



Thomas J. Scarbrough
Staff Landman
Mid-America – Permian Basin
600 N. Dairy Ashford, 2 WL - 15058
Houston, TX 77079
Tel: 832-486-2338
Fax: 832-486-2674

RECEIVED OGD

2012 JUL -5 P 12:40

July 3, 2012

Bureau of Land Management
Carlsbad Field Office
620 East Green Street
Carlsbad, New Mexico 88220

New Mexico Oil Conservation Division
Energy Minerals & Natural Resources
1220 S. Saint Francis Drive
Santa Fe, NM 87504

RE: **Warren Unit – I-Sec. No. 601, NMNM-071052X**
Proposed First Expansion of Blinebry-Tubb-Drinkard Waterflood Participating Area
Effective December 1, 2011
Lea County, New Mexico (COPC Contract # 208912)

Gentlemen:

Pursuant to State of New Mexico Oil Conservation Division Order No. R-13480 dated November 10, 2011, and Bureau of Land Management (BLM) letter dated March 21, 2012, the Warren Unit Blinebry-Tubb-Drinkard Waterflood Participating Area was approved effective December 1, 2011.

As a result of various meetings between the BLM and ConocoPhillips Company (COPC), it was determined that commercial well determinations would not be required for any wells producing from either the Blinebry, Tubb or Drinkard formations, as of the December 1, 2011 effective date.

Therefore, COPC, as Unit Operator of the Warren Unit dated June 6, 1947, hereby submits for your approval, effective December 1, 2011, the Proposed First Expansion of the Warren Unit Blinebry-Tubb-Drinkard Waterflood Participating Area for lands associated to the following wells:

Well Name	Well No.	Legal Description T20S, R38E	Unit Letter	Formation	API No.
Warren Unit	11	NE/4NE/4 of Sec 35	A	Blinebry	3002507885
Warren Unit	11	NE/4NE/4 of Sec 35	A	Tubb	3002507885
Warren Unit	11	NE/4NE/4 of Sec 35	A	Drinkard	3002507885
Warren Unit	82	SW/4NE/4 of Sec 35	G	Blinebry	3002526843
Warren Unit	82	SW/4NE/4 of Sec 35	G	Tubb	3002526843
Warren Unit	148	SW/4SW/4 of Sec 25	M	Blinebry	3002535772
Warren Unit	148	SW/4SW/4 of Sec 25	M	Tubb	3002535772
Warren Unit	90	NW/4NE/4 of Sec 35	B	Blinebry	30025275440

July 3, 2012

The proposed First Expansion seeks to add 160.00 gross acres consisting of the NENE of Section 35 (Warren Unit # 11), the SWNE of Section 35 (Warren Unit 82), and the SWSW of Section 25 (Warren Unit # 148).

Additionally, COPC requests the inclusion of the NW/4NE/4 of Section 35 (Warren Unit # 90), based upon geologic inference supported by the attached reservoir map, cross sections, production data associated to surrounding producing wells, and because it makes economic sense to expand the existing participating area to encompass the requested acreage to adequately recover reserves. As State of New Mexico Oil Conservation Division Order No. R-13480 states, "Due to low reservoir pressure within the area, it is economical to develop and produce all three formations within the area and take advantage of a future waterflood expansion", COPC believes the inclusion of NW/4NE/4 of Section 35 would further enhance recovery of reserves.

To further illustrate, the attached North-South cross section includes the Warren Unit #147, #11, #90, and #82. The East-West cross section includes the Warren Unit #147, #146, and #148. Both cross sections use the Warren Unit #147 as the common well inside of the current Blinberry/Tubb/Drinkard PA. The North-South cross section shows producible pay in all three formations extending to the south. The perforation interval, highlighted blue, shows the potential of each zone. These wells have each produced in excess of 31,000 barrels of oil.

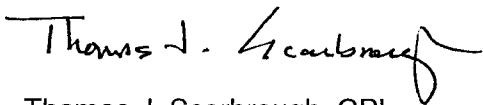
The East-West cross section also shows producible pay in all three formations, as shown by the highlighted sections. These wells were drilled later than those in the North-South cross section, but they have each produced in excess of 21,000 barrels of oil.

