

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 _____

Pinto 36 State Com 1H
 API # 30-015-39781
 M - 36-185-25E
 (150' FSL, 330' FWL)
 Battery "A"

[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.

Kanicia Castillo
 Print or Type Name

Signature

Lead Regulatory Analyst
 Title

6/07/12
 Date

kcastillo@concho.com
 E-mail Address

CTB-647

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: COG Operating LLC

OPERATOR ADDRESS: 550 West Texas Suite 100, Midland, Texas 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 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)

(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.

(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) Test Method

(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: Kanicia Castillo

TITLE: Lead Regulatory Analyst

DATE: 05/08/12

TYPE OR PRINT NAME Kanicia Castillo

TELEPHONE NO.: 432-685-4332

E-MAIL ADDRESS: kcastillo@concho.com

June 7, 2012



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

RECEIVED OGD

2012 JUN -8 P 1:44

Re: Surface Commingle and Off Lease Measurement on our Pinto 36 State Com Lease

Mr. Ezeanyim,

COG Operating LLC respectfully requests approval for Surface Commingle and Off Lease Measurement on our Pinto 36 State Com Lease. This lease will have two battery locations needing Surface Commingling and Off Lease Measurement approvals.

The A Battery consists of the following wells:

Pinto 36 State Com 1H (Battery A Location) ✓ Eddy County, NM API # 30-015-39781 Communitization Agreement # Pending Surface: 150 FSL & 380 FWL, Sec 36, T18S, R25E, Unit M	Pinto 36 State Com 2H ✓ Eddy County, NM API # 30-015-39969 Communitization Agreement # Pending Surface: 150 FSL & 1700 FWL, Sec 36, T18S, R25E, Unit N
Pinto 36 State Com 5H ✓ Eddy County, NM API #: 30-015-39970 Communitization Agreement # Pending Surface: 150 FSL & 1040 FWL Sec 36, T18S, R25E, Unit M	Pinto 36 State Com 6H ✓ Eddy County, NM API #: 30-015-39971 Communitization Agreement # Pending Surface: 150 FSL & 2230 FWL Sec 36, T18S, R25E, Unit N
Pinto 36 State Com 3H Eddy County, NM API # 30-015-39782 Communitization Agreement # Pending Surface: 150 FNL & 2260 FEL Sec 36, T18S, R25E, Unit B	

The B Battery consists of the following wells:

Pinto 36 State Com 4H (Battery B Location) Eddy County, NM API # Pending Communitization Agreement # Pending Surface: 150 FSL & 1040 FEL Sec 36, T18S, R25E, Unit P	
Pinto 36 State Com 7H ✓ Eddy County, NM API #: 30-015-39973 Communitization Agreement # Pending Surface: 150 FSL & 1700 FEL Sec 36, T18S, R25E, Unit O	Pinto 36 State Com 8H ✓ Eddy County, NM API #: Pending Communitization Agreement # Pending Surface: 150 FSL & 380 FEL Sec 36, T18S, R25E, Unit P

Consolidating our battery facilities to two will extend the economic life for these wells and lessen surface disturbance. We will allocate production using the well test method for both battery facilities. Commingling will not reduce the value of production.

The A Battery has diverse ownership for all wells going into that facility. These wells will be producing from the Penasco Draw; SA-Yeso Associated, 50270. I have attached a diagram of the battery facility, and a map showing all well and facility locations, admin checklist, and notice to all interest owners.

