

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

MAY 19 2014

FORM APPROVED
OMB No. 1004-0137
Expires: October 31, 2014

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.		7. If Unit of CA/Agreement, Name and/or No.
1. Type of Well <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		8. Well Name and No. GERONIMO/INCA BATTERIES
2. Name of Operator SM ENERGY COMPANY		9. API Well No.
3a. Address 3300 N "A" ST, BLDG 7-200, MIDLAND, TX 79705	3b. Phone No. (include area code) (432)688-1709	10. Field and Pool or Exploratory Area
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) GERONIMO BATTERY G-24-18S-31E INCA BATTERY G-24-18S-31E		11. County or Parish, State EDDY NM

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other UPDATE
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	SURFACE
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	COMMINGLING

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

SM ENERGY WOULD LIKE TO REQUESTS TO UPDATE EXISTING SURFACE COMMINGLE FOR THE REFERENCED BY ADDING THE ESDU 28 WELL TO THE GERONIMO BATTERY AND ESDU 26, 29 & 30 TO THE INCA BATTERY. LAST UPDATE AND APPROVAL WAS MADE ON 9/7/11 BY DUNCAN WHITLOCK WITH THE BLM. PLEASE SEE ATTACHED SITE SECURITY DIAGRAM FOR INCA BATTERY MODIFICATIONS, ESDU MAP AND BLM FORM FOR SURFACE COMMINGLE. REVENUE INTEREST OWNERS WILL BE NOTIFIED.

Well NamePoolULSTRAPIFootages Lease NumberCounty

EAST SHUGART DELAWARE UNIT #026SHUGART,DELAWARE, EAST (56419)A-24-18S-31E30-015-40848300 FNL & 735 FELNMNM101361XEddy County

EAST SHUGART DELAWARE UNIT #027SHUGART,DELAWARE, EAST (56419)D-19-18S-32E30-025-40909222 FNL & 490 FWLNMNM101361XLea County

EAST SHUGART DELAWARE UNIT #028SHUGART,DELAWARE, EAST (56419)H-24-18S-31E30-015-407812280 FNL & 810 FELNMNM101361XEddy County

EAST SHUGART DELAWARE UNIT #029SHUGART,DELAWARE, EAST (56419)E-19-18S-32E30-025-408702245 FNL & 460 FWLNMNM101361XLea County

EAST SHUGART DELAWARE UNIT #030SHUGART,DELAWARE, EAST (56419)D-19-18S-32E30-025-409131190 FNL & 480 FWLNMNM101361XLea County

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)

VICKIE MARTINEZ

Title ENGINEER TECH II

Signature

Vickie Martinez

Date 12/27/2012

Accepted for record

NMOCD/109

5/15/2014

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by /s/ JD Whitlock Jr	FIELD MANAGER	MAY 13 2014
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Title	Date
	Office CARLSBAD FIELD OFFICE	

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

SM-Energy Company is requesting approval for surface commingling and/or off-lease storage and measurement of hydrocarbon production for the following formation(s) and well(s):

Federal Lease No. NMNM101361X

Well Name	API	Location		Formation	BOPD	Gravity	MCFPD	BTU
EAST SHUGART DELAWARE UNIT #001	30-015-25741	SW 4/SE 4	O-13-18S-31E	SHUGART;DELAWARE, EAST (56419)	16	33.12	8	1300.418
EAST SHUGART DELAWARE UNIT #002	30-015-25847	SE 4/ SE 4	P-13-18S-31E	SHUGART;DELAWARE, EAST (56419)	53	34.01	8	1750.939
EAST SHUGART DELAWARE UNIT #003	30-025-29695	SW 4/SW 4	M-18-18S-32E	SHUGART;DELAWARE, EAST (56419)	33	39.16	11	1534.867
EAST SHUGART DELAWARE UNIT #004	30-015-25546	NW 4/NE 4	B-24-18S-31E	SHUGART;DELAWARE, EAST (56419)	3	39.79	1	1521.442
EAST SHUGART DELAWARE UNIT #005	30-015-26022	NW 4/NE 4	B-24-18S-31E	SHUGART;DELAWARE, EAST (56419)	50	38.75	8	1766.317
EAST SHUGART DELAWARE UNIT #006	30-015-25385	NE 4/NE 4	A-24-18S-31E	SHUGART;DELAWARE, EAST (56419)	95	41.01	14	1798.259
EAST SHUGART DELAWARE UNIT #007	30-025-29887	NW 4/NW 4	D-19-18S-32E	SHUGART;DELAWARE, EAST (56419)	64	36.68	10	*
EAST SHUGART DELAWARE UNIT #008	30-025-29978	NE 4/NW 4	C-19-18S-32E	SHUGART;DELAWARE, EAST (56419)	22	35.42	8	1272.982
EAST SHUGART DELAWARE UNIT #009	30-015-25723	SW 4/NW 4	G-24-18S-31E	SHUGART;DELAWARE, EAST (56419)	19	38.97	9	1819.776
EAST SHUGART DELAWARE UNIT #010	30-015-25457	SE 4/NE 4	H-24-18S-31E	SHUGART;DELAWARE, EAST (56419)	168	34.75	16	1573.233
EAST SHUGART DELAWARE UNIT #011	30-025-29940	SW 4/NW 4	E-19-18S-32E	SHUGART;DELAWARE, EAST (56419)	126	38.91	26	1506.473
EAST SHUGART DELAWARE UNIT #012	30-025-29939	SE 4/NW 4	F-19-18S-32E	SHUGART;DELAWARE, EAST (56419)	30	36.75	6	1759.232
EAST SHUGART DELAWARE UNIT #013	30-015-25734	NW 4/SE 4	J-24-18S-31E	SHUGART;DELAWARE, EAST (56419)	3	38.8	1	1489.763
EAST SHUGART DELAWARE UNIT #014	30-015-25652	NE 4/SE 4	I-24-18S-31E	SHUGART;DELAWARE, EAST (56419)	3	36.12	1	1610.529
EAST SHUGART DELAWARE UNIT #015	30-025-30187	NW 4/SW 4	L-19-18S-32E	SHUGART;DELAWARE, EAST (56419)	3	37.46	5	1538.813
EAST SHUGART DELAWARE UNIT #016	30-025-30111	NE 4/SE 4	K-19-18S-32E	SHUGART;DELAWARE, EAST (56419)	1	34.94	1	1314.968
EAST SHUGART DELAWARE UNIT #026	30-015-40848	NE 4/NE 4	A-24-18S-31E	SHUGART;DELAWARE, EAST (56419)				
EAST SHUGART DELAWARE UNIT #027	30-025-40909	NW 4/NW 4	D-19-18S-32E	SHUGART;DELAWARE, EAST (56419)				
EAST SHUGART DELAWARE UNIT #028	30-015-40871	SE 4/NE 4	H-24-18S-31E	SHUGART;DELAWARE, EAST (56419)				
EAST SHUGART DELAWARE UNIT #029	30-025-40870	SW 4/NW 4	E-19-18S-32E	SHUGART;DELAWARE, EAST (56419)				
EAST SHUGART DELAWARE UNIT #030	30-025-40913	NW 4/NW 4	D-19-18S-32E	SHUGART;DELAWARE, EAST (56419)				

* EAST SHUGART DELAWARE UNIT #007 - had no pressure to pull sample for BTU test.

