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AMTEX ENERGY, INC.

October 13, 2016

Energy, Minerals and Natural Resources Department
Attn: Michael McMillan
1220 South St. Francis Drive
Santa Fe, NM 87505

*Give
extension
5/4/31, 2017*

RE: MEMO: Dagger State Unit Well No. 1 Operations from 6/29/16 to Present Day
Sec 30, T21S, R33E
Lea County, New Mexico

Mr. McMillan:

The purpose of this letter is to attest to you that Amtex Energy, Inc. has acted in good faith by conducting operations in pursuit of production to ultimately provide a production log as stipulated in the Order. I, William J. Savage, am the engineer running the operations on the Dagger State Unit Well No. 1 (API: 30-025-27222).

Amtex has been conducting operations since June 29, 2016, which is the date the drilling rig began setting up on location. Amtex began by sidetracking and deepening this well with a July 7 spud date. The rig was released in late July. Immediately upon rig release, Amtex continued operations on this well by preparing the well and wellsite for completions with a pulling unit and building the production tank battery. Amtex initiated completion operations to perforate and frac in September. There was an unexpected occurrence during the operations and Amtex has been and is currently conducting fishing operations. Amtex plans to immediately get back to completion operations as soon as the fishing operations are complete.

Due to the facts above, Amtex attests and confirms operations have been and are currently being conducted to ultimately restore production to this well. Amtex plans to furnish you the production log to fulfill the stipulation in the Order as soon as it is available.

If you have any questions, please contact Tate Savage at (817) 706-5174 or email him at Tate.Savage@AmtexEnergy.com. If you would like to contact me, feel free to call me at (432) 770-0913 or email me at BSavage@AmtexEnergy.com.

Thank you,

William J. Savage
William J. Savage
President

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Administrative Order DHC-4794

Order Date: July 8, 2016

Application Reference Number: pMAM1618256025

Amtex Energy Inc.
214 West Texas Ave., Suite 302
Midland, Tx. 79701

Attention: Mr. William Savage

Dagger State Well No. 1
API No. 30-025-27222
Unit F, Section 30, Township 21 South, Range 33 East, NMPM
Lea County, New Mexico

Pool	WC-025 G-07 S213330F; Bone Spring	Oil (97927)
Names:	WC-025 G-10 S213328O; Wolfcamp	Oil (98033)

Reference is made to your recent application for an exception to Division Rule 19.15.12.9A. NMAC of the Division Rules and Regulations to permit the above-described well to commingle production from the subject pools in the wellbore.

It appears that the subject well qualifies for approval for such exception pursuant to the provisions of Division Rule 19.15.12.11A. NMAC, and since 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 Rule 19.15.12.11A.(6) NMAC, the production attributed to any commingled pool within the well shall not exceed the allowable applicable to that pool.

As per the application, the assignment of allowable and allocation of oil and gas production from the subject well for the WC-025 G-07 S213330F; Bone Spring Pool and WC-025 G-10 S213328O; Wolfcamp Pool shall be based on the production log for the subject well.


The applicant shall provide a copy of the production log and a report for both pools that will determine the allocation percentages between the two pools within 60-days of approval of this Order. Failure to provide the required data will result in immediate revocation of the Order.

It is also understood that notice of this application, pursuant to Division Rule 19.15.4.12A (6), is not required since the interest ownership between the zones to be commingled is common throughout.

REMARKS: The operator shall notify the Division's District I office upon implementation of commingling operations.

This Order is subject to like approval from the New Mexico State Land Office.

Pursuant to Division Rule 19.15.12.11B. NMAC, the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.


David R. Catanach
Director

DRC/mam

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