

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**Carlsbad Field Office**

FORM APPROVED  
NO. 1004-0137  
January 31, 2018

**SUNDRY NOTICES AND REPORTS ON WELLS**  
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.*

|  |   |   |
|--|---|---|
| <b>SUBMIT IN TRIPLICATE - Other instructions on page 2</b>   |   | 5. Lease Serial No.<br>Multiple--See Attached                         |
| 1. Type of Well<br><input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other |   | 6. If Indian, Allottee or Tribe Name                                  |
| 2. Name of Operator<br>ZIMMERMAN OIL & GAS EXPL INC Contact: GAYE HEARD<br>E-Mail: gheard@oilreportsinc.com                      |   | 7. If Unit or CA/Agreement, Name and/or No.<br>Multiple--See Attached |
| 3a. Address<br>LOVINGTON, NM 88260   | 3b. Phone No. (include area code)<br>Ph: 575-393-2727 | 8. Well Name and No. <i>Federal 26#2</i><br>Multiple--See Attached    |
| 4. Location of Well (Footage, Sec., T., R., M., or Survey Description)<br>Multiple--See Attached                                 |   | 9. API Well No. <i>30-015-04851</i><br>Multiple--See Attached         |
|  |   | 10. Field and Pool or Exploratory Area<br>HENSHAW                     |
|  |   | 11. County or Parish, State<br>EDDY COUNTY, NM                        |

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION                                   | TYPE OF ACTION                                |   |  |   |
|--|---|---|--|---|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize              | <input type="checkbox"/> Deepen               | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off   |
| <input type="checkbox"/> Subsequent Report           | <input type="checkbox"/> Alter Casing         | <input type="checkbox"/> Hydraulic Fracturing | <input type="checkbox"/> Reclamation               | <input type="checkbox"/> Well Integrity   |
| <input type="checkbox"/> Final Abandonment Notice    | <input type="checkbox"/> Casing Repair        | <input type="checkbox"/> New Construction     | <input type="checkbox"/> Recomplete                | <input checked="" type="checkbox"/> Other |
|  | <input type="checkbox"/> Change Plans         | <input type="checkbox"/> Plug and Abandon     | <input type="checkbox"/> Temporarily Abandon       | Surface Commingling                       |
|  | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back            | <input type="checkbox"/> Water Disposal            |   |

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

ETZ, NMLC063932

API#30-015-03890 #1-P-13-16S-30E 660 FSL & 660 FEL  
API#30-015-03892 #3-I-13-16S-30E 1650FSL & 660 FEL

FEDERAL, NMLC029431A

API#30-015-10447 #1-M-18-16S-31E 660 FSL & 500 FWL  
API#30-015-04851 #2-L-18-16S-31E 1980 FSL & 500 FWL  
API#30-015-21479 #3-N-18-16S-31E 330 FSL & 1330 FWL

Request approval to commingle & measure gas off lease from NMLC063932 & NMLC029431A

RECEIVED

NOV 30 2018

DISTRICT II-ARTESIA O.C.D.

Accepted For Record

NMOGD *[Signature]*

|  |                 |
|--|-----------------|
| 14. I hereby certify that the foregoing is true and correct.<br>Electronic Submission #437507 verified by the BLM Well Information System<br>For ZIMMERMAN OIL & GAS EXPL INC, sent to the Carlsbad<br>Committed to AFMSS for processing by PRISCILLA PEREZ on 10/11/2018 (19PP0089SE) |                 |
| Name (Printed/Typed) GAYE HEARD  | Title AGENT     |
| Signature (Electronic Submission)  | Date 09/27/2018 |

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

|   |                     |                      |
|---|---------------------|----------------------|
| Approved By <i>J.D. Whitlock</i>  | Title <i>TL PET</i> | Date <i>11/29/18</i> |
| Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. |                     | Office <i>CFO</i>    |

