

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 _____

Pinto 36 State Com 1H
 API # 30-015-39781
 M - 36-185-25E
 (150' FSL, 330' FWL)
 Battery "A" **A**

[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.

Kanicia Castillo
 Print or Type Name

K.C.
 Signature

Lead Regulatory Analyst
 Title

6/07/12
 Date

kcastillo@concho.com
 E-mail Address

CTB-647

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: COG Operating LLC
OPERATOR ADDRESS: 550 West Texas Suite 100, Midland, Texas 79701
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. _____
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) _____
(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) Test Method

(C) POOL and LEASE COMMINGLING
Please attach sheets with the following information

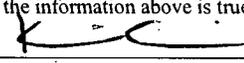
(1) Complete Sections A and E.

(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:  TITLE: Lead Regulatory Analyst DATE: 05/08/12
TYPE OR PRINT NAME Kanicia Castillo TELEPHONE NO.: 432-685-4332 E-MAIL ADDRESS: kcastillo@concho.com

June 7, 2012



RECEIVED OGD

2012 JUN -8 P 1:44

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

Re: Surface Commingle and Off Lease Measurement on our Pinto 36 State Com Lease

Mr. Ezeanyim,

COG Operating LLC respectfully requests approval for Surface Commingle and Off Lease Measurement on our Pinto 36 State Com Lease. This lease will have two battery locations needing Surface Commingling and Off Lease Measurement approvals.

The A Battery consists of the following wells:

| | |
|--|--|
| Pinto 36 State Com 1H (Battery A Location) ✓ Eddy County, NM API # 30-015-39781 Communitization Agreement # Pending Surface: 150 FSL & 380 FWL, Sec 36, T18S, R25E, Unit M | Pinto 36 State Com 2H ✓ Eddy County, NM API # 30-015-39969 Communitization Agreement # Pending Surface: 150 FSL & 1700 FWL, Sec 36, T18S, R25E, Unit N |
| Pinto 36 State Com 5H ✓ Eddy County, NM API #: 30-015-39970 Communitization Agreement # Pending Surface: 150 FSL & 1040 FWL Sec 36, T18S, R25E, Unit M | Pinto 36 State Com 6H ✓ Eddy County, NM API #: 30-015-39971 Communitization Agreement # Pending Surface: 150 FSL & 2230 FWL Sec 36, T18S, R25E, Unit N |
| Pinto 36 State Com 3H Eddy County, NM API # 30-015-39782 Communitization Agreement # Pending Surface: 150 FNL & 2260 FEL Sec 36, T18S, R25E, Unit B | |

The B Battery consists of the following wells:

| | |
|---|--|
| Pinto 36 State Com 4H (Battery B Location) ✓ Eddy County, NM API # Pending Communitization Agreement # Pending Surface: 150 FSL & 1040 FEL Sec 36, T18S, R25E, Unit P | |
| Pinto 36 State Com 7H ✓ Eddy County, NM API #: 30-015-39973 Communitization Agreement # Pending Surface: 150 FSL & 1700 FEL Sec 36, T18S, R25E, Unit O | Pinto 36 State Com 8H ✓ Eddy County, NM API #: Pending Communitization Agreement # Pending Surface: 150 FSL & 380 FEL Sec 36, T18S, R25E, Unit P |

Consolidating our battery facilities to two will extend the economic life for these wells and lessen surface disturbance. We will allocate production using the well test method for both battery facilities. Commingling will not reduce the value of production.

The A Battery has diverse ownership for all wells going into that facility. These wells will be producing from the Penasco Draw; SA-Yeso Associated, 50270. I have attached a diagram of the battery facility, and a map showing all well and facility locations, admin-checklist, and notice to all interest owners.