Upon your review of the attached expansion schedule and supporting documents, please provide ConocoPhillips written approval of the proposed expansion.

The working interest owner(s) have been provided a copy of this letter and associated attachments of the proposed consolidation.

Please contact the undersigned at 832-486-2338 if there are any questions regarding this matter.

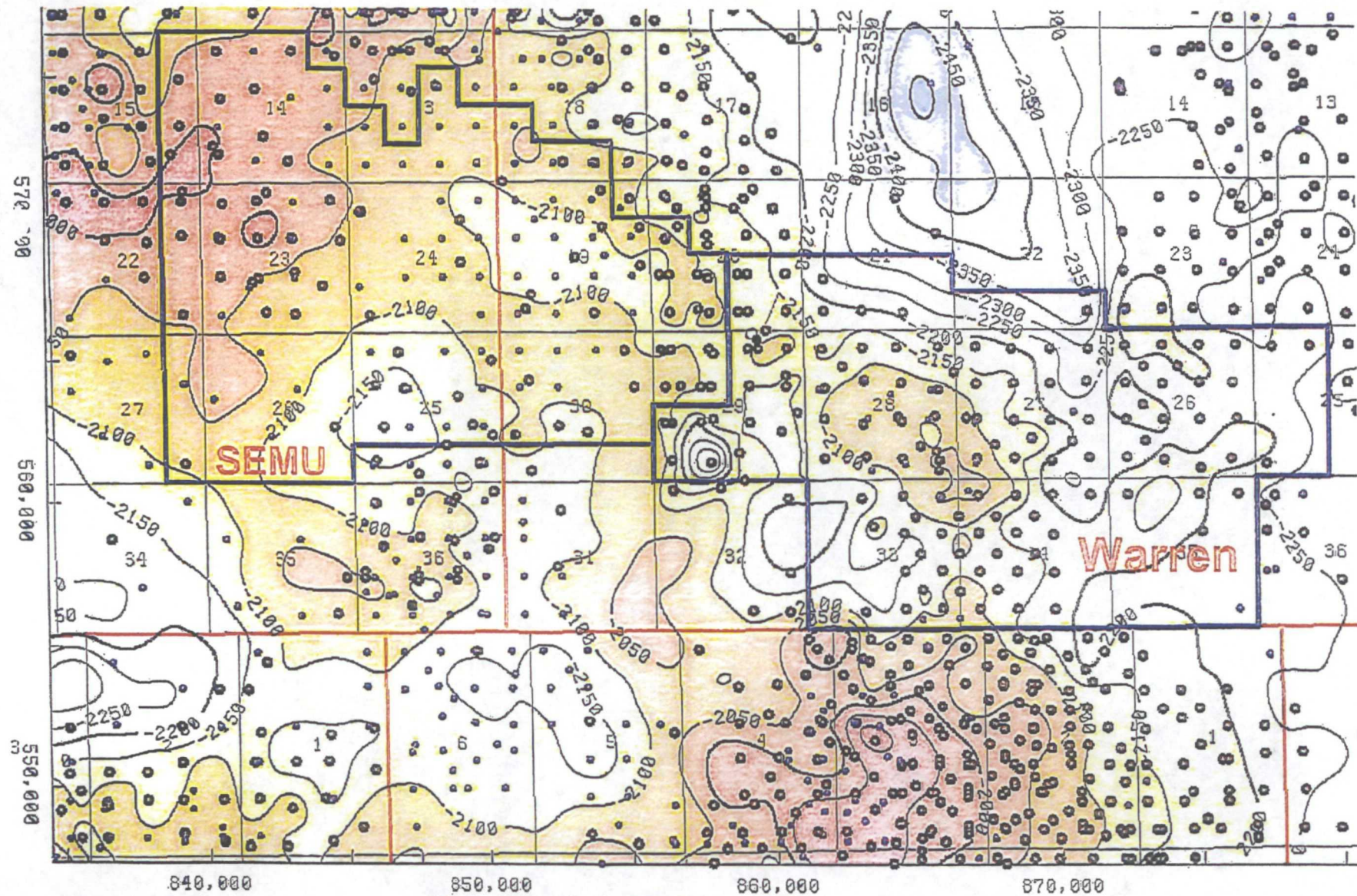
Respectfully,



Thomas J. Scarbrough, CPL
Staff Landman

Cc: Apache Corporation
Attn: Michelle Hanson
303 Veterans Airpark Lane
Midland, TX 79705