With hydrocarbon production from:

Federal Lease No. NMNM106714

Well Name	API	Location		Formation	BOPD	Gravity	MCFPD	BTU
GERONIMO FEDERAL #001	30-015-24927	SW 4/NE 4	G-24-18S-31E	SHUGART;YATES-7RS-QU-GRAYBURG (56439)	14	35.5	10	1363.927
GERONIMO FEDERAL #006	30-015-25597	NE 4/NE 4	A-24-18S-31E	SHUGART;YATES-7RS-QU-GRAYBURG (56439)	19	30.07	10	1157.164

And hydrocarbon production from:

Federal Lease No. NMNM106715

Well Name	API	Location		Formation	BOPD	Gravity	MCFPD	BTU
INCA FEDERAL #005	30-025-35229	SW 4/NW 4	E-19-18S-32E	SHUGART;YATES-7RS-QU-GRAYBURG (56439)	3	25.83	5	856.039

And hydrocarbon production from:

Federal Lease No. NMNM67987

Well Name	API	Location		Formation	BOPD	Gravity	MCFPD	BTU
JADE FEDERAL #002	30-025-30038	SE 4/NW 4	F-19-18S-32E	SHUGART;YATES-7RS-QU-GRAYBURG (56439)	3	35.32	5	1046.680

And hydrocarbon production from:

Federal Lease No. NMNM106716

Well Name	API	Location		Formation	BOPD	Gravity	MCFPD	BTU
CONOCO FEDERAL #002	30-025-29803	SW 4/SW 4	M-18-18S-32E	SHUGART;YATES-7RS-QU-GRAYBURG (56439)	N/A	N/A	10	1289.020

The Storage and measuring facility for oil and gas is located at SW4/NE4; G-24-18S-31E on Lease No. NMNM106714 (Geronimo Battery) Eddy County NM & for some gas located at NW4/NW4; D-19-18S-32E on Lease No. NMNM106715 (Inca Battery + ESDU 7) Lea County NM & at SW4/ SW4; M-18-T18S-R32E NMNM106716 (Conoco Federal) SWSW M-18-T18S-R32E, Lea County NM

All of These Leases & Wells & Facilities are also in unit NM101361X (East Shugart Delaware Unit)

The Storage and measuring facility for oil and gas is located at SW4/NE4; G-24-18S-31E on Lease No. NMNM106714 (Geronimo Battery) Eddy County NM & for some gas located at NW4/NW4; D-19-18S-32E on Lease No. NMNM106715 (Inca Battery + ESDU 7) Lea County NM & at SW4/ SW4; M-18-T18S-R32E NMNM106716 (Conoco Federal) SWSW M-18-T18S-R32E, Lea County NM

All of These Leases & Wells & Facilities are also in unit NM101361X (East Shugart Delaware Unit)

WELLHEAD

General sealing of valves, sales by tank gauging.

Production phase: All drain valves, V8 thru V13, and all sales valves, V1 thru V7, sealed closed.

Sales phase: The tank from which sales are being made will be isolated by sealing closed the drain valve, fill valve, and the overflow valve(s) during sales.

Draining phase: The tank being drained will be isolated by sealing closed the sales valve, fill valve, overflow valve(s), and the drain valves on the other tanks.

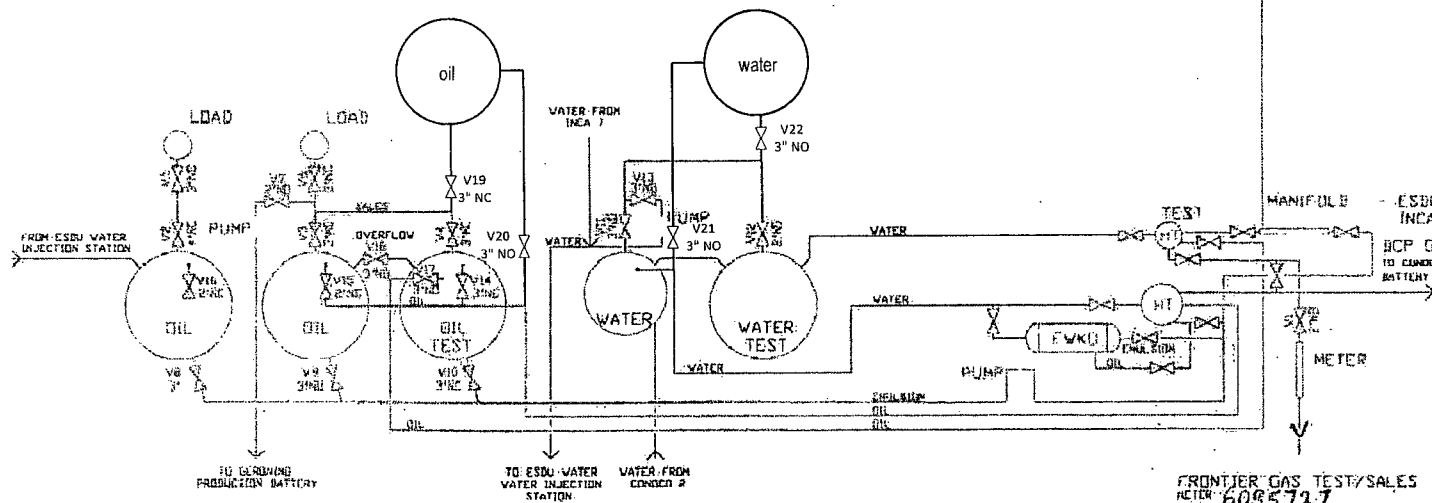
VALVE SERVICE

SALES: V1 thru V7, V19 thru V22

CIRC. & DRN: V8 thru V13

FILL: V14 thru V17

OVERFLOW: V18



ES&U 1,2,3,7,8,11&12, 20, 27, 29
INCA 5 & 11A, 2
BCP GAS SALES METER 700227
TO ES&U BATTERY

REV. 1-10-10	REV. 1-10-10	REV. 1-10-10	REV. 1-10-10
REV. 1-10-10	REV. 1-10-10	REV. 1-10-10	REV. 1-10-10
SM ENERGY			
3300 N. A STREET			
BLOC. 7, SUITE 200			
MIDLAND, TX 79705			
SITE SECURITY DIAGRAM			
INCA 51 BATTERY			
SEC. 19, T2N, 10 S, R10E, 32 E			
DELA COUNTY	NEW MEXICO		
TOWN	BYAN, C.		
DATE	4-6-02	DATE	1-10-11
NAME	ROBERT L. GARR	DATE	
DATE	APR 30-02	DATE	APR 30-02
DATE	SM-2017-02	DATE	SM-2017-02

WELLHEAD
ESDU 3 TO
INCA 1 BATTERY

WELLHEAD
CONOCO 2

General sealing of valves, sales by tank gauging.

Production phase: All drain valves, V7 thru V8, and all sales valves, V2 thru V4, sealed closed.

Sales phase: The tank from which sales are being made will be isolated by sealing closed the drain valve, fill valve, and the overflow valve(s) during sales.

Draining phase: The tank being drained will be isolated by sealing closed the sales valve, fill valve, overflow valve(s), and the drain valves on the other tanks.

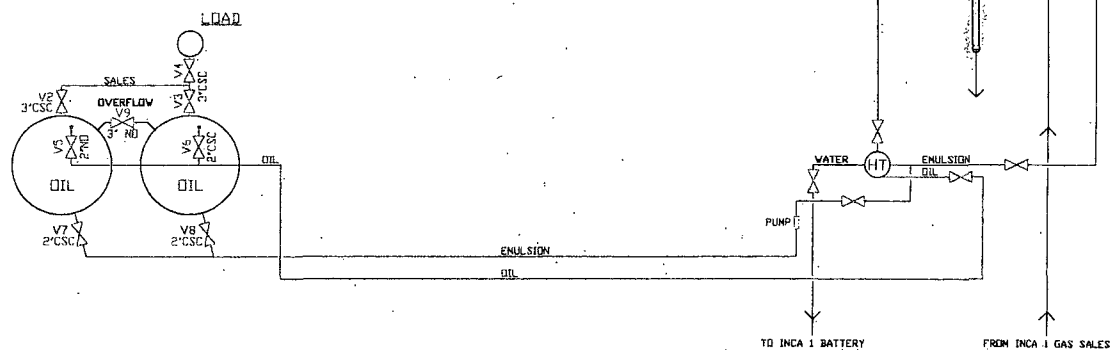
VALVE SERVICE

SALES:.....V1 thru V4

CIRC.&DRN:..V7, V8

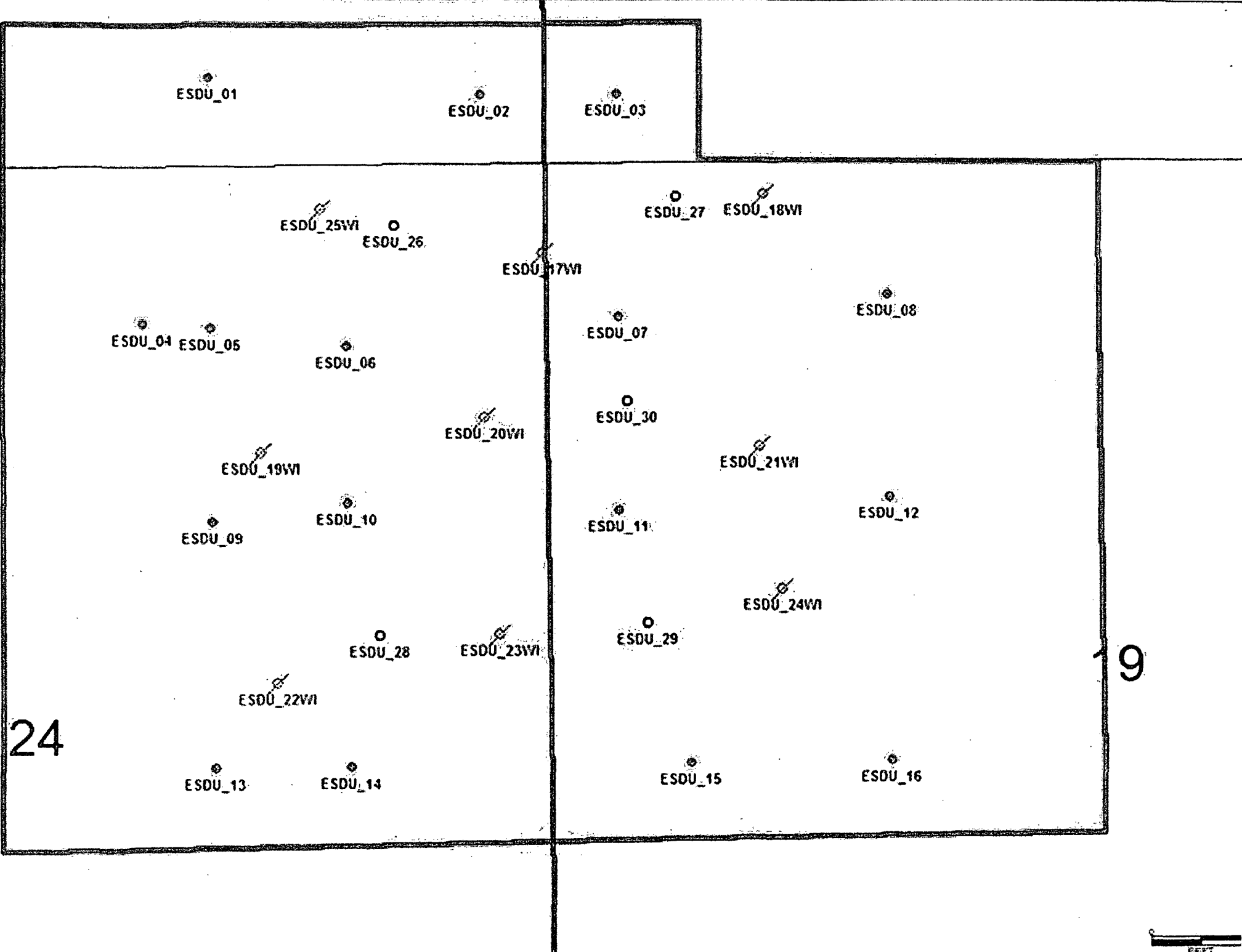
FILL:.....V5, V6

OVERFLOW:.....V9



CONOCO #2 BATT.

NO.	DATE	REVISION	APPROVED	DATE
1	2-7-11	REV. 1		
2	2-26-09	NEW RELEASE		
SM ENERGY 3300 N. A STREET BLDG. 7, SUITE 200 MIDLAND, TX 79705				
SITE SECURITY DIAGRAM FOR CONOCO FEDERAL #2 BATT.				
SEC. 18, TWP. 18 S, RNG. 32 E				
LEA COUNTY		NEW MEXICO		
DRAWN BY RYAN C	DESIGNED BY	DATE		
DATE 2-26-09	DESIGN REVIEWER MIGUEL LAZAR	1-10-11		
SCALE NONE	DWG NO.			
CAT. NO.	API 3002529803	A 1		
SH-2001-R1	SHEET 1 OF 1			





3300 N. A Street, Bldg. 7-200
Midland, Texas 79705
432.688.1700
432.688.1701 fax
SM-Energy.com

January 3, 2013

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Re: SM Energy Company Well Additions to add to existing Surface Commingle Oil and Gas at central delivery points located in Section 24, T-18-S, R-31-E & Section 19, T-18-S, R-32-E in Eddy/Lea County, New Mexico.

Ladies and Gentlemen:

Please find a copy of the above-referenced letter which is being sent to the New Mexico Oil Conservation Commission today by SM Energy Company.

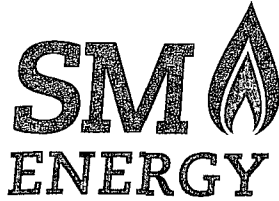
SM Energy is in the process of drilling and completing the ESDU 26, 27, 28, 29 & 30 wells and want to notify you that we plan on adding the ESDU 26, 27, 29 & 30 wells to the Inca Battery and ESDU 28 to the Geronimo Battery.

