

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.

David Catanach  
Print or Type Name

David Catanach  
Signature

Agent for Quantum Resources Management, LLC  
Title

9/29/14  
Date

drcatanach@netscape.com  
E-Mail Address

- DHC 4698  
- Quantum Resources Management, LLC  
Well  
- Encino m state #5  
30-025-40299  
Pool  
- Blinberry Oil and Gas (oil)  
06660  
- Drink and 19180  
- Wanta; Abu 62700

33/33/33/104  
DHC 488

900d

September 29, 2014

**Hand Delivered**

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

Attention: Ms. Jami Bailey, CPG  
Division Director

Re: Form C-107A: Application for Downhole Commingling  
Quantum Resources Management, LLC ("Quantum")  
Encore M State No. 5  
API No. (30-025-40299)  
639' FNL & 531' FEL (Unit A)  
Section 19, T-22 South, R-37 East, NMPM,  
Lea County, New Mexico

Dear Ms. Bailey:

Attached is a C-107A Application to downhole commingle the Blinebry Oil & Gas (Oil-06660), Drinkard (19190), and Wantz-Abo (62700) Pools within Quantum's Encore M State Well No. 5.

The Encore M State Well No. 5 was drilled in October, 2011 and was completed in the Blinebry, Drinkard and Abo formations. At the time the well was completed, Quantum submitted a C-103 Sundry Notice to the Hobbs OCD District Office requesting approval to downhole commingle the Blinebry Oil & Gas, Drinkard and Wantz-Abo Pools within the wellbore. Quantum was under the impression at the time that the three subject pools were "pre-approved" as per Division Rule 19.15.12.11, and therefore the downhole commingling of these zones would qualify for District Office approval.

An examination of Division Rule 19.15.12.11 indicates that the Blinebry Oil & Gas and Wantz-Abo Pools and the Drinkard and Wantz-Abo Pools are "pre-approved", however the combination of Blinebry Oil & Gas, Drinkard and Wantz-Abo Pools are not a valid "pre-approved" pool combination.

To further complicate the situation, the Hobbs OCD District Office approved Quantum's request by Order No. DHC-HOB-485. Under the terms of that approval, 33 1/3% of the oil and gas was to be allocated each to the Blinebry Oil & Gas, Drinkard and Wantz-Abo Pools.

Quantum is now seeking to correct the previous errors and obtain a downhole commingling order from the Santa Fe Office of the OCD.

Attached is a 2014 production summary for the Encore M State No. 5 obtained from Division records. Based upon the 2014 average producing rate of this well, and based upon the production allocation that was previously approved by the Hobbs OCD District Office, Quantum requests that production be allocated as follows:

	<u>Oil</u>	<u>Gas</u>	<u>Water</u>
Blinebry Oil & Gas Pool	33 1/3%	33 1/3%	33 1/3%
Drinkard Pool	33 1/3%	33 1/3%	33 1/3%
Wantz-Abo Pool	33 1/3%	33 1/3%	33 1/3%

**Please note that the working, royalty and overriding royalty interest ownership in this well is common throughout. Consequently notice of this application is not required to any interest owner.**

Also please note that a copy of the Form C-103 that was filed with the Hobbs OCD District Office in December, 2011 was provided to the Commissioner of Public Lands for the State of New Mexico. Consequently, notice of this commingling has already been provided to the State Land Office.

Approval of this application will afford Quantum the opportunity to recover additional oil and gas reserves from the Blinebry Oil & Gas, Drinkard and Wantz-Abo Pools within the Encore M State No. 5 that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

If you should have any questions, please call me at (505) 690-9453.

Sincerely,



David Catanach, Agent  
Quantum Resources Management, LLC  
1401 McKinney Street, Suite 2400  
Houston, Texas 77010

Xc: OCD-Hobbs

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

District II  
811 S. First Street, Artesia, NM 88210

District III  
1000 Rio Pecos 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

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

Quantum Resources Management, LLC 1401 McKinney St., Suite 2400 Houston, Texas 77010

