

DATE IN 8/9/12	SUSPENSE	ENGINEER W Jones	LOGGED IN 8/10/12	TYPE DHC	APP NO. PKVR1222343985
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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



Enervest Operating LLC
 Jicarilla C #3M

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 Order No. DHC-4391
- [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.

Ronnie Young
 Print or Type Name

Ronnie Young
 Signature

Regulatory Manager
 Title

08/08/12
 Date

ryoung@enervest.net
 E-Mail Address

District I
1425 N. Ranch Drive, Hobbs, NM 88240

District II
1361 W. Grand Avenue, Moriarty, NM 88219

District III
1070 El Rincón Road, Aztec, NM 87410

District IV
1220 S. El Francis Dr., Santa Fe, NM 87503

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 June 10, 2003

APPLICATION TYPE
 Single Well
Establish Pre-Approved Pools
EXISTING WELLBORE
 Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

Operator Enervest Operating, L.L.C. Address 1001 Fannin Street, Suite 800 Houston, Texas 77002
Lease Jicarilla C Well No. 3M Unit Unit N, Section 23, T-26 North, R-5 West County Rio Arriba
OGRID No. 143199 Property Code _____ API No. 30-039-30042 Lease Type: Federal State Fee

DAG-4391-A

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Blanco-Mesaverde		Basin-Dakota
Pool Code	Prorated Gas-72319		Prorated Gas-71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	4,952'-5,311' (Perforated)		7,225'-7,408' (Perforated)
Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
Bottomhole Pressure <small>(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)</small>	N/A		N/A
Oil Gravity or Gas BTU <small>(Degree API or Gas BTU)</small>			
Producing, Shut-In or New Zone	Producing		Producing
Date and Oil/Gas/Water Rates of Last Production. <small>(Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)</small>	Date: (See Attached Supporting Data) Rates:	Date: Rates:	Date: Rates:
Fixed Allocation Percentage <small>(Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)</small>	Oil 30% 63 Gas 54	Oil Gas	Oil 67% 37 Gas 75% 46

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: Ronnie L Young TITLE: Regulatory Manager DATE: 08/08/12
TYPE OR PRINT NAME: Ronnie Young TELEPHONE NO.: (713) 495-6530
E-MAIL ADDRESS: ryoung@enervest.net



ENERVEST

August 8, 2012

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

Attn: Jami Bailey, CPG
Division Director

RE: Request to Amend Order No. DHC-4391
Jicarilla C No. 3M (API No. 30-039-30042)
1275' FSL & 2255' FWL (Unit N)
Section 23, T-26 North, R-5 West, NMPM,
Rio Arriba County, New Mexico

Dear Ms. Bailey,

By Order No. DHC-2880-AZ dated May 22, 2008 the Aztec District Office of the Division authorized CDX Rio, LLC to downhole commingling the Blanco-Mesaverde and Basin-Dakota Gas Pools within the Jicarilla C No. 3M.

Subsequently, Enervest Operating, LLC ("Enervest"), the successor operator, obtained approval to downhole commingle the Blanco-Mesaverde Gas Pool, Tapacito-Gallup (Associated) and Basin-Dakota Gas Pool within the Jicarilla C No. 3M. This approval was granted by Order No. DHC-4391 dated May 21, 2011.

After completing drilling and logging operations on the subject well, it was decided to complete the well only in the Basin-Dakota and Blanco-Mesaverde Gas Pools.

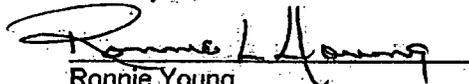
Attached is a Division Form C-107-A to request an amendment to Order No. DHC-4391 to reflect that the Jicarilla C No. 3M is currently downhole commingled in the Basin-Dakota and Blanco-Mesaverde Gas Pools.

Also attached is a Form C-102 and offset well production data to support the proposed production allocation.

Notice is being provided to the Bureau of Land Management and to the Aztec District Office of the Division.

If you have any questions, please contact me at 713-495-6530.

Thank you,


Ronnie Young
Regulatory Manager

Form C-107-A (Application to Amend DHC-4391)
 Enervest Operating, L.L.C.
 Jicarilla C No. 3M
 API No. 30-039-30042
 1275' FSL & 2255' FWL (Unit N) Section 23, T-26N, R-5W

Proposed Allocation Percentages Based Upon Production From Offset Well

<u>Well Name & No.</u>	<u>Well Location UL-S-T-R</u>	<u>Formation</u>	<u>2010 Average Oil Production</u>	<u>2010 Average Gas Production</u>	<u>Allocation %</u>	
					<u>Oil</u>	<u>Gas</u>
Jicarilla 153 No. 9E	D-26-26N-5W	Mesaverde	0.0109 BOPD	15.66 MCFGPD	33%	27%
Jicarilla 153 No. 9E	D-26-26N-5W	Dakota	0.0219 BOPD	42.5 MCFGPD	67%	73%

*S. Letter
8/21/12*



August 21, 2012

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

Attn: Mr. David Brooks

RE: Addendum to Form C-107-A
Application to Amend DHC-4391
Jicarilla C No. 3M (API No. 30-039-30042)
1275' FSL & 2255' FWL (Unit N)
Section 23, T-26 North, R-5 West, NMPM,
Rio Arriba County, New Mexico

Dear Mr. Brooks,

By Order No. DHC-4391 dated May 21, 2011 Enervest Operating, LLC ("Enervest") was authorized to downhole commingle Basin-Dakota, Blanco-Mesaverde and Tapacito-Gallup Associated Pool production within the Jicarilla C No. 3M. Upon completion of drilling operations, Enervest decided not to complete the Tapacito-Gallup Associated Pool within the wellbore.