As an owner of an interest in leases that will be surface commingled, you may object to this. Objections must be filed in writing within (20) days from this date at the Division's Santa Fe office that is located at 1220 South Frances Drive, Santa Fe, New Mexico 87505. If no objection is received within this twenty-day period, this surface commingling will occur as stated in this letter.

Sincerely,

Vickie Martinez
Engineer Tech II
SM Energy Company

Enclosure



3300 N. A Street, Bldg. 7-200
Midland, Texas 79705
432.688.1700
432.688.1701 fax
SM-Energy.com

January 3, 2013

New Mexico Energy, Minerals and Natural Resources Department
Attn: Richard Ezeanyim
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Dear Richard,

SM Energy Company has an existing approved commingling permit, which is, Administrative Order PLC-333. SM Energy is in the process of drilling and completing ESDU Wells 26, 27, 28, 29 & 30. These wells would be added to the existing **Pools** and **Leases** located in Township 18 South, Ranges 31 and 32 East NMPM, Eddy and Lea Counties, New Mexico which are approved on the existing Administrative Order PLC-333 and within its boundaries.

Pools

Shugart; Delaware, East (56419)
Shugart; Yates-7RS-QU-Grayburg (56439)

Leases

NMNM101361X
NMNM106714
NMNM106715
NMNM67987
NMNM106716

And from the following diversely owned wells identified in Tables 1 and 2 below:

Table 1 Geronimo Battery (Location G-24-18S-31E; SW/4/NE/4; Eddy Co. NM)

Well Name	API		Footages
EAST SHUGART DELAWARE UNIT #001	30-015-25741	O-13-18S-31E	430 FSL & 1650 FEL
EAST SHUGART DELAWARE UNIT #002	30-015-25847	P-13-18S-31E	330 FSL & 330 FEL
EAST SHUGART DELAWARE UNIT #003	30-025-29695	M-18-18S-32E	330 FSL & 330 FWL
EAST SHUGART DELAWARE UNIT #004	30-015-25546	B-24-18S-31E	765 FNL & 1980 FEL
EAST SHUGART DELAWARE UNIT #005	30-015-26022	B-24-18S-31E	790 FNL & 1650 FEL
EAST SHUGART DELAWARE UNIT #006	30-015-25385	A-24-18S-31E	890 FNL & 990 FEL
EAST SHUGART DELAWARE UNIT #007	30-025-29887	D-19-18S-32E	760 FNL & 330 FWL
EAST SHUGART DELAWARE UNIT #008	30-025-29978	C-19-18S-32E	660 FNL & 1650 FWL
EAST SHUGART DELAWARE UNIT #009	30-015-25723	G-24-18S-31E	1730 FNL & 1650 FEL

Well Name	API		Footages
EAST SHUGART DELAWARE UNIT #010	30-015-25457	H-24-18S-31E	1650 FNL & 990 FEL
EAST SHUGART DELAWARE UNIT #011	30-025-29940	E-19-18S-32E	1700 FNL & 330 FWL
EAST SHUGART DELAWARE UNIT #012	30-025-29939	F-19-18S-32E	1650 FNL & 1650 FWL
EAST SHUGART DELAWARE UNIT #013	30-015-25734	J-24-18S-31E	2310 FSL & 1650 FEL
EAST SHUGART DELAWARE UNIT #014	30-015-25652	I-24-18S-31E	2310 FSL & 990 FEL
EAST SHUGART DELAWARE UNIT #015	30-025-30187	L-19-18S-32E	2310 FSL & 660 FWL
EAST SHUGART DELAWARE UNIT #016	30-025-30111	K-19-18S-32E	2310 FSL & 1650 FWL
EAST SHUGART DELAWARE UNIT #028	30-015-40871	H-24-18S-31E	2280 FNL & 810 FEL
GERONIMO FEDERAL #001	30-015-24927	G-24-18S-31E	2310 FNL & 2310 FEL
GERONIMO FEDERAL #006	30-015-25597	A-24-18S-31E	790 FNL & 940 FEL
INCA FEDERAL #005	30-025-35229	E-19-18S-32E	1697 FNL & 470 FWL
JADE FEDERAL #002	30-025-30038	F-19-18S-32E	1650 FNL & 1750 FWL

Table 2 Inca Battery (Location 1-19-18S-32E; NW/4/NW/4; Lea Co. NM)

Well Name	API		Footages
EAST SHUGART DELAWARE UNIT #001	30-015-25741	O-13-18S-31E	430 FSL & 1650 FEL
EAST SHUGART DELAWARE UNIT #002	30-015-25847	P-13-18S-31E	330 FSL & 330 FEL
EAST SHUGART DELAWARE UNIT #003	30-025-29695	M-18-18S-32E	330 FSL & 330 FWL
EAST SHUGART DELAWARE UNIT #007	30-025-29887	D-19-18S-32E	760 FNL & 330 FWL
EAST SHUGART DELAWARE UNIT #008	30-025-29978	C-19-18S-32E	660 FNL & 1650 FWL
EAST SHUGART DELAWARE UNIT #011	30-025-29940	E-19-18S-32E	1700 FNL & 330 FWL
EAST SHUGART DELAWARE UNIT #012	30-025-29939	F-19-18S-32E	1650 FNL & 1650 FWL
EAST SHUGART DELAWARE UNIT #026	30-015-40848	A-24-18S-31E	300 FNL & 735 FEL
EAST SHUGART DELAWARE UNIT #027	PENDING	?-19-18S-32E	222 FNL & 490 FWL
EAST SHUGART DELAWARE UNIT #029	30-025-40870	E-19-18S-32E	2245 FNL & 460 FWL
EAST SHUGART DELAWARE UNIT #030	PENDING	?-19-18S-32E	1190 FNL & 480 FWL
CONOCO FEDERAL #002	30-025-29803	M-18-18S-32E	400 FSL & 400 FWL

If you have any questions/concerns, please do not hesitate to contact me at (432) 688-1709 or by e-mail at vmartinez@sm-energy.com.

