

Accepted for record

NMOCD

UNITED STATES

DEPARTMENT OF THE INTERIOR SEP 20 2013

BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

RECEIVED

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

5. Lease Serial No.

NMNM 048344

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

WILLIAMS A FEDERAL #2Q

3

30-015-32459

10. Field and Pool, or Exploratory Area

Red Lake, Queen-Grayburg-San Andres (51300)

Artesia, Glorieta-Yeso (96830)

AND

Eddy County, New Mexico

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

LRE OPERATING, LLC.

3a. Address c/o Mike Pippin LLC

3104 N. Sullivan, Farmington, NM 87401

3b. Phone No. (include area code)

505-327-4573

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

1800' FSL & 1650' FWL Unit K

Sec. 29, T17S, R28E

12. CHECK 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 checked="" type="checkbox"/> Fracture Treat <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 checked="" type="checkbox"/> Recomplete <input checked="" type="checkbox"/> Other Recomplete to San Andres & Commingle w/Yeso |
| | <input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon |
| | <input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal |

13. Describe Proposed or Completed Operations (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 recomple 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 shall 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 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

LRE would like to recomplete this Yeso oil well to the San Andres as follows: MIRUSU. TOH w/rods & pump. Set a 5-1/2" CBP @ ~3280' & PT to ~3500 psi. (Existing Yeso perfs are 27 holes @ 3396'-3497'). Perf lower SA @ about 2740'-3041' w/~33 holes. Stimulate w/~3000 gal 15% HCL acid & frac w/~89,000# 16/30 sand in X-linked gel. Set a 5-1/2" CBP @ ~2700' & PT to ~3500 psi. Perf middle SA @ about 2480'-2651' w/~17 holes. Stimulate w/~2000 gal 15% HCL acid & frac w/~73,000# 16/30 sand in X-linked gel. Set a 5-1/2" CBP @ ~2468' & PT to ~3500 psi. Perf upper SA @ about 2196'-2451' w/~22 holes. Stimulate w/~3000 gal 15% HCL acid & frac w/~59,000# 16/30 sand in X-linked gel. Set a 5-1/2" CBP @ ~2150' & PT to ~3500 psi. Perf upper SA @ about 1854'-2113' w/~14 holes. Stimulate w/~2000 gal 15% HCL acid & frac w/~59,000# 16/30 sand in X-linked gel. CO after frac, drill CBPs & 2150', 2468', 2700' & 3280' & CO to PBDT3509'. Land 2-7/8" tbg @ ~3415' & run pump & rods. Release workover rig & complete as a commingled Yeso/San Andres oil well.

LRE requests administrative approval to downhole commingle the existing (SI) Artesia, Glorieta-Yeso (96830) and the proposed Red Lake, Queen-Grayburg-San Andres (51300). Both intervals have common ownership (Category 1), we have not experienced any significant cross-flows, & all the fluids are compatible. Downhole commingling will maximize the ultimate recovery of oil & gas, eliminate redundant surface equipment, & maximize productivity. Notice has been filed concurrently on form G-102A with the State. LRE is requesting approval to commingle the two pools upon completion of rig operations, which will reduce the environmental impact. The production allocation will be calculated by subtracting the total well production after about two months of commingled production from the current (Yeso) production of 4 BOPD and 6 MCF/D. We plan to submit these calculations and the resulting allocation to your office after the well has been on line for about 2 months.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Mike Pippin

Signature

Mike Pippin

Title

Petroleum Engineer (Agent)

Date

July 18, 2013

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Title

Date

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

Title 18 U.S.C. Section 1001, makes 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.

SUBJECT TO LIKE
APPROVAL BY STATESEE ATTACHED FOR
CONDITIONS OF APPROVALAPPROVED
SEP 19 2013
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

District I
1625 N. French Drive, Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-107A
Revised June 10, 2003

APPLICATION TYPE
☒ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

LRE OPERATING, LLC c/o Mike Pippin LLC (agent), 3104 N. Sullivan, Farmington, NM 87401
Operator Address