On or about August 8, 2012 Enervest filed an application to amend DHC-4391 to reflect that the Basin-Dakota and Blanco-Mesaverde Gas Pools were the only pools to be downhole commingled within the wellbore. The proposed allocation of production to these zones was based upon production from an existing offset well, the Jicarilla 153 No. 9E.

Enervest has been contacted by the Bureau of Land Management's ("BLM") Farmington Office and has been advised that after a review of the subject application, BLM believes that the proposed allocation of production for the Jicarilla C No. 3M is not representative of Mesaverde and Dakota production in this area.

Consequently, Enervest has analyzed production data from eleven offset wells that currently produce from the Basin-Dakota and Blanco-Mesaverde Gas Pools. Enervest now proposes to use this production data as the basis for allocating Dakota and Mesaverde production within the Jicarilla C No. 3M. The attached production data indicates that the allocation of production to the Basin-Dakota and Blanco-Mesaverde Gas Pools should be established as follows:

	<u>Oil</u>	<u>Gas</u>
Blanco-Mesaverde Pool	63%	54%
Basin-Dakota Pool	37%	46%

Enervest Operating, LLC
Addendum to C-107-A
Application to Amend DHC-4391
Jicarilla C No. 3M
Page 2

A copy of this addendum is being provided to the Aztec District Office of the Division and notification of the proposed allocation change is being provided to the Bureau of Land Management.

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

Thank you,



David Catanach
Agent-Enervest Operating, L.L.C.

Attachment "A"
Addendum to Application to Amend DHC-4391
Enervest Operating, LLC
Jicarilla "C" No. 3M

Well Name & Number	Section	Township	Range	2011 Average Mesaverde Production MCFD/BOPD	2011 Average Dakota Production MCFD/BOPD
Jicarilla 153 No. 9E	26	26N	5W	15/0.02	40.4/0.29
Jicarilla 153 No. 10	26	26N	5W	34/0.261	43/0.258
Jicarilla 153 No. 10E	26	26N	5W	14/0.57	68/0.0
Jicarilla Apache No. 10F	27	26N	5W	41/0.209	68/0.449
Jicarilla "C" No. 4E	24	26N	5W	89/0.332	43/0.33
Jicarilla "B" No. 1	22	26N	5W	151/1.37	59/0.448
Jicarilla "B" No. 1E	22	26N	5W	34/0.26	55/0.032
Jicarilla "C" No. 1	23	26N	5W	77/0.19	23/0.0
Jicarilla "C" No. 1E	23	26N	5W	39/0.15	95/0.37
Jicarilla "C" No. 3	23	26N	5W	50/0.04	28/0.112
Jicarilla "C" No. 3E	23	26N	5W	84/0.14	12/0.09
Average Production				57/0.322	48.6/0.192
Proposed Allocation				54%-Gas 63%-Oil	46%-Gas 37%-Oil

Jones, William V., EMNRD

From: David Catanach <drcatanach@netscape.com>
Sent: Tuesday, August 21, 2012 1:45 PM
To: Jones, William V., EMNRD
Subject: RE: DHC

Mr. Jones,

I thought it best to amend the existing DHC order that was issued in Santa Fe. This will eliminate confusion.

Thanks,

David

--- William.V.Jones@state.nm.us wrote:

From: "Jones, William V., EMNRD" <William.V.Jones@state.nm.us>
To: "Brooks, David K., EMNRD" <david.brooks@state.nm.us>, "drcatanach@netscape.com" <drcatanach@netscape.com>
Subject: RE: DHC
Date: Tue, 21 Aug 2012 19:35:03 +0000

David/David,

Will do...

Of course the Basin-Dakota and Blanco-Mesaverde commingles could be handled in Aztec, unless of course you want to handle it through us in Santa Fe?

From: Brooks, David K., EMNRD
Sent: Monday, August 20, 2012 10:05 AM
To: Jones, William V., EMNRD
Subject: FW: DHC

From: David Catanach [<mailto:drcatanach@netscape.com>]
Sent: Monday, August 20, 2012 9:51 AM
To: Brooks, David K., EMNRD
Subject: DHC

David,

On or about August 8th, I submitted an application on behalf of Enervest Operating, LLC to amend DHC-4391. This amendment for the Jicarilla C No. 3M was to take out the Gallup from the order, because the Gallup was not completed when the well was drilled.

The well is downhole commingled in the Basin-Dakota and Blanco-Mesaverde. We used production data from an offset well as the basis for allocating production in this well.

Last week, I recieved a phone call from Joe Huitt with the BLM in Farmington. He had apparently looked at some other offset wells to the Jicarilla C No. 3M and he believed that the allocation we have proposed is not accurate. As a result, I have gone back and looked at other offset wells in the vicinity of the Jicarilla C No. 3M. Based upon a review of eleven offset wells, Enervest now believes that the proposed allocation can be adjusted to reflect a greater universe of offset well data.

I will be forwarding you a letter request shortly to request an amendment to the allocation.

I don't know if an order has been issued yet, but I suggest that you should hold off until I submit the requested change.

Thanks,

David Catanach

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