Sincerely,



Vickie Martinez
Engineer Tech II

7011 3500 0002 4981 4292

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$ 0.45
Certified Fee	2.95
Return Receipt Fee (Endorsement Required)	2.35
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.75

Sent To: Borica Oil Inc.
Street, Apt. No., or PO Box No.:
City, State, ZIP+4: SWT COMMUNITY ESDU 26-30

PS Form 3800, August 2006 See Reverse for Instructions

7011 3500 0002 4981 4285

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$ 0.45
Certified Fee	2.95
Return Receipt Fee (Endorsement Required)	2.35
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.75

Sent To: Bradley Alpers
Street, Apt. No., or PO Box No.:
City, State, ZIP+4: SWT COMMUNITY ESDU 26, 27, 28, 29

PS Form 3800, August 2006 See Reverse for Instructions

7011 3500 0002 4981 4414

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: Cieszinski Trust
Street, Apt. No., or PO Box No.:
City, State, ZIP+4:

PS Form 3800, August 2006 See Reverse for Instructions

7011 3500 0002 4981 4308

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: David Messer
Street, Apt. No., or PO Box No.:
City, State, ZIP+4:

PS Form 3800, August 2006 See Reverse for Instructions

7011 3500 0002 4981 4315

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: Dean Kinsolving
Street, Apt. No., or PO Box No.:
City, State, ZIP+4:

PS Form 3800, August 2006 See Reverse for Instructions

7011 3500 0002 4981 4322

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: Diane Alpers Leven
Street, Apt. No., or PO Box No.:
City, State, ZIP+4:

PS Form 3800, August 2006 See Reverse for Instructions

7011 3500 0002 4981 4339

U.S. Postal Service
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City, State, ZIP+4:

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7011 3500 0002 4981 4346

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Total Postage & Fees	\$

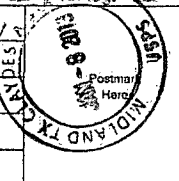
Sent To: Dr. Michael Norton III
Street, Apt. No., or PO Box No.:
City, State, ZIP+4:

PS Form 3800, August 2006 See Reverse for Instructions

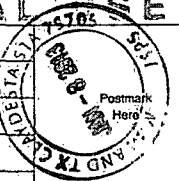
7011 3500 0002 4981 4353

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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	
Sent To: <u>Explorers Petroleum</u>	
Street, Apt. No., or PO Box No.	
City, State, ZIP+4	
PS Form 3800, August 2006 See Reverse for Instructions	

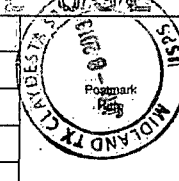
7011 3500 0002 4981 4360

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Restricted Delivery Fee (Endorsement Required)	
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Sent To: <u>S. Stokes Consolidated L.P.</u>	
Street, Apt. No., or PO Box No.	
City, State, ZIP+4	
PS Form 3800, August 2006 See Reverse for Instructions	

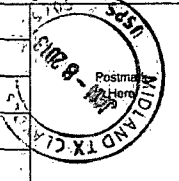
7011 3500 0002 4981 4377

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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	
Sent To: <u>Gregory Myers</u>	
Street, Apt. No., or PO Box No.	
City, State, ZIP+4	
PS Form 3800, August 2006 See Reverse for Instructions	

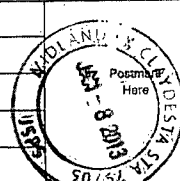
7011 3500 0002 4981 4384

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Postage \$	
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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	
Sent To: <u>Gwendolyn Manning Williams</u>	
Street, Apt. No., or PO Box No.	
City, State, ZIP+4	
PS Form 3800, August 2006 See Reverse for Instructions	

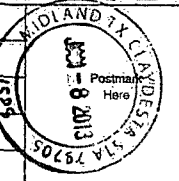
7011 3500 0002 4981 4391

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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	
Sent To: <u>Harc Production Company</u>	
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7011 3500 0002 4981 4402

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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	
Sent To: <u>HEXCO</u>	
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7011 3500 0002 4981 4421

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Postage \$	
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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	
Sent To: <u>Jalapeno Corp</u>	
Street, Apt. No., or PO Box No.	
City, State, ZIP+4	
PS Form 3800, August 2006 See Reverse for Instructions	

7011 3500 0002 4981 4436

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Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	
Sent To: <u>John & Alice Sharp</u>	
Street, Apt. No., or PO Box No.	
City, State, ZIP+4	
PS Form 3800, August 2006 See Reverse for Instructions	

7011 3500 0002 4981 4445

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Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: Nadel & Gussman Capital LLC
 Street, Apt. No., or PO Box No.:
 City, State, ZIP+4:

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Restricted Delivery Fee (Endorsement Required)	
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Sent To: Norman Barker
 Street, Apt. No., or PO Box No.:
 City, State, ZIP+4:

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7011 3500 0002 4981 4483

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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: RRB Energy
 Street, Apt. No., or PO Box No.:
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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: SDL Investors
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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: NM & T Resources LLC
 Street, Apt. No., or PO Box No.:
 City, State, ZIP+4:

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Postage	\$
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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: Patricia & Alice Morelle Trust
 Street, Apt. No., or PO Box No.:
 City, State, ZIP+4:

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7011 3500 0002 4981 4490

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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: Schatz Management Trust
 Street, Apt. No., or PO Box No.:
 City, State, ZIP+4:

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Restricted Delivery Fee (Endorsement Required)	
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Sent To: Spiral Inc.
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 City, State, ZIP+4:

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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: Ska & Lolo Bell

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

City, State, ZIP+4 _____

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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: Tej E. Bail

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

City, State, ZIP+4 _____

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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: The Nortek Corp.

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

City, State, ZIP+4 _____

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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: The O'Connell Living Trust

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

City, State, ZIP+4 _____

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Postage	\$
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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: Timothy Jennings

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

City, State, ZIP+4 _____

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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: Tray & Sandra Orey

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

City, State, ZIP+4 _____

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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Sent To: Walker Pome

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

City, State, ZIP+4 _____

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Total Postage & Fees	\$

Sent To: Yates Energy Corp.

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

City, State, ZIP+4 _____

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DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
---------	----------	----------	-----------	------	---------

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 Amend PLC-333

[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.

Vickie Martinez Vickie Martinez Engineer Tech II 11/9/13
Print or Type Name Signature Title Date
vmartinez@sm-energy.com
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

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: SM ENERGY COMPANY

OPERATOR ADDRESS: 3300 N "A" STREET, BLDG 7-200 MIDLAND, TX 79705

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. PLC-333
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) WELL TEST
(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) WELL TEST

(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: Vickie Martinez TITLE: ENGINEER TECH II

DATE: 11/9/13

TYPE OR PRINT NAME VICKIE MARTINEZ

TELEPHONE NO.: (432)688-1709

E-MAIL ADDRESS: VMARTINEZ@SM-ENERGY.COM

SM-Energy Company is requesting approval for surface commingling and/or off-lease storage and measurement of hydrocarbon production for the following formation(s) and well(s):