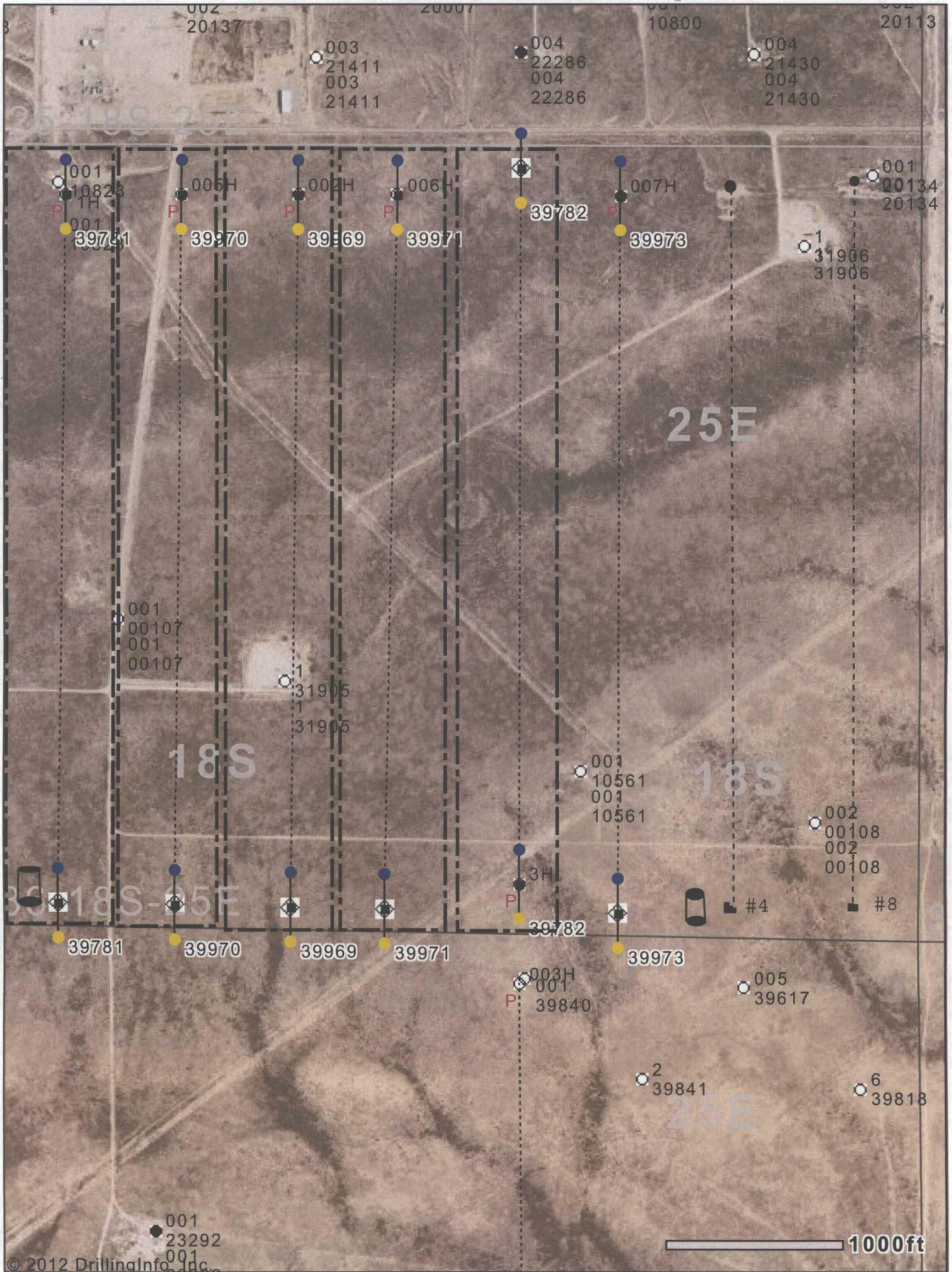
The B Battery has diverse ownership for all wells going into that facility. These wells will be producing from the Penasco Draw; SA-Yeso Associated, 50270. I have attached a diagram of the battery facility, and a map showing all well and facility locations, admin checklist, and notice to all interest owners.

Please contact me at 432-685-4332 should you have any questions.

Sincerely,

Kanicia Castillo
Lead Regulatory Analyst
COG Operating, LLC

COG Operating LLC
Pinto 36 State Com Lease Battery A



A horizontal scale bar with a black outline and a light gray fill, followed by the text "1000ft" in a bold, black, sans-serif font.

DISTRICT I
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DISTRICT III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

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

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-39781	Pool Code 50270	Pool Name Penasco Draw; SA-Yeso Associated
Property Code 38979	Property Name PINTO 36 STATE COM #1H	Well Number 1H
OGRID No. 229137	Operator Name COG OPERATING, LLC	Elevation 3495'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	36	18-S	25-E		150	SOUTH	380	WEST	EDDY

Bottom 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
D	36	18-S	25-E		330	NORTH	380	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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>CORNER COORDINATES TABLE</p> <p>(A) Y=622576.2 N, X=465286.1 E</p> <p>(B) Y=622564.9 N, X=466606.8 E</p> <p>(C) Y=617333.4 N, X=465187.4 E</p> <p>(D) Y=617304.4 N, X=466527.1 E</p>		<p>GEODETIC COORDINATES NAD 27 NME</p> <p>SURFACE LOCATION Y=617475.1 N X=465570.1 E</p> <p>BOTTOM HOLE LOCATION Y=622243.1 N X=465659.8 E</p>		<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p> 3/9/12</p> <p>Signature Date</p> <p>Kanicia Castillo</p> <p>Printed Name</p> <p>kcastillo@concho.com</p> <p>E-mail Address</p>
	<p>SURVEYOR 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>OCTOBER 25, 2011</p> <p>Date of Survey</p> <p>Signature & Seal of Professional Surveyor:</p>				<p></p>
	<p>Certificate Number: Gary G. Eidson 12641</p> <p>Professional Seal: J. Eidson 3239</p> <p>AF JWSC W.O. 11.11.1921</p>				

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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-39969	Pool Code 50270	Pool Name Penasco Draw; SA-Yeso Associated
Property Code 38979	Property Name PINTO 36 STATE COM	Well Number 2H
OGRID No. 229137	Operator Name COG OPERATING, LLC	Elevation 3490'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	36	18-S	25-E		150	SOUTH	1700	WEST	EDDY

Bottom 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
C	36	18-S	25-E		330	NORTH	1700	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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	<p>GEODETIC COORDINATES NAD 27 NME</p> <p>SURFACE LOCATION Y=617446.6 N X=466889.4 E</p> <p>LAT.=32.697413° N LONG.=104.440966° W</p> <p>BOTTOM HOLE LOCATION Y=622231.7 N X=466979.5 E</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Kanicia Castillo</i> 3/9/12 Signature Date Kanicia Castillo Printed Name kcastillo@concho.com E-mail Address</p>
	<p>CORNER COORDINATES TABLE</p> <p>Ⓐ - Y=622564.9 N, X=466606.8 E Ⓑ - Y=622553.5 N, X=467927.6 E Ⓒ - Y=617304.4 N, X=466527.1 E Ⓓ - Y=617275.3 N, X=467866.9 E</p>	<p>SURVEYOR 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>JANUARY 17, 2012</p> <p>Date of Survey Signature & Seal of Professional Surveyor: <i>Ronald F. Eldson</i> R. F. Eldson 12641 Professional Surveyor 3239 AF JWSC W.O.: 1L11.2565</p>

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OIL CONSERVATION DIVISION
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Santa Fe, New Mexico 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☐ AMENDED REPORT



WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-39782	Pool Code 50270	Pool Name Penasco Draw; SA-Yeso, Associated
Property Code 38979	Property Name PINTO 36 STATE COM	Well Number 3H
OGRID No. 229137	Operator Name COG OPERATING, LLC	Elevation 3465'

Surface Location									
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	36	18-S	25-E		150	NORTH	2260	EAST	EDDY

Bottom 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
O	36	18-S	25-E		330	SOUTH	2260	EAST	EDDY
Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.						

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<p>CORNER COORDINATES TABLE</p> <p>Ⓐ - Y=622553.5 N, X=467927.6 E</p> <p>Ⓑ - Y=622542.1 N, X=469248.3 E</p> <p>Ⓒ - Y=617275.3 N, X=467866.9 E</p> <p>Ⓓ - Y=617246.0 N, X=469210.7 E</p>		<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p> 3/9/12</p> <p>Signature Date</p> <p>Kanicia Castillo</p> <p>Printed Name</p> <p>kcastillo@concho.com</p> <p>E-mail Address</p>	
<p>GEODETIC COORDINATES NAD 27 NME</p> <p>SURFACE LOCATION Y=622400.2 N X=468309.2 E</p> <p>LAT.=32.711033° N LONG.=104.436366° W</p> <p>BOTTOM HOLE LOCATION Y=617596.0 N X=468296.1 E</p>		<p>SURVEYOR 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>OCTOBER 31, 2011</p> <p>Date of Survey</p> <p>Signature & Seal of Professional Surveyor:</p> <p></p> <p>Certification Number Gary G. Eidson 12641 Rebecca F. Eidson 3239</p> <p>AF WSC W.O.: 11.11.1922</p>	

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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-39970	Pool Code 50270	Pool Name Penasco Draw; SA-Yeso Associated
Property Code 38979	Property Name PINTO 36 STATE COM	Well Number 5H
OGRID No. 229137	Operator Name COG OPERATING, LLC	Elevation 3494'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	36	18-S	25-E		150	SOUTH	1040	WEST	EDDY

Bottom 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
D	36	18-S	25-E		330	NORTH	1040	WEST	EDDY

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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	<p>GEODETIC COORDINATES NAD 27 NME</p> <p>SURFACE LOCATION Y=617460.8 N X=466229.7 E</p> <p>LAT.=32.697450° N LONG.=104.443111° W</p> <p>BOTTOM HOLE LOCATION Y=622237.4 N X=466319.6 E</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or in a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p> 3/9/12</p> <p>Signature Date</p> <p>Kanicia Castillo</p> <p>Printed Name</p> <p>kcastillo@concho.com</p> <p>E-mail Address</p>
	<p>CORNER COORDINATES TABLE</p> <p>Ⓐ - Y=622576.2 N, X=465286.1 E</p> <p>Ⓑ - Y=622564.9 N, X=466606.9 E</p> <p>Ⓒ - Y=617333.4 N, X=465187.4 E</p> <p>Ⓓ - Y=617304.4 N, X=466527.1 E</p>	<p>SURVEYOR 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>JANUARY 17, 2012</p> <p>Date of Survey</p> <p>Signature of Professional Surveyor:</p> <p> </p> <p>Certified by: Ronald J. Eidson 12641</p> <p>Ronald J. Eidson 3239</p> <p>AP WSC W.O.: 11.11.2567</p>

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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-39971	Pool Code 50270	Pool Name Penasco Draw; SA-Yeso Associated
Property Code 38979	Property Name PINTO 36 STATE COM	Well Number 6H
OGRID No. 229137	Operator Name COG OPERATING, LLC	Elevation 3495'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	36	18-S	25-E		150	SOUTH	2230	WEST	EDDY

Bottom 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
C	36	18-S	25-E		330	NORTH	2260	WEST	EDDY

Dedicated Acres 160	Joint or Infill	Consolidation Code	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>NAD 27 NME SURFACE LOCATION Y=617435.1 N X=467419.1 E LAT=32 69'38.3" N LONG=104 43'24.4" W BOTTOM HOLE LOCATION Y=622226.9 N X=467539.3 E</p>	<p>OPERATOR CERTIFICATION I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><u>Kanicia Castillo</u> 3/9/12 Signature Date Printed Name kcastillo@concho.com E-mail Address</p>
	<p>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.</p> <p>JANUARY 19, 2012 Date of Survey Signature & Seal of Professional Surveyor: RONALD J. EIDSON NEW MEXICO 3239 Certified by: Gary S. Eidson 12641 Professional Surveyor: Ronald J. Eidson 3239 AP JWSC W.O.: 11.11.2568</p>	<p>CORNER COORDINATES TABLE</p> <p>① - Y=622564.9 N, X=466606.8 E ② - Y=622553.5 N, X=467927.6 E ③ - Y=617304.4 N, X=466527.1 E ④ - Y=617275.3 N, X=467866.9 E</p>