Operator Address

Encore M State 5 Unit A, Section 19, T-22 South, R-37 East Lea

Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 243874 Property Code 307932 API No. 30-025-40299 Lease Type: ☐ Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Blinby Oil & Gas (Oil)	Drinkard	Wantz-Abo
Pool Code	06660	19190	62700
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	5,461'-5,590'	6,458'-6,680'	6,756'-6,788'
Method of Production (Flowing or Artificial Lift)	Artificial Lift	Artificial Lift	Artificial Lift
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)	Not Required	Not Required	Not Required
Oil Gravity or Gas BTU (Degree API or Gas BTU)	38 Deg. API 1342 BTU	38 Deg. API 1342 BTU	38 Deg. API 1342 BTU
Producing, Shut-In or New Zone	Producing	Producing	Producing
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: 2014 Ave. Rate Rates: 5.0 BOPD 23.0 MCFGPD 79.0 BWPD	Date: 2014 Ave. Rate Rates: 5.0 BOPD 23.0 MCFGPD 79.0 BWPD	Date: 2014 Ave. Rate Rates: 5.0 BOPD 23.0 MCFGPD 79.0 BWPD
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 Water 33 1/3% 33 1/3% 33 1/3%	Oil Gas Water 33 1/3% 33 1/3% 33 1/3%	Oil Gas Water 33 1/3% 33 1/3% 33 1/3%

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: David Catanach TITLE: Agent-Quantum Resources Management, LLC DATE: 9/29/14

TYPE OR PRINT NAME: David Catanach TELEPHONE NO.: (505) 690-9453

E-MAIL ADDRESS: drcatanach@netscape.com

District J  
1325 N French Dr. Hobbs NM 88240  
District JJ  
1001 W Grand Avenue, Artesia, NM 87010  
District LBI  
1002 Bob Branton Rd., Aztec, NM 87412  
District LX  
1220 S. St. Francis Dr., Santa Fe, NM 87505

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 June 10, 2003  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Trust - 3 Copies

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

<sup>1</sup> API Number <b>30-025-40299</b>		<sup>2</sup> Pool Code <b>6660</b>	<sup>3</sup> Pool Name <b>Blinberry Oil &amp; Gas (Od)</b>
<sup>4</sup> Property Code <b>307932</b>	<sup>5</sup> Property Name <b>Encero M State</b>		<sup>6</sup> Well Number <b>005</b>
<sup>7</sup> DCRD No <b>243874</b>	<sup>8</sup> Operator Name <b>Quantum Resources Management, LLC</b>		<sup>9</sup> Elevation <b>3411'</b>

<sup>10</sup>Surface Location

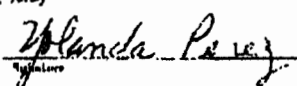

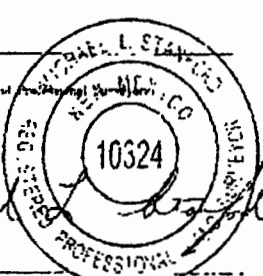
UL or LR no	Section	Township	Range	Lot No	Feet from lbr	North/South line	Feet from lbr	East/West line	County
A	19	22 S	37 E		639	North	531	East	Lea

<sup>11</sup>Bottom Hole Location If Different From Surface

UL or LR no	Section	Township	Range	Lot No	Feet from lbr	North/South line	Feet from lbr	East/West line	County

<sup>12</sup> Dedicated Acres <b>40 acres</b>	<sup>13</sup> Joint or Indiv <b></b>	<sup>14</sup> Consolidation Code <b></b>	<sup>15</sup> Deer No. <b>DHC-HOB-485</b>
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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

<p>Lat = 3411' NAD 83 NM East N = 5148.74 E = 8926.38 NAZ 83 Lat = 32° 22' 55.19" Long = 103° 11' 43.22"</p>	<p><b>OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.               Yolanda Perez            Printed Name            Regulatory Supervisor ypperez@nrao.com            Title and E-mail Address            9/07/2011            Date</p>
	<p><b>SURVEYOR CERTIFICATION</b> 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.             09-16-2011            Date of Survey              Signature and Seal of Professional Surveyor            10324            Certificate Number</p>
	
	<p>6.5 Miles SW of _____, _____, New Mexico</p>

District I  
1325 N. French Dr. Hobbs, NM 88240  
District II  
1901 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Arriba Rd., Aztec, NM 87410  
District IV  
620 S. El. Francis Dr., Santa Fe, NM 87505

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 June 10, 2003  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies  
☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number <b>30-025-40299</b>		Pool Code <b>6660</b>	Pool Name <b>Drinkard</b>
Property Code <b>307932</b>	Property Name <b>Encoro M State</b>		Well Number <b>005</b>
ECDB No <b>243874</b>	Operator Name <b>Quantum Resources Management, LLC</b>		Elevation <b>3411'</b>

10 Surface Location									
U. or Int. no.	Section	Township	Range	Lot 3/4	Feet from line	North/South line	Feet from line	East/West line	County
A	19	22 S	37 E		639	North	531	East	Lea

Bottom Hole Location If Different From Surface									
U. or Int. no.	Section	Township	Range	Lot 3/4	Feet from line	North/South line	Feet from line	East/West line	County
Dedicated Acres <b>40 acres</b>		Consolidation Code		Order No. <b>DHC-HOB-485</b>					

