

11/05/2014	SUSPENSE	11/05/2014	DHC	Permian 430956917
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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.

Print or Type Name: RANDALL Hicks Signature: Randy Hicks Title: Sr. Ops. Eng Date: 11/5/14
e-mail Address: rhicks@vnrllc.com

- DHC
- Vanguard Permian LLC
258350
Well
Cule State #17
30-025-37399
POU
- Eumont, Yates
7 RURS - Green (oil)
22800
- Pennoskelly
Grayburg
50350
- Eunice
San Andres
Southwest
24180

District I
1535 N. 1st St. Suite 1100, NM 87102
District II
1115 E. 1st St., Apt. 101, NM 87102
District III
1000 E. 1st St., Apt. 101, NM 87102
District IV
1220 S. 1st St., Suite 101, NM 87102

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 Vanguard Permian, LLC Address 5847 San Felipe, Suite 3000 Houston, TX 77057
Lease Cole State Well No 17 Unit Letter-Section-Township-Range F 16 22S 37E County Lea
OGRID No. 2583SD Property Code 312404 API No. 30-025-37359 Lease Type: ☐ Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	<u>Eunice 'Y. 7R-Ra' Permian Shelly' Grayling</u>	<u>Eunice 'San Andres' SW</u>	
Pool Code	<u>22800</u>	<u>SD 350</u>	<u>24180</u>
Top and Bottom of Pay Section (Perforated or Open Hole Interval)	<u>3492' - 3540'</u>	<u>3664' - 3808'</u>	<u>3842' - 3967'</u>
Method of Production (Flowing or Artificial Lift)	<u>A.L.</u>	<u>A.L.</u>	<u>A.L.</u>
Bottomhole Pressure (Note: Pressure data is not required if the bottom hole is in the lower zone or within 150' of the depth of the top perforation in the upper zone.)			
Oil Gravity or Gas BTU (Specify API or Gas BTU)	<u>35.5/1100</u>	<u>35.5/1100</u>	<u>35/1100</u>
Producing, Shut-In or New Zone	<u>Producing</u>	<u>Producing</u>	<u>Shut-in</u>
Date and Oil/Gas/Water Rates of Last Production (Note: For new zones or if no production history, applicant shall be required to attach production estimates and supporting data.)	Date: <u>10/4/2014</u> Rates: <u>0/48/M</u>	Date: <u>10/4/2014</u> Rates: <u>0/48/M</u>	Date: <u>5/19/2014</u> Rates: <u>2/41/4</u>
Fixed Allocation Percentage (Note: If allocation is based upon a working interest, then current or past production, supporting data, or explanation will be required.)	Oil: <u>0</u> Gas: <u>35</u>	Oil: <u>0</u> Gas: <u>35</u>	Oil: <u>100</u> Gas: <u>30</u>

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 ☐
NMOC 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 Randall Hicks TITLE Sr. Ops Eng DATE 11/5/2014
TYPE OR PRINT NAME RANDALL Hicks TELEPHONE NO. (882) 377-2207
E-MAIL ADDRESS rhicks@vnrllc.com



November 5, 2014

Michael A. McMillan
Engineering & Geological Services Bureau
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: DHC Application

Cole State #10 (API 300252216300);
Cole State #12 (API 300252248600);
Cole State #14 (API 300252382800);
Cole State #17 (API 300253739900);
Cole State #18 (API 300253782700);
Cole State #19 (API 300253740000);
Lea County, NM

Gentlemen:

Please be advised that Vanguard Permian, LLC, ("Vanguard"), owns 100% of the working interest in the above captioned wells. Additionally, the various interest owners in all of the wells noted above are identical. In order to more efficiently produce the captioned wells and avoid waste, we respectfully request to downhole commingle the specified wells.

Should you have additional questions or comments in this regard, please feel free to contact me directly at 832.399.3764 or csledge@vnrlc.com or for technical questions please contact Randall Hicks at 832.377.2207 or rhicks@vnrlc.com.

