

Office

Revised July 18, 2013

District I - (575) 393-6161

Energy, Minerals and Natural Resources

1625 N. French Dr., Hobbs, NM 88240

NM OIL CONSERVATION

District II - (575) 748-1283

ARTESIA DISTRICT

811 S. First St., Artesia, NM 88210

OIL CONSERVATION DIVISION

District III - (505) 334-6178

JUN 16 2014 1220 South St. Francis Dr.

1000 Rio Brazos Rd., Aztec, NM 87410

Santa Fe, NM 87505

District IV - (505) 476-3460

1220 S. St. Francis Dr., Santa Fe, NM

87505

RECEIVED

WELL API NO.

30-015-40338

5. Indicate Type of Lease

STATE ☒ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name

STALEY STATE

8. Well Number #16

9. OGRID Number 281994

10. Pool name or Wildcat

Red Lake, Glorieta-Yeso NE (96836)

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

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☒ Gas Well ☐ Other ☐

2. Name of Operator

LRE OPERATING, LLC

3. Address of Operator

c/o Mike Pippin LLC, 3104 N. Sullivan, Farmington, NM 87401

4. Well Location

Unit Letter O : 890 feet from the South line and 2310 feet from the East lineSection 30 Township 17-S Range 28-E NMPM Eddy County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

3626' GL

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data**NOTICE OF INTENTION TO:**PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐TEMPORARILY ABANDON ☐ CHANGE PLANS ☐PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐DOWNHOLE COMMINGLE ☐CLOSED-LOOP SYSTEM ☒OTHER: ☐**SUBSEQUENT REPORT OF:**REMEDIAL WORK ☐ ALTERING CASING ☐COMMENCE DRILLING OPNS. ☐ P AND A ☐CASING/CEMENT JOB ☐OTHER: 1st Portion of WO to Recomplete to SA & DHC ☒13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work).
SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

LRE OPERATING, LLC has completed the first portion of its workover to recomplete to SA & DHC. On 5/29/14, MIRUSU. TOH w/rods, pump, & tbg. Set 5-1/2" CBP @ 3200' & PT 5-1/2" csg & CBP to 3500 psi for 15 min-OK. Perfed Lower SA @ 2810', 16', 26', 36', 50', 59', 67', 80', 88', 2902', 16', 26', 40', 51', 60', 70', 80', 92', 3000', 10', 20', 30', 46', 54', 61', 70', 80', 96', 3110', 20' w/1-0.41" spf. Total 30 holes. On 6/4/14, treated perfs w/1500 gal 15% HCL acid & fraced w/28,552# 100 mesh & 253,500# 40/70 Wisconsin sand in slick water. Set 5-1/2" CBP @ 2700' & PT to 3500 psi-OK. Perfed Middle SA @ 2300', 12', 22', 34', 50', 60', 70', 80', 90', