

DATE IN 6/11/08	SUSPENSE	ENGINEER W Jones	LOGGED IN 6/11/08	TYPE DHC 7049	APP NO. PKUR0816353359
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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,
Appl. Fee

[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.

Brian Collins
 Print or Type Name

Signature

Petroleum Engineer
 Title

6/6/08
 Date

bcollins@heycoenergy.com
 e-mail Address

RECEIVED
 2008 JUN 11 PM 2 00

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-015-22830
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator NADEL AND GUSSMAN HEYCO, LLC		6. State Oil & Gas Lease No.
3. Address of Operator PO BOX 1936 ROSWELL NM 88202-1936		7. Lease Name or Unit Agreement Name TRAVIS ST COM
4. Well Location Unit Letter <u>K</u> : <u>1780</u> feet from the <u>SOUTH</u> line and <u>2080</u> feet from the <u>WEST</u> line Section <u>13</u> Township <u>18S</u> Range <u>28E</u> NMPM County <u>EDDY</u>		8. Well Number #1
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3585.5' GR		9. OGRID Number 258462
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>		10. Pool name or Wildcat Empire South
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____		
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: Downhole Commingling <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

see attached C-107A Application for Downhole commingling.

The proposed allocation is: Empire Morrow South 76400-Oil 27%-Gas 27%
Empire Atoka 76375-Oil 73%-Gas 73%

New allocations will be submitted if actual well production is significantly different than that above.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☒.

SIGNATURE Larry R. Link TITLE PRODUCTION ANALYST DATE 6/6/08

Type or print name _____ E-mail address: mlink@heycoenergy.com Telephone No. 505.623.6601
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____
Conditions of Approval (if any): _____

NADEL AND GUSSMAN HEYCO, LLC

June 6, 2008

New Mexico State Land Office
Oil, Gas & Minerals Division
P.O. Box 1148
Santa Fe, NM 87504-1148

Attn: Ms. Jamie Bailey

Re: C-107A Downhole Commingling Application
Travis St Com #1
Township 18 South, Range 28 East, NMPM
Sec. 13: Unit K
Eddy County, New Mexico

Dear Ms. Bailey:

Enclosed is the \$30.00 application fee and copy of the Form C-107A Application for Downhole Commingling that we submitted to the NMOCD for the Travis St Com #1 well located in Eddy County.

We are seeking approval to downhole commingle the Morrow and Atoka zones to extend the economic life of the well and maximize the financial benefit to the State of New Mexico.

If you have any questions, please feel free to call me at 575-623-6601.

Sincerely,



Brian Collins
Operations Manager

BC/trl
Enclosures

District I
1625 N. French Drive, Hobbs, NM 88240

District II
1301 W. Grand Avenue, 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-107A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
☒ Single Well
Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

NADEL AND GUSSMAN HEYCO, LLC P.O. BOX 1936, Roswell, NM 88202-1936
Operator Address

Travis State Com 1 K-13-18S-28E EDDY
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 258462 Property Code 305066 API No. 30-015-22830 Lease Type: Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE UND ER PALMILO	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Draw; Empire Atoka Gas		Empire Morrow South
Pool Code	76375 82558		76400
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	10622-30' Perfed		10674-10830' Perfed
Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
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)	Est 500 PSI Producing BHP		Est 500 PSI Producing BHP
Oil Gravity or Gas BTU (Degree API or Gas BTU)	N/A		N/A
Producing, Shut-In or New Zone	SHUT-IN		SHUT-IN
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: 6/79 Rates: 527 MCFD	Date: Rates:	Date: 6/79 Rates: 198 MCFD
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 73 % 73%	Oil Gas % %	Oil Gas 27% 27%

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 Brian Collins TITLE Operations Manager DATE 6/6/08

TYPE OR PRINT NAME Brian Collins TELEPHONE NO. (575) 623-6601

E-MAIL ADDRESS bcollins@heycoenergy.com

Engineering Summary
Form C-107A
Application for Downhole Commingling
Nadel and Gussman HEYCO, LLC
Travis State Com #1 (K 13-18S-28E)

Nadel and Gussman HEYCO, LLC proposes to downhole commingle the Morrow and Atoka zones. No crossflow will occur because this well will be produced into a low pressure pipeline at maximum drawdown.

The Morrow and Atoka reserves are calculated as follows:

Morrow:

Best engineering estimate is that the Morrow and Atoka will decline at the same rate. The zonal allocation will be based on initial production rate. The Morrow tested 198 mcfpd (120 psig on 16/64" choke) in June 1979 but was never produced. The best engineering estimate is that oil production will be proportional to gas production.

Atoka:

Best engineering estimate is that the Atoka and Morrow will decline at the same rate. The zonal allocation will be based on initial production rate. The Atoka tested 527 mcfpd (140 psig on 24/64" choke) in June 1979 but was never produced. The best engineering estimate is that oil production will be proportional to gas production.

The proposed allocation follows. If actual tests are significantly different than shown in allocation below, a new allocation will be submitted.

Morrow Gas	$\frac{198 \text{ MCFD}}{527 + 198 \text{ MCFD}}$	=27%
Oil		=27%

Atoka Gas	$\frac{527 \text{ MCFD}}{527 + 198 \text{ MCFD}}$	=73%
Oil		=73%

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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 October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015-22830	² Pool Code 96632	³ Pool Name Empire South
⁴ Property Code 305066	⁵ Property Name TRAVIS ST COM	⁶ Well Number 1
⁷ OGRID No. 258462	⁸ Operator Name NADEL AND GUSSMAN HEYCO, LLC	⁹ Elevation 3585.5

¹⁰ Surface Location

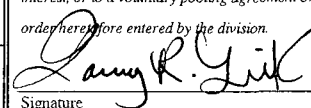
UL or lot no. K	Section 13	Township 18S	Range 28E	Lot Idn	Feet from the 1780'	North/South line SOUTH	Feet from the 2,080'	East/West line WEST	County EDDY
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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.

¹⁶				¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained 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 a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i>  6/6/08 Signature _____ Date 6/6/08 Printed Name: Tammy R. Link
				¹⁸ SURVEYOR CERTIFICATION <i>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.</i> Date of Survey _____ Signature and Seal of Professional Surveyor: _____ Certificate Number _____