Respectfully submitted,

Vanguard Permian, LLC

Carol M. Sledge, CPL
Senior Landman

cc: Randall Hicks via email at rhicks@vnrlc.com

Cole State #17
API # 30-025-37399

Pool Name
Pool Code
Pay Interval
Status
Rates from 24 hr tests, O,G,W
Allocation %

Eumont;Y,7R-Qu		
22800		
3492' - 3540'		
Producing		
0	48	19
0%	35%	
Pool 24 hrTest	0	
Combined Test	2	0.00%
Pool 24 hrTest	48	
Combined Test	137	35.04%
Pool 24 hrTest		
Combined Test		
Pool 24 hrTest		
Combined Test		

Penrose Skelly;Grayburg		
50350		
3664' - 3808'		
Producing		
0	48	19
0%	35%	
Combined Tests		
2	137	42
Pool 24 hrTest	0	
Combined Test	2	0.00%
Pool 24 hrTest	48	
Combined Test	137	35.04%
Pool 24 hrTest		
Combined Test		
Pool 24 hrTest		
Combined Test		

24180		
3842' - 3967'		
Shut in		
2	41	4
100%	30%	

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Bravo Rd., Aztec, NM 87410

District IV1220 S. St Francis Dr., Santa Fe, NM
87505

State of New Mexico

Energy, Minerals and Natural Resources

Oil Conservation Division

1220 S. St Francis Dr.

Santa Fe, NM 87505

Form C-102

Permit 13861

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-37399	Pool Name <i>Enmont; Yates, 7 Rivers - Queen</i>	Pool Code <i>22800</i>
Property Code <i>312404</i>	Property Name COLESTATE	Well No. 017
OGRID No. <i>258350</i>	Operator Name <i>Vanguard Permian, LLC</i>	Elevation 3403

Surface And Bottom Hole Location

UL or Lot F	Section 16	Township 22S	Range 37E	Lot Ldn F	Feet From 1650	N/S Line N	Feet From 2310	E/W Line W	County Lea
Dedicated Acres 40		Join or Infill		Consolidation Code		Order No.			

	<input checked="" type="checkbox"/>		

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Electronically Signed By: *Rachel Hicks*Title: *Sr. Ops. Eng*Date: *10/5/14***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.

Surveyed By: Gary Eidson

Date of Survey: 07/12/2005

Certificate Number: 12641

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Bravo 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
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Santa Fe, NM 87505

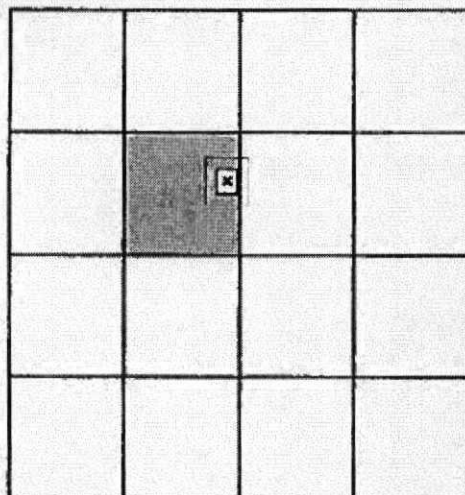
Form C-102
Permit 13861

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-37399	Pool Name Penrose Skelly; Grayburg	Pool Code 50350
Property Code 312404	Property Name COLE STATE	Well No. 017
DDRD No. 258350	Operator Name Vanguard Permian, LLC	Elevation 3403

Surface And Bottom Hole Location

UL or Lot F	Section 16	Township 22S	Range 37E	Lot km F	Feet From 1650	N/S Line N	Feet From 2310	E/W Line W	County Lea
Dedicated Acres 40		Joint or Infill		Consolidation Code		Order No.			



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signed By: *Randall Hile*
Title: *Sr. Ops. Eng.*
Date: *11/5/2014*

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.

Surveyed By: *Gary Eidson*
Date of Survey: *07/12/2005*
Certificate Number: *12641*

District I
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Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
Permit 13861

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-37399	Pool Name EUNICE, SAN ANDRES, SOUTHWEST	Pool Code 24180
Property Code 312404	Property Name COLE STATE	Well No. 017
ORD No. 258350	Operator Name Vanguard Armian, LLC	Elevation 3403

Surface And Bottom Hole Location

UL or Lot F	Section 16	Township 22S	Range 37E	Lot Idn F	Feet From 1650	N/S Line N	Feet From 2310	E/W Line W	County Lea
Dedicated Acres 40		Joint or Infill		Consolidation Code		Order No.			

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signed By: *Robert Hark*

Title: *Sr. Ops. Eng*

Date: *11/5/2014*

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.

Surveyed By: Gary Eidson

Date of Survey: 07/12/2005

Certificate Number: 12641



October 31, 2014

Engineering and Geological Services Bureau, Oil Conservation Division
Attn: Michael A. McMillan
1220 South St. Francis Dr.
Santa Fe, NM 87505

Re: DHC Application
Cole State #17 API#30-025-37399

Dear Mr. McMillan:

The Pools to be comingled in the Cole State #17 well are the Eumont; Yates, 7R-Queen (22800), the Penrose Skelly; Grayburg (50350) and the Eunice; San Andres, Southwest (24180). The comingling of the Eumont, Yates, 7R-Queen, Penrose Skelly; Grayburg and the Eunice; San Andres, Southwest will not reduce the value of total remaining production.