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

**\*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\***

**Additional data for EC transaction #437507 that would not fit on the form**

**5. Lease Serial No., continued**

NMLC029431A  
NMLC063932

**Wells/Facilities, continued**

| <b>Agreement</b> | <b>Lease</b> | <b>Well/Fac Name, Number</b> | <b>API Number</b>  | <b>Location</b>                      |
|------------------|--------------|------------------------------|--------------------|--------------------------------------|
| NMLC063932       | NMLC063932   | ETZ 1                        | 30-015-03890-00-S1 | Sec 13 T16S R30E SESE 660FSL 660FEL  |
| NMLC063932       | NMLC063932   | ETZ 3                        | 30-015-03892-00-S1 | Sec 13 T16S R30E NESE 1650FSL 660FEL |
| NMLC029431A      | NMLC029431A  | FEDERAL 26 1                 | 30-015-10447-00-S1 | Sec 18 T16S R31E SWSW 660FSL 500FWL  |
| NMLC029431A      | NMLC029431A  | FEDERAL 26 2                 | 30-015-04851-00-S1 | Sec 18 T16S R31E NWSW 1980FSL 500FWL |
| NMLC029431A      | NMLC029431A  | FEDERAL 26 3                 | 30-015-21479-00-S1 | Sec 18 T16S R31E SESW 330FSL 1330FWL |

## APPLICATION FOR LEASE GAS COMMINGLE AND OFF LEASE MEASUREMENT.

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

### Application proposal for ETZ & Federal leases:

Zimmerman Oil and Gas Expl Inc. is requesting approval for Lease Commingle and Off Lease Measurement of gas from the following wells and pools.

Zimmerman purchased the ETZ and Federal leases from Pete Mills in November of 2010. At the time of purchase the gas had already been commingled. During a January 2010 shut in, DCP decommissioned a section of gas pipeline and forced Zimmerman to tie in at their new tie in point approximately .3 miles south. The previous meter location was close to the ETZ battery. The reason for this application is that it was discovered recently the previous operator did not have authority to commingle.

### Federal Lease NMLC-029431A

| Well Name    | Location     | API #        | Pool 33745  | BOPD | OG  | MCFPD | BTU     |
|--------------|--------------|--------------|-------------|------|-----|-------|---------|
| Federal 26 1 | 18-T16S-R31E | 30-015-10447 | Square Lake | N/A  | N/A | 20    | 1401.30 |
| Federal 26 2 | 18-T16S-R31E | 30-015-04851 | Square Lake | N/A  | N/A | 10    | 1315.99 |
| Federal 26 3 | 18-T16S-R31E | 30-015-21479 | Square Lake | N/A  | N/A | 25    | 1389.16 |

### ETZ Lease NMLC-063932

| Well Name | Location     | API #        | Pool 33745  | BOPD | OG  | MCFPD | BTU     |
|-----------|--------------|--------------|-------------|------|-----|-------|---------|
| ETZ 1     | 13-T16S-R30E | 30-015-03890 | Square Lake | N/A  | N/A | 15    | 1382.19 |
| ETZ 3     | 13-T16S-R30E | 30-015-03892 | Square Lake | N/A  | N/A | 10    | 1385.72 |

\*All gas is commingled.

### Gas metering for the ETZ and Federal Wells:

Gas volumes from each well are determined by shutting one well in and calculating the reduction in production per 24 hour period at the sales meter. Production is allocated on a monthly basis based on the most recent individual well test of oil, gas, and water.

The well being tested is shut in for a period of time, 24 – 48 hours. The reduction in gas through the DCP sales meter is then calculated to a 24 hour day basis, mcf/d. This is assigned as allocation to the shut in well. Gas from the combined wells route to the DCP CDP gas sales meter #726179 where total gas for the facilities is metered and custody transfer is made.

There is a central tank battery for the Federal wells located approximately midway between the Federal #1 and the Federal #2 wells. The ETZ central tank battery is located just south west of the ETZ #1 well. A compressor is located just south of the gas commingle point, close to the ETZ#1.

