

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 _____

-DHC-3770-A
 - Apache corp
 873
 RECEIVED OGD
 AMEND
 DHC:3770
 10/26 P 3:06

[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

Pool
 - House; Blinberry
 33230
 - House; Drinkend
 33250
 - House; Abu
 33210

[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.

REESA HOLLAND FISHER Print or Type Name	<u>Reesa Fisher</u> Signature	SR STAFF REG ANALYST Title	10/22/2015 Date
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October 22, 2015

Mr. Phillip Goetze
New Mexico Oil Conservation Division
Engineering Bureau
1220 South St Francis Drive
Santa Fe, New Mexico 87505

RE: Application for Exception to Rule 303-C – Downhole Commingling Amendment
Redtag #2 API 30-025-35630
Unit K, Section 2, T20S, R38E
House; Blinebry (33230), House; Drinkard (33250) & House; Abo (33210)
Lea County, New Mexico

Dear Mr. Goetze:

Enclosed please find form C-107A & attachments to amend Order DHC-3770 for downhole commingling the captioned well. The ownerships (WI, NRI and ORRI) of these pools are identical in this wellbore (100% Apache with State Royalty). The fluids from each of these pools are compatible as seen in other similar commingles in the area. Combining these fluids will not result in any damage to these pools. Commingling will improve the efficiency of present and future recovery operations. Cross flow will not be a problem due to having a production lift system capable of keeping the well pumped off thereby maximizing production. This commingling will not reduce the value of the total remaining production.

This well was recently brought to our attention by the Hobbs OCD office and needs to be corrected for record and production accounting corrections. In the original 2006 application, the gas percentages did not total 100% and the Abo was not allocated any production. The Abo was never squeezed off and should have received the remaining 3% gas allocation percentage that was assigned to the Drinkard for approval. The wellbore has and still does produce from all three open zones.

If you need additional information or have any questions, please give me a call at (432) 818-1062 or send me an email at Reesa.Fisher@apachecorp.com.

Sincerely,

Reesa Fisher
Sr. Staff Regulatory Analyst

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

District II
1301 W. Grand Avenue, 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-107A
Revised June 10, 2003

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

Apache Corporation 303 Veterans Airpark Lane Suite 1000 Midland TX 79705
Operator Address
Redtag 2 K 2 20S 38E Lea
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 873 Property Code 303228 API No. 30-025-35630 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	House; Blinebry	House; Drinkard	House; Abo
Pool Code	33230	33250	33210
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	5933'-6035'	6996'-7011'	7370'-7522'
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)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)	35.5	36.0	35.5
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: 8/17/2006 Rates: 2 BO 131 MCF 2 BW	Date: 8/17/2006 Rates: 1 BO 10 MCF 1 BW	Date: 8/17/2006 Rates: 1 BO 4 MCF 1 BW
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil 75 % Gas 90 %	Oil 24 % Gas 7 %	Oil 1 % Gas 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 Reesa Fisher TITLE Sr. Staff Regulatory Analyst DATE 10/22/2015

TYPE OR PRINT NAME Reesa Fisher TELEPHONE NO. (432) 818-1062

E-MAIL ADDRESS Reesa.Fisher@apachecorp.com

DISTRICT I
 P. O. Box 1980
 Hobbs, NM 88241-1980

State of New Mexico
 Minerals, and Natural Resources Department

Revised 02-10-94
 Instructions on back

DISTRICT II
 P. O. Drawer DD
 Artesia, NM 88211-0719

OIL CONSERVATION DIVISION

P. O. Box 2088
 Santa Fe, New Mexico 87504-2088

Submit to the Appropriate
 District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

DISTRICT III
 1000 Rio Brazos Rd.
 Aztec, NM 87410

AMENDED REPORT

DISTRICT IV
 P. O. Box 2088
 Santa Fe, NM 87507-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-025-35630	2 Pool Code 033230	3 Pool Name House Blinbry
4 Property Code 27082	5 Property Name REDTAG	6 Well Number 2
7 OGRIN No. 3659	8 Operator Name CAPATAZ OPERATING INCORPORATED	9 Elevation 3570'

