

District I
1633 N. French Drive, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised August 1, 2011

District II
111 S. Main St., Artesia, NM 88210

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

District III
1600 Rio Grande Road, Aztec, NM 87410

APPLICATION FOR DOWNHOLE COMMINGLING

District IV
1225 S. St. Francis Dr., Santa Fe, NM 87505

Operator OKY USA Inc. -16696 Address P.O. Box 50250 Midland, TX 79710

Lease Louise Federal 1 Well No. 1 Unit Letter-Section-Township-Range F-4-235-26E County Eddy

OGRID No. 16696 Property Code 305122 API No. 30-015-2433 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	<u>N. Louise Strawn (Gas)</u>		<u>N. Louise (Hobbs) (Gas)</u>
Pool Code	<u>80710</u>		<u>80695</u>
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	<u>11244-11273'</u>		<u>12218-12367'</u>
Method of Production (Flowing or Artificial Lift)	<u>Flowing</u>		<u>Flowing</u>
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)	<u>—</u>		<u>—</u>
Oil Gravity or Gas BTU (Degree API or Gas BTU)	<u>D-1217 W-1195</u>		<u>D-1217 W-1195</u>
Producing, Shut-In or New Zone	<u>New</u>		<u>New</u>
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: <u>See Attached</u> Rates: <u>Prod. Curve</u>	Date: Rates:	Date: <u>See Attached</u> Rates: <u>Prod. Curve</u>
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas % <u>52</u> %	Oil Gas % %	Oil Gas % <u>48</u> %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
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 [Signature] TITLE SR. Regulatory Advisor DATE 7/23/18