The BLM's interest in these wells, are the same and the BTU's are equivalent. Waste is not induced and no correlative rights are impaired. Each wells allocation will be calibrated regularly. The BLM and OCD will be notified of any future changes in the facilities.

### Process and Flow Descriptions:

Attached is a map that displays the ETZ and Federal leases and well locations in Section 18-T16S-R31E & 13-T16S-R30E. The working interest, royalty interest and overriding royalty interest owners are identical. Also is a diagram for the ETZ and Federal production facilities. The flow of produced fluids is shown in detail. The benefit of surface commingling is that all the wells are within Sec 18, T16S, R31E, and Sec 13, T16S, R31E.

Zimmerman Oil and Gas Expl. Inc. understands the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument.

Signed: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: Regulatory Compliance Associate  
Date: 09/19/2018

## Economic Justification Work Sheet ETZ and Federal Tank Batteries

Commingling proposal for leases: NMLC063932 and NMLC029431A:

| ETZ Lease NMLC063932 |      | Royalty Rate 80%    |           |       |         |           |  |
|----------------------|------|---------------------|-----------|-------|---------|-----------|--|
| Well Name            | BOPD | Oil Gravity @60 deg | Value/bbl | MCFPD | Dry BTU | Value/mcf |  |
| ETZ #1               | N/A  | N/A                 | N/A       | 15    | 1230    | \$2.08    |  |
| ETZ #3               | N/A  | N/A                 | N/A       | 10    | 1230    | \$2.08    |  |

| Federal Lease NMLC029431A |      | Royalty Rate 80%    |           |       |         |           |  |
|---------------------------|------|---------------------|-----------|-------|---------|-----------|--|
| Well Name                 | BOPD | Oil Gravity @60 deg | Value/bbl | MCFPD | Dry BTU | Value/mcf |  |
| Federal 26 #1             | N/A  | N/A                 | N/A       | 20    | 1296    | \$2.08    |  |
| Federal 26 #2             | N/A  | N/A                 | N/A       | 10    | 1296    | \$2.08    |  |
| Federal 26 #3             | N/A  | N/A                 | N/A       | 25    | 1296    | \$2.08    |  |

### Economic combined production

| ETZ Lease NMLC063932            |      | Royalty Rate 80%    |           |       |         |           |  |
|---------------------------------|------|---------------------|-----------|-------|---------|-----------|--|
| Federal Lease NMLC029431A       |      | Royalty Rate 80%    |           |       |         |           |  |
| Facility Name                   | BOPD | Oil Gravity @60 deg | Value/bbl | MCFPD | Dry BTU | Value/mcf |  |
| ETZ & Federal<br>Tank Batteries | N/A  | N/A                 | N/A       | 80    | 1253.5  | \$2.08    |  |

\*Values based on July 2018 gas sales statement.

### Economics:

80 MCFD \* 2.08 \$/MCF \* .8 Value Obtained \* .8 Royalty Interest \* 30 Days/Month =  
\$3194.88 per Month

### Expenses include:

Electricity - \$80/month

Chemicals - \$60/month

Pumping - \$180/month

Total - \$320/month

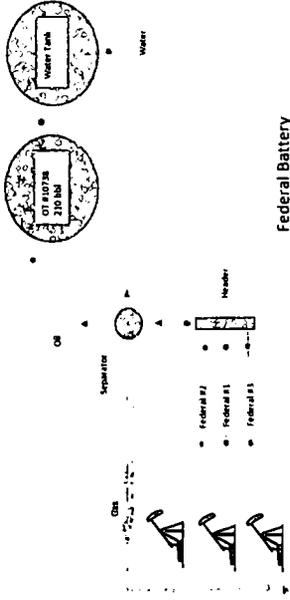
Signed: \_\_\_\_\_

Printed Name: \_\_\_\_\_

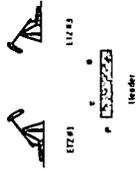
Title: Regulatory Compliance Associate

Date: 09/19/2018

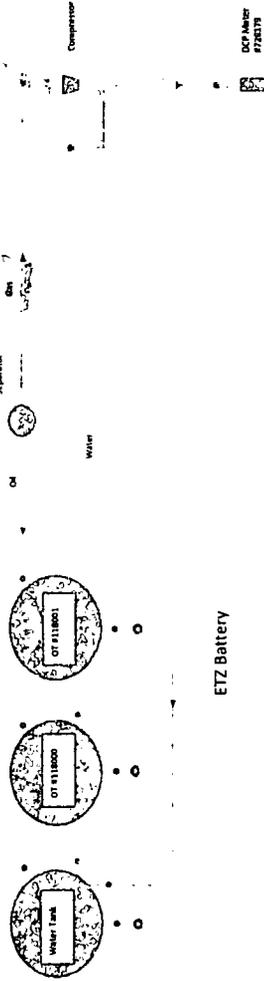
Zimmerman Oil & Gas Exp  
ETZ and Federal Batteries



Federal Battery



ETZ Battery



ETZ #1  
ETZ #2  
ETZ #3

NMLC 0063934

NMNM 001069

NMNM 119758

NMNM 119758

NMNM 001069

NMNM 119758

NMNM 119758

013

ETZ #3

Fed #2

018

NMLC 0063932

Federal Battery

ETZ #1

Fed #1

ETZ Battery

Fed #3

NMNM 0074938

NMLC 0029431A

DCP Sales Point

NMLC 0064637

NMNM 110610

024

019

**BUREAU OF LAND MANAGEMENT  
CASE RECORDATION  
(LIVE) SERIAL REGISTER PAGE**

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**01 02-25-1920;041STAT0437;30USC226**  
**Case Type 311111: O&G LSE NONCOMP PUB LAND**  
**Commodity 459: OIL & GAS**  
**Case Disposition: AUTHORIZED Case File Juris:**

**Total Acres**  
280.620

**Serial Number**  
NMLC-- 0 029431A

Serial Number: NMLC-- 0 029431A

| Name & Address              |                    |                            | Int Rel          | %Interest    |
|-----------------------------|--------------------|----------------------------|------------------|--------------|
| COG OPERATING LLC           | 600 WILLINOIS AVE  | MIDLAND TX 797014882       | LESSEE           | 25.000000000 |
| DEVON ENERGY PROD CO LP     | 333 W SHERIDAN AVE | OKLAHOMA CITY OK 731025010 | OPERATING RIGHTS | 0.000000000  |
| LARUE C E                   | PO BOX 1370        | ARTESIA NM 882111370       | OPERATING RIGHTS | 0.000000000  |
| PIONEER NATURAL RES USA INC | 1401 17TH ST #1200 | DENVER CO 80202            | LESSEE           | 75.000000000 |

Serial Number: NMLC-- 0 029431A

| Mer Twp | Rng   | Sec   | SType | Nr Suff | Subdivision | District/Resource Area | County | Mgmt Agency         |
|---------|-------|-------|-------|---------|-------------|------------------------|--------|---------------------|
| 23      | 0160S | 0310E | 018   | ALIQ    | E2SW;       | CARLSBAD FIELD OFFICE  | EDDY   | BUREAU OF LAND MGMT |
| 23      | 0160S | 0310E | 018   | LOTS    | 3-4;        | CARLSBAD FIELD OFFICE  | EDDY   | BUREAU OF LAND MGMT |
| 23      | 0160S | 0310E | 019   | ALIQ    | E2NW;       | CARLSBAD FIELD OFFICE  | EDDY   | BUREAU OF LAND MGMT |
| 23      | 0160S | 0310E | 019   | LOTS    | 1-2;        | CARLSBAD FIELD OFFICE  | EDDY   | BUREAU OF LAND MGMT |