" SURFACE LOCATION

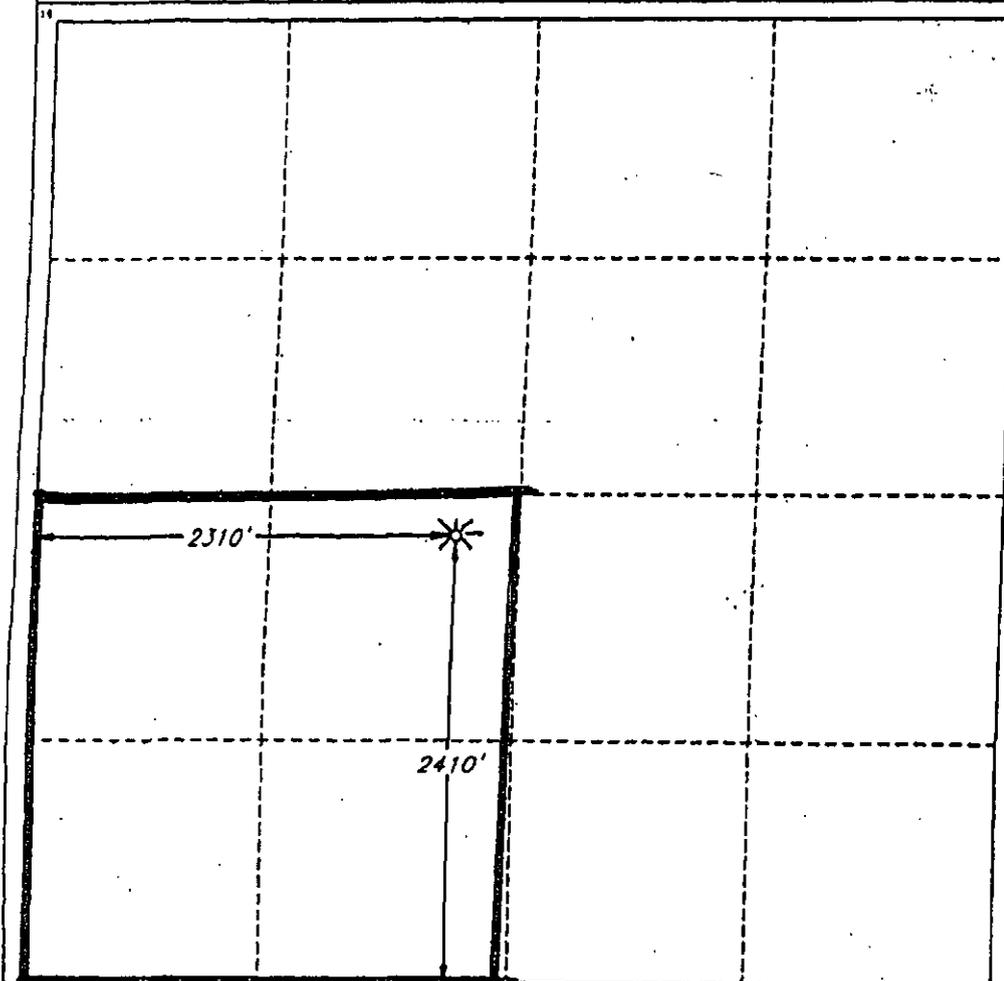
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South Line	Feet from the	East/West Line	County
K	2	20 SOUTH	38 EAST, N.M.P.M.		2410'	SOUTH	2310'	WEST	LEA

" BOTTOM HOLE LOCATION IF DIFFERENT FROM SURFACE

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South Line	Feet from the	East/West Line	County
K	2	20S	38E		2410	South	2310	West	Lea

10 Dedicated Acres 1.60	11 Joint or Infill	12 Consolidation Code	13 Order No. NSL-463D-A
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NO ALLOWABLE WELL 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.

Signature: *[Handwritten Signature]*

Printed Name: H. SCOTT DAVIS

Title: AGENT

Date: 06/18/01

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: MARCH 8, 2001

Signature and Seal of Professional Surveyor

[Handwritten Signature]
 Certificate No. 3-7-01

V. L. BEZNER R.P.S. #7920

JOB # 74933/.70 SE / J.C.P

DISTRICT I
P. O. Box 1980
Hobbs, NM 88241-1980

DISTRICT II
P. O. Drawer DD
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AMENDED REPORT

DISTRICT IV
P. O. Box 2088
Santa Fe, NM 87507-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-025-35630		2 Pool Code 33250		3 Pool Name House Drinkard	
4 Property Code 27082		5 Property Name REDTAG			6 Well Number 2
7 OGRID No. 3659		8 Operator Name CAPATAZ OPERATING INCORPORATED			9 Elevation 3570'