WILLIAMS A FEDERAL #20 K SEC. 29 T17S R28E Eddy
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 281994 Property Code 309877 API No. 30-015-32459 Lease Type: ☒ Federal ☐ State ☐ Fee

| DATA ELEMENT | UPPER ZONE | INTERMEDIATE ZONE | LOWER ZONE |
|---|-------------------------------------|-------------------|---|
| Pool Name | RED LAKE; Queen-Grayburg-San Andres | | ARTESIA: Glorieta-Yeso |
| Pool Code | 51300 | | 96830 |
| Top and Bottom of Pay Section (Perforated or Open-Hole Interval) | 1854'-3041' | | 3396'-3497' |
| Method of Production (Flowing or Artificial Lift) | Plan to Pump | | Pumping |
| 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) | 690 psi | | 851 psi |
| Oil Gravity or Gas BTU (Degree API or Gas BTU) | 34.8 | | 38.32 |
| Producing, Shut-In or New Zone | New Zone | | Producing |
| 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: RATES: | Date: RATES: | Date: 2/14/13 Rates: 4 BOPD 8 MCF/D |
| 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 % | Oil Gas % | Oil Gas |

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ No ☐
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 Mike Pippin TITLE Petroleum Engineer - Agent DATE July 18, 2013

TYPE OR PRINT NAME Mike Pippin TELEPHONE NO. (505) 327-4573

E-MAIL ADDRESS mike@pippinllc.com



LRE Operating, LLC
Proposed San Andres 4 Stage
Recompletion
AFE # R13016

Williams A Federal #2
Sec 29-17S-28E (K)
1800' FSL, 1650' FWL
Elevation - 3,683'
API #: 30-015-32459
Eddy County, NM

Spud
11/26/04

TOC @ +/- 10' (check visually)

- TOH w/ rods, pump. N/U BOP.
- POOH, run bit and scraper, Test CSG w PKR and RBP, LD tubing.
- MIRU WLU and perforate, acidize, and frac the San Andres in four stages as described below.
- PU 2-7/8" tubing and drill CBP's and clean out to PBTD 3509'.
- TIH w/ tubing (TAC at 1750', SN at 3350', 4' slotted sub, 2 jt MA w BP at ~3415')
- TIH w/pump and rods and turn to production.
- Produce the San Andres and Yeso with an approved commingling permit.

8-5/8", 24#, J-55, ST&C Casing @ 458'.

2-7/8"; 6.5#, J-55 Tubing, TAC at 1750', SN at 3350',
4' slotted sub, 2 jt MA w BP at ~ 3415'

Drill all CBP's
and
commingle
Yeso & San
Andres after 4
stage San
Andres
Recompletion

CBP @2150'

CBP @2468'

CBP @2700'

CBP @3200'

Stage 4 San Andres: 1854'-2113', 1 spf, 14 holes
2000 g 15% HCL acid and 21 bio balls, 37,000 g X-link 20# gel, 45,500
lbs 16/30 Brady, 13,500 lbs 16/30 resin coated sand, staged 1-4.5 ppg,
at 65 BPM

Stage 3 San Andres: 2196'-2451', 1 spf, 22 holes
3000 g 15% HCL acid and 33 bio balls, 50,000 g X-link 20# gel, 65,500
lbs 16/30 Brady, 18,000 lbs 16/30 resin coated sand, staged 1-4.5 ppg,
at 65 BPM

Stage 2 San Andres: 2480'-2651', 1 spf, 17 holes
2000 g 15% HCL acid and 26 bio balls, 42,000 g X-link 20# gel, 54,500
lbs 16/30 Brady, 18,000 lbs 16/30 resin coated sand, staged 1-4.5 ppg,
at 65 BPM

Stage 1 San Andres: 2740'-3040', 1 spf, 23 holes
3000 g 15% HCL acid and 35 bio balls, 54,000 g X-link 20# gel, 70,500
lbs 16/30 Brady, 18,000 lbs 16/30 resin coated sand, staged 1-4.5 ppg,
at 65 BPM

Yeso Perfs: 3,396' - 98'; 3,402'; 04'; 08' - 12'; 17'; 39'
- 41'; 55'; 57'; 74'; 77'; 79'; 83' - 84'; 87'; 90' - 92' &
96' - 97' (1 SPF, 27 holes)

Stim Info: 3000 gal 15% NEFE; 20k gal gelled 20%
HCl, 30k gal 40# gel, 3000 gal. (12/26/04)

PBTD @ 3,509'

5-1/2"; 17#, J-55; ST&C Casing @ 3,560'. 350 sks lead &
400 sks tail. Circulate 136 sx to surface. (12/04/2004)

TD @ 3,570'

GEOLOGY

| Zone | Top |
|------------|--------|
| Yates | 506' |
| 7 Rivers | 792' |
| Queen | 1,265' |
| Grayburg | 1,604' |
| San Andres | 1,886' |
| Glorietta | 3,272' |
| Yeso | 3,367' |

