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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

May 30, 2013

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: **Southeast Monument Unit – I-Sec. No. 321, NMNM-071041X**  
Proposed First Expansion of Blinebry-Tubb-Drinkard Participating Area A  
Effective November 1, 2012  
Lea County, New Mexico (COPC Contract # 100197)

Gentlemen:

Pursuant to State of New Mexico Oil Conservation Division Order No. R-13642 dated October 12, 2012, and Bureau of Land Management (BLM) letter dated April 15, 2012, the Southeast Monument Unit Consolidated Blinebry-Tubb-Drinkard Participating Area A was approved effective November 1, 2012.

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 November 1, 2012 effective date.

Therefore, COPC, as Unit Operator of the Southeast Monument Unit dated December 31, 1937, hereby submits for your approval, effective November 1, 2012, the Proposed First Expansion of the Southeast Monument Unit Blinebry-Tubb-Drinkard Participating Area A for lands associated to the following wells:

Well Name	No.	Legal Description	Unit Ltr.	Formation	API No.
SEMU	4	SWNE Sec 23-T20S-R37E	G	Drinkard	Inactive 3002506244
SEMU	8	NENW Sec 23-T20S-R37E	C	Blinebry	Inactive 3002506247
SEMU	8	NENW Sec 23-T20S-R37E	C	Tubb	Inactive 3002506247
SEMU	21	SWSE Sec 19-T20S-R38E	O	Tubb	Producer 3002507816
SEMU	50	NWSW Sec 20-T20S-R38E	L	Blinebry	Producer 3002507832
SEMU	50	NWSW Sec 20-T20S-R38E	L	Tubb	Producer 3002507832
SEMU	51	SENE Sec 19-T20S-R38E	H	Tubb	Producer 3002507824
SEMU	83	SWNE Sec 13 T20S-R37E	G	Tubb	Inactive 3002506530
SEMU	120	NWNE Sec 14 T20S-R37E	B	Blinebry	Producer 3002527289

SEMU	133	SWSE	Sec 14 T20S-R37E	O	Drinkard	Inactive	3002534377
SEMU	154	NWSE	Sec 30 T20S-R38E	J	Tubb	Inactive	3002535383
SEMU	161	NWNW	Sec 24 T20S-R37E	D	Tubb	Producer	3002535823
SEMU	161	NWNW	Sec 24 T20S-R37E	D	Drinkard	Producer	3002535823
SEMU	162	NENW	Sec 23-T20S-R37E	C	Tubb	Producer	3002535774
SEMU	162	NENW	Sec 23-T20S-R37E	C	Drinkard	Producer	3002535774
SEMU	175	SENE	Sec 23-T20S-R37E	H	Blinebry	Producer	3002539187
SEMU	175	SENE	Sec 23-T20S-R37E	H	Tubb	Producer	3002539187
SEMU	176	SWSW	Sec 23-T20S-R37E	M	Blinebry	Inactive	3002538502
SEMU	176	SWSW	Sec 23-T20S-R37E	M	Tubb	Inactive	3002538502
SEMU	180	NWSW	Sec 13 T20S-R37E	L	Blinebry	Producer	3002539189
SEMU	180	NWSW	Sec 13 T20S-R37E	L	Tubb	Producer	3002539189
SEMU	180	NWSW	Sec 13 T20S-R37E	L	Drinkard	Producer	3002539189

The proposed First Expansion seeks to add 520.00 gross acres to the existing Blinebry-Tubb-Drinkard Participating Area A based on existing wellbores.

Additionally, COPC requests the inclusion of an additional 1400.00 acres of undeveloped lands 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

Legal Description			Unit
			Ltr.
SWSW	Sec 13-T20S-R37E	M	
SESW	Sec 13-T20S-R37E	N	
SENE	Sec 14-T20S-R37E	H	
SWNE	Sec 14-T20S-R37E	G	
NESE	Sec 14-T20S-R37E	I	
NWSE	Sec 14-T20S-R37E	J	
SESE	Sec 14-T20S-R37E	P	
NESW	Sec 14-T20S-R37E	K	
SESW	Sec 14-T20S-R37E	N	
SWNE	Sec 19-T20S-R38E	G	
NESE	Sec 19-T20S-R38E	I	
NWSE	Sec 19-T20S-R38E	J	
SESE	Sec 19-T20S-R38E	P	
NENE	Sec 23-T20S-R37E	A	
NWNE	Sec 23-T20S-R37E	B	
NENW	Sec 24-T20S-R37E	C	
SENW	Sec 24-T20S-R37E	F	
SWNW	Sec 24-T20S-R37E	E	
SWNE	Sec 26-T20S-R37E	G	
NWSE	Sec 26-T20S-R37E	J	
SWSE	Sec 26-T20S-R37E	O	
NWNW	Sec 26-T20S-R37E	D	
SWNW	Sec 26-T20S-R37E	E	
SENW	Sec 26-T20S-R37E	F	
NWSW	Sec 26-T20S-R37E	L	

SWSW	Sec 26-T20S-R37E	M
NESW	Sec 26-T20S-R37E	K
SESW	Sec 26-T20S-R37E	N
NENE	Sec 27- T20S-R37E	A
SENE	Sec 27- T20S-R37E	H
NESE	Sec 27- T20S-R37E	I
SESE	Sec 27- T20S-R37E	P
SENE	Sec 30 T20S-R38E	H
SWNE	Sec 30 T20S-R38E	G
NESE	Sec 30 T20S-R38E	I

Upon your review of the attached proposed expansion schedule and supporting documents, please provide COP written approval of the proposed First Expansion to the Blinebry-Tubb-Drinkard Participating Area A, containing in total 5,003.58 gross acres.

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

Chevron North America E&P  
Attn: Land Dept.  
11111 S. Wilcrest, Room N-1111  
Houston, Texas 77099

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 14916  
Order No. R-13642

THE APPLICATION OF THE OIL CONSERVATION  
DIVISION FOR AN ORDER CONTRACTING  
HORIZONTAL LIMITS, REDESIGNATING AND  
EXTENDING VERTICAL LIMITS OF CERTAIN  
POOLS IN LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 18, 2012, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 23<sup>rd</sup> day of October, 2012, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) There is need for the extension of the vertical limits of the Warren-Drinkard Pool (**pool code: 63080**) to include all of the Blinebry, Tubb and Drinkard formations and for the redesignation of the Warren-Drinkard Pool as the SEMU-Blinebry-Tubb-Drinkard Pool (**pool code: 63080**).
- (3) There is need for the contraction of the Blinebry Oil and Gas Pool, the North Hardy-Tubb-Drinkard Pool, the Monument-Tubb Pool, the West Nadine-Tubb Pool, the Skaggs-Drinkard Pool, the Warren-Tubb Oil and Gas Pool, the Weir-Blinebry Pool, the East Weir-Blinebry Pool and the Weir-Drinkard Pool, all in Lea County, New Mexico, in order to correct nomenclature. All of the deleted acreage will be placed in the SEMU-Blinebry-Tubb-Drinkard Pool in Lea County, New Mexico.



(4) There is need for the extension of the SEMU-Blinebry-Tubb-Drinkard Pool in Lea County, New Mexico.

IT IS THEREFORE ORDERED THAT:

(a) The vertical limits of the Warren-Drinkard Pool (pool code: 63080) are hereby extended to include all of the Blinebry, Tubb and Drinkard formations. The Warren-Drinkard Pool is hereby redesignated as the SEMU-Blinebry-Tubb-Drinkard Pool (pool code: 63080).

(b) The Blinebry Oil and Gas Pool (pool code- Oil: 6660, Pro Gas: 72480) in Lea County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 19: SE/4

Section 20: SW/4 NW/4 and SW/4

Section 29: NW/4

Section 30: NE/4 and N/2 SE/4

(c) The North Hardy-Tubb-Drinkard Pool (pool code: 96356) in Lea County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 24: W/2

Section 25: NW/4 and N/2 S/2

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 30: NE/4 and N/2 S/2

(d) The Monument-Tubb Pool (pool code: 47090) in Lea County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 13: SW/4 NE/4

Section 14: NW/4, W/2 NE/4, SE/4 NE/4 and W/2 SW/4

Section 15: E/2 E/2

Section 22: E/2 NE/4

Section 23: W/2

(e) The West Nadine-Tubb Pool (pool code: 47530) in Lea County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 18: SW/4 SE/4

Section 19: W/2 NE/4 and SE/4 NE/4

(f) The Skaggs-Drinkard Pool (**pool code: 57000**) in Lea County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM  
Section 13: SW/4 NE/4

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM  
Section 18: NW/4 SW/4, S/2 SW/4 and SW/4 SE/4  
Section 19: NW/4 NE/4, S/2 NE/4 and S/2  
Section 20: SW/4 NW/4 and SW/4

(g) The Warren-Tubb Gas Pool (**pool code: Oil - 63280 Gas - 87080**) in Lea County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM  
Section 24: SE/4

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM  
Section 18: SW/4  
Section 19: NW/4 and S/2  
Section 20: SW/4 NW/4 and SW/4  
Section 29: NW/4

(h) The Weir-Blinebry Pool (**pool code: 63780**) in Lea County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM  
Section 14: W/2 NW/4  
Section 15: E/2 E/2  
Section 22: E/2 NE/4

(i) The East Weir-Blinebry Pool (**pool code: 63800**) in Lea County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM  
Section 13: SW/4 NE/4  
Section 14: E/2 NW/4, W/2 NE/4 and SE/4 NE/4

(j) The Weir-Drinkard Pool (**pool code: 63840**) in Lea County, New Mexico is hereby contracted by the deletion of the following described area:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 14: W/2  
Section 15: E/2 E/2  
Section 22: E/2 NE/4  
Section 23: All

(k) The SEMU-Blinbry-Tubb-Drinkard Pool (pool code: 63080) in Lea County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 13: SW/4 NE/4, SE/4, W/2 SW/4 and SE/4 SW/4  
Section 14: NW/4 NE/4, S/2 NE/4, NW/4 and S/2  
Section 15: E/2 E/2  
Section 22: E/2 E/2  
Section 23: All  
Section 24: All  
Section 25: N/2 and N/2 S/2  
Section 26: All  
Section 27: E/2 E/2

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

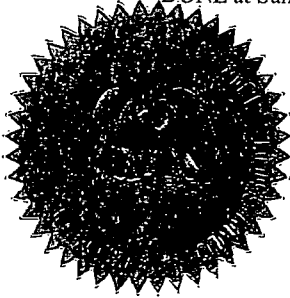
Section 18: NW/4 SW/4, S/2 SW/4 and SW/4 SE/4  
Section 19: NW/4 NE/4, S/2 NE/4, NW/4 and S/2  
Section 20: SW/4 NW/4 and SW/4  
Section 30: N/2 and N/2 S/2

IT IS FURTHER ORDERED THAT:

(1) Pursuant to Section 70-2-18, NMSA, 1978, an operator of any well that, by virtue of any of the above pool extensions, is subject to pool rules providing for spacing or proration units larger than the one presently dedicated thereto, shall have 60 days from the effective date of this order to file Form C-102 dedicating a standard unit for the pool to that well or to obtain a non-standard unit approved by the Division. Pending such compliance, the well shall receive a maximum allowable in the same proportion to a standard allowable for the pool that the acreage dedicated to the well bears to a standard unit for the pool. Failure to file Form C-102 dedicating a standard unit to the well or to obtain a non-standard unit approved by the Division within that 60-day period shall subject the well to cancellation of allowable.

(2) The effective date of this order and all contractions of vertical limits, redesignations, and extensions included herein shall be November 1, 2012.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY  
Director



# United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District  
Carlsbad Field Office  
620 E. Greene

Carlsbad, New Mexico 88220-6292  
[www.blm.gov/nm](http://www.blm.gov/nm)



In Reply Refer to  
NMNM71041X  
3180 (P0220)

Reference:

Southeast Monument Unit (NM71041X)

Application for Consolidation of 7 different Blinebry, Tubb, & Drinkard

Participating Areas

Lea County, New Mexico

APR 15 2013

CERTIFIED—RETURN RECEIPT REQUESTED  
7012 2210 0001 2089 3271

ConocoPhillips  
Permian Basin  
600 N. Dairy Ashford, 2 WL-15058  
Houston, Texas 77079

Gentlemen:

Your application dated April 8, 2013 with Exhibit "A" and "B", requesting approval to Consolidate the Drinkard PA C (NM71041C), Tubb PA F (NM71041F), Drinkard A PA I (NM71041I), Blinebry A PA J (NM71041J) and Tubb-Drinkard B PA L (NM71041L), in to a new Consolidated Blinebry-Tubb-Drinkard PA A (NM71041M) is hereby approved and is effective November 1, 2012, pursuant to Section 11 of the Southeast Monument Unit Agreement, Lea County, New Mexico.

Your application dated March 12, 2013 with Exhibit "A" and "B", requesting approval to Consolidate the Blinebry PA G (NM71041G) and Tubb A PA H (NM71041H), in to a new Consolidated Blinebry-Tubb-Drinkard PA B (NM71041N) is hereby approved and is effective November 1, 2012, pursuant to Section 11 of the Southeast Monument Unit Agreement, Lea County, New Mexico

The consolidation of the five Participating Areas results in a new Consolidated Blinebry-Tubb-Drinkard Participating Area A with a total acreage of 3,083.58 acres. This is based upon the following:

- New Mexico Oil Conservation Division order No. R-13642 which combines the Blinebry-Tubb-Drinkard oil and gas pool under one pool code number 63080.
- Due to low reservoir pressure within the area it is economical to develop and produce all three formations within the area.

The consolidation results in a new Consolidated Blinebry-Tubb-Drinkard Participating Area A which now includes the following described lands:

Township 20 South, Range 37 East, Lea County, New Mexico

Section 13: SE/4

Section 14: NW, W/2SW

Section 15: E/2SE, E/2NE

Section 22: E/2NE

Section 23: SE/4, S/2NW, NWNW, N/2SW, SESW

Section 24: NE/4, S/2

Section 25: N/2, N/2S/2

Section 26: E/2E/2, NWNE, NENW

Township 20 South, Range 38 East, Lea County, New Mexico

Section 18: Lots 3, 4 and SESW, SWSE

Section 19: Lots 1, 2, 3, 4 and E/2W/2, NWNE

Section 30: Lots 1, 2, 3 and N/2NE, E/2NW, NESW

Containing 3,083.58 acres, more or less

This new Consolidated Blinebry-Tubb-Drinkard Participating Area A has been assigned number NMNM71041M (891000321O) for production and accounting reporting purposes. If you have any questions regarding this letter, please contact Edward G. Fernandez, Petroleum Engineer at the Division of Lands and Minerals at (575) 234-2220.

The consolidation of the two Participating Areas results in a new Consolidated Blinebry-Tubb-Drinkard Participating Area B with a total acreage of 320.00 acres. This is based upon the following:

- New Mexico Oil Conservation Division order No. R-13642 which combines the Blinebry-Tubb-Drinkard oil and gas pool under one pool code number 63080.
- Due to low reservoir pressure within the area it is economical to develop and produce all three formations within the area.

The consolidation results in a new Consolidated Blinebry-Tubb-Drinkard Participating Area B which now includes the following described lands:

Township 20 South, Range 38 East, Lea County, New Mexico

Section 20: S/2SW, NESW, SWNW

Section 29: NW/4

Containing 320.00 acres, more or less

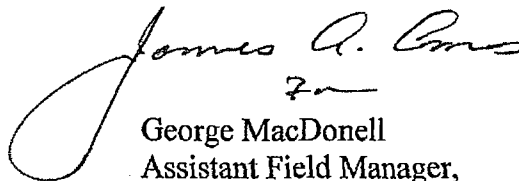
This new Consolidated Blinebry-Tubb-Drinkard Participating Area B has been assigned number NMNM71041N (891000321P) for production and accounting reporting purposes. If you have any questions regarding this letter, please contact Edward G. Fernandez, Petroleum Engineer at the Division of Lands and Minerals at (575) 234-2220.

Copies of this approval letter are being distributed to the appropriate Federal agencies and one copy is returned herewith. Please advise all interested parties of the new Consolidated Blinebry-Tubb-Drinkard Participating Area A, NMNM71041M, and the new Consolidated Blinebry-Tubb-Drinkard Participating Area B, NMNM71041N within the Southeast Monument Unit, and the effective date of November 1, 2012.

In view of this consolidation, the Drinkard PA C (NM71041C), Tubb PA F (NM71041F), Drinkard A PA I (NM71041I), Blinebry A PA J (NM71041J), Tubb-Drinkard B PA L (NM71041L), Blinebry PA G (NM71041G) and Tubb A PA H (NM71041H) are hereby terminated effective November 1, 2012.

Since there are wells currently producing, this approval requires the operator to submit all required forms and report all royalties according to regulations set up by the Office of Natural Resources Revenue (ONRR) at 1-800-525-9167 or 303-231-3504.

Sincerely,

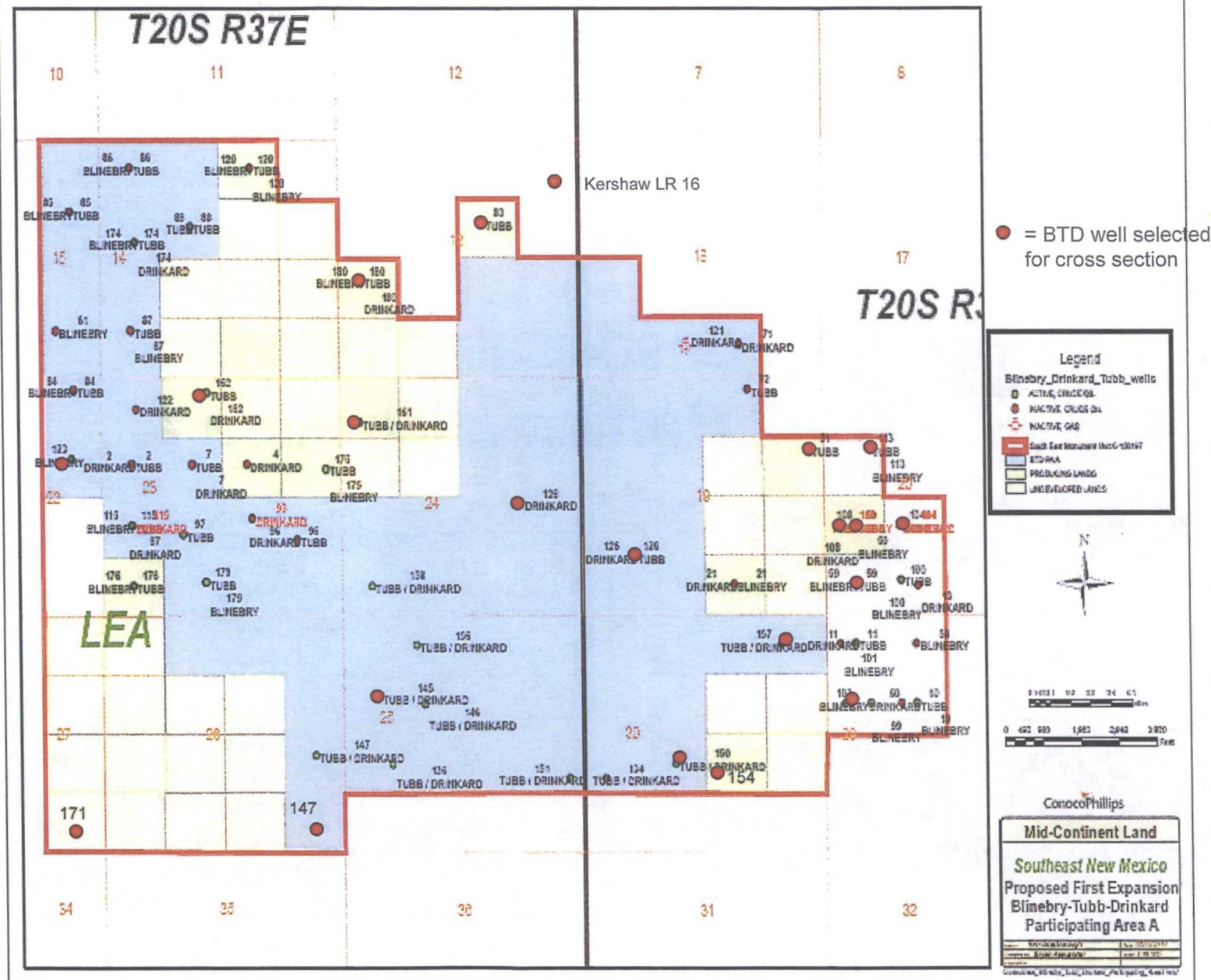
A handwritten signature in cursive script, appearing to read "James A. [unclear]", with a small "7" written below it.