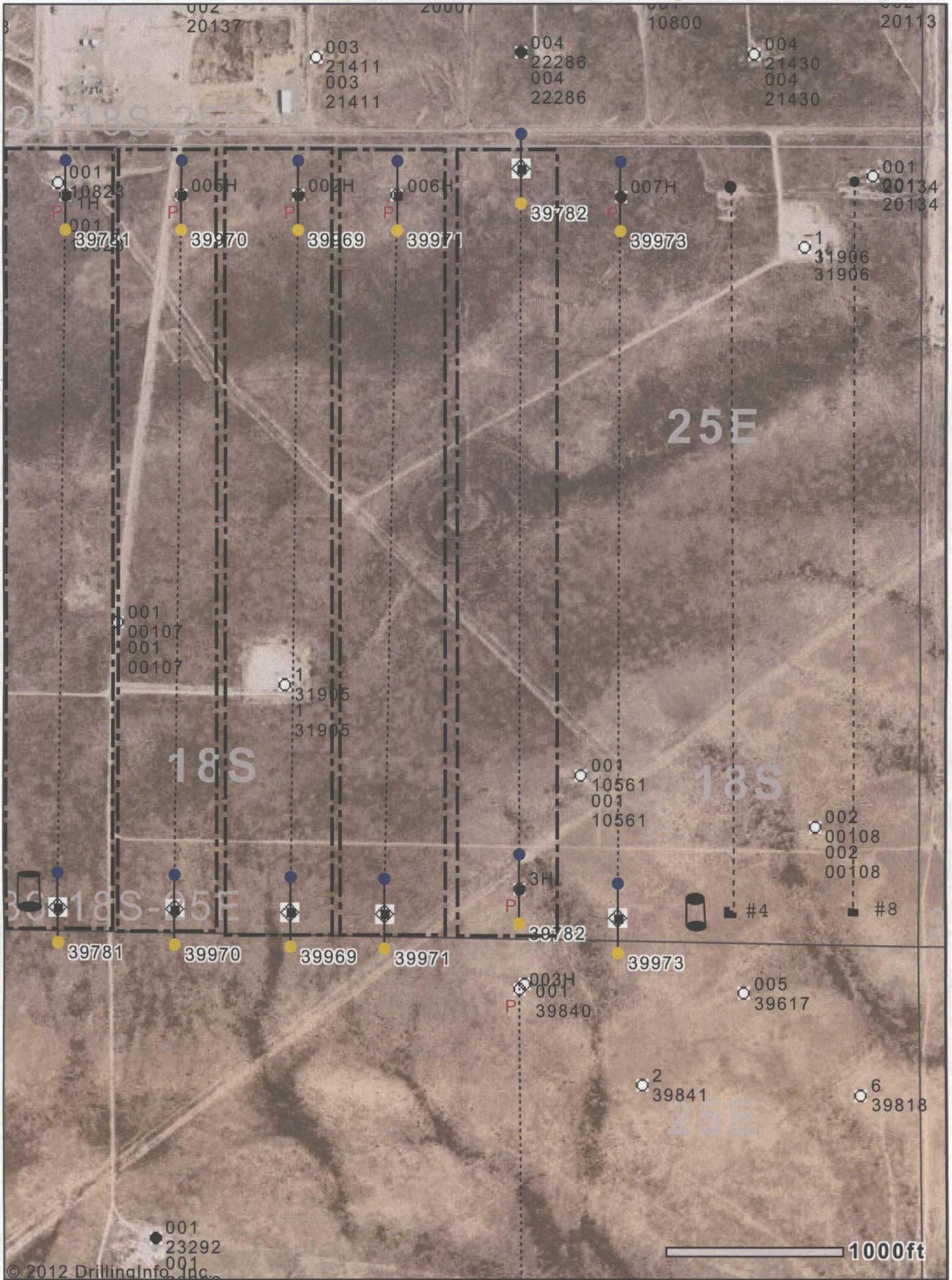
The B Battery has diverse ownership for all wells going into that facility. These wells will be producing from the Penasco Draw; SA-Yeso Associated, 50270. I have attached a diagram of the battery facility, and a map showing all well and facility locations, admin checklist, and notice to all interest owners.

Please contact me at 432-685-4332 should you have any questions.

