | FEATHERSTONE STATE | 1        | QUEEN / GRAYBURG / SAN ANDRES<br><i>certified</i> | State    | 2   | 18  | 28  | E   | S   | J           | 2310 FSL 2310 FEL | 32.7762730 | -104.1458660 |
| 30-015-01771-0000 | 30-015-01771     | ALAMO PERMIAN RESOURCES LLC | FEATHERSTONE STATE | 3        | QUEEN / GRAYBURG / SAN ANDRES                     | State    | 2   | 18  | 28  | E   | S   | F           | 1650 FNL 1650 FWL | 32.7797500 | -104.1501300 |
| 30-015-01773-0000 | 30-015-01773     | ALAMO PERMIAN RESOURCES LLC | FEATHERSTONE STATE | 4        | QUEEN / GRAYBURG / SAN ANDRES                     | State    | 2   | 18  | 28  | E   | S   | K           | 1650 FSL 1650 FWL | 32.7743347 | -104.1500510 |
| 30-015-01774-0000 | 30-015-01774     | ALAMO PERMIAN RESOURCES LLC | FEATHERSTONE STATE | 5        | QUEEN / GRAYBURG / SAN ANDRES                     | State    | 2   | 18  | 28  | E   | S   | G           | 1650 FNL 2310 FEL | 32.7799900 | -104.1459400 |

3030  
CODE

GRID  
274841