George MacDonell  
Assistant Field Manager,  
Lands and Minerals

Enclosure

cc: ONRR, Denver (MS357B-1)  
New Mexico Taxation & Revenue Dept.  
Revenue Processing Division  
NMOCD  
NM9210  
NMP0220 (CFO I&E)

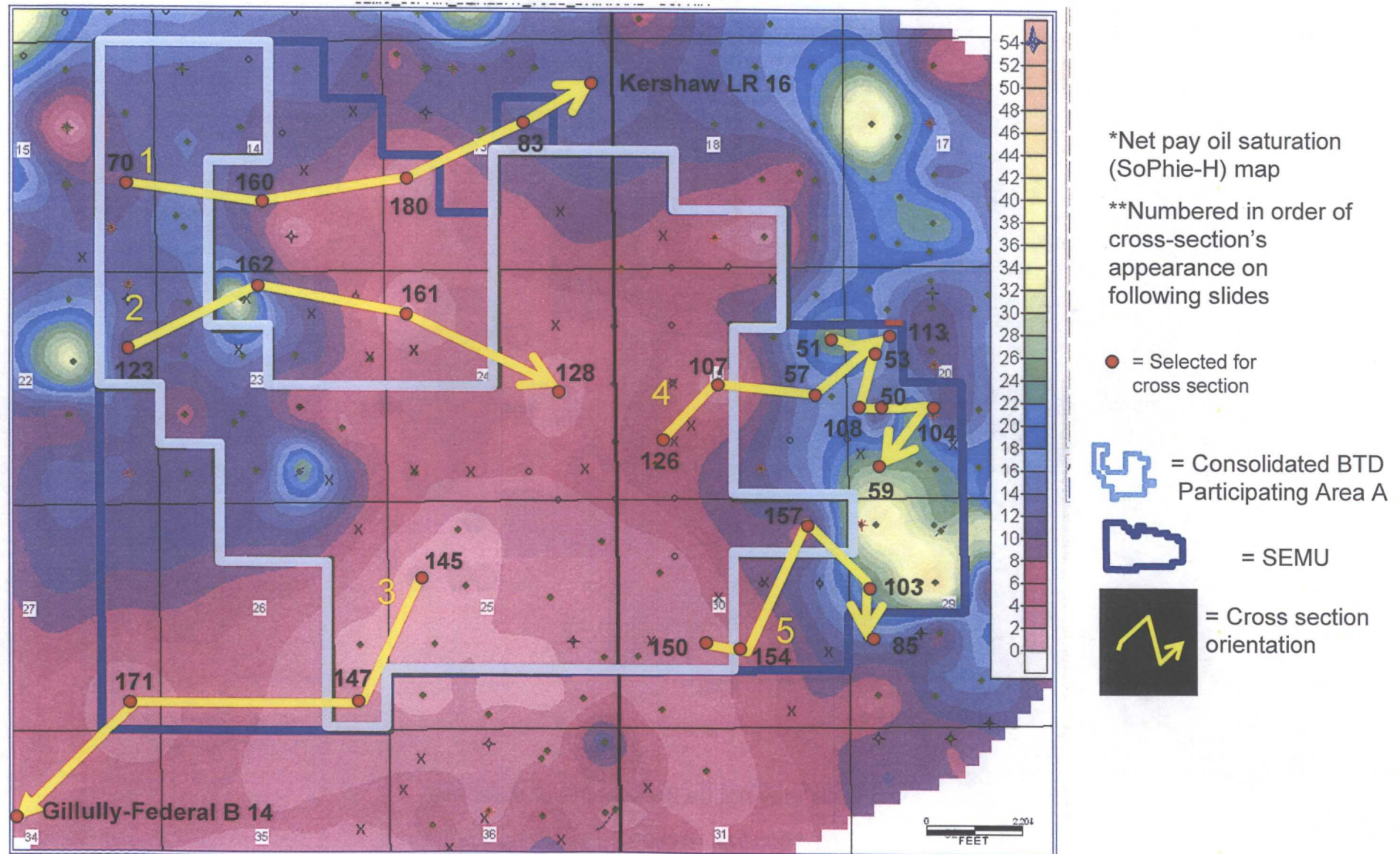
# Exhibit "A" to Proposed Consolidated Blinebry-Tubb-Drinkard Participating Area A





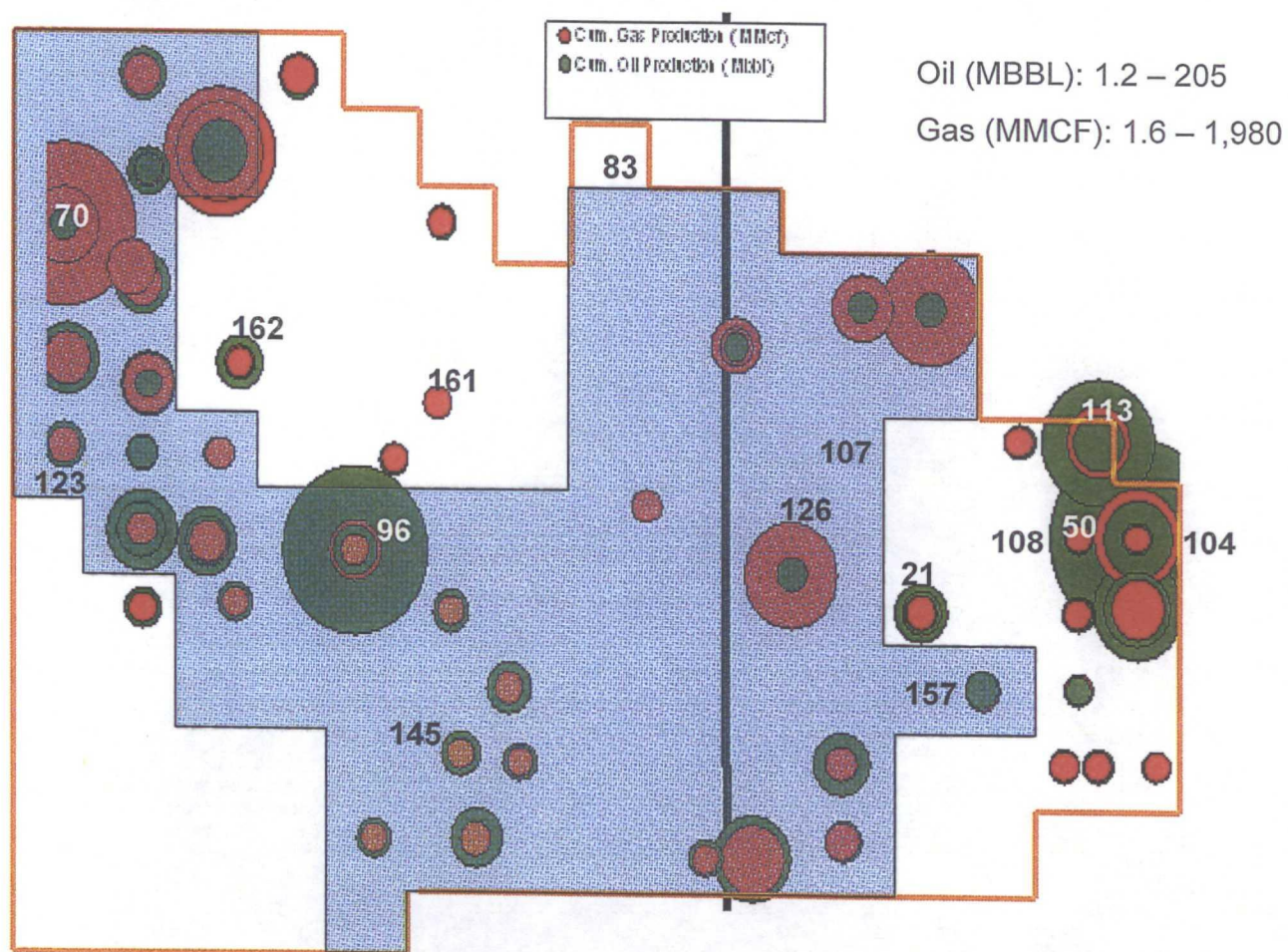
# Expansion of Consolidated Blinebry- Tubb-Drinkard Participating Area A

