

9/29/2014 DATE IN	SUSPENSE	ENGINEER M A M	9/29/2014 LOGGED IN	DHC TYPE	PMAM1427235433 APP NO.
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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.

David Catanach
Print or Type Name

Signature

Agent for Quantum Resources Management, LLC
Title

Date

9/29/14
Date

drcatanach@netscape.com
E-Mail Address

D DHC
order old
not same
As you
DHC
452

10/1/2014 1:00:32

- DHC 4702
- Quantum Resources
Management, LLC
243874
- well
- Encore mstate
#3
30-025-39751
Pool
- Blinberry oil and
Gas (oil)
06660
- DRINK AND
19190
- Want 2 Add
62700

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. 3
API No. (30-025-39751)
660' FNL & 2140' FWL (Unit C)
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. 3.

The Encore M State Well No. 3 was drilled in August, 2010 and was completed in the Blinebry, Drinkard and Abo formations. At the time the well was completed, Quantum submitted a C-107A 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-452. 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. 3 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%	18%
Drinkard Pool	33 1/3%	33 1/3%	41%
Wantz-Abo Pool	33 1/3%	33 1/3%	41%

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 C-107A that was filed with the Hobbs OCD District Office in November, 2010 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. 3 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 Encino 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 August 1, 2011

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

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

Operator Address

Encore M State 3 Unit C, 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. 30-025-39751 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)	5,518'-5,668'	6,355'-6,746'	6,828'-6,846'
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: 4.8 BOPD 23.0 MCFGPD 46.0 BWPD	Date: 2014 Ave. Rate Rates: 4.8 BOPD 23.0 MCFGPD 108.0 BWPD	Date: 2014 Ave. Rate Rates: 4.8 BOPD 23.0 MCFGPD 108.0 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% 18%	Oil Gas Water 33 1/3% 33 1/3% 41%	Oil Gas Water 33 1/3% 33 1/3% 41%

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: 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 I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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 & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

RECEIVED

APR 07 2011
HOBBSOCD

Form C-102
Revised July 16, 2010
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-39751	² Pool Code 06660	³ Pool Name Blinebry Oil and Gas (Oil)
⁴ Property Code 37138	⁵ Property Name Encore M State	⁶ Well Number 003
⁷ OGRID No. 243874	⁸ Operator Name Quantum Resources Management, LLC	⁹ Elevation 3421

¹⁰ Surface Location

UL or lot no. C	Section 19	Township 22S	Range 37E	Lot Idn	Feet from the 660	North/South line N	Feet from the 2140	East/West line W	County Lea
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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 40.00	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 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. Signature 4/6/10 Date Erick A. Rodriguez Printed Name erodriguez@graco.com E-mail Address	
	¹⁸ 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. 4/13/2010 Date of Survey Signature and Seal of Professional Surveyor: Gary Jones 7977 Certificate Number	

APR 07 2011

District I
1625 N. French Dr., Hobbs, NM 88240
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1301 W. Grand Avenue, Artesia, NM 88210
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1000 Rio Brazos Rd., Aztec, NM 87410
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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

RECEIVED

APR 07 2011

Form C-102
Revised July 16, 2010
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-39751	² Pool Code 19190	³ Pool Name Drinkard
⁴ Property Code 37138	⁵ Property Name Encore M State	⁶ Well Number 003
⁷ OGRID No. 243874	⁸ Operator Name Quantum Resources Management, LLC	⁹ Elevation 3421

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	19	22S	37E		660	N	2140	W	Lea

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

¹² Dedicated Acres 40.00	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
--	-------------------------------	----------------------------------	-------------------------

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

¹⁶	¹⁷ OPERATOR CERTIFICATION 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. Signature 4/6/10 Date Erick A. Rodriguez Printed Name erodriguez@graco.com E-mail Address
	¹⁸ 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. 4/13/2010 Date of Survey Signature and Seal of Professional Surveyor: Gary Jones 7977 Certificate Number

APR 07 2011

RECEIVED

APR 07 2011

Form C-102

Revised July 16, 2010

Submit one copy to appropriate

District Office

☐ AMENDED REPORT

District I

1625 N. French Dr., Hobbs, NM 88240

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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

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-39751		² Pool Code 62700	³ Pool Name Wantz Abo
⁴ Property Code 37138	⁵ Property Name Encore M State		⁶ Well Number 003
⁷ OGRID No. 243874	⁸ Operator Name Quantum Resources Management, LLC		⁹ Elevation 3421

¹⁰ Surface Location

UL or lot no. C	Section 19	Township 22S	Range 37E	Lot Idn	Feet from the 660	North/South line N	Feet from the 2140	East/West line W	County Lea
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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
¹² Dedicated Acres 40.00		¹³ Joint or Infill	¹⁴ Consolidation Code		¹⁵ Order No.				