TYPE OR PRINT NAME David Stewart TELEPHONE NO. (432) 685-5717

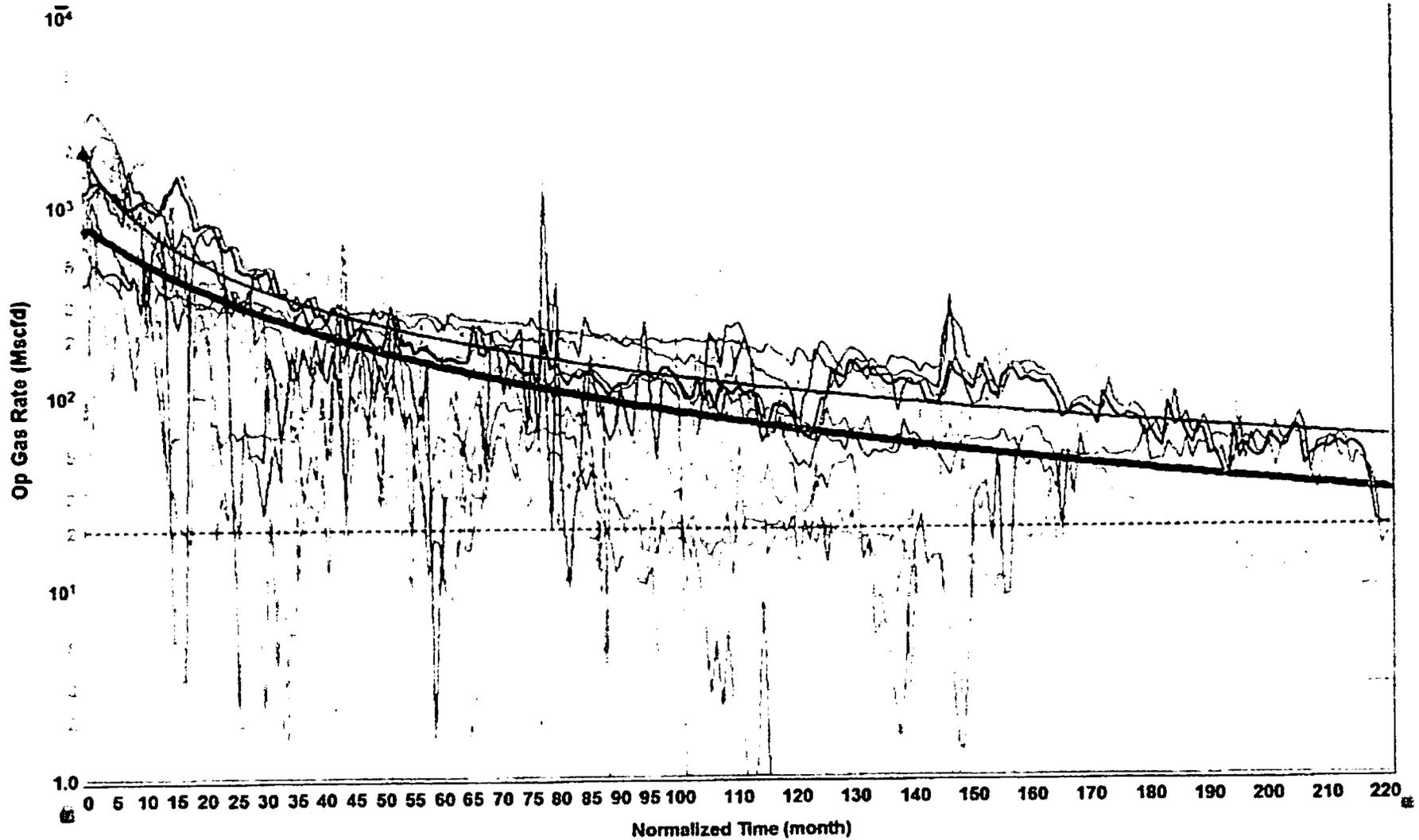
E-MAIL ADDRESS david.stewart@oky.com

Additional Contact - Angie Marie Coutreñas - Sr. Engr. Adv. - Prod - 713-497-2012
angie_coutrenas@oky.com

Attachment C-107A - Loving Federal #1 - 30-015-24333

Production curve for each zone for at least one year. (If not available, attach explanation.) Zones are not opened, so well has no production history in this well
For zones with no production history, estimated production rates and supporting data.

Morrow: 368 mscf peak - Strawn: 400 mscf peak - This is based on analogs risked for potential depletion or rock quality



Data to support allocation method or formula. (based on estimated peak production in type curve Strawn estimated 400 mscf, and Morrow estimate 368 mscf)

BUREAU OF LAND MANAGEMENT

Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972

Permanent Abandonment of Production Zone Conditions of Approval

Failure to comply with the following Conditions of Approval may result in a Notice of Incidents of Noncompliance (INC) in accordance with 43 CFR 3163.1.

1. Plug back operations shall commence within **ninety (90)** days from this approval. **If you are unable to plug back the well by the 90th day provide this office, prior to the 90th day, with the reason for not meeting the deadline and a date when we can expect the well to be plugged back. Failure to do so will result in enforcement action.**
2. **Notification:** Contact the appropriate BLM office at least 24 hours prior to the commencing of any plug back operations. For wells in Eddy County, call 575-361-2822. For wells in Lea County, call 575-393-3612
3. **Blowout Preventers:** A blowout preventer (BOP), as appropriate, shall be installed before commencing any plugging operation. The BOP must be installed and maintained as per API and manufacturer recommendations. The minimum BOP requirement is a 2M system for a well not deeper than 9,090 feet; a 3M system for a well not deeper than 13,636 feet; and a 5M system for a well not deeper than 22,727 feet.
4. **Mud Requirement:** Mud shall be placed between all plugs. Minimum consistency of plugging mud shall be obtained by mixing at the rate of 25 sacks (50 pounds each) of gel per 100 barrels of brine water. Minimum nine (9) pounds per gallon.
5. **Cement Requirement:** Sufficient cement shall be used to bring any required plug to the specified depth and length. Any given cement volumes on the proposed plugging procedure are merely estimates and are not final. Unless specific approval is received, no plug except the surface plug shall be less than 25 sacks of cement. Any plug that requires a tag will have a minimum WOC time of 4 hours. In lieu of a cement plug across perforations in a cased hole (not for any other plugs), a bridge plug set within 50 feet to 100 feet above the perforations shall be capped with 25 sacks of cement. **Before pumping cement on top of CIBP, tag will be required to verify depth. Based on depth, a tag of the cement may be deemed necessary.** Unless otherwise specified in the approved procedure, the cement plug shall consist of either Neat Class "C", for up to 7,500 feet of depth or Neat Class "H", for deeper than 7,500 feet plugs.
6. **Subsequent Plug back Reporting:** Within 30 days after plug back work is completed, file one original and three copies of the Subsequent Report, Form 3160-5 to BLM. The report should give in detail the manner in which the plug back work was carried out, the extent (by depths) of cement plugs placed, and the size and location (by depths) of casing left in the well. **Show date work was completed.** If plugging back to a new zone submit a Completion Report, form 3160-4 with the Subsequent Report.
7. **Trash:** All trash, junk and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.
8. **If well location is within the Timing Limitation Stipulation Area for Lesser Prairie-Chicken:** From March 1st through June 15th annually, abandonment activities will be allowed except between the hours from 3:00 am and 9:00 am. Normal vehicle use on existing roads will not be restricted