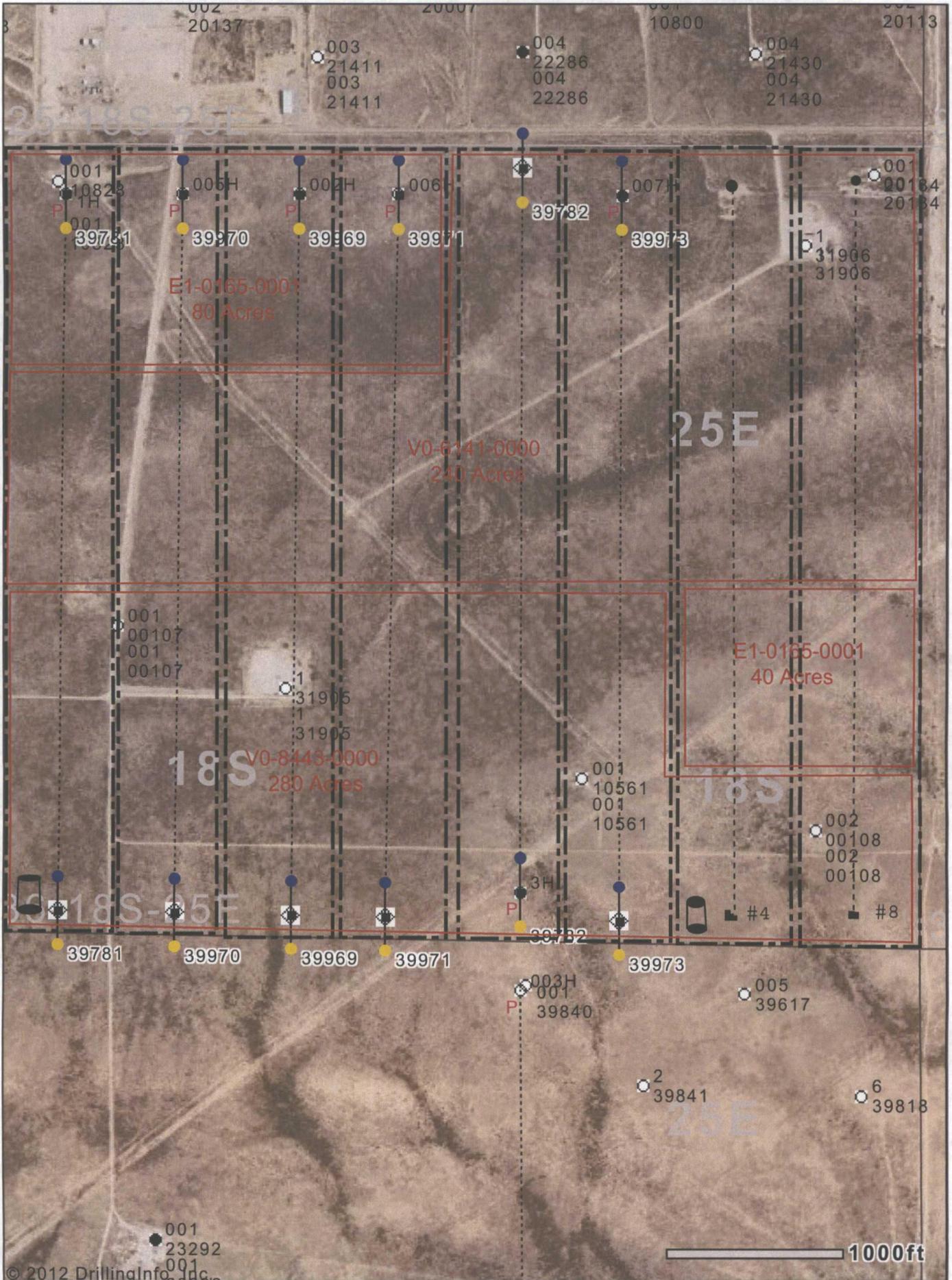
Sincerely,

Kanicia Castillo
Lead Regulatory Analyst
COG Operating, LLC

COG Operating LLC
Pinto 36 State Com Lease Battery A



Pinto 36 State Com Lease



DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

DISTRICT II
811 S. First St., Aramis, NM 89210
Phone: (575) 748-1283 Fax: (575) 748-9720

DISTRICT III
1000 Rio Brizos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV
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State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|--|---|
| API Number 30-015-39781 | Pool Code 50270 | Pool Name Penasco Draw; SA-Yeso Associated |
| Property Code 38979 | Property Name PINTO 36 STATE COM #1H | Well Number 1H |
| OGRID No. 229137 | Operator Name COG OPERATING, LLC | Elevation 3495' |

Surface Location

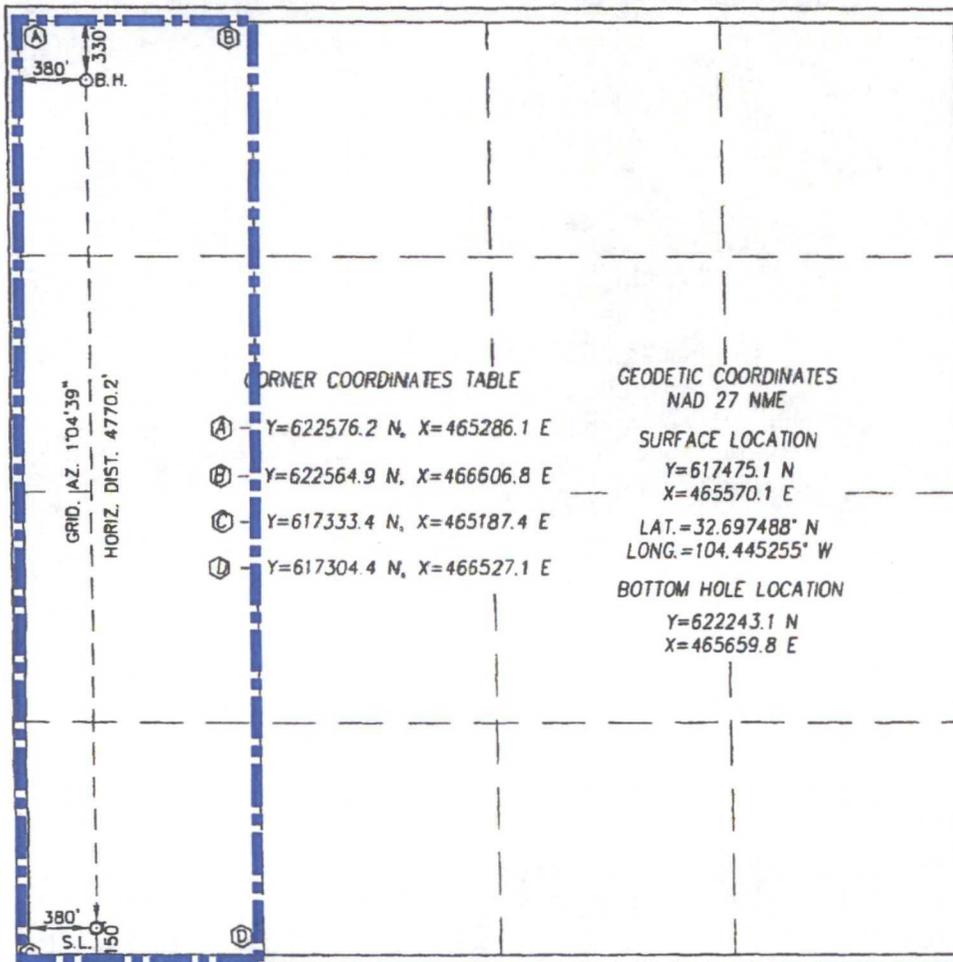
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| M | 36 | 18-S | 25-E | | 150 | SOUTH | 380 | WEST | EDDY |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| D | 36 | 18-S | 25-E | | 330 | NORTH | 380 | WEST | EDDY |

| | | | |
|------------------------|-----------------|--------------------|-----------|
| Dedicated Acres 160 | Joint or Infill | Consolidation Code | 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 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

 3/9/12
Date
Signature
Kanicia Castillo
Printed Name
kcastillo@concho.com
E-mail Address

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.