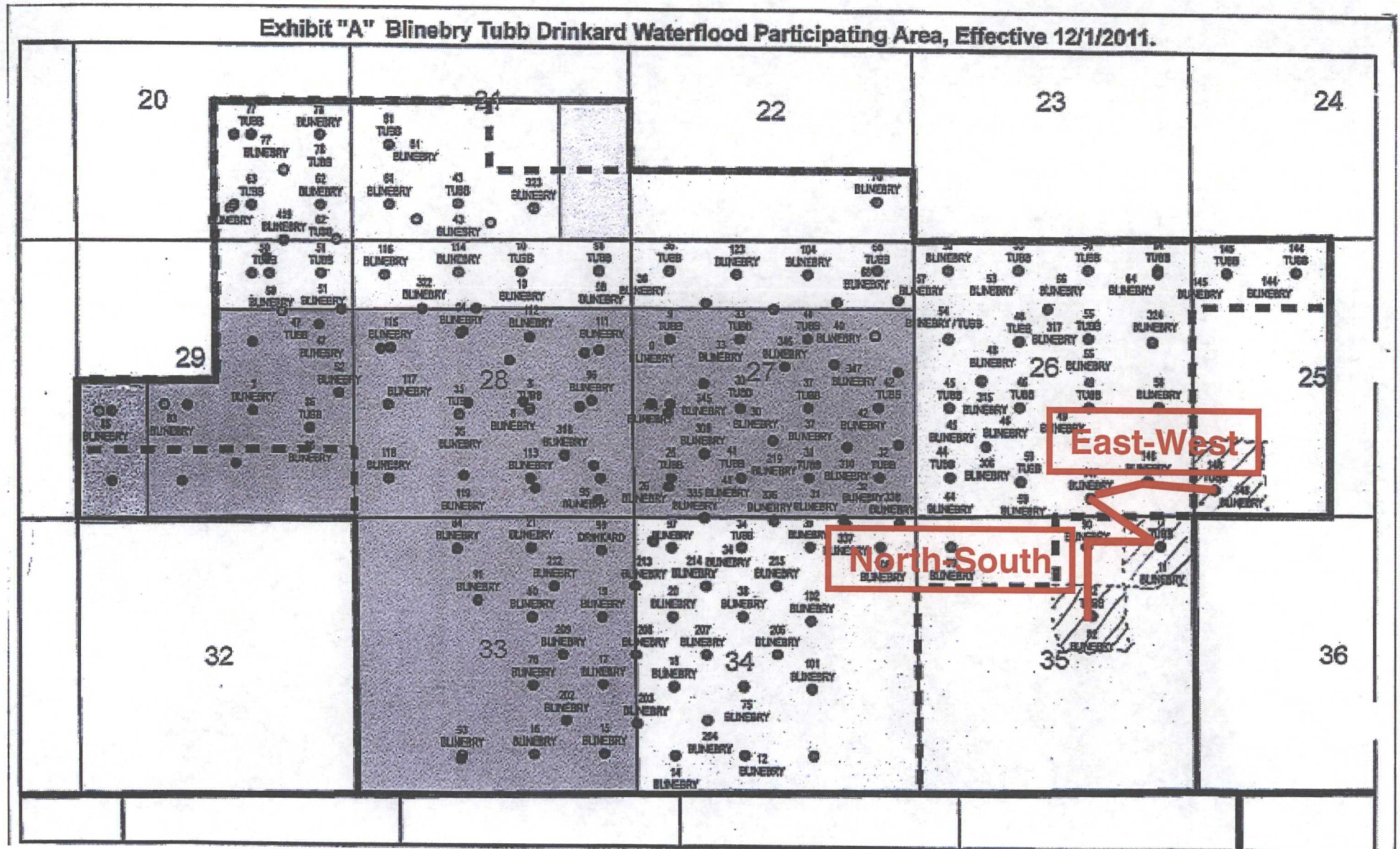
Top Blinebry Structure Map