SURVEYS

| Degrees | Depth |
|---------|--------|
| 1/2° | 502' |
| 3/4° | 1,018' |
| 3/4° | 1,506' |
| 1° | 1,995' |
| 3/4° | 2,489' |
| 1/2° | 3,006' |

LRE OPERATING, LLC
Mike Pippin
3104 N. Sullivan Avenue
Farmington, NM 87401
505-327-4573 (phone) mike@pippinllc.com

July 18, 2013

NMOCD
c/o Phil Goetze
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: C-107A TO COMMINGLE TWO POOLS
WILLIAMS A FEDERAL #2Q— API#: 30-015-32459
Unit Letter "K" Section 29 T17S R28E
Eddy County, New Mexico

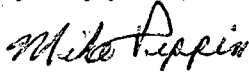
Dear Mr. Goetze,

The referenced oil well has produced since December 26, 2004 from the Artesia, Glorieta-Yeso (96830). LRE would like to open a new upper pool, the Red Lake, Queen-Grayburg-San Andres (51300) and commingle the two pools. Interests in these two pools are identical. A sundry notice has been submitted to the BLM to open the upper interval and commingle.

LRE is requesting approval to commingle the two pools upon completion of rig operations to complete the well in the upper pool. The production allocations will be calculated by subtracting the total well production after about two months of commingled production from the current (Yeso) production of 4 BOPD and 8 MCF/D. We plan to submit these calculations and the resulting allocations to the district office after the well has been on line for about 2 months.

Please contact me at 505-327-4573 should you have any questions.