# Blinebry/Tubb/Drinkard Cross-Section Areal Distribution





# Blinebry/Tubb/Drinkard Lease Production

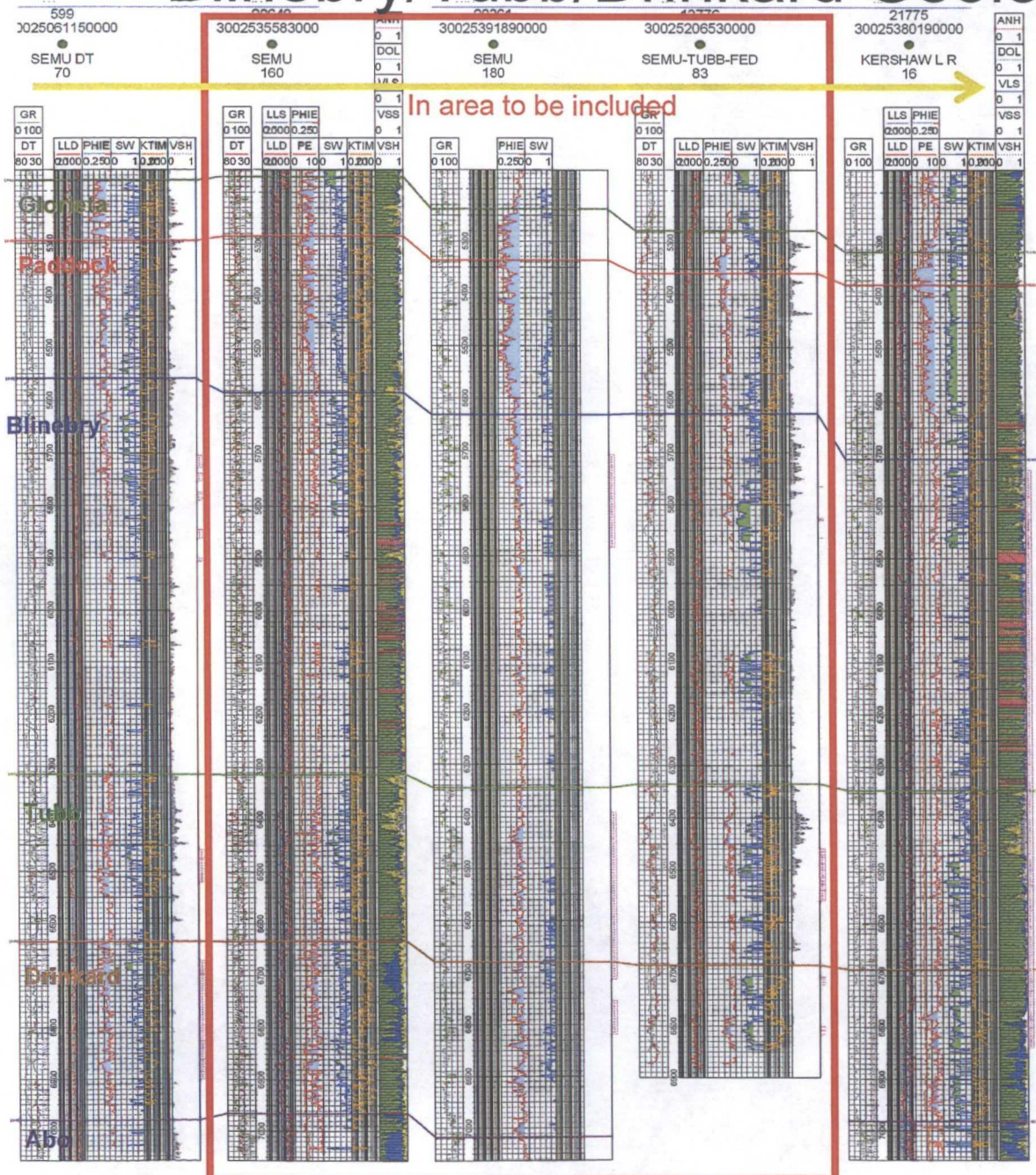


\*Production from some old abandoned wells may not be present in our database

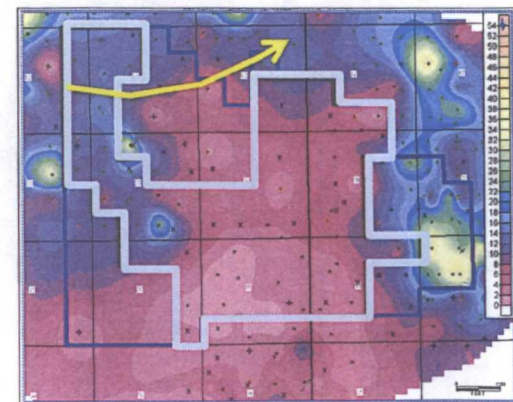
\*\*Named wells have been used for the production justification



# Blinebry/Tubb/Drinkard Geologic Inference (1)

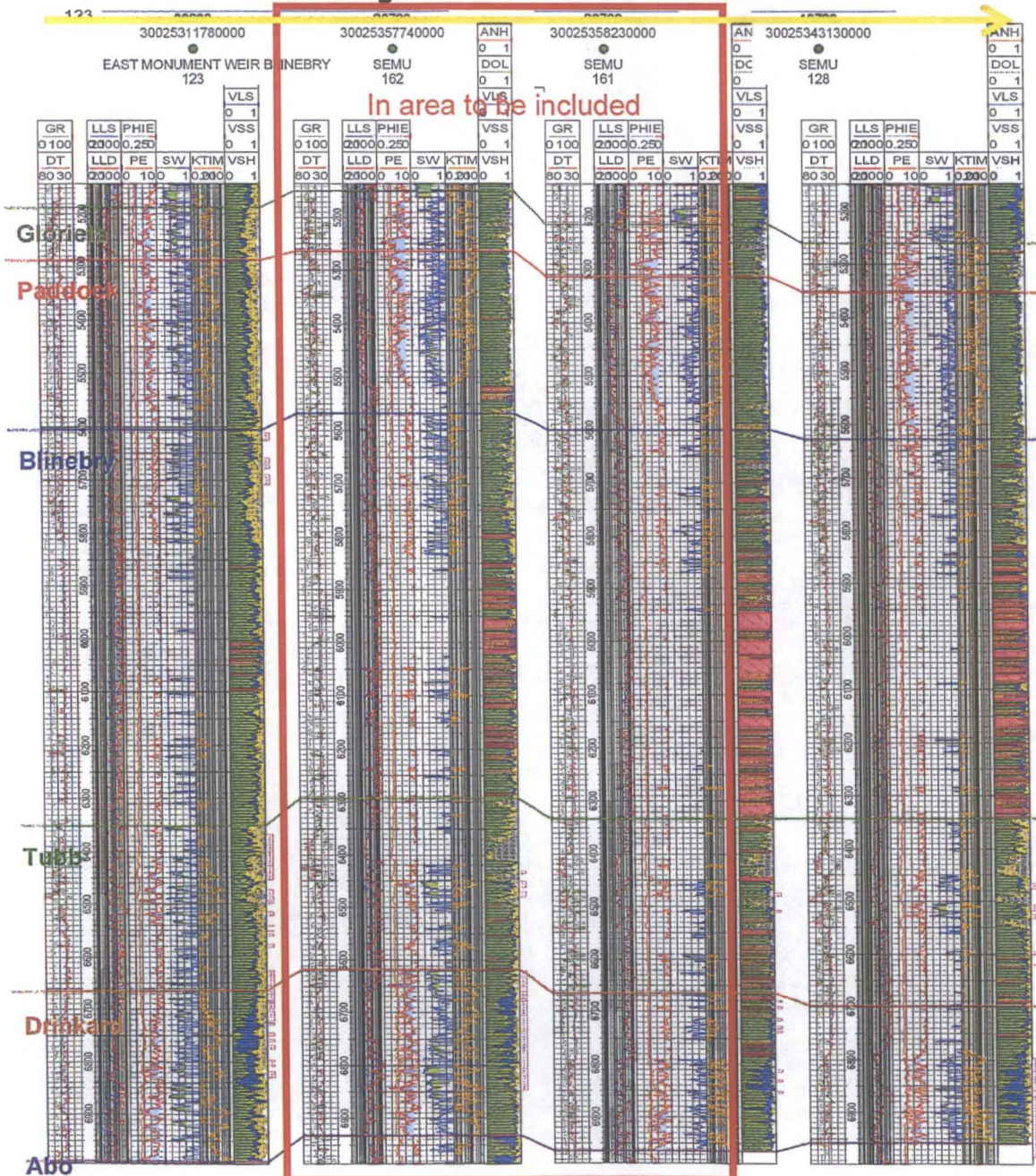


- In this West-East section, the reservoir characteristics of the BTD extend laterally throughout the section
- Water Saturation and poro-perm values of the dolomitic reservoirs in the Upper and Lower Blinebry, Middle Tubb, and in the more calcite-rich Drinkard, are laterally extensive.
- SEMU 83 produced 27MBBL oil and 270MMCF gas after 17 years producing
- Nearby Kershaw L R 16 has cumulative production of 46MBBL oil and 308MMCF gas
  - Has the same reservoir characteristics as SEMU 83
- Recommend including T20S R37E, Sec. 13, SWNE (SEMU 83) based on cumulative production
- After 4 years of producing, SEMU 180 is maintaining a steady rate of 10 BOPD