Serial Number: NMLC-- 0 029431A

| Act Date   | Code | Action                   | Action Remarks       | Pending Office |
|------------|------|--------------------------|----------------------|----------------|
| 12/31/1938 | 387  | CASE ESTABLISHED         |                      |                |
| 12/31/1938 | 496  | FUND CODE                | 05;145003            |                |
| 12/31/1938 | 530  | RLTY RATE - 12 1/2%      |                      |                |
| 12/31/1938 | 868  | EFFECTIVE DATE           |                      |                |
| 10/01/1959 | 553  | CASE CREATED BY ASGN     | OUT OF NMLC029431;   |                |
| 04/03/1961 | 102  | NOTICE SENT-PROD STATUS  |                      |                |
| 08/10/1977 | 396  | TRF OF INTEREST FILED    | V WELCH EST/SHELTON  |                |
| 02/13/1981 | 651  | HELD BY PROD - ALLOCATED | C40T060              |                |
| 02/13/1981 | 660  | MEMO OF 1ST PROD-ALLOC   | C40T060              |                |
| 12/05/1983 | 140  | ASGN FILED               | SHELL OIL/SHELL WTN  |                |
| 12/13/1984 | 139  | ASGN APPROVED            | EFF 01/01/84;        |                |
| 01/21/1985 | 963  | CASE MICROFILMED/SCANNED | CNUM 551,572 GLC     |                |
| 10/03/1986 | 140  | ASGN FILED               | (1)SHELL/PETRUS      |                |
| 11/25/1986 | 104  | ADDTL INFO RQSTD         | PETRUS OIL           |                |
| 03/31/1987 | 269  | ASGN DENIED              | SHELL/PETRUS         |                |
| 04/27/1987 | 140  | ASGN FILED               | SHELL WESTERN/PETRUS |                |
| 07/17/1987 | 139  | ASGN APPROVED            | EFF 05/01/87;        |                |
| 07/31/1987 | 140  | ASGN FILED               | PETRUS/PRIMARY FUELS |                |
| 07/31/1987 | 932  | TRF OPER RGTS FILED      |                      |                |
| 11/04/1987 | 104  | ADDTL INFO RQSTD         | PRIMARY FUELS        |                |
| 12/28/1987 | 140  | ASGN FILED               | PETRUS/PRIMARY FUELS |                |
| 12/29/1987 | 957  | TRF OPER RGTS DENIED     |                      |                |
| 04/12/1988 | 139  | ASGN APPROVED            | EFF 01/01/88;        |                |
| 10/18/1988 | 932  | TRF OPER RGTS FILED      |                      |                |
| 11/08/1988 | 933  | TRF OPER RGTS APPROVED   | EFF 11/01/88;        |                |
| 03/03/1989 | 396  | TRF OF INTEREST FILED    | M YATES/YATES ET AL  |                |
| 02/14/1990 | 940  | NAME CHANGE RECOGNIZED   | PETRUS/BRIDGE OIL    |                |
| 10/23/1990 | 140  | ASGN FILED               | PRIMARY/GEODYNE NOM  |                |

**NO WARRANTY IS MADE BY BLM  
FOR USE OF THE DATA FOR  
PURPOSES NOT INTENDED BY BLM**

**BUREAU OF LAND MANAGEMENT  
CASE RECORDATION  
(LIVE) SERIAL REGISTER PAGE**

Run Date/Time: 11/27/18 01:54 PM

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**01 02-25-1920;041STAT0437;30USC226**