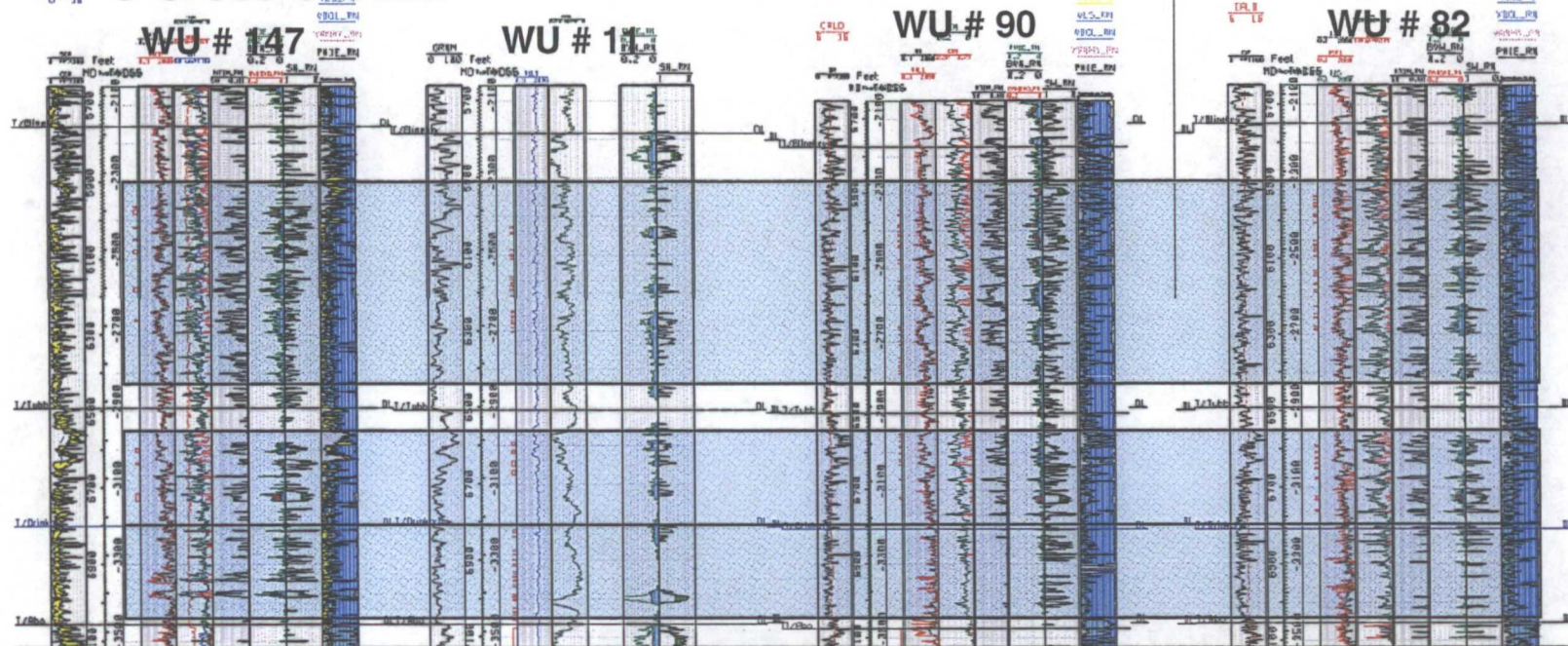
- Shallow wells (<5500 feet MD)
- BTD wells (>5500 feet MD)