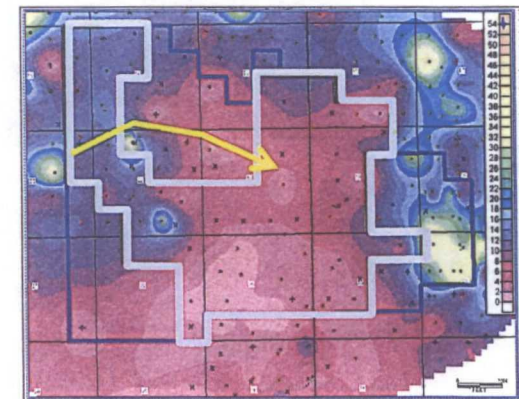




# Blinebry/Tubb/Drinkard Geologic Inference (2)

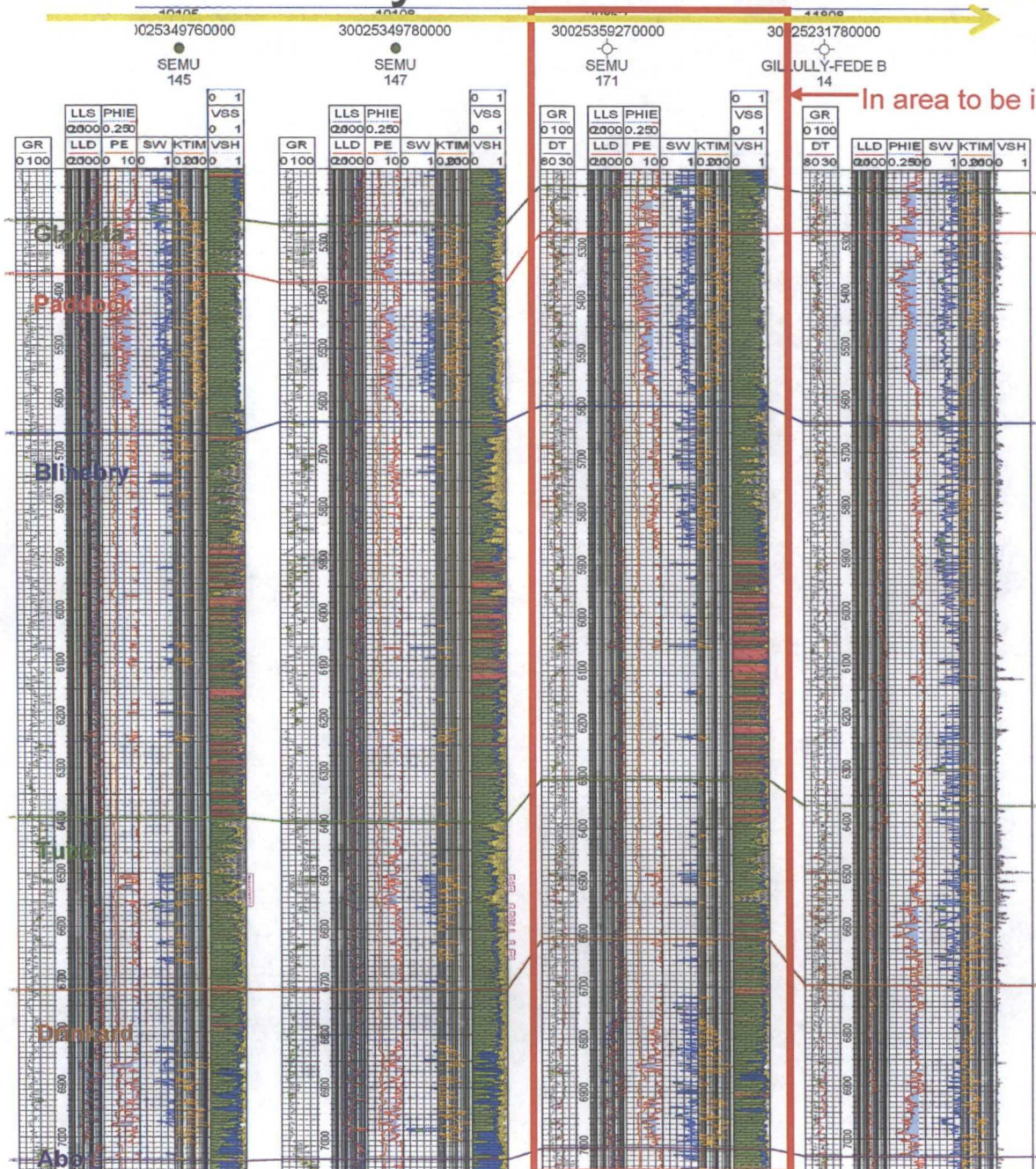


- There is a lateral continuity in poro-perm properties and water saturation in the Upper Blinebry, Tubb and Drinkard
- There's an increment in the amount of anhydrite located in Middle and Lower Blinebry (Pink in lithology track). However, it does not seem to affect the properties in the pay zones for the BTB
- SEMU 162 has cumulative production of 40MMBL oil and 75MMCF gas since 2002
- Last well test for SEMU 161 showed 10 BOPD (producing since 2002)
  - Well is in the middle of SEMU in the poor quality reservoir

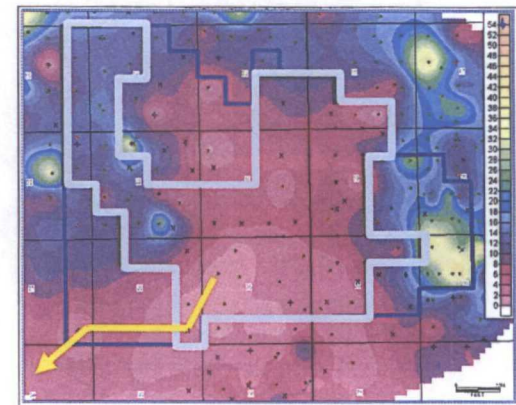




# Blinebry/Tubb/Drinkard Geologic Inference (3)

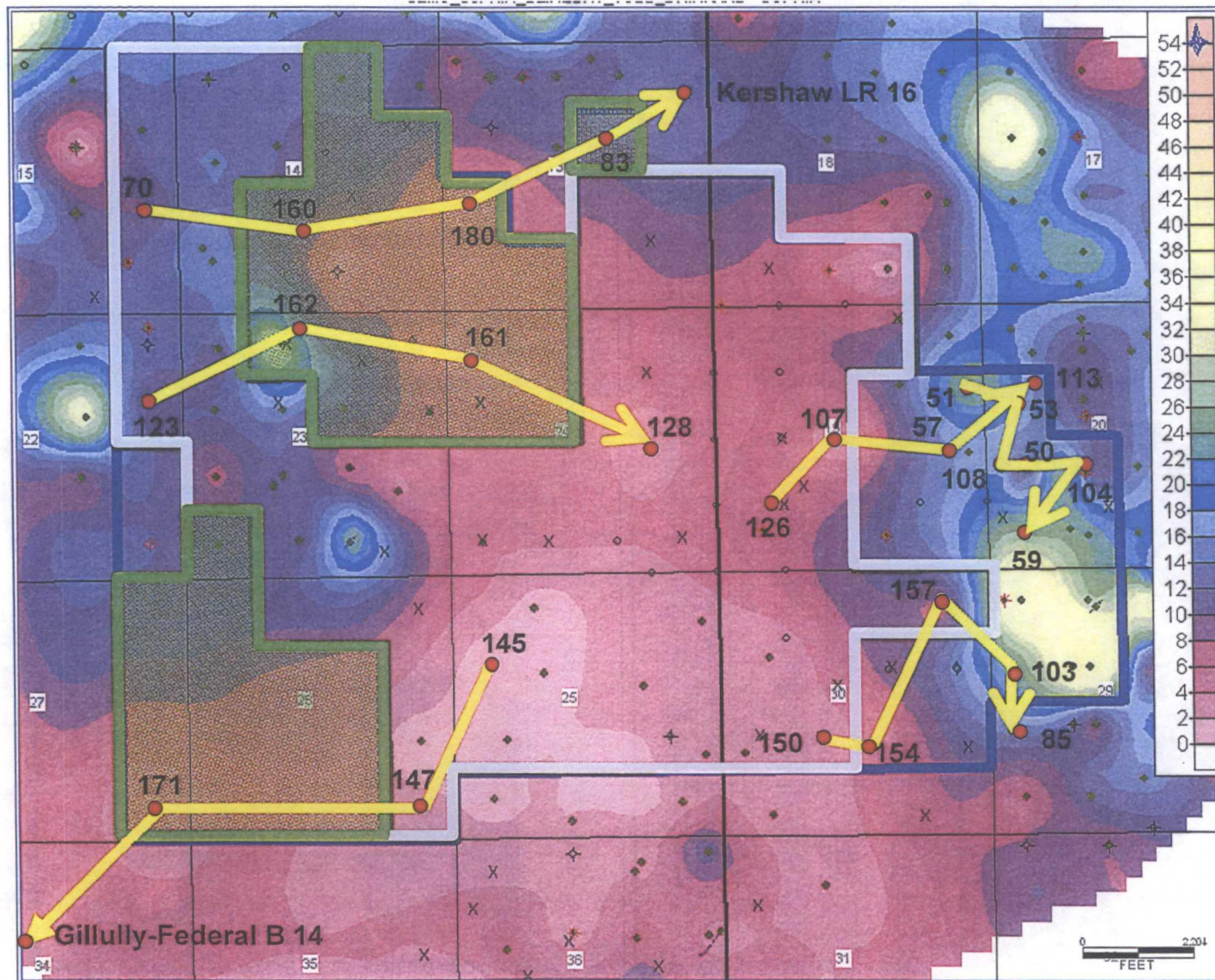


- In the southwestern section of the PA1, the BTD interval also exhibit lateral continuity of the dolomitic facies that constitute the main reservoirs elsewhere in the SEMU
- The amount of anhydrite is considerable lower that other areas in SEMU
- In the area around SEMU 147, there are more sandier, possibly coarser-grain carbonates which may indicate better petrophysical properties in the reservoirs.
- SEMU 145 has cumulative production of 24MBBL oil and 41MMCF gas since 2000
  - In poorer quality reservoir