**Total Acres  
160.000**

**Serial Number  
NMLC-- 0 063932**

**Case Type 310781: O&G RENEWAL LEASE - PD**

**Commodity 459: OIL & GAS**

**Case Disposition: AUTHORIZED Case File Juris:**

**Serial Number: NMLC-- 0 063932**

| Name & Address               |                       |                      | Int Rel          | %Interest    |
|------------------------------|-----------------------|----------------------|------------------|--------------|
| COG OPERATING LLC            | 600 W ILLINOIS AVE    | MIDLAND TX 797014882 | OPERATING RIGHTS | 0.000000000  |
| KELLY GLADYS                 | 504 W QUAY            | ARTESIA NM 88210     | LESSEE           | 50.000000000 |
| MERIT ENE MGT PARTNERS I LP  | 13727 NOEL RD #500    | DALLAS TX 75240      | OPERATING RIGHTS | 0.000000000  |
| MERIT ENE MGT PARTNERS II LP | 13727 NOEL RD #500    | DALLAS TX 75240      | OPERATING RIGHTS | 0.000000000  |
| MERIT ENERGY PTNRS           | 13727 NOEL RD #500    | DALLAS TX 75240      | OPERATING RIGHTS | 0.000000000  |
| MERIT ENERGY PTNRS III LP    | 13727 NOEL RD #500    | DALLAS TX 75240      | OPERATING RIGHTS | 0.000000000  |
| MERIT ENERGY PTNRS VII LP    | 13727 NOEL RD #500    | DALLAS TX 75240      | OPERATING RIGHTS | 0.000000000  |
| RUBICON OIL & GAS II LLP     | 508 W WALL ST STE 500 | MIDLAND TX 797015062 | OPERATING RIGHTS | 0.000000000  |
| RUBICON OIL & GAS II LLP     | 508 W WALL ST STE 500 | MIDLAND TX 797015062 | LESSEE           | 25.000000000 |
| SLASH EXPLORATION LP         | PO BOX 1973           | ROSWELL NM 882021973 | LESSEE           | 25.000000000 |
| SLASH EXPLORATION LP         | PO BOX 1973           | ROSWELL NM 882021973 | OPERATING RIGHTS | 0.000000000  |

**Serial Number: NMLC-- 0 063932**

| Mer Twp | Rng   | Sec   | SType | Nr Suff | Subdivision | District/Resource Area | County | Mgmt Agency         |
|---------|-------|-------|-------|---------|-------------|------------------------|--------|---------------------|
| 23      | 0160S | 0300E | 013   | ALIQ    | SE;         | CARLSBAD FIELD OFFICE  | EDDY   | BUREAU OF LAND MGMT |

**Serial Number: NMLC-- 0 063932**

| Act Date   | Code | Action                   | Action Remarks        | Pending Office |
|------------|------|--------------------------|-----------------------|----------------|
| 12/13/1938 | 387  | CASE ESTABLISHED         |                       |                |
| 12/13/1938 | 496  | FUND CODE                | 05;145003             |                |
| 12/13/1938 | 868  | EFFECTIVE DATE           |                       |                |
| 01/29/1941 | 553  | CASE CREATED BY ASGN     | OUT OF NMLC029423;    |                |
| 11/15/1956 | 102  | NOTICE SENT-PROD STATUS  |                       |                |
| 11/04/1958 | 650  | HELD BY PROD - ACTUAL    |                       |                |
| 11/04/1958 | 658  | MEMO OF 1ST PROD-ACTUAL  |                       |                |
| 12/01/1959 | 242  | LEASE RENEWED            | THRU 11/30/69;        |                |
| 12/01/1959 | 549  | RLTY RATE 12.5-25% SCH C |                       |                |
| 12/01/1959 | 868  | EFFECTIVE DATE           | LAST RENEWAL;         |                |
| 12/03/1959 | 232  | LEASE COMMITTED TO UNIT  | NMNM70961X;HENSHAW DE |                |
| 08/05/1969 | 314  | RENEWAL APLN FILED       |                       |                |
| 03/05/1970 | 039  | POST AUTH APLN DENIED    | RENEWAL LSE APLN      |                |
| 10/17/1981 | 909  | BOND ACCEPTED            | EFF 11/17/80;NM0947   |                |
| 12/05/1983 | 932  | TRF OPER RGTS FILED      |                       |                |
| 02/21/1984 | 933  | TRF OPER RGTS APPROVED   | EFF 01/01/84;         |                |
| 10/08/1986 | 932  | TRF OPER RGTS FILED      |                       |                |
| 12/30/1986 | 932  | TRF OPER RGTS FILED      |                       |                |
| 01/26/1987 | 933  | TRF OPER RGTS APPROVED   | EFF 01/01/87;         |                |
| 01/26/1987 | 933  | TRF OPER RGTS APPROVED   | EFF 11/01/86;         |                |
| 02/03/1987 | 963  | CASE MICROFILMED/SCANNED | CNUM 102,309 DS       |                |
| 02/25/1987 | 932  | TRF OPER RGTS FILED      |                       |                |
| 03/06/1987 | 933  | TRF OPER RGTS APPROVED   | EFF 03/01/87;         |                |
| 11/23/1987 | 932  | TRF OPER RGTS FILED      |                       |                |

