

DATE IN 12.1.11	SUSPENSE	ENGINEER DKB	LOGGED IN 12.1.11	TYPE NSL	APP NO. 1133550307
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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



Three Rivers Operating Co,

Eagle 2 State #802

ADMINISTRATIVE APPLICATION CHECKLIST 30-025-40333

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.

Adam Rankin  Attorney 11/30/11
Print or Type Name Signature Title Date
agrakini@hollandkarr.com
e-mail Address

HOLLAND & HART^{LLP}



Adam G. Rankin
Associate
Phone 505-954-7294
Fax 505-983-6043
agrarkin@hollandhart.com

November 30, 2011

VIA HAND DELIVERY

Jami Bailey, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RECEIVED 000
201 NOV 30 PM 4:52

Re: Application of Three Rivers Operating Company for administrative approval of an unorthodox well location for its Eagle 2 State No. 302 vertical well in the Lea-Bone Springs Pool Section 2, Township 20 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

Dear Ms. Bailey:

Three Rivers Operating Company ("Three Rivers") (OGRID No. 272295) hereby seeks administrative approval pursuant to the provisions of Division Rule 19.15.15.13 NMAC for an unorthodox well location for its Eagle 2 State No. 302 well to be located in Section 2, Township 20 South, Range 34 East, N.M.P.M., Lea County, New Mexico. The proposed well is to be drilled vertically in the Lea-Bone Springs Pool to the Wolfcamp formation at a surface location 830 feet from the North line and 2,190 feet from the West line of said Section 2.

Enclosed please find **Exhibit A**, which is a land plat for Section 2 that shows the proposed non-standard location of the Eagle 2 State No. 302 well, and adjoining units and existing wells. The Lea-Bone Springs Pool rules mandate 80-acre spacing and proration units. *See* Order No. R-1827-A. The proposed location in the Lea-Bone Springs Pool is unorthodox because the pool is governed by a special pool rule which provides that the initial well on any 80-acre unit shall be located within 150 feet of the center of any quarter-quarter section on which the well is located. *See id.* The proposed location is unorthodox because it is not located within 150 feet of the center of the quarter-quarter section.

As demonstrated on the enclosed Well Location and Acreage Dedication Plat (C-102), **Exhibit B**, the proposed Eagle 2 State No. 302 well encroaches on the spacing and proration unit to the East. The well is proposed to be placed outside the surface location mandated by the Lea-Bone Springs Pool approximately 25 feet to the South and 50 feet to the East to keep from disrupting the existing sand dunes encountered within 150 feet of the center of the quarter-quarter section. The sensitive nature of the sand dune habitat and the challenge of drilling

Holland & Hart LLP

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110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C. ☉



November 30, 2011

Page 2

thereon make a standard location detrimental to lizard habitat and impractical. Thus, the unorthodox location is necessary.

Pursuant to 19.15.4.12(A)(2)(c) NMAC, affected parties are those towards whom the non-standard location encroaches. Here, the proposed location encroaches on the 80-acre spacing and proration unit to the East. A copy of this application with all attachments was mailed to Armstrong Energy Corporation, the operator of the spacing unit to the East.

Your attention to this application is appreciated.

Sincerely,

Adam G. Rankin

ATTORNEY FOR THREE RIVERS OPERATING

Enclosures

cc: Tim Kane

Oil Conservation Division
District 1 Office
Hobbs, New Mexico

30025386220000
EAGLE 2 STATE 4

30025203320000
PURE-STATE A-1

30025403330000
EAGLE STATE-302

300254033300000
EAGLE 2 STATE 6H

30025285830000
WEST PEARL STATE-1

30025235200000
MONSANTO-STATE-1

30025329140000
MOBIL LEA STATE-7

30025380420000
EAGLE 2 STATE 3

30025318450000
WEST PEARL STATE-2

30025297140000
WEST PEARL STATE-2-Y

30025324660000
MOBIL LEA STATE-5

30025378630000
EAGLE 2 STATE-2

30025403320000
EAGLE STATE-301

30025292040000
MOBIL STATE-1

30025319280000
MOBIL-LEA STATE-2

30025316960000
MOBIL LEA STATE-1

30025323100000
MOBIL LEA STATE-4

30025321050000
MOBIL LEA STATE-3

30025384510000
EAGLE 2 STATE 5

30025374530000
EAGLE 2 STATE-1

30025359620000
MOBIL LEA STATE-8

30025363000000
FEDERAL 11-20-34-7

30025386110000
FEDERAL 11-8

LEA UNIT

30025369040000
LEA FEDERAL UNIT-18

0 711
FEET

EXHIBIT

tabbles

A

District I1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720**District II**811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720**District III**1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170**District IV**1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-101
August 1, 2011

Permit 139297

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address THREE RIVERS OPERATING COMPANY LLC 1122 S. Capital of Texas Hwy Austin, TX 78746		2. OGRID Number 272295
		3. API Number 30-025-40333
4. Property Code 309211	5. Property Name EAGLE 2 STATE	6. Well No. 302