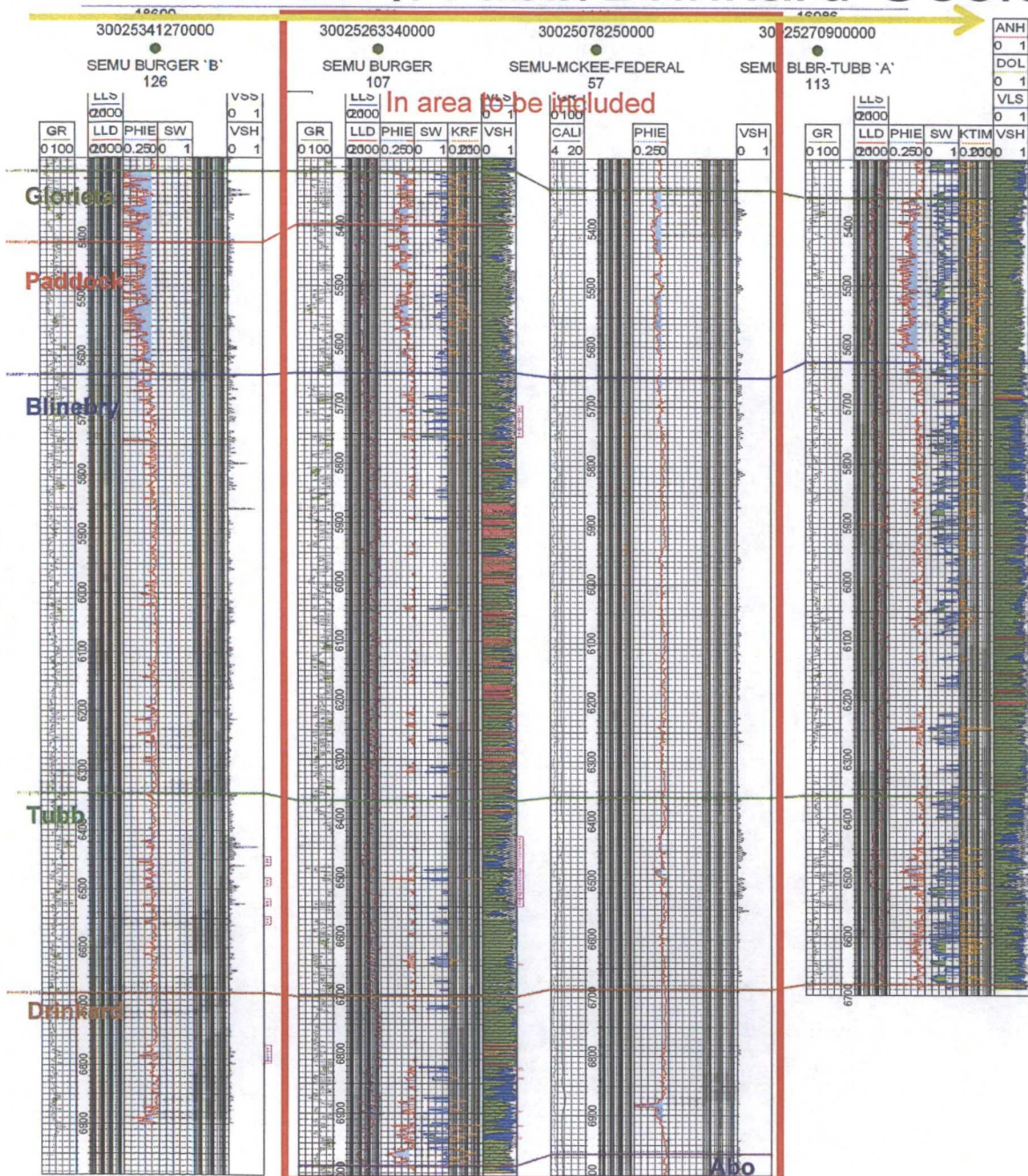
# Overview of West SEMU



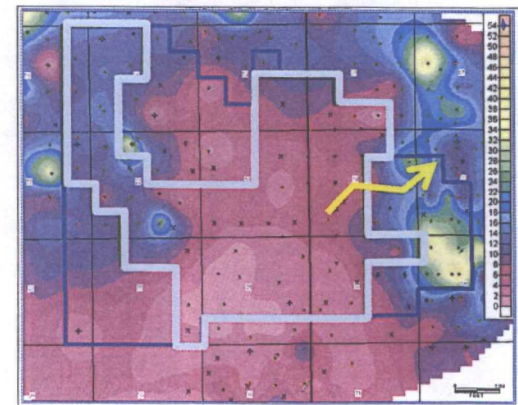
- According to the SEMU 161, productive horizons exist in the poorer quality reservoir in the interior of SEMU (last production test showed 10 BOPD)
  - Productivity in the poorer quality reservoir in SEMU 145 towards the peripheral of the SEMU suggests productivity in the higher structure, low quality reservoir in sections 26 and 27
  - Based off of surrounding production and geology, we can include the units within the green boundary area in Consolidated Blinbry-Tubb-Drinkard PA A
- = Selected for cross section



# Blinebry/Tubb/Drinkard Geologic Inference (4)

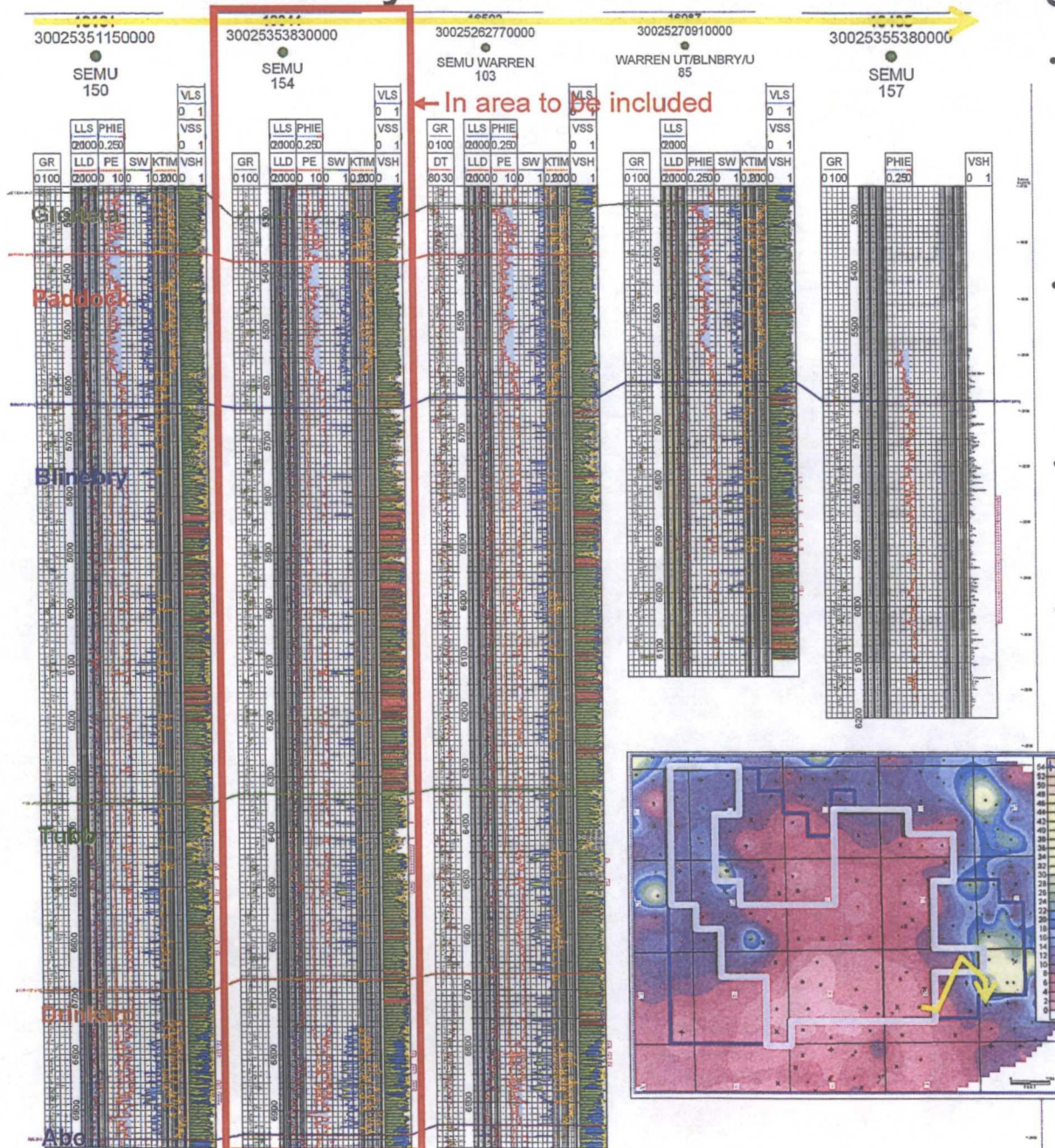


- Overall, the BTB interval over the east area (cross section) #4 shows the same dominant lithologies and facies.
- Although the anhydrite content increases to the west, decreasing the overall porosity, the total proportion in the carbonate is generally lower than the average for the area.
- There is lateral continuity for the reservoir facies in the Blinebry, Tubb and Drikard formations.
- SEMU 126 and 107 are in poorer quality reservoir than the west half of Section 19
  - Cumulative production:
    - 126 = 9.2MBBL oil and 1,145MMCF gas
    - 107 = 15MBBL oil and 38MMCF gas
  - SEMU 126 is in poorer quality reservoir than SEMU 107 and has produced for 13 years
  - SEMU 107 only produced for 7 years