The production percentages were calculated based on the last 24 hr daily test from the Eunice; San Andres, Southwest dated 5/19/2014 prior to the workover. The Eumont; Yates 7R-Queen and Penrose Skelly; Grayburg production was divided evenly based on the most recent 24 hr daily test dated 10/4/2014 which was after the workover. Each of the three pools were then divided by the combined tests to get a percentage for each pool. This was done for oil and gas. A spreadsheet is available that has the calculations and production curves are attached.

Ownership between all pools is identical.

This is a State property and the SLO is being notified of the application by this letter.

Thank you,

Randall Hicks
Sr. Operations Engineer
Vanguard Natural Resources

THE MONTHLY DISTRIBUTION MLPTM

McMillan, Michael, EMNRD

From: Randall Hicks <rhicks@vnrlc.com>
Sent: Friday, November 07, 2014 9:55 AM
To: McMillan, Michael, EMNRD
Subject: Vanguard - Cole State #17 - DHC Application

Mr. McMillan,

For the DHC application, the production between the Eumont; Yates, 7R-Queen (22800) and the Penrose-Skelly; Grayburg was split evenly because one large fracture stimulation was put on both zones at one time. Further, 16 perforations were in the Queen and 16 perforations were in the Grayburg creating an even split for the fracture treatment.

The 24 hr production test for the combined Queen and Grayburg is a more accurate number and should be used to determine the percentages for each pool. The daily production graph is an allocated number from a single tank battery with 17 wells producing to it. Due to certain wells contributing to the tank battery being down or other factors, the allocated production may not match the 24 hr test number exactly, however the 24 production test is an accurate indication of the production from that well.

If you have any other questions, feel free to call.

Thank you,

Randall Hicks
Sr Operations Engineer
Vanguard Natural Resources, LLC
832-377-2207 office
713-252-1626 mobile

McMillan, Michael, EMNRD

From: Randall Hicks <rhicks@vnrlc.com>
Sent: Friday, November 07, 2014 7:26 AM
To: McMillan, Michael, EMNRD
Subject: RE: DHC applications Lea Co. NM - State Wells

Michael,

I far as I know, no other DHC permit has ever been applied for on this well.

The Queen –Grayburg were opened up on the most recent workover and I'd like to comingle with the pre-existing San Andres. Right now, the San Andres is under a plug.

It is a confusing situation. I intended to re-complete into the Grayburg and Penrose-Skelly, meaning just one pool. Now Hobbs OCD is saying the Penrose-Skelly is actually the lower member of the Queen (Even though the pool is called the Penrose-Skelly-Grayburg, it apparently dosen't include the Penrose-Skelly????, I wasn't aware of this until earlier this week), which means I have two pools open. I am trying to rush these DHC permits so I stay in compliance. Your understanding is much appreciated. Since all the interest owners are the same in all pools, I hope, will make this easier.

Call if you have any questions, I'll be leaving at noon today and taking Monday off, so I will return any calls on Tuesday if I don't talk to you sooner.

Thanks,

Randall Hicks
Sr Operations Engineer
Vanguard Natural Resources, LLC
832-377-2207 office
713-252-1626 mobile

From: McMillan, Michael, EMNRD [<mailto:Michael.McMillan@state.nm.us>]
Sent: Thursday, November 06, 2014 5:29 PM
To: Randall Hicks
Subject: RE: DHC applications Lea Co. NM - State Wells

Randall:
Basically you are applying for a DHC application based on the two workovers?
Were the Grayburg and Yates Seven Rivers part of an earlier DHC application?
Thank You
Michael McMillan

From: Randall Hicks [<mailto:rhicks@vnrlc.com>]
Sent: Wednesday, November 05, 2014 10:50 AM
To: Jones, William; McMillan, Michael, EMNRD
Subject: DHC applications Lea Co. NM - State Wells

Good morning Gentlemen!

I am attaching the paperwork for a DHC permit on the Cole State #17 well in Lea County, NM. I hope I have all the required information in a clear format so that the process is easy for everyone.

This is a State property but all interests owners in each of the pools is the same.

Copies will be mailed to each of you and a \$30 processing fee will sent to the SLO.

Let me know if you have any questions.

Thank you,

Randall Hicks
Sr Operations Engineer
Vanguard Natural Resources, LLC
832-377-2207 office
713-252-1626 mobile