" SURFACE LOCATION

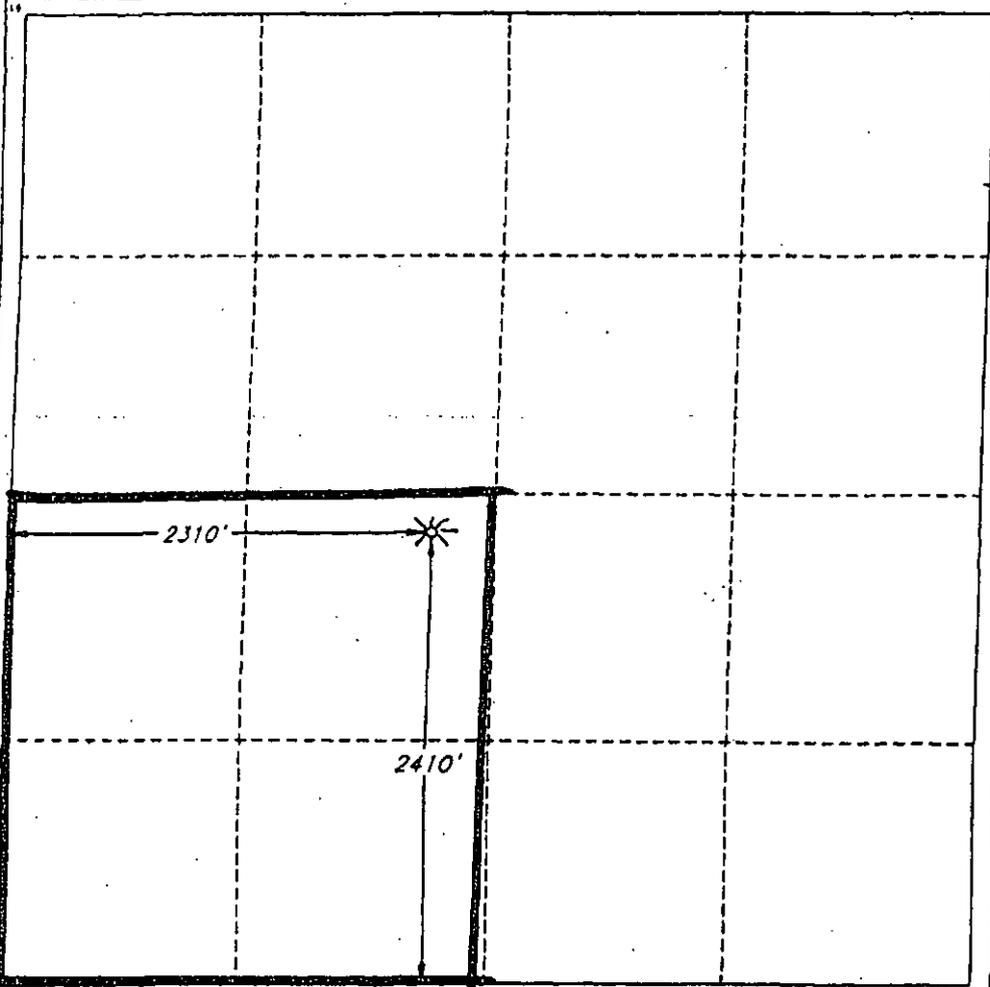
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[Handwritten Signature]
Certificate No. 3751

V. L. BEZNER R.P.S. #7920
JOB # 74933/.70 SE / J.C.P

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P. O. Box 1980
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State of New Mexico
Dept. Minerals, and Natural Resources Development

Revised 02-10-94
Instructions on back

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Aztec, NM 87410

AMENDED REPORT

DISTRICT IV
P. O. Box 2088
Santa Fe, NM 87507-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-35630	Pool Code 33210	Pool Name House Abo
Property Code 27082	Property Name REDTAG	Well Number 2
OGRID No. 3659	Operator Name CAPATAZ OPERATING INCORPORATED	Elevation 3570'