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

	<b>17 OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <u>Yolanda Perez</u> Printed Name: <u>Yolanda Perez</u> Regulatory Supervisor: <u>yperez@qtraco.com</u> Title and E-mail Address: Date: <u>9/07/2011</u> Title:
	<b>18 SURVEYOR CERTIFICATION</b> 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. Date of Survey: <u>09-16-2011</u> Signature and Seal of Professional Surveyor:  Certificate Number: <u>10324</u>

HOBBS OGD

DEC 14 2011

District I

1825 N. Grand Avenue, Hobbs, NM 88240

District II

1824 W. Grand Avenue, Artesia, NM 88210

District III

1000 Rio Bravos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico

Energy, Minerals &amp; Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised June 10, 2003

Submit to Appropriate District Office

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☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <b>30-025-40299</b>		Pool Code <b>62700</b>	Pool Name <b>Wantz, Abo</b>
Property Code <b>307932</b>	Property Name <b>Encore M State</b>		Well Number <b>005</b>
Operator No. <b>243874</b>	Operator Name <b>Quantum Resources Management, LLC</b>		Flowing <b>3411</b>

## Surface Location

III or lot no	Section	Township	Range	Lot No	Feet from the	North/South Line	Feet from the	East/West line	County
A	19	22 S	37 E		639	North	531	East	Lea

## Bottom Hole Location If Different From Surface

UL or lot no	Section	Township	Range	Lot No	Feet from the	North/South Line	Feet from the	East/West line	County

Dedicated Acres <b>40 acres</b>	Order or Initial	Consolidation Code	Order No. <b>DHC-HOB-485</b>
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNIT. ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	Elev 3411' MAG 83 NM East N= 504874 E= 892658 MAG 83 Lat.= 32° 22' 58.19" Long.= 103° 11' 43.23"	<b>OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <i>Yolanda Perez</i> Printed Name: <b>Yolanda Perez</b> Regulatory Supervisor: yperez@qrmq.com Title and E-mail Address: Date: <b>12/12/2011</b>
		<b>SURVEYOR CERTIFICATION</b> 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 knowledge. Date of Survey: <b>08-16-2011</b> Signature and Seal of Registered Surveyor: <i>Michael L. Stanford</i> Certificate Number: <b>10324</b>

**Production Summary Report**

**API: 30-025-40299**

**ENCORE M STATE #005**

**Printed On: Wednesday, September 24 2014**

		Production					Injection				
Year	Pool	Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days P/t	Water(BBLS)	Co2(MCF)	Gas(MCF)	Other	Pressure
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Jan	232	467	2636	31	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Feb	131	344	1781	26	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Mar	135	578	1913	31	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Apr	166	574	2045	30	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	May	142	994	3372	31	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Jun	152	930	2677	30	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Jul	106	910	2210	31	0	0	0	0	0
2014	[19190] DRINKARD	Jan	232	467	2636	31	0	0	0	0	0
2014	[19190] DRINKARD	Feb	131	344	1781	26	0	0	0	0	0
2014	[19190] DRINKARD	Mar	135	578	1913	31	0	0	0	0	0
2014	[19190] DRINKARD	Apr	166	574	2045	30	0	0	0	0	0
2014	[19190] DRINKARD	May	142	994	3372	31	0	0	0	0	0
2014	[19190] DRINKARD	Jun	152	930	2677	30	0	0	0	0	0
2014	[19190] DRINKARD	Jul	106	910	2210	31	0	0	0	0	0
2014	[62700] WANTZ;ABO	Jan	232	467	2636	31	0	0	0	0	0
2014	[62700] WANTZ;ABO	Feb	131	344	1781	26	0	0	0	0	0
2014	[62700] WANTZ;ABO	Mar	135	578	1905	31	0	0	0	0	0
2014	[62700] WANTZ;ABO	Apr	166	574	2045	30	0	0	0	0	0
2014	[62700] WANTZ;ABO	May	142	994	3372	31	0	0	0	0	0
2014	[62700] WANTZ;ABO	Jun	152	930	2677	30	0	0	0	0	0
2014	[62700] WANTZ;ABO	Jul	106	910	2210	31	0	0	0	0	0



Order Number

485

API Number

30-025-40299

Operator

Quantum Resources

County

Lea

Order Date

12-21-11

Well Name

Encore m state

Number

5

Location

A

19

225

37E

UL

Sec

T (+Dir)

R (+Dir)

Oil %

33%

Gas %

33%

Pool 1

6660

Blindery D+G

Pool 2

19190

Drinkard

Pool 3

62700

Wantz Abo

Pool 4

Comments:

Posted in RBPMs 12-22-2011 GH