Federal Lease No. NMNM101361X

Well Name	API	Location		Formation	BOPD	Gravity	MCFPD	BTU
EAST SHUGART DELAWARE UNIT #001	30-015-25741	SW 4/SE 4	O-13-18S-31E	SHUGART;DELAWARE, EAST (56419)	16	33.12	8	1300.418
EAST SHUGART DELAWARE UNIT #002	30-015-25847	SE 4/ SE 4	P-13-18S-31E	SHUGART;DELAWARE, EAST (56419)	53	34.01	8	1750.939
EAST SHUGART DELAWARE UNIT #003	30-025-29695	SW 4/SW 4	M-18-18S-32E	SHUGART;DELAWARE, EAST (56419)	33	39.16	11	1534.867
EAST SHUGART DELAWARE UNIT #004	30-015-25546	NW 4/NE 4	B-24-18S-31E	SHUGART;DELAWARE, EAST (56419)	3	39.79	1	1521.442
EAST SHUGART DELAWARE UNIT #005	30-015-26022	NW 4/NE 4	B-24-18S-31E	SHUGART;DELAWARE, EAST (56419)	50	38.75	8	1766.317
EAST SHUGART DELAWARE UNIT #006	30-015-25385	NE 4/NE 4	A-24-18S-31E	SHUGART;DELAWARE, EAST (56419)	95	41.01	14	1798.259
EAST SHUGART DELAWARE UNIT #007	30-025-29887	NW 4/NW 4	D-19-18S-32E	SHUGART;DELAWARE, EAST (56419)	64	36.68	10	*
EAST SHUGART DELAWARE UNIT #008	30-025-29978	NE 4/NW 4	C-19-18S-32E	SHUGART;DELAWARE, EAST (56419)	22	35.42	8	1272.982
EAST SHUGART DELAWARE UNIT #009	30-015-25723	SW 4/NW 4	G-24-18S-31E	SHUGART;DELAWARE, EAST (56419)	19	38.97	9	1819.776
EAST SHUGART DELAWARE UNIT #010	30-015-25457	SE 4/NE 4	H-24-18S-31E	SHUGART;DELAWARE, EAST (56419)	168	34.75	16	1573.233
EAST SHUGART DELAWARE UNIT #011	30-025-29940	SW 4/NW 4	E-19-18S-32E	SHUGART;DELAWARE, EAST (56419)	126	38.91	26	1506.473
EAST SHUGART DELAWARE UNIT #012	30-025-29939	SE 4/NW 4	F-19-18S-32E	SHUGART;DELAWARE, EAST (56419)	30	36.75	6	1759.232
EAST SHUGART DELAWARE UNIT #013	30-015-25734	NW 4/SE 4	J-24-18S-31E	SHUGART;DELAWARE, EAST (56419)	3	38.8	1	1489.763
EAST SHUGART DELAWARE UNIT #014	30-015-25652	NE 4/SE 4	I-24-18S-31E	SHUGART;DELAWARE, EAST (56419)	3	36.12	1	1610.529
EAST SHUGART DELAWARE UNIT #015	30-025-30187	NW 4/SW 4	L-19-18S-32E	SHUGART;DELAWARE, EAST (56419)	3	37.46	5	1538.813
EAST SHUGART DELAWARE UNIT #016	30-025-30111	NE 4/SE 4	K-19-18S-32E	SHUGART;DELAWARE, EAST (56419)	1	34.94	1	1314.968
EAST SHUGART DELAWARE UNIT #026	30-015-40848	NE 4/NE 4	A-24-18S-31E	SHUGART;DELAWARE, EAST (56419)				
EAST SHUGART DELAWARE UNIT #027	PENDING	PENDING	?-19-18S-32E	SHUGART;DELAWARE, EAST (56419)				
EAST SHUGART DELAWARE UNIT #028	30-015-40871	SE 4/NE 4	H-24-18S-31E	SHUGART;DELAWARE, EAST (56419)				
EAST SHUGART DELAWARE UNIT #029	30-025-40870	SW 4/NW 4	E-19-18S-32E	SHUGART;DELAWARE, EAST (56419)				
EAST SHUGART DELAWARE UNIT #030	PENDING	PENDING	?-19-18S-32E	SHUGART;DELAWARE, EAST (56419)				

* EAST SHUGART DELAWARE UNIT #007 - had no pressure to pull sample for BTU test.

** EAST SHUGART DELAWARE UNIT #026 – Drilling at this time with #029 and #028 to follow

*** EAST SHUGART DELAWARE UNIT #027 & #030 – APD submitted on 11/12/2012

With hydrocarbon production from:

Federal Lease No. NMNM106714

Well Name	API	Location		Formation	BOPD	Gravity	MCFPD	BTU
GERONIMO FEDERAL #001	30-015-24927	SW 4/NE 4	G-24-18S-31E	SHUGART;YATES-7RS-QU-GRAYBURG (56439)	14	35.5	10	1363.927
GERONIMO FEDERAL #006	30-015-25597	NE 4/NE 4	A-24-18S-31E	SHUGART;YATES-7RS-QU-GRAYBURG (56439)	19	30.07	10	1157.164

And hydrocarbon production from:

Federal Lease No. NMNM106715

Well Name	API	Location		Formation	BOPD	Gravity	MCFPD	BTU
INCA FEDERAL #005	30-025-35229	SW 4/NW 4	E-19-18S-32E	SHUGART;YATES-7RS-QU-GRAYBURG (56439)	3	25.83	5	856.039

And hydrocarbon production from:

Federal Lease No. NMNM67987

Well Name	API	Location		Formation	BOPD	Gravity	MCFPD	BTU
JADE FEDERAL #002	30-025-30038	SE 4/NW 4	F-19-18S-32E	SHUGART;YATES-7RS-QU-GRAYBURG (56439)	3	35.32	5	1046.680

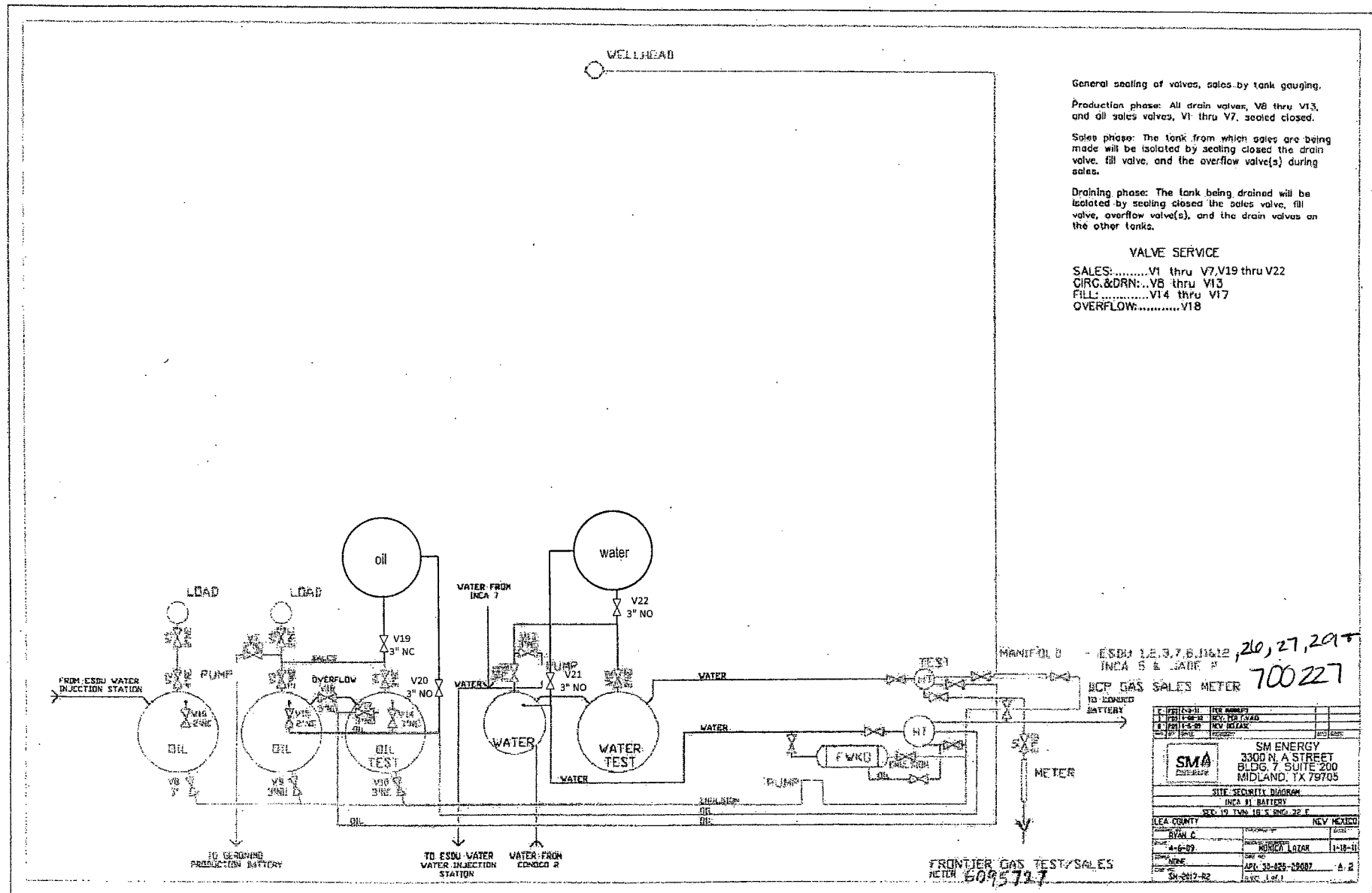
And hydrocarbon production from:

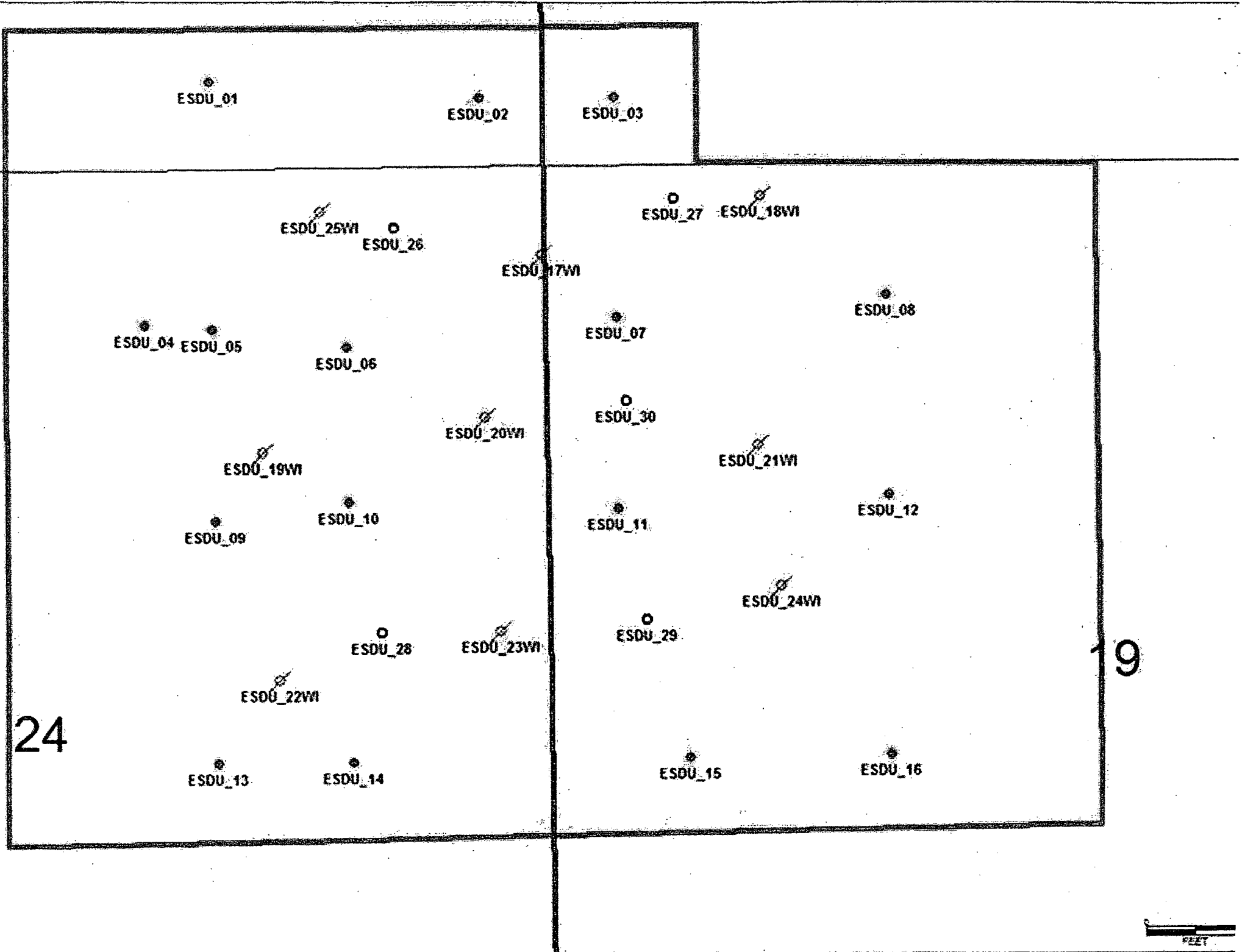
Federal Lease No. NMNM106716

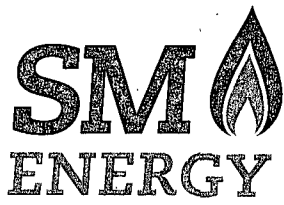
Well Name	API	Location		Formation	BOPD	Gravity	MCFPD	BTU
CONOCO FEDERAL #002	30-025-29803	SW 4/SW 4	M-18-18S-32E	SHUGART;YATES-7RS-QU-GRAYBURG (56439)	N/A	N/A	10	1289.020

The Storage and measuring facility for oil and gas is located at SW4/NE4; G-24-18S-31E on Lease No. NMNM106714 (Geronimo Battery) Eddy County NM & for some gas located at NW4/NW4; D-19-18S-32E on Lease No. NMNM106715 (Inca Battery + ESDU 7) Lea County NM & at SW4/ SW4; M-18-T18S-R32E NMNM106716 (Conoco Federal) SWSW M-18-T18S-R32E, Lea County NM

All of These Leases & Wells & Facilities are also in unit NM101361X (East Shugart Delaware Unit)







3300 N. A Street, Bldg. 7-200
Midland, Texas 79705
432.688.1700
432.688.1701 fax
SM-Energy.com

January 9, 2013

New Mexico Energy, Minerals and Natural Resources Department
Attn: Richard Ezeanyim
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Dear Richard,

SM Energy Company has an existing approved commingling permit, which is, Administrative Order PLC-333. SM Energy is in the process of drilling and completing ESDU Wells 26, 27, 28, 29 & 30. These wells would be added to the existing **Pools** and **Leases** located in Township 18 South, Ranges 31 and 32 East NMPM, Eddy and Lea Counties, New Mexico which are approved on the existing Administrative Order PLC-333 and within its boundaries.