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
C	2	20S	34E	3	830	N	2190	W	LEA

8. Pool Information

LEA;BONE SPRING	37570
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Additional Well Information

9. Work Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 3686
14. Multiple N	15. Proposed Depth 11200	16. Formation Wolfcamp	17. Contractor	18. Spud Date 6/1/2012
Depth to Ground water		Distance from nearest fresh water well		Distance to nearest surface water

19. Proposed Casing and Cement Program

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	54.5	1751	1510	
Int1	12.25	9.625	40	5500	1775	
Prod	8.75	5.5	17	11200	810	5000

Casing/Cement Program: Additional Comments

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Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Annular	5000	5000	Hydril/Cameron

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.
 I further certify that the drilling pit will be constructed according to NMOCD guidelines ☐ a general permit ☐ or an (attached) alternative OCD-approved plan ☐

Printed Name: Electronically filed by Jim Keisling

Title: VP Engineering

Email Address: jkeisling@3mr.com

OIL CONSERVATION DIVISION

Approved By: Paul Kautz

Title: Geologist

Approved Date: 11/10/2011

Expiration Date: 11/10/2013

EXHIBIT**B**

Date: 10/27/2011

Phone: 512-600-3182

Conditions of Approval Attached

District I1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720**District II**811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720**District III**1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170**District IV**1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
August 1, 2011

Permit 139297

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-025-40333	2. Pool Code 37570	3. Pool Name LEA;BONE SPRING
4. Property Code 309211	5. Property Name EAGLE 2 STATE	6. Well No. 302
7. OGRID No. 272295	8. Operator Name THREE RIVERS OPERATING COMPANY LLC	9. Elevation 3686

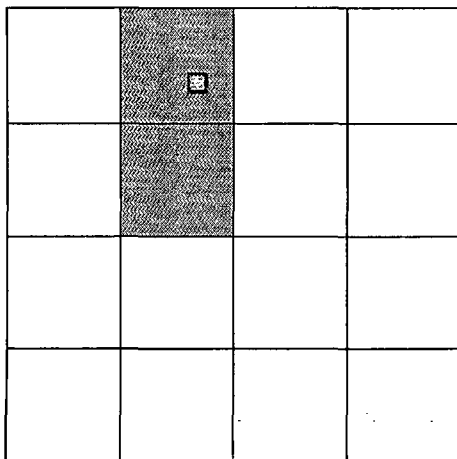
10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
3	2	20S	34E		830	N	2190	W	LEA

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 80.75		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

**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(s) 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.

E-Signed By: Jim Keisling
 Title: VP Engineering
 Date: 10/27/2011

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Surveyed By: Gary Jones
 Date of Survey: 10/12/2011
 Certificate Number: 7977

Permit Conditions of Approval

Operator: THREE RIVERS OPERATING COMPANY LLC , 272295

Well: EAGLE 2 STATE #302

API: 30-025-40333

OCD Reviewer	Condition
pkautz	Will require administrative order for non-standard location
pkautz	Once the well is spud, to prevent ground water contamination through whole or partial conduits from the surface, the operator shall drill without interruption through the fresh water zone or zones and shall immediately set in cement the water protection string
pkautz	Can not produce from Bone Spring without obtaining NSL from Santa Fe

Permit Comments

Operator: THREE RIVERS OPERATING COMPANY LLC , 272295

Well: EAGLE 2 STATE #302

API:

Created By	Comment	Comment Date
pkautz	Land s/S	10/28/2011
pkautz	Requires NSL location more than 150' from center of Q/Q section	10/28/2011

HOLLAND & HART LLP



Adam G. Rankin
Phone 505-988-4421
Fax 505-983-6043
agrarkin@hollandhart.com

November 30, 2011

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Armstrong Energy Corporation
Attn: Bob Watson
Post Office Box 1973
Roswell, New Mexico 88202-1973

Re: Application of Three Rivers Operating Company for administrative approval of an unorthodox well location for its Eagle 2 State No. 302 vertical well in the Lea-Bone Springs Pool Section 2, Township 20 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

Mr. Watson:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date by Three Rivers Operating Company ("Three Rivers") for administrative approval of an unorthodox well location for its Eagle 2 State No. 302 well. This well is located in Section 2, Township 20 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and is to be drilled vertically in the Lea-Bone Springs Pool to the Wolfcamp formation at a surface location 830 feet from the North line and 2,190 feet from the West line of said Section 2.

As an owner of an interest that may be affected by the proposed well, you may object to this application. Objections must be filed in writing within twenty days from this date at the Division's Santa Fe office that is located at 1220 South Saint Francis Drive, Santa Fe, New Mexico. 87505. If no objection is received within this twenty-day period, this application for an unorthodox well location may be approved.

Sincerely,

Adam G. Rankin

ATTORNEY FOR THREE RIVERS OPERATING

Enclosures

Holland & Hart LLP

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Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C. ☎