OCTOBER 25, 2011

Date of Survey
Signature of Professional Surveyor:


REG. NO. 12641
GARY G. EIDSON
11/17/11
Certification Number: Gary G. Eidson 12641
Professional Surveyor: Gary G. Eidson 3239
AF JWSC W.O.: 11.11.1921

DISTRICT I
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State of New Mexico
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1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|--|---|
| API Number 30-015-39969 | Pool Code 50270 | Pool Name Penasco Draw; SA-Yeso Associated |
| Property Code 38979 | Property Name PINTO 36 STATE COM | |
| OGRID No. 229137 | Operator Name COG OPERATING, LLC | |
| | | Well Number 2H |
| | | Elevation 3490' |

Surface Location

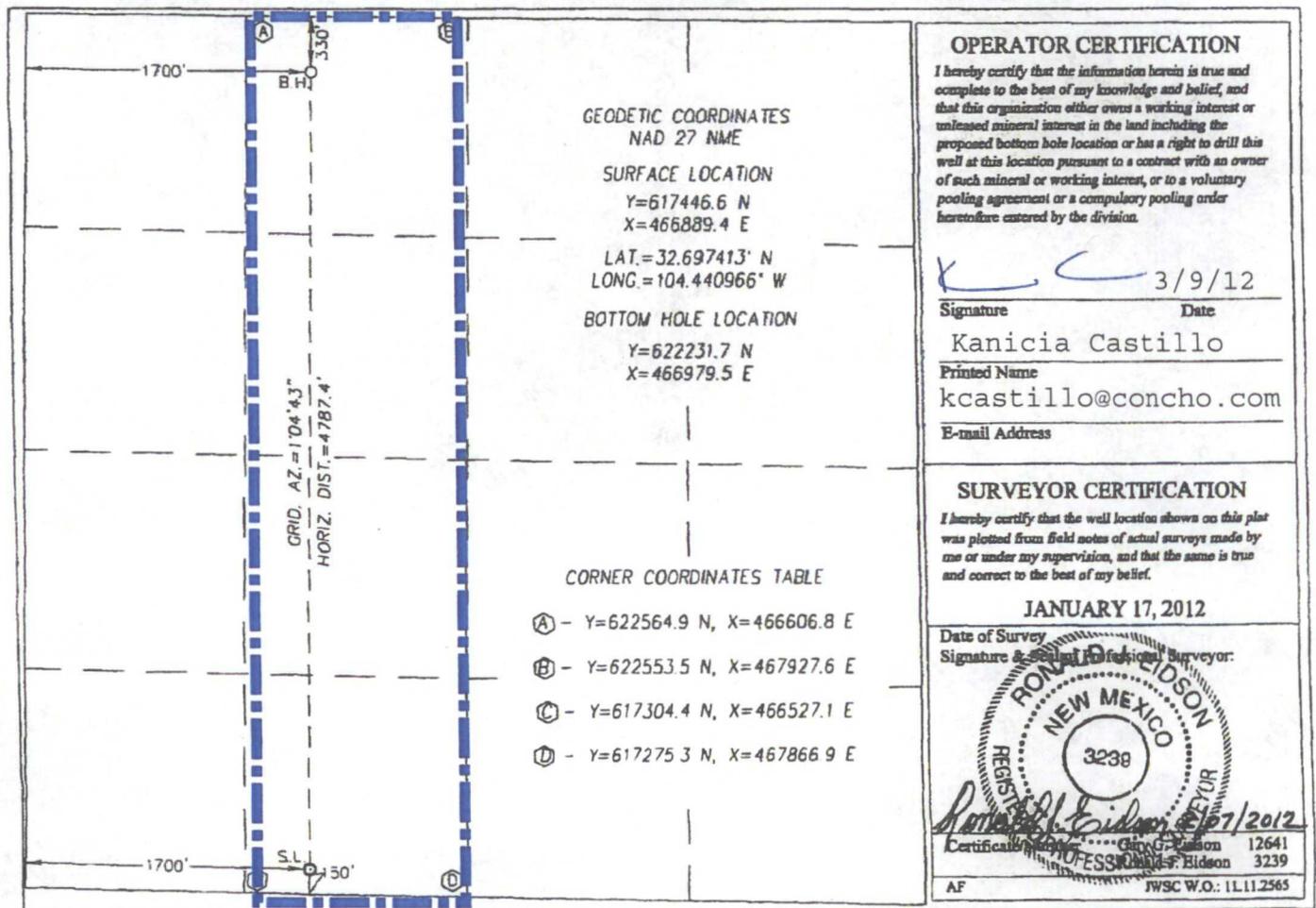
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| N | 36 | 18-S | 25-E | | 150 | SOUTH | 1700 | WEST | EDDY |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| C | 36 | 18-S | 25-E | | 330 | NORTH | 1700 | WEST | EDDY |

| | | | |
|------------------------|-----------------|--------------------|-----------|
| Dedicated Acres 160 | Joint or Infill | Consolidation Code | Order No. |
|------------------------|-----------------|--------------------|-----------|