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

¹⁶	¹⁷ OPERATOR CERTIFICATION 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. Signature: Erick A. Rodriguez Date: 4/6/10 E-mail Address: erodriguez@gracq.com	
	¹⁸ 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. Date of Survey: 4/13/2010 Signature and Seal of Professional Surveyor: Gary Jones	
	Certificate Number: 7977	

APR 07 2011

Production Summary Report

API: 30-025-39751

ENCORE M STATE #003

Printed On: Tuesday, September 23 2014

Year	Pool	Production					Injection				
		Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days P/I	Water(BBLS)	Co2(MCF)	Gas(MCF)	Other	Pressure
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Jan	240	1152	1173	31	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Feb	183	808	742	26	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Mar	48	285	534	15	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Apr	58	383	1838	28	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	May	122	569	1975	30	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Jun	138	564	1469	30	0	0	0	0	0
2014	[6660] BLINEBRY OIL AND GAS (OIL)	Jul	127	572	1108	31	0	0	0	0	0
2014	[19190] DRINKARD	Jan	240	1152	2734	31	0	0	0	0	0
2014	[19190] DRINKARD	Feb	183	808	1725	26	0	0	0	0	0
2014	[19190] DRINKARD	Mar	48	285	1241	15	0	0	0	0	0
2014	[19190] DRINKARD	Apr	58	383	4275	28	0	0	0	0	0
2014	[19190] DRINKARD	May	122	569	4594	30	0	0	0	0	0
2014	[19190] DRINKARD	Jun	138	564	3416	30	0	0	0	0	0
2014	[19190] DRINKARD	Jul	127	572	2577	31	0	0	0	0	0
2014	[62700] WANTZ;ABO	Jan	240	1094	2734	31	0	0	0	0	0
2014	[62700] WANTZ;ABO	Feb	183	808	1725	26	0	0	0	0	0
2014	[62700] WANTZ;ABO	Mar	48	285	1241	15	0	0	0	0	0
2014	[62700] WANTZ;ABO	Apr	58	383	4275	28	0	0	0	0	0
2014	[62700] WANTZ;ABO	May	122	569	4594	30	0	0	0	0	0
2014	[62700] WANTZ;ABO	Jun	138	564	3416	30	0	0	0	0	0
2014	[62700] WANTZ;ABO	Jul	127	572	2577	31	0	0	0	0	0

Order Number

452

API Number

30-025-39751

Operator

Quantum Resources Management

County

Lea

Order Date

4-6-11

Well Name

Encore M State

Number

3

Location

C

UL

19

Sec

225

T (+Dir)

37E

R (+Dir)

Oil %

43%

Gas %

43%

Pool 1

6660

Blinebry Oil & Gas

Pool 2

19190

Drinkard

49%

49%

Pool 3

62700

Wantz- Abo

8%

8%

Pool 4

Comments:

Posted in RBDMs 4-6-11 COH

McMillan, Michael, EMNRD

From: David Catanach <drcatanach@netscape.com>
Sent: Monday, September 29, 2014 12:21 PM
To: McMillan, Michael, EMNRD
Subject: Re: Quantum Resources encore M state #3 Lea co API 30-025-39751

Michael,

That is correct. DHC-452 approved an allocation based upon "net pay". I went back and looked at the production data for 2011-2014.

It looks like in 2011, Quantum allocated as follows:

	Oil	Gas
Blinebry	37%	20%
Drinkard	39%	48%
Abo	24%	32%

In 2012, Quantum allocated as follows:

Blinebry	33%	27%
Drinkard	33%	36%
Abo	33%	37%

In 2013 and 2014, Quantum allocated approximately 33 1/3% to each zone for both oil and gas. I don't know what happened, its all confusing on what went down.

I guess that if you approve the 33 1/3%, we can go back and amend 2011 and 2012 to reflect this allocation, although I'm not sure that would do anyone any good.

Let me know what you want to do. I think all the rest were approved at 33 1/3%.

David

--- Michael.McMillan@state.nm.us wrote:

From: "McMillan, Michael, EMNRD" <Michael.McMillan@state.nm.us>
To: "Catanach, David" <drcatanach@netscape.com>
Subject: Quantum Resources encore M state #3 Lea co API 30-025-39751
Date: Mon, 29 Sep 2014 17:24:20 +0000

David:

I was looking over your application for the Quantum Resources encore M state #3 API 30-025-39751. DHC #452 on the website.

The approved application numbers do not match your application. They are not 33% for the 3 zones; rather they are different percentages for each zone.

Look at it and call me with what you found

Mike

Netscape. Just the Net You Need.

Offset Well Production

[illegible]