" SURFACE LOCATION

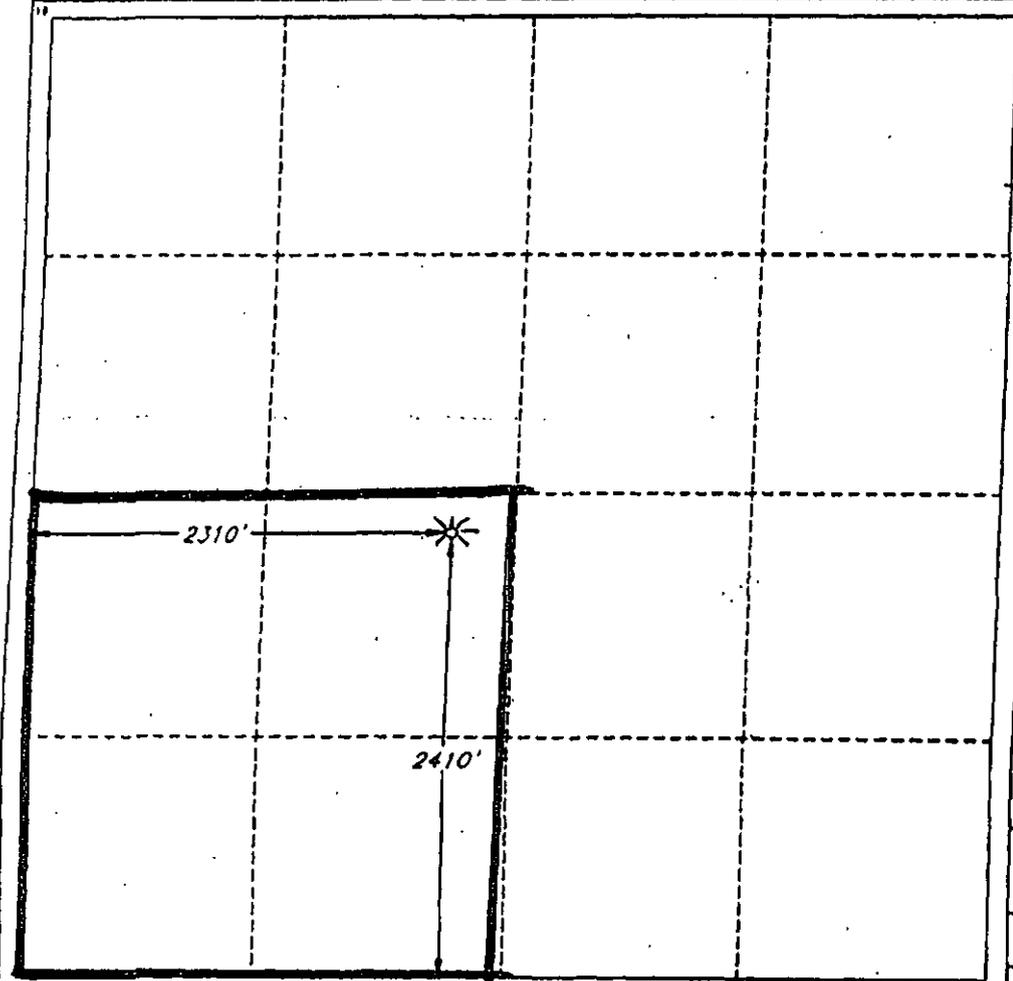
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V. L. BEZNER R.P.S. #7920
JOB # 74933/.70 SE / J.C.P



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Administrative Order DHC-3770

Capataz Operating Inc.
PO Box 10549
Midland, TX 79702

Attention: H Scott Davis

Redtag Well No. 2
API No. 30-025-35630
Unit K, Section 2, Township 20 South, Range 38 East, NMPM,
Lea County, New Mexico
Undesignated House-Blinebry (Oil 33230) and
Undesignated House-Drinkard (Oil 33250) Pools

Dear Mr. Davis:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the above-described well to commingle production from the subject pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion or otherwise required separation of the zones is hereby placed in abeyance.

In accordance with Division 303C.(1)(f), the production attributed to any commingled pool within the well shall not exceed the allowable applicable to that pool.

Assignment of allowable to the well and allocation of production from the well shall be as follows.

House-Blinebry Oil Pool	Oil-75%	Gas-90%
House-Drinkard Oil Pool	Oil-25%	Gas-10%

These percentages shall be amended only with written permission of the Division.

REMARKS: The operator shall notify the Hobbs District Office of the Division upon implementation of commingling operations.

Pursuant to Rule 303C(2), the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on August 14, 2006.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, P.E.
Director

cc: Oil Conservation Division – Hobbs
State Land Office – Oil, Gas, and Minerals Division



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
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Joanna Prukop
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Director
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Administrative Order DHC-3770

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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, P.E.
Director

cc: Oil Conservation Division – Hobbs
State Land Office – Oil, Gas, and Minerals Division