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|-------------------------------------|--|
| API Number 30-015-39782 | Pool Code 50270 | Pool Name Penasco Draw; SA-Yeso, Associated |
| Property Code 38979 | Property Name PINTO 36 STATE COM | Well Number 3H |
| OGRID No. 229137 | Operator Name COG OPERATING, LLC | Elevation 3465' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| B | 36 | 18-S | 25-E | | 150 | NORTH | 2260 | EAST | EDDY |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| O | 36 | 18-S | 25-E | | 330 | SOUTH | 2260 | EAST | EDDY |

| | | | |
|------------------------|-----------------|--------------------|-----------|
| Dedicated Acres 160 | Joint or Infill | Consolidation Code | Order No. |
|------------------------|-----------------|--------------------|-----------|

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CORNER COORDINATES TABLE

Ⓐ - Y=622553.5 N, X=467927.6 E
 Ⓑ - Y=622542.1 N, X=469248.3 E
 Ⓒ - Y=617275.3 N, X=467866.9 E
 Ⓓ - Y=617246.0 N, X=469210.7 E

GEODEIC COORDINATES
 NAD 27 NME

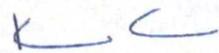
SURFACE LOCATION
 Y=622400.2 N
 X=468309.2 E

LAT.=32.711033° N
 LONG.=104.436366° W

BOTTOM HOLE LOCATION
 Y=617596.0 N
 X=468296.1 E

OPERATOR CERTIFICATION

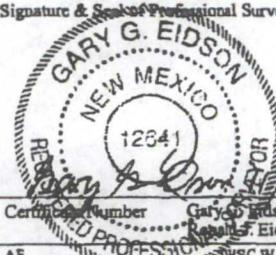
I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

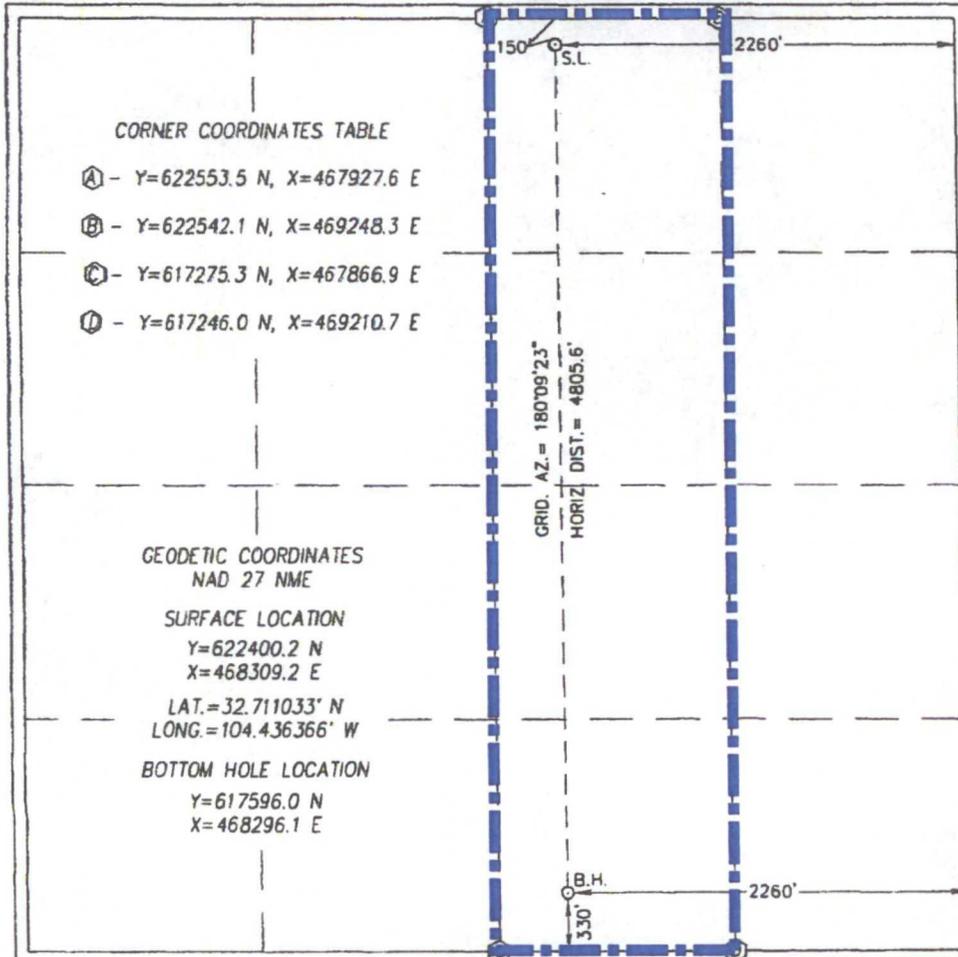
 3/9/12
 Signature Date
 Kanicia Castillo
 Printed Name
 kcastillo@concho.com
 E-mail Address

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.