Pools

Shugart; Delaware, East (56419)
Shugart; Yates-7RS-QU-Grayburg (56439)

Leases

NMNM101361X
NMNM106714
NMNM106715
NMNM67987
NMNM106716

And from the following diversely owned wells identified in Tables 1 and 2 below:

Table 1 Geronimo Battery (Location G-24-18S-31E; SW/4/NE/4; Eddy Co. NM)

Well Name	API		Footages
EAST SHUGART DELAWARE UNIT #001	30-015-25741	O-13-18S-31E	430 FSL & 1650 FEL
EAST SHUGART DELAWARE UNIT #002	30-015-25847	P-13-18S-31E	330 FSL & 330 FEL
EAST SHUGART DELAWARE UNIT #003	30-025-29695	M-18-18S-32E	330 FSL & 330 FWL
EAST SHUGART DELAWARE UNIT #004	30-015-25546	B-24-18S-31E	765 FNL & 1980 FEL
EAST SHUGART DELAWARE UNIT #005	30-015-26022	B-24-18S-31E	790 FNL & 1650 FEL
EAST SHUGART DELAWARE UNIT #006	30-015-25385	A-24-18S-31E	890 FNL & 990 FEL
EAST SHUGART DELAWARE UNIT #007	30-025-29887	D-19-18S-32E	760 FNL & 330 FWL
EAST SHUGART DELAWARE UNIT #008	30-025-29978	C-19-18S-32E	660 FNL & 1650 FWL
EAST SHUGART DELAWARE UNIT #009	30-015-25723	G-24-18S-31E	1730 FNL & 1650 FEL

Well Name	API		Footages
EAST SHUGART DELAWARE UNIT #010	30-015-25457	H-24-18S-31E	1650 FNL & 990 FEL
EAST SHUGART DELAWARE UNIT #011	30-025-29940	E-19-18S-32E	1700 FNL & 330 FWL
EAST SHUGART DELAWARE UNIT #012	30-025-29939	F-19-18S-32E	1650 FNL & 1650 FWL
EAST SHUGART DELAWARE UNIT #013	30-015-25734	J-24-18S-31E	2310 FSL & 1650 FEL
EAST SHUGART DELAWARE UNIT #014	30-015-25652	I-24-18S-31E	2310 FSL & 990 FEL
EAST SHUGART DELAWARE UNIT #015	30-025-30187	L-19-18S-32E	2310 FSL & 660 FWL
EAST SHUGART DELAWARE UNIT #016	30-025-30111	K-19-18S-32E	2310 FSL & 1650 FWL
EAST SHUGART DELAWARE UNIT #028	30-015-40871	H-24-18S-31E	2280 FNL & 810 FEL
GERONIMO FEDERAL #001	30-015-24927	G-24-18S-31E	2310 FNL & 2310 FEL
GERONIMO FEDERAL #006	30-015-25597	A-24-18S-31E	790 FNL & 940 FEL
INCA FEDERAL #005	30-025-35229	E-19-18S-32E	1697 FNL & 470 FWL
JADE FEDERAL #002	30-025-30038	F-19-18S-32E	1650 FNL & 1750 FWL

New

Table 2 Inca Battery (Location 1-19-18S-32E; NW/4/NW/4; Lea Co. NM)

Well Name	API		Footages
EAST SHUGART DELAWARE UNIT #001	30-015-25741	O-13-18S-31E	430 FSL & 1650 FEL
EAST SHUGART DELAWARE UNIT #002	30-015-25847	P-13-18S-31E	330 FSL & 330 FEL
EAST SHUGART DELAWARE UNIT #003	30-025-29695	M-18-18S-32E	330 FSL & 330 FWL
EAST SHUGART DELAWARE UNIT #007	30-025-29887	D-19-18S-32E	760 FNL & 330 FWL
EAST SHUGART DELAWARE UNIT #008	30-025-29978	C-19-18S-32E	660 FNL & 1650 FWL
EAST SHUGART DELAWARE UNIT #011	30-025-29940	E-19-18S-32E	1700 FNL & 330 FWL
EAST SHUGART DELAWARE UNIT #012	30-025-29939	F-19-18S-32E	1650 FNL & 1650 FWL
EAST SHUGART DELAWARE UNIT #026	30-015-40848	A-24-18S-31E	300 FNL & 735 FEL
EAST SHUGART DELAWARE UNIT #027	PENDING	?-19-18S-32E	222 FNL & 490 FWL
EAST SHUGART DELAWARE UNIT #029	30-025-40870	E-19-18S-32E	2245 FNL & 460 FWL
EAST SHUGART DELAWARE UNIT #030	PENDING	?-19-18S-32E	1190 FNL & 480 FWL
CONOCO FEDERAL #002	30-025-29803	M-18-18S-32E	400 FSL & 400 FWL

New

New

New

New

Interest Owners were notified on original application with no objections. Please find original letter attached.

If you have any questions/concerns, please do not hesitate to contact me at (432) 688-1709 or by e-mail at vmartinez@sm-energy.com.

Sincerely,



Vickie Martinez
Engineer Tech II



3300 N. A Street, Bldg. 7-200
Midland, Texas 79705
432.688.1700
432.688.1701 fax
SM-Energy.com

October 13, 2010

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Re: Application of SM Energy Company to Surface Commingle Oil and Gas at central delivery points located in Section 24, T-18-S, R-31-E, (see exhibit A & B) & Section 19, T-18-S, R-32-E, (see exhibit C) in Eddy County, NM.

Ladies and Gentlemen:

Enclosed please find a copy of the above-referenced application and attachments, which will be filed with the New Mexico Oil Conservation Commission on October 18, 2010 by SM Energy Company.

Attached are exhibits that reflect the battery locations of sales dispositions and wells that will contribute to said oil and gas dispositions. To satisfy the guidelines for off lease measurement, storage, and surface commingling, volumes will be allocated using well tests to determine each well's percent of production and sales. The value of production should not be decreased as a result of commingling.

This Commingle may be expanded in the future with the addition of more wells or pools to include wells in the radius of sections sharing lease lines to Section 13, T18S, R31E - Section 24, T18S, R31E - Section 18, T-18S, R32E & Section 19, T-18S, R32E, in which wells in that area produce in the following pools: Shugart, Delaware, East and Shugart; Yates-7RS-QU-Grayburg, and Bone Spring area. If it is expanded, the method of allocating production by use of well testing or metering will be employed. You (the existing interest owners) are being formally noticed at this time of the fact that you will NOT be re-noticed if these new wells or pools are added — unless the addition is outside the limits set herein, or the method of allocating production is changed.

As an owner of an interest in leases that are proposed for surface commingling, you may object to this application. Objections must be filed in writing within (20) days from the date of this letter at the Division's Santa Fe office that is located at 1220 South Frances Drive, Santa Fe, NM 87505. If no objections are received within this twenty-day period, the application for surface commingling may be approved.

Sincerely,

Donna Huddleston, Engineering Technician

Phone: (432) 688-1789

Fax: (432) 688-1701

Email: dhuddleston@sm-energy.com

Enclosures
DH/MCS