Contour Interval=50 feet

Warren Unit Layout



N - S Cross Section



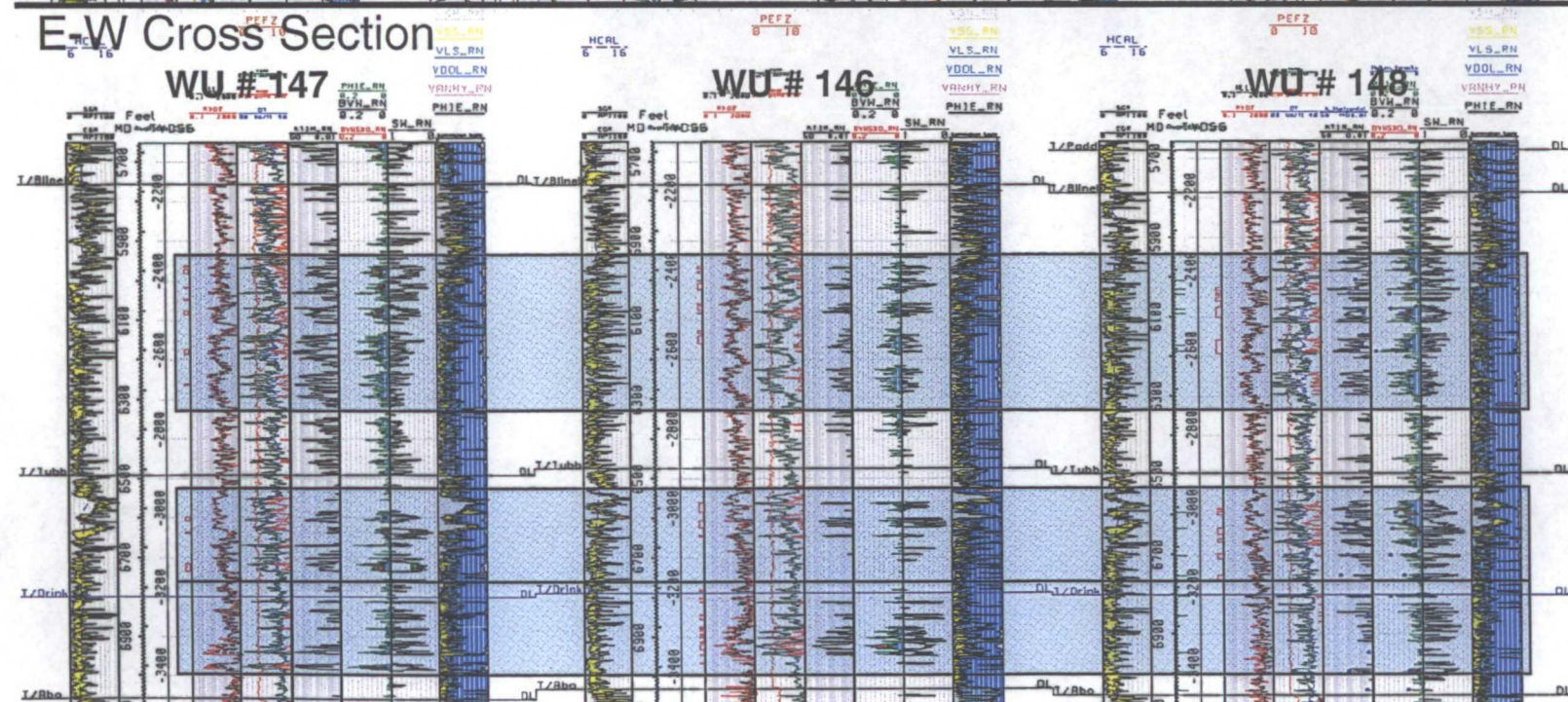
WU #147:
Cum: 41,200 BO
134.8 MMCF

WU #11:
Cum: 118,300 BO
1,497 MMCF

WU #82:
Cum: 31,300 BO
205.9 MMCF

WU #90:
Cum: 4,085 BO
27.5 MMCF
1982 - 1987*
*Drop in oil prices

E - W Cross Section



WU #147:
Cum: 41,200 BO
134.8 MMCF

WU #146:
Cum: 20,900 BO
862.3 MMCF

WU #148:
Cum: 43,600 BO
87.3 MMCF

First Expansion to Blinebry-Tubb-Drinkard Waterflood Participating Area (NMNM-071052H), Effective December 1, 2011
Warren Unit Area (I-Sec. No. 601), Lea County, New Mexico