OCTOBER 31, 2011
 Date of Survey
 Signature & Seal of Professional Surveyor:


 Gary G. Eidson 12641
 Registered Professional Surveyor
 11/16/11
 AF WSC W.O.: 11.11.1922



DISTRICT I
 1625 N. French Dr., Hobbs, NM 88240
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 Revised August 1, 2011
 Submit one copy to appropriate
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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|--|---|
| API Number 30-015-39970 | Pool Code 50270 | Pool Name Penasco Draw; SA-Yeso Associated |
| Property Code 38979 | Property Name PINTO 36 STATE COM | |
| OGRID No. 229137 | Operator Name COG OPERATING, LLC | |
| | | Well Number 5H |
| | | Elevation 3494' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| M | 36 | 18-S | 25-E | | 150 | SOUTH | 1040 | WEST | EDDY |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| D | 36 | 18-S | 25-E | | 330 | NORTH | 1040 | WEST | EDDY |

| | | | |
|------------------------|-----------------|--------------------|-----------|
| Dedicated Acres 160 | Joint or Infill | Consolidation Code | Order No. |
|------------------------|-----------------|--------------------|-----------|

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| | |
|---|---|
| <p style="text-align: center;">GEODETIC COORDINATES NAD 27 NME</p> <p style="text-align: center;">SURFACE LOCATION Y=617460.8 N X=466229.7 E</p> <p style="text-align: center;">LAT.=32.697450° N LONG.=104.443111° W</p> <p style="text-align: center;">BOTTOM HOLE LOCATION Y=622237.4 N X=466319.6 E</p> <p style="text-align: center;">CORNER COORDINATES TABLE</p> <p>Ⓐ - Y=622576.2 N, X=465286.1 E</p> <p>Ⓑ - Y=622564.9 N, X=466606.9 E</p> <p>Ⓒ - Y=617333.4 N, X=465187.4 E</p> <p>Ⓓ - Y=617304.4 N, X=466527.1 E</p> | <p style="text-align: center;">OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p style="text-align: right;"> 3/9/12 Signature Date Kanicia Castillo Printed Name kcastillo@concho.com E-mail Address </p> <p style="text-align: center;">SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p style="text-align: center;">JANUARY 17, 2012</p> <p>Date of Survey Signature of Registered Professional Surveyor: Ronald J. Eidson 12641 Certified Professional Surveyor 3239 2/07/2012 AP FWSC W.O.: 11.11.2567 </p> |
|---|---|

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|--|---|
| API Number 30-015-39971 | Pool Code 50270 | Pool Name Penasco Draw; SA-Yeso Associated |
| Property Code 38979 | Property Name PINTO 36 STATE COM | Well Number 6H |
| OGRID No. 229137 | Operator Name COG OPERATING, LLC | Elevation 3495' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| N | 36 | 18-S | 25-E | | 150 | SOUTH | 2230 | WEST | EDDY |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| C | 36 | 18-S | 25-E | | 330 | NORTH | 2260 | WEST | EDDY |

| | | | |
|------------------------|-----------------|--------------------|-----------|
| Dedicated Acres 160 | Joint or Infill | Consolidation Code | Order No. |
|------------------------|-----------------|--------------------|-----------|

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NAD 27 NME
 SURFACE LOCATION
 Y=617435.1 N
 X=467419.1 E
 LAT.=32 69'38.3" N
 LONG.=104.439244" W

BOTTOM HOLE LOCATION
 Y=622226.9 N
 X=467539.3 E

CORNER COORDINATES TABLE

- Ⓐ - Y=622564.9 N, X=466606.8 E
- Ⓑ - Y=622553.5 N, X=467927.6 E
- Ⓒ - Y=617304.4 N, X=466527.1 E
- Ⓓ - Y=617275.3 N, X=467866.9 E

GRID AZ = 126°13"
 HORIZ. DIST. = 4794.7'

OPERATOR CERTIFICATION

I hereby certify that the information 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

[Signature] 3/9/12
 Signature Date

Kanicia Castillo
 Printed Name

kcastillo@concho.com
 E-mail Address

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.

JANUARY 19, 2012

Date of Survey
 Signature & Seal of Professional Surveyor:

Ronald J. Eidson 12641
 Certified Professional Surveyor
 3239
 JWSC W.O.: 11.11.2568

Lakewood Area

Tank Battery Operational Description

Test Method Allocation

Summary

The following is a description of the facility operations at a standard tank battery installed in the Lakewood area. The plan of development for this area includes the installation of one tank battery per half section. Each battery will be equipped to handle 4 producing wells from that half section.

Operational Description

1. Flowlines from producing wells terminate into the test/production header which serves as the inlet to the tank battery. From the header, one well can be put in test while the remaining wells are combined in the production header for separation and storage of produced fluids. The test/production header is illustrated in Figure 1 below. In this diagram, the shaded valves indicate a closed position. Therefore, this illustration shows well "1H" to be in test while the remaining wells are routed to the 2-Phase Separator. Using the valves in the header, any single well can be isolated from the remaining wells and placed into test.