Lakewood Area

Tank Battery Operational Description

Test Method Allocation

Summary

The following is a description of the facility operations at a standard tank battery installed in the Lakewood area. The plan of development for this area includes the installation of one tank battery per half section. Each battery will be equipped to handle 4 producing wells from that half section.

Operational Description

1. Flowlines from producing wells terminate into the test/production header which serves as the inlet to the tank battery. From the header, one well can be put in test while the remaining wells are combined in the production header for separation and storage of produced fluids. The test/production header is illustrated in Figure 1 below. In this diagram, the shaded valves indicate a closed position. Therefore, this illustration shows well "1H" to be in test while the remaining wells are routed to the 2-Phase Separator. Using the valves in the header, any single well can be isolated from the remaining wells and placed into test.

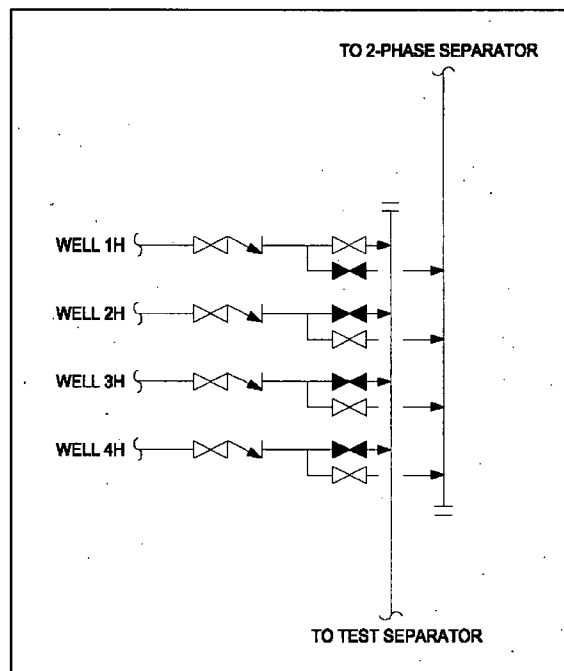


Figure 1: Test/Production Header Diagram

2. The test separator is a 3-phase horizontal separator used for measuring produced fluids from a given well. Separate meters are used for measuring oil, water, and gas from the production well. Turbine meters are used for measuring oil and water flow while an orifice meter is used

for measuring gas flow. Once the produced fluids have been metered, all three phases are recombined and routed to the 2-phase separator where the well is tied in with the bulk fluids from other wells. A diagram of the test separator is shown in Figure 2 below.