Serial Number	Description	Number of Acres	Drilling Block		Percentage Committed	Present Actual Participation
			Ownership	Percentage		
LC 031670 (b)	<u>T20S-R38E</u> Section 20: SE/4 Section 21: SW/4 & SW/4SE/4 Section 22: S/2S/2 Section 27: N/2N/2 Section 28: N/2N/2 Section 29: N/2NE/4	920.00	<u>Tract 1</u>			<u>20.909091 %</u>
			Royalty:	12.500000 %		
			Working Interest:			
			ConocoPhillips Company	32.812500 %		
			Apache Corporation	32.812500 %		
			ZPZ Delaware	21.875000 %		
			ORRI:	0.000000 %		
			<i>Total</i>	<i>100.000000 %</i>		
LC 061983	<u>T20S-R38E</u> Section 21: SE/4SE/4	40.00	<u>Tract 2</u>			<u>0.909091 %</u>
			Royalty:	12.500000 %		
			Working Interest:			
			ConocoPhillips Company	30.937500 %		
			Apache Corporation	30.937500 %		
			ZPZ Delaware	20.625000 %		
			ORRI:	5.000000 %		
			<i>Total</i>	<i>100.000000 %</i>		
LC 063458	<u>T20S-R38E</u> Section 25: N/2NW/4, SW4SW/4 Section 26: All Section 34: All Section 35: N/2NW/4, NE/4NE/4, SW/4NE/4 NW/4NE/4 (geologic inference)	1600.00	<u>Tract 3</u>			<u>36.363636 %</u>
			Royalty:	12.500000 %		
			Working Interest:			
			ConocoPhillips Company	32.109375 %		
			Apache Corporation	32.109375 %		
			ZPZ Delaware	21.406250 %		
			ORRI:	1.875000 %		
			<i>Total</i>	<i>100.000000 %</i>		

First Expansion to Blinebry-Tubb-Drinkard Waterflood Participating Area (NMNM-071052H), Effective December 1, 2011
Warren Unit Area (I-Sec. No. 601), Lea County, New Mexico

LC 031695 (a)	<u>T20S-R38E</u>	40.00	<u>Tract 4</u>		0.909091 %	
	Section 29: NW4/SW4		Royalty:	5.000000 %		5.000000 %
			ConocoPhillips Company	32.812500 %		32.812500 %
			Apache Corporation	32.812500 %		32.812500 %
			ZPZ Delaware	21.875000 %		21.875000 %
			ORRI:	7.500000 %		7.500000 %
			Total	100.000000 %		100.000000 %
LC 031695 (b)	<u>T20S-R38E</u>	1800.00	<u>Tract 5</u>		40.909091 %	
	Section 27: S/2 & S/2N/2 Section 28: S/2 & S/2N/2 Section 29: S/2NE/4, N/2SE/4 & NE4/SW4 Section 33: All		Royalty:	12.500000 %		12.500000 %
			Working Interest:			
			ConocoPhillips Company	32.812500 %		32.812500 %
			Apache Corporation	32.812500 %		32.812500 %
			ZPZ Delaware	21.875000 %		21.875000 %
			ORRI:	0.000000 %		0.000000 %
			Total	100.000000 %		100.000000 %

First Expansion to Blinebry-Tubb-Drinkard Waterflood Participating Area (NMNM-071052H), Effective December 1, 2011
Warren Unit Area (I-Sec. No. 601), Lea County, New Mexico

Recapitulation

100.00000 %

Description of Lands in Participating Area:

Township 20 South, Range 38 East, N.M.P.M.

Section 20: SE/4

Section 21: SW/4, S/2SE/4

Section 22: S/2S/2

Section 25: N/2NW/4, SW/4SW/4

Section 26: All

Section 27: All

Section 28: All

Section 29: NE/4, N/2SE/4, N2SW4

Section 33: All

Section 34: All

Section 35: N/2NW/4, NE/4NE/4, SW/4NE/4, NW4/NE/4 (geologic inference)

Total number of acres in participating area: 4,400.00

Total Federal Lands 4,400.00

Percent of working interest committed: 100.00 %

Percent of basic royalty interest committed: 100.00 %

Percent of overriding royalty interest committed: 100.00 %

Participating Area Ownership Summary

	WI	NRI
ConocoPhillips Company	0.37500000	0.32539773
Apache Corporation	0.37500000	0.32539773
ZPZ Delaware	0.25000000	0.21693182
Total	1.00000000	0.86772727