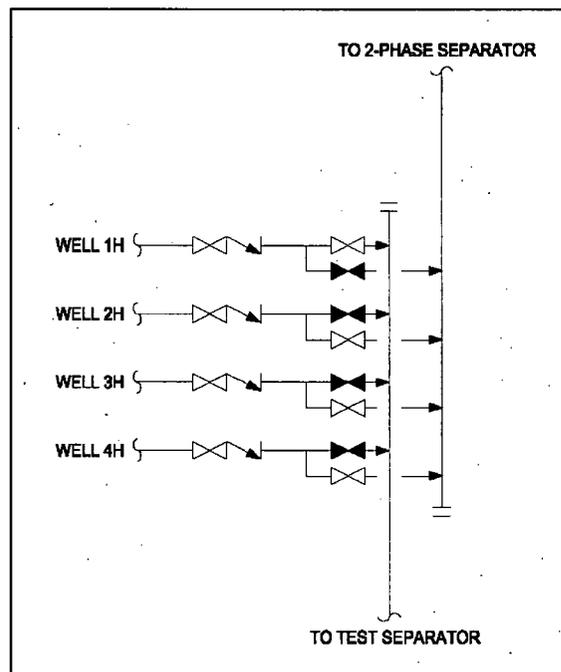


Figure 1: Test/Production Header Diagram

2. The test separator is a 3-phase horizontal separator used for measuring produced fluids from a given well. Separate meters are used for measuring oil, water, and gas from the production well. Turbine meters are used for measuring oil and water flow while an orifice meter is used

for measuring gas flow. Once the produced fluids have been metered, all three phases are recombined and routed to the 2-phase separator where the well is tied in with the bulk fluids from other wells. A diagram of the test separator is shown in Figure 2 below.

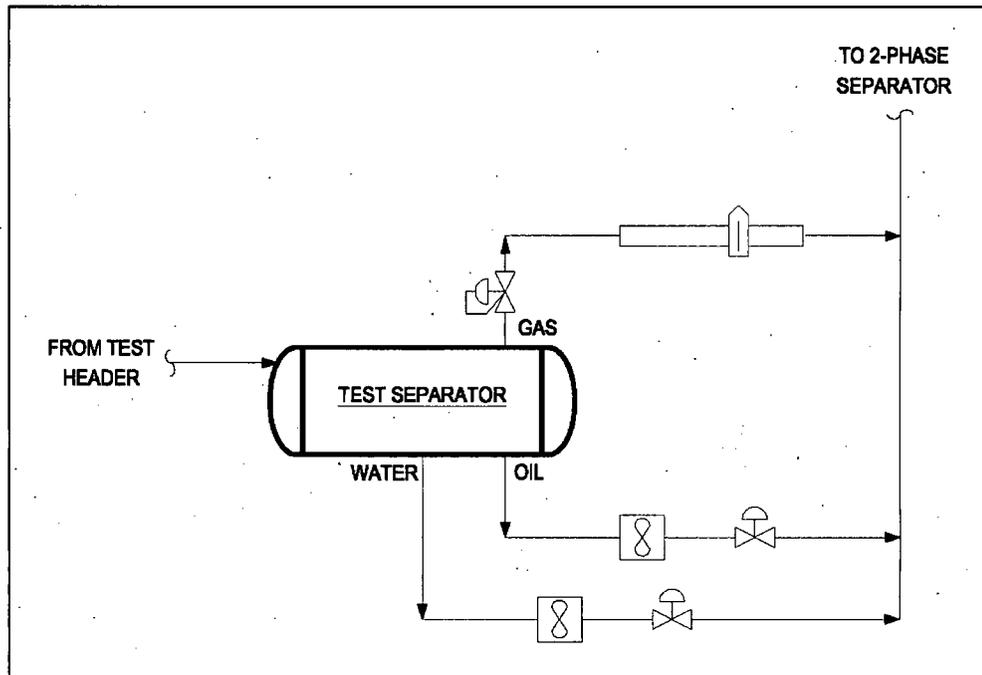


Figure 2: Test Separator with 3-Phase Metering

3. The test separator and associated metering devices have been sized for the expected range of fluid rates from the production wells. The sizing and calibration of this equipment ensures accurate measurement of produced fluids from a well in test. When a well is placed in test, it will remain in test for a minimum of 3 days. This allows adequate time for the well to level out and accurate daily production rates to be measured. Each well will be placed in test once a month at a minimum. Given the number of wells and the duration of well tests, it is likely that each well could be tested as often as 2-3 times per month. Allocation of co-mingled production will be based on average well tests taken during the previous month.
4. Fluids from the production header are routed to the 2-Phase Separator where gas and liquids are separated. Gas is sent directly to the gas sales system and liquids are sent to the FWKO for further separation. In addition to providing a means of bulk gas/liquid separation, this vessel also helps to alleviate slugs of fluid which enter the system and would otherwise disrupt the separation process.
5. Liquids from the 2-Phase Separator are sent to the Free Water Knock Out (FWKO). The primary function of this vessel is to provide sufficient retention time for oil and water to separate. Water from the FWKO is sent to water storage tanks. Oil from the FWKO is sent to the Heater-Treater for a final stage of polishing and water removal. Any gas that flashes off in this stage of separation is tied directly into the gas sales system.
6. Oil from the FWKO is routed to the Heater-Treater wherein heat is applied to help break any remaining emulsions and remove water from the oil stream. Oil from the Heater-Treater is sent