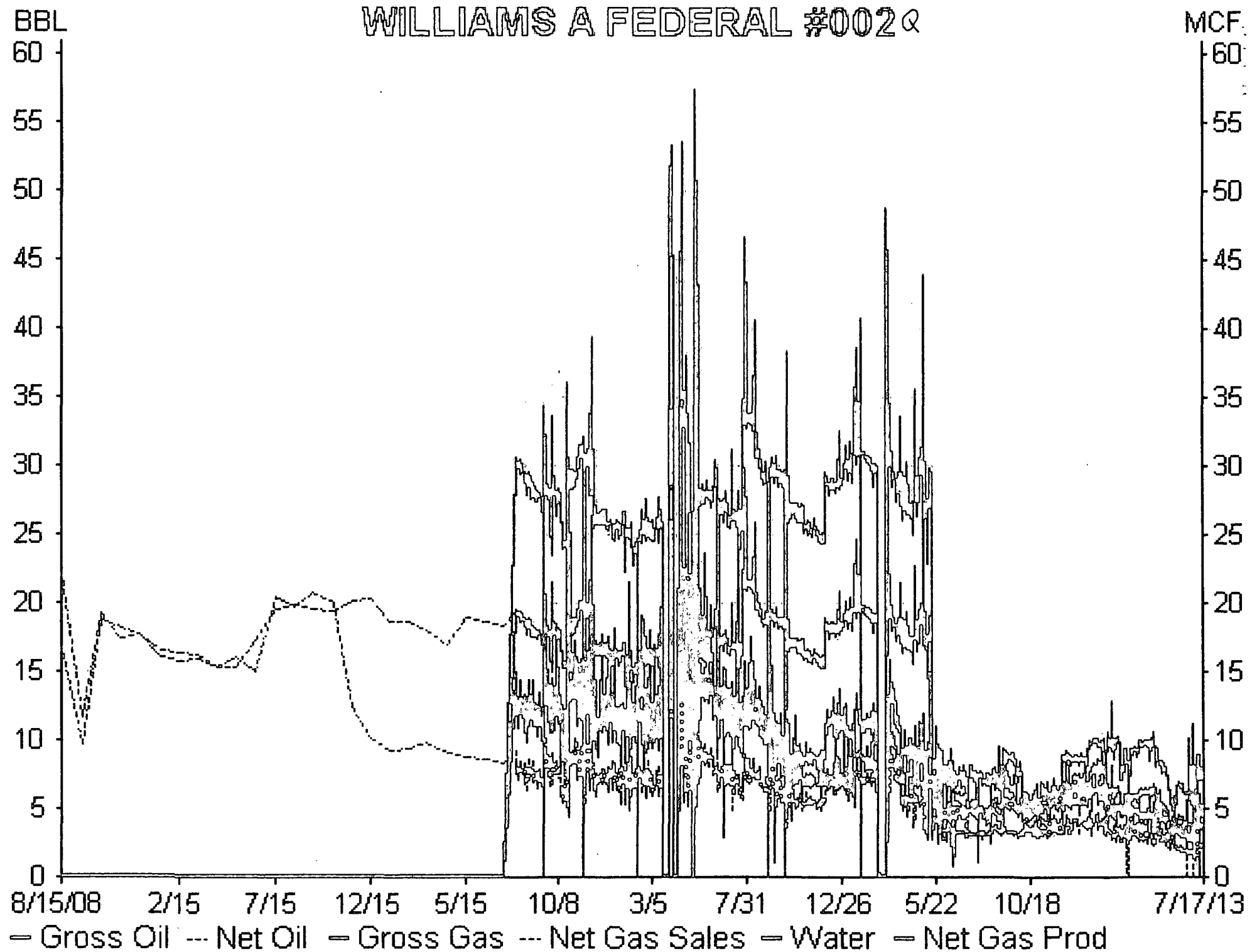
Very truly yours,



Mike Pippin

Petroleum Engineer

WILLIAMS A FEDERAL #002Q



District I
1625 N. French Dr., Hobbs, NM 88240

District II

811 South First, Artesia, NM 88210

District III

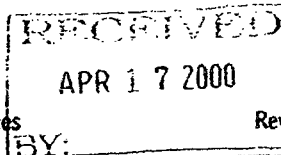
1800 Rio Brueas Rd., Aztec, NM 87410

District IV

2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505



Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | |
|------------------------|--|---------------------|----------------|--|--------------------|
| API Number | | Pool Code | Artesia, GL-YE | | Pool Name |
| Property Code 26370 | | WILLIAMS A. FEDERAL | | | Well Number 2 Q |
| OGRID No. 020451 | | SDX RESOURCES, INC. | | | Elevation 3683. |

18 Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| K | 29 | 17-S | 28-E | | 1800 | SOUTH | 1650 | WEST | EDDY |

19 Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|-----------------------|---------|-----------------|-------|--------------------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |
| Dedicated Acres 40 | | Joint or Infill | | Consolidation Code | | Order No. | | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | | |
|--|---|--|
| | 17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. | |
| | Signature: <u>Bonnie Atwater</u> | |
| | Printed Name: Bonnie Atwater | |
| | Title: Regulatory Tech Date: 4/28/00 | |
| | 18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. | |
| | APR 17 2000 NEW MEXICO 5412 REGISTERED PROFESSIONAL ENGINEER LAND SURVEYOR Signature: <u>[Signature]</u> | |
| | Date of Survey: _____ Signature and Seal of Professional Surveyor: _____ | |
| | NM E&PS NO. 5412 | |

Original on file

District I
1625 N. French Dr., Hobbs, NM 88240

District II

811 South First, Artesia, NM 88210

District III

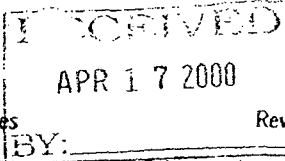
1000 Rio Brazos Rd., Aztec, NM 87410

District IV

2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505



Form C-102
Revised March 17, 1999

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | |
|---------------|---------------------|-----------|-------------------|
| API Number | | Pool Code | Pool Name |
| | | 51300 | Red Lake QN-GB-SA |
| Property Code | Property Name | | Well Number |
| | WILLIAMS FEDERAL | | 2 Q |
| OGRID No. | Operator Name | | Elevation |
| 020451 | SDX RESOURCES, INC. | | 3683. |