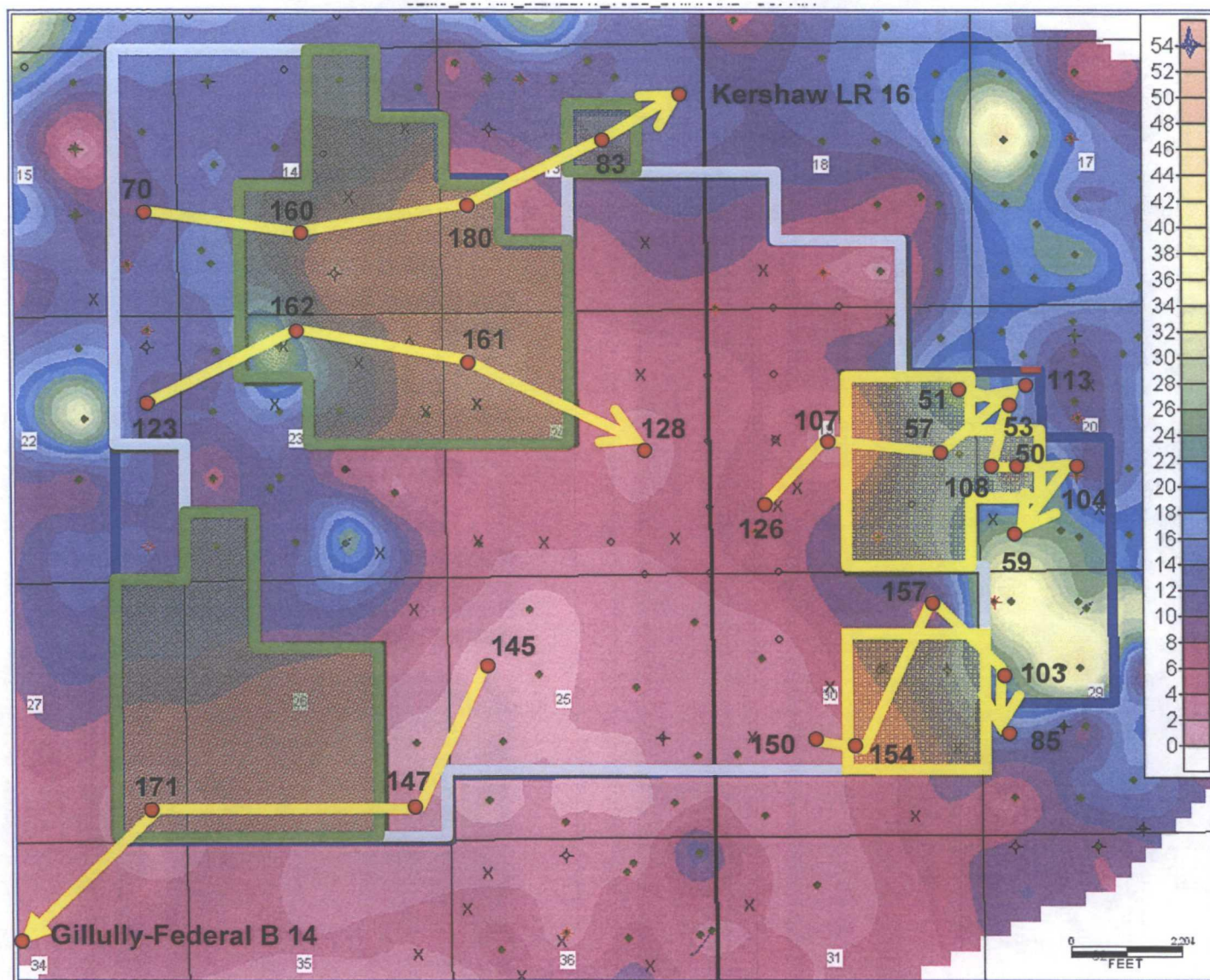
# Blinebry/Tubb/Drinkard Geologic Inference (5)



- In the SE corner of SEMU, the BTB exhibits lateral continuity of the reservoir type facies that have been perforated in:
  - SEMU 85 in the Blinebry
  - SEMU 154 & 150 for Tubb and Drinkard
- The total content of anhydrite in the entire BTB sequence is low, which helps to preserve the local high poro-perm units that have been perforated in neighbor wells.
- SEMU 150 has cumulative production of 21MMBBL oil and 143MMCF gas and was deemed commercial (inside PA)
- SEMU 154 has cumulative production of 114MMCF and offsets the SEMU 150 by 40-acres
- SEMU 157 has a cumulative production of 11.5MMBBL oil and 157MMCF gas
  - Is inside PA boundary and better quality reservoir, but close to SEMU 150 in total production



# Overview of Consolidated Blinebry-Tubb-Drinkard PA A



- Since 126 and 150 are both low quality reservoir, high producing wells, we can infer that the better quality and higher structure in the yellow boundaries will have equal or greater production

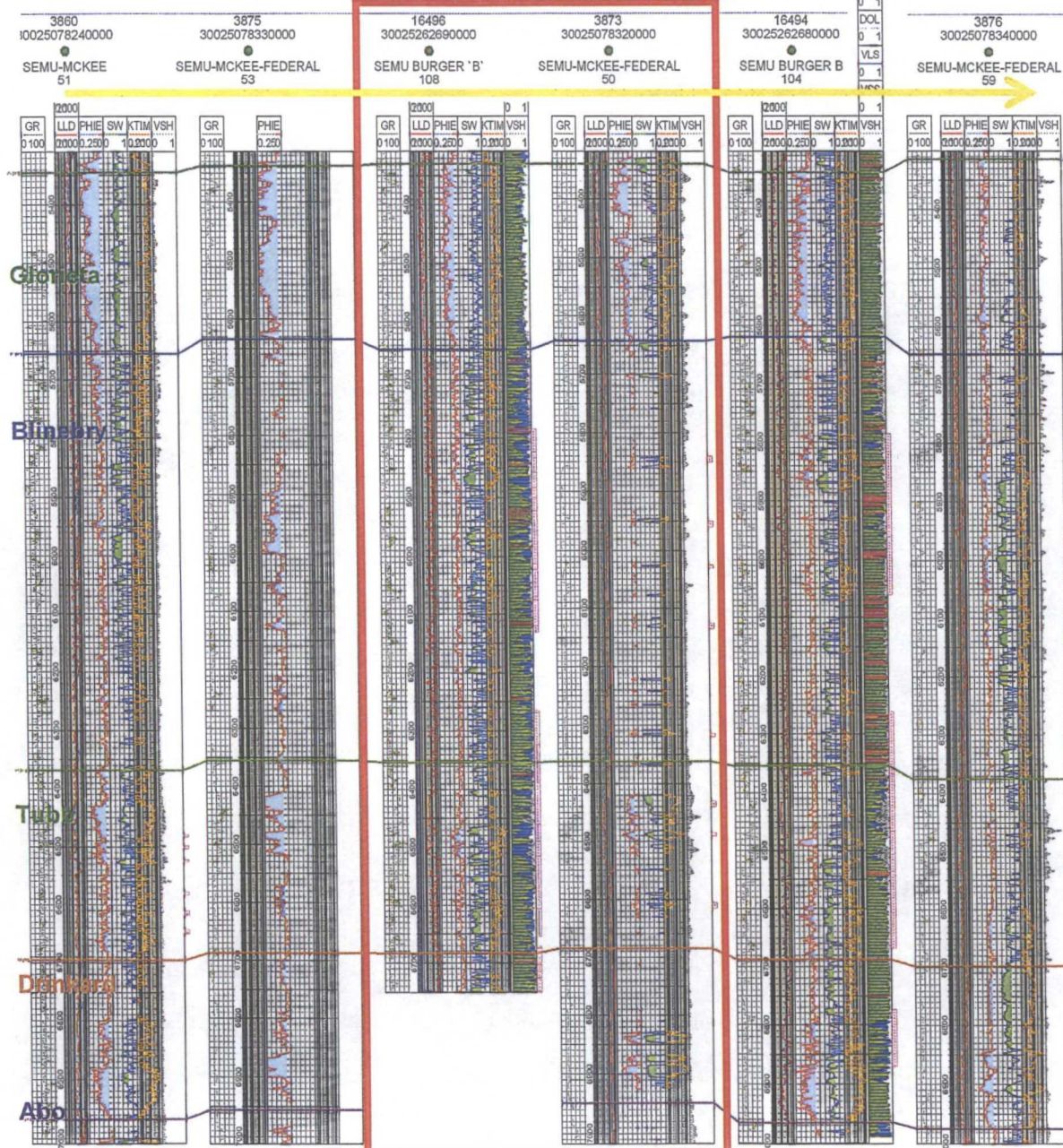
- Based off of offsetting production and geology, we can include the units within the yellow boundaries in the Consolidated Blinbry-Tubb-Drinkard PA