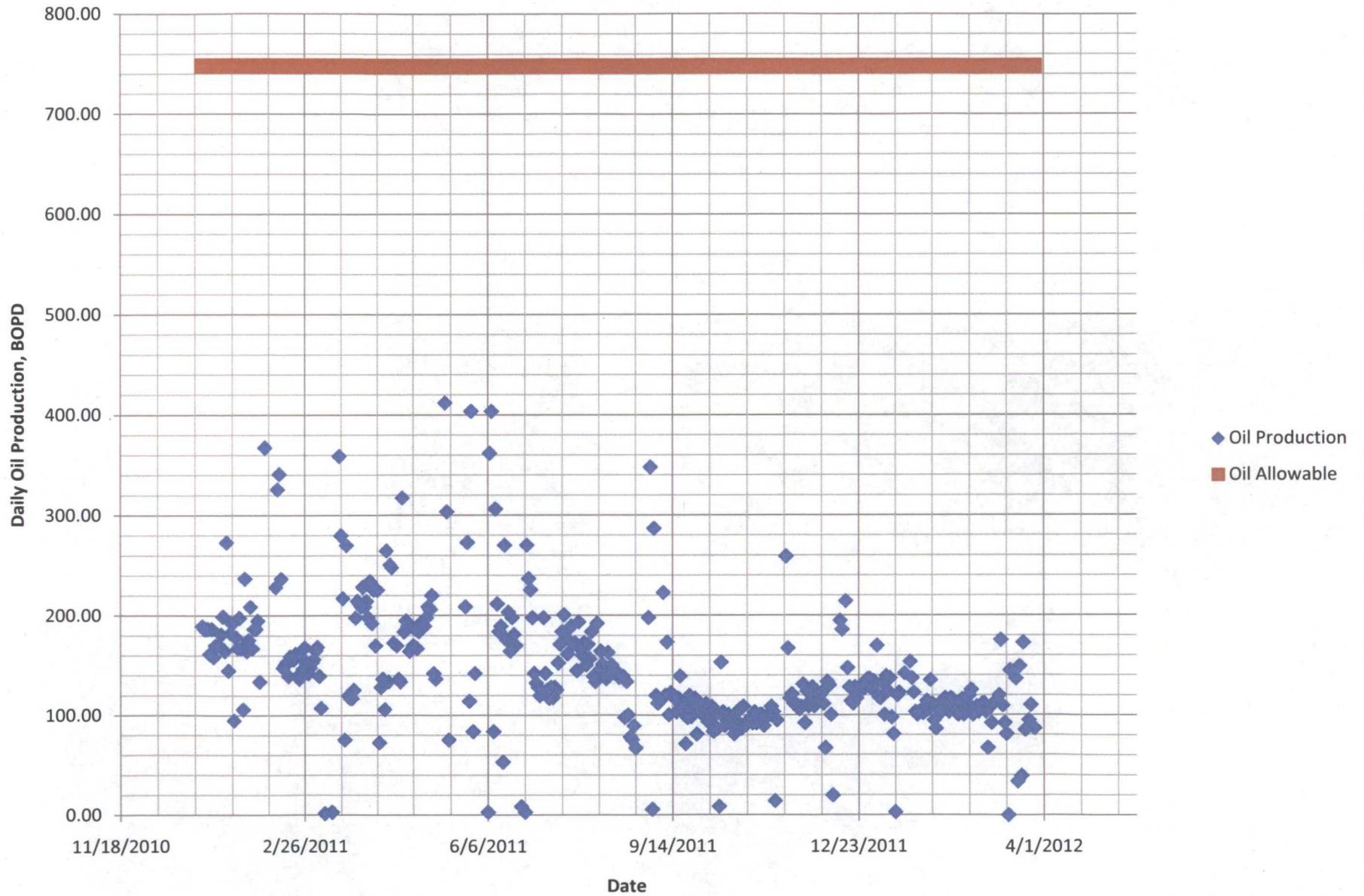
to the oil storage tanks. Water from the Heater-Treater is tied into the water line from the FWKO going to the storage tanks. Any gas that flashes off in this stage of separation is tied directly into the gas sales system.

7. Oil from the Heater-Treater is sent to 500 BBL oil tanks located on site. These tanks allow for storage of oil prior to sales through a pipeline LACT or trucking. Valves are installed on each tank to provide the ability to isolate a tank for sales or to further treat the fluids by circulating back through the separation process. Oil tanks are connected together with a common overflow line that serves to prevent spills caused by over running a single tank.
8. Water from the FWKO and Heater Treater is sent to 500 BBL water tanks located on site. These tanks provide water storage prior to being pumped into the salt water disposal (SWD) system. One water tank is used as the primary tank for water handling while the second tank provides overflow protection and operational flexibility. A transfer pump is connected to the water tanks and is operated automatically by the facility PLC based on the level of water in the tanks. This pump discharges into the SWD system which gathers and disposes of produced water.

Attachments

- Process Flow Diagram: Lakewood Area Standard Tank Battery

Grave Digger #1H



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