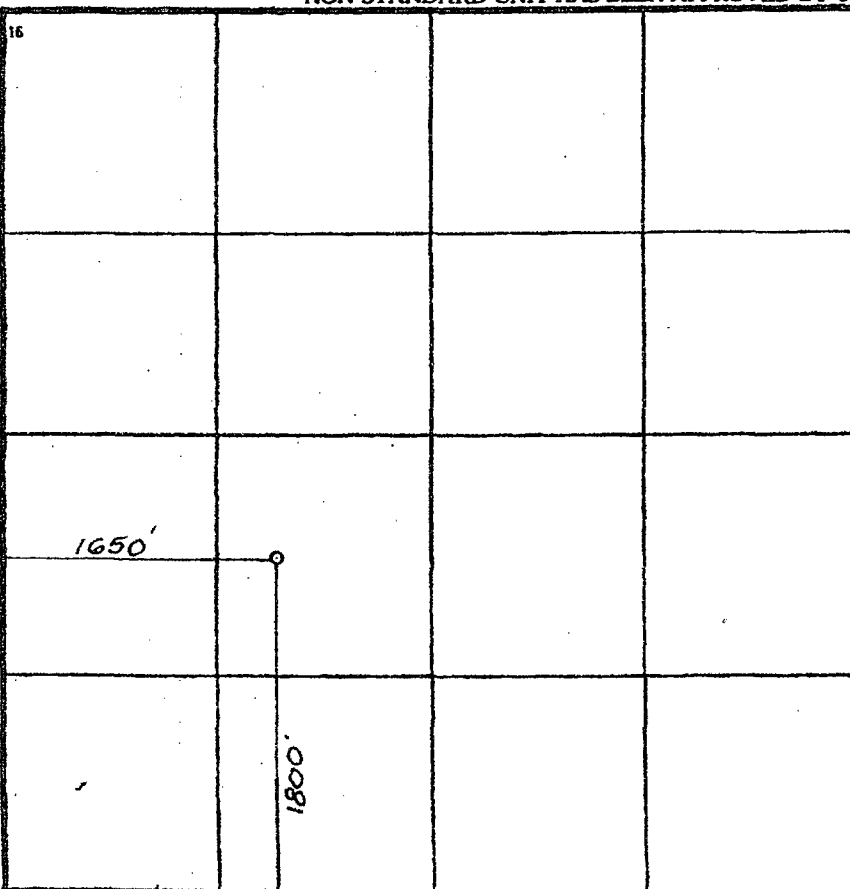
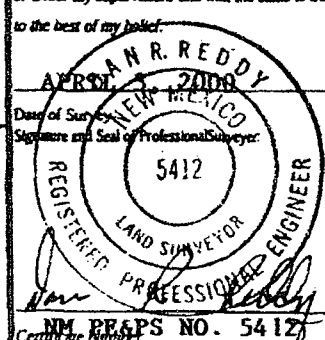
10 Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| K | 29 | 17-S | 28-E | | 1800 | SOUTH | 1650 | WEST | EDDY |

11 Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|-----------------|---------|-----------------|-------|--------------------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |
| Dedicated Acres | | Joint or Infill | | Consolidation Code | | Order No. | | | |
| 40 | | | | | | | | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | | |
|--|---|---|
| <div>16</div>  | 17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. | |
| | Signature: <u>Bonnie Atwater</u> | |
| | Printed Name: Bonnie Atwater | |
| | Title: Regulatory Tech | |
| Date: 4/28/00 | | 18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. |
| Date of Survey: APR 17 2000 | |  |
| Signature and Seal of Professional Engineer: <u>An R. Reddy</u> | | |
| NM BEPS NO. 5412 | | |

Original on file

**Williams A Federal 2 Q
30-015-32459
LRE Operating, LLC.
September 19, 2013
Conditions of Approval**

Work to be completed by December 19, 2013.

Notify BLM at 575-361-2822 a minimum of 24 hours prior to commencing work.

- 1. Must conduct a casing integrity test before any perforating or fracturing can be done. Submit results to BLM. The CIT is to be performed on the production casing to max treating pressure. Contact the BLM if test fails.**
- 2. Operator shall set the deepest CBP at 3,250' (above Glorietta).**
- 3. No DHC shall be done without approval from both the BLM and the State.**
- 4. Operator is approved to drill out the CBPs at 2150', 2468', and 2700' and clean out the well to the deepest CBP at 3250'. Put well on pump.**
- 5. Operator shall produce solely from the San Andres formation in order to establish a typical decline curve obtain reservoir data and submit results to the BLM for future DHC review.**

NOTE: A new sundry for a DHC will be needed.

- 6. Before casing or a liner is added or replaced, prior BLM approval of the design is required. Use notice of intent Form 3160-5.**
- 7. Surface disturbance beyond the originally approved pad must have prior approval.**
- 8. Closed loop system required.**
- 9. All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of work over operations shall be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid shall be disposed of on the well location or surrounding area. Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.**
- 10. Operator to have H2S monitoring equipment on location.**

11. A minimum of a 2000 (2M) BOP to be used. All blowout preventer (BOP) and related equipment (BOPE) shall comply with reasonable well control requirements. A two ram system with a blind ram and a pipe ram designed for the size of the work string shall be adequate. Tapered work strings will require an additional pipe ram. The manifold shall comply with Onshore Oil and Gas Order #2 Attachment I (2M Diagrams of Choke Manifold Equipment). The accumulator system shall have an immediately available power source to close the rams and retain 200 psi above pre-charge. The pre-charge test shall follow requirements in Onshore Order #2.
12. **Subsequent sundry required detailing work done and completion report for the new formation. Operator to include well bore schematic of current well condition when work is complete.**

JAM 091913