● = Selected for cross section



# Blinebry/Tubb/Drinkard Geologic Inference

T20S R38E, Sec. 20, NWSW



- Overall, BTD is an anhydritic dolomite with local porous, lime-rich carbonate
- Individual reservoirs with localized high poro-perm properties within Blinebry, Tubb, and Drinkard can be correlated laterally (eg. Upper Blinebry, Middle Tubb and Drinkard)
- Estimations of SW indicate presence of hydrocarbons vertically across the entire stratigraphic record
- SEMU 50 and 108 both produce(d) from the B/T/D in this 40-acre unit
  - SEMU 108 is the sister well for SEMU 50
- **Combined 40-acre unit production (14 years)**
  - Oil: 30.5 MMBL
  - Gas: 84.8 MMCF
- Offsetting production:
  - SEMU 104: 331MMBL oil and 1,715MMCF gas (34 years)
  - SEMU 113: 190MMBL oil and 1,038MMCF gas (32 years)
- Recommend including T20S R38E, Section 20, NWSW in Consolidated Blinebry-Tubb-Drinkard Participating Area A based on current production

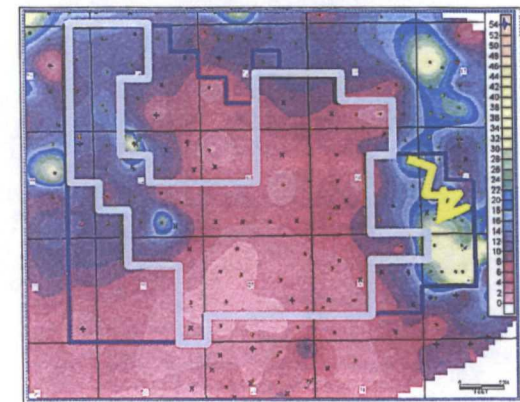


Exhibit "B" to Proposed First Expansion to Consolidated Blinbry-Tubb-Drinkard Participating Area A, Effective November 1, 2012  
Southeast Monument Unit Area (I-SEC. No. 321), Lea County, New Mexico

Serial Number	Description	Number of Acres	Drilling Block		Percentage Committed	Present Actual Participation
			Ownership	Percentage		
LC-031621 (b)	T-20-S, R-37-E Section 15: E/2SE/4, E/2NE/4	160.00	<u>Tract 2</u>			3.197710 %
			Royalty:	12.500000 %	12.500000 %	
			Working Interest:			
			ConocoPhillips Company	43.750000	43.750000	
			ZPZ Delaware I LLC	21.875000 %	21.875000 %	
			Chevron U.S.A. Inc.	21.875000	21.875000	
			ORRI:	0.000000 %	0.000000 %	
			Total	100.000000 %	100.000000 %	
LC 031620 (a)	T-20-S, R-37-E Section 24: S/2, S/2NE/4, S/2NW/4 Section 25: N/2N/2	640.00	<u>Tract 3</u>			12.790842 %
			Royalty:	5.000000 %	5.000000 %	
			Working Interest:			
			ConocoPhillips Company	43.750000	43.750000	
			ZPZ Delaware I LLC	21.875000 %	21.875000 %	
			Chevron U.S.A. Inc.	21.875000	21.875000	
			ORRI:	7.500000 %	7.500000 %	
			Total	100.000000 %	100.000000 %	
NM 0557686	T-20-S, R-37-E Section 13: SE/4, S/2SW/4 Section 14: NW/4NE/4 & S/2NE/4 & W/2 & SE/4 Section 22: E/2NE/4 Section 23: All Section 24: N/2N/2	1720.00	<u>Tract 4</u>			34.375387 %
			Royalty:	12.500000 %	12.500000 %	
			Working Interest:			
			ConocoPhillips Company	43.750000	43.750000	
			ZPZ Delaware I LLC	21.875000 %	21.875000 %	
			Chevron U.S.A. Inc.	21.875000	21.875000	
			ORRI:	0.000000 %	0.000000 %	
			Total	100.000000 %	100.000000 %	
NMNM 125793	T-20S, R38-E Section 13: NW/4SW/4, SW/4NE/4  Section 30: Lot 1	120.38	<u>Tract 5</u>			2.405877 %
			Royalty:	12.500000 %	12.500000 %	
			Working Interest:			
			ConocoPhillips Company	43.750000	43.750000	
			ZPZ Delaware I LLC	21.875000 %	21.875000 %	
			Chevron U.S.A. Inc.	21.875000	21.875000	
			ORRI:	0.000000 %	0.000000 %	
			Total	100.000000 %	100.000000 %	

Serial Number	Description	Number of Acres	Drilling Block		Percentage Committed	Present Actual Participation
			Ownership	Percentage		
LC 031696 (a)	T-20-S, R-37-E Section 25: S/2N/2, N/2S/2 Section 26: NE/4, N/2SE/4, SE/4SE/4	600.00	<u>Tract 6</u>			11.991414 %
			Royalty:	5.000000 %	5.000000 %	
			Working Interest:			
			ConocoPhillips Company	43.750000	43.750000	
			ZPZ Delaware I LLC	21.875000 %	21.875000	
			Chevron U.S.A. Inc.	21.875000	21.875000 %	
			ORRI:	7.500000 %	7.500000 %	
			Total	100.000000 %	100.000000 %	
NM 2511	T-20S, R37-E Section 26: SW/4SE/4 & W/2 Section 27: E/2E/2	520.00	<u>Tract 7</u>			10.392559 %
			Royalty:	12.500000 %	12.500000 %	
			Working Interest:			
			ConocoPhillips Company	43.750000	43.750000	
			ZPZ Delaware I LLC	21.875000 %	21.875000 %	
			Chevron U.S.A. Inc.	21.875000	21.875000 %	
			ORRI:	0.000000 %	0.000000 %	
			Total	100.000000 %	100.000000 %	
LC 031670 (a)	T-20S, R38-E Section 19: Lots 1,2,3 & 4, E/2W/2, W/2SE/4, SW/4NE/4, E/2SE/4 Section 30: NE/4NW/4, N/2NE/4	641.68	<u>Tract 8</u>			12.824418 %
			Royalty:	5.000000 %	5.000000 %	
			Working Interest:			
			ConocoPhillips Company	43.750000	43.750000	
			ZPZ Delaware I LLC	21.875000 %	21.875000	
			Chevron U.S.A. Inc.	21.875000	21.875000 %	
			ORRI:	7.500000 %	7.500000 %	
			Total	100.000000 %	100.000000 %	
LC 031670 (b)	T-20S, R38-E Section 18: Lots 3 & 4, SE/4SW/4, SW/4SE/4 Section 19: NW/4NE/4, SE/4NE/4 Section 20: NW/4SW/4	280.92	<u>Tract 9</u>			5.614380 %
			Royalty:	12.500000 %	12.500000 %	
			Working Interest:			
			ConocoPhillips Company	43.750000	43.750000	
			ZPZ Delaware I LLC	21.875000 %	21.875000	
			Chevron U.S.A. Inc.	21.875000	21.875000 %	
			ORRI:	0.000000 %	0.000000 %	
			Total	100.000000 %	100.000000 %	
LC 031695 (a)	T-20S, R38-E Section 30: Lots 2, 3 & SE/4NW/4 & NE/4SW/4, S/2NE/4, N/2SE/4	320.60	<u>Tract 10</u>			6.407412 %
			Royalty:	5.000000 %	5.000000 %	
			Working Interest:			
			ConocoPhillips Company	43.750000	43.750000	
			ZPZ Delaware I LLC	21.875000 %	21.875000	
			Chevron U.S.A. Inc.	21.875000	21.875000 %	
			ORRI:	7.500000 %	7.500000 %	
			Total	100.000000 %	100.000000 %	

TJS 05/28/2013	5,003.58	<u>Recapitulation</u>	100.00000 %	
		Description of Lands in Participating Area:		
		<u>T20S-R37E, N.M.P.M.</u>		
		Section 13: SE/4, S/2SW/4, NW/4SW/4, SW/4NE/4		
		Section 14: NW/4NE/4 & S/2NE/4 & W/2 & SE/4		
		Section 15: E/2SE/4, E/2NE/4		
		Section 22: E/2NE/4		
		Section 23: All		
		Section 24: All		
		Section 25: N/2 and N/2S/2		
		Section 26: All		
		Section 27: E/2E/2		
		<u>T20S-R38E, N.M.P.M.</u>		
		Section 18: Lots 3 & 4, SE/4SW/4, SW/4SE/4		
		Section 19: Lots 1,2,3 & 4, E/2W/2, NW/4NE/4, S/2NE/4, SE/4		
		Section 20: NW/4SW/4		
		Section 30: Lots 1,2 & 3, N/2NE/4, E/2NW/4, NE/4SW/4, S/2NE/4, N/2SE/4		
		Total number of acres in participating area:	5,003.58	
		Total Federal Acres	5,003.58	
		Percent of basic royalty interest committed:	100.00	%
		Percent of working interest committed:	100.00	%
		Percent of overriding royalty interest committed:	100.00	%
		<u>Participating Area Ownership</u>	WI	NRI
		ConocoPhillips Company	50.0000%	43.7500%
		ZPZ Delaware I LLC	25.0000%	21.8750%
		Chevron U.S.A. Inc.	25.0000%	21.8750%
		<b>Total</b>	<b>100.0000%</b>	<b>87.5000%</b>