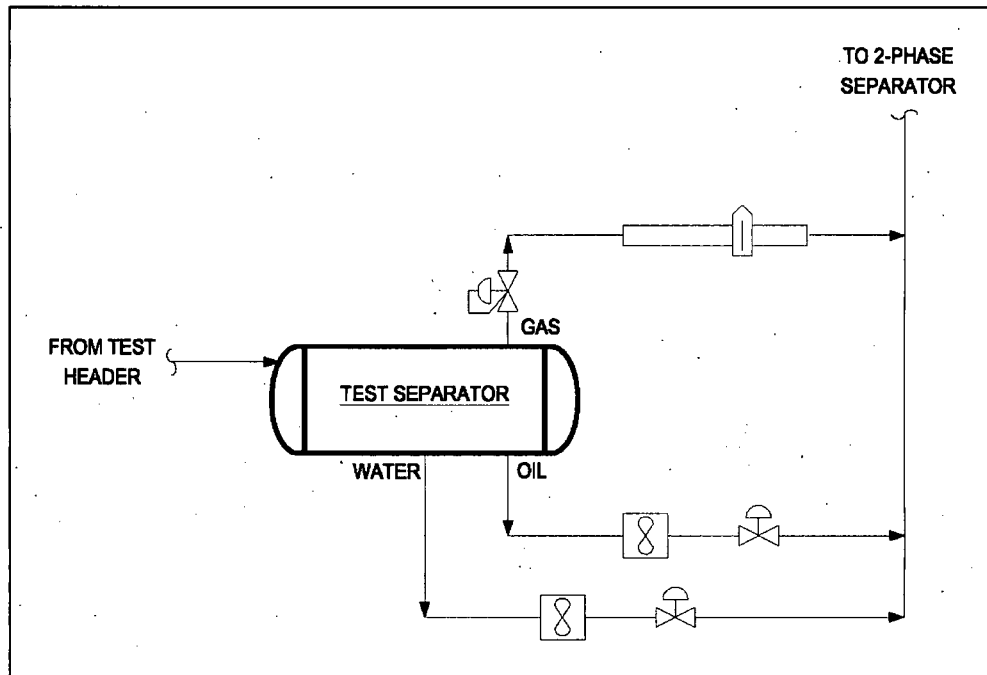


Figure 2: Test Separator with 3-Phase Metering

3. The test separator and associated metering devices have been sized for the expected range of fluid rates from the production wells. The sizing and calibration of this equipment ensures accurate measurement of produced fluids from a well in test. When a well is placed in test, it will remain in test for a minimum of 3 days. This allows adequate time for the well to level out and accurate daily production rates to be measured. Each well will be placed in test once a month at a minimum. Given the number of wells and the duration of well tests, it is likely that each well could be tested as often as 2-3 times per month. Allocation of co-mingled production will be based on average well tests taken during the previous month.
4. Fluids from the production header are routed to the 2-Phase Separator where gas and liquids are separated. Gas is sent directly to the gas sales system and liquids are sent to the FWKO for further separation. In addition to providing a means of bulk gas/liquid separation, this vessel also helps to alleviate slugs of fluid which enter the system and would otherwise disrupt the separation process.
5. Liquids from the 2-Phase Separator are sent to the Free Water Knock Out (FWKO). The primary function of this vessel is to provide sufficient retention time for oil and water to separate. Water from the FWKO is sent to water storage tanks. Oil from the FWKO is sent to the Heater-Treater for a final stage of polishing and water removal. Any gas that flashes off in this stage of separation is tied directly into the gas sales system.
6. Oil from the FWKO is routed to the Heater-Treater wherein heat is applied to help break any remaining emulsions and remove water from the oil stream. Oil from the Heater-Treater is sent

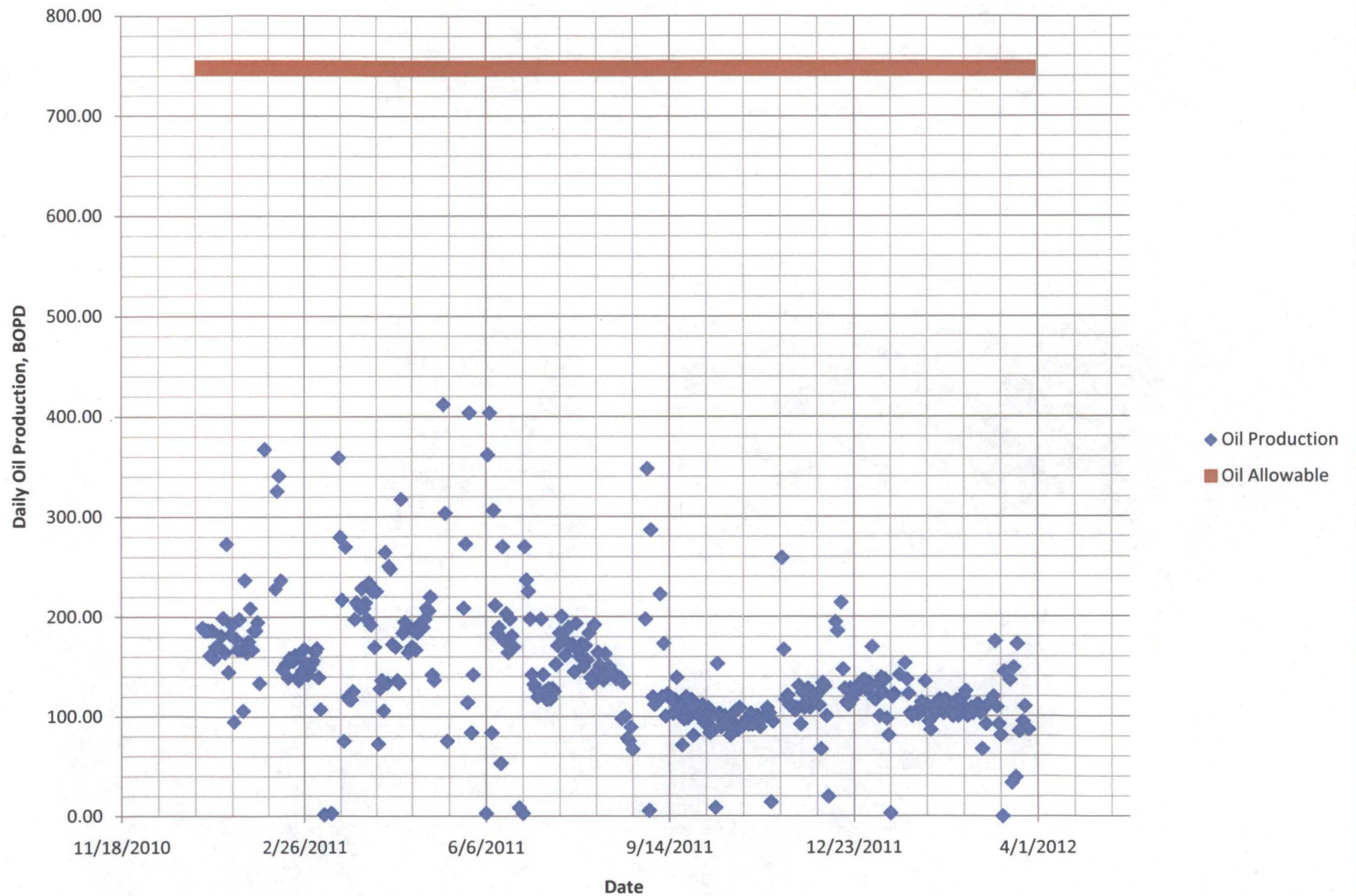
to the oil storage tanks. Water from the Heater-Treater is tied into the water line from the FWKO going to the storage tanks. Any gas that flashes off in this stage of separation is tied directly into the gas sales system.

7. Oil from the Heater-Treater is sent to 500 BBL oil tanks located on site. These tanks allow for storage of oil prior to sales through a pipeline LACT or trucking. Valves are installed on each tank to provide the ability to isolate a tank for sales or to further treat the fluids by circulating back through the separation process. Oil tanks are connected together with a common overflow line that serves to prevent spills caused by over running a single tank.
8. Water from the FWKO and Heater Treater is sent to 500 BBL water tanks located on site. These tanks provide water storage prior to being pumped into the salt water disposal (SWD) system. One water tank is used as the primary tank for water handling while the second tank provides overflow protection and operational flexibility. A transfer pump is connected to the water tanks and is operated automatically by the facility PLC based on the level of water in the tanks. This pump discharges into the SWD system which gathers and disposes of produced water.

Attachments

- Process Flow Diagram: Lakewood Area Standard Tank Battery

Grave Digger #1H



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