**NO WARRANTY IS MADE BY BLM  
FOR USE OF THE DATA FOR  
PURPOSES NOT INTENDED BY BLM**

**Bureau of Land Management  
Carlsbad Field Office  
620 East Greene Street  
Carlsbad, New Mexico 88220  
575-234-5972**

**ETZ and Federal 26 Wells (see list below)  
Zimmerman Oil & Gas Exploration Inc.**

November 28, 2018

**Condition of Approval  
Lease Commingling & Off lease sales of production**

1. This approval is subject to like approval by the New Mexico Oil Conservation Division.
2. This agency shall be notified of any spill or discharge as required by NTL-3A.
3. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
4. This approval does not constitute right-of-way approval for any off-lease activities. Within 30 days, an application for right-of-way approval must be submitted to the Realty Section if not already done.
5. Approval for combining production from various sources is a privilege which is granted to lessees for the purpose of aiding conservation and extending the economic life of leases. Applicants should be cognizant that failure to operate in accordance with the provisions outlined in the Authorized Officer's conditions of approval and/or subsequent stipulations or modifications will subject such approval to revocation.
6. Gas measurement for allocation must be measured as per Onshore Order #5 or 43 CFR 3175 and API requirements for sales meters, or as approved in this approval to commingle production.
7. Oil measurement for allocation must be measured as per Onshore Order #4 or 43 CFR 3174 and API requirements for oil measurement, or as approved in this approval to commingle production.
8. All gas and oil subject to royalty shall be measured as per federal regulations and shall be reported to ONRR as required. All gas which is vented, flared or used on lease shall be reported as per 43 CFR 3179 to ONRR. All gas which is vented or flared shall be subject to royalty, unless prior approval was given by the authorized officer. These volumes are royalty bearing and shall be reported on OGOR "B" as disposition code "33" for royalty-bearing flared gas and disposition code 63 for royalty-bearing vented gas.  
**DC 33 = Flared gas – royalty due**  
**DC 63 = Vented gas – royalty due**
9. This agency shall be notified of any change in sales method or location of sales point.
10. Additional wells and/or leases/CAs require additional commingling approvals.
11. Notify this office 24 Hrs. prior to any meter proving to allow time for an inspector to witness.
12. Submit meter numbers upon installation of meters and also provide updated facility diagram with meters numbers.
13. Coriolis meters (CMS) will be proven, as per API, BLM, and NMOCDC specifications, when installed, once per month for the first 3 months (to establish a consistent repeatability factor), and then CMS meter proving frequency requirement will be as per applicable BLM regulations, notwithstanding further guidance from the local BLM authorized officer. The factor obtained will be used to allocate the production volumes.

14. This approval does not authorize any by passes around any allocation meter or metering separator, this is to include the use of headers to divert production other production equipment other than the approve measurement points.

**ETZ Federal 1H**  
**ETZ Federal 3H**

**3001503890, San Andres**  
**3001503892, San Andres/Queen**

**NMLC063932**  
**NMLC063932**

**Federal 26 1H**  
**Federal 26 2H**  
**Federal 26 3H**

**3001510447, San Andres**  
**3001504851, San Andres/Queen**  
**3001521479, San Andres**

**NMLC029431A**  
**NMLC029431A**  
**NMLC029431A**

**Lease NMLC063932**  
**Lease NMLC029431A**

**Royalty Rate Sch C 12.5 - 25%**  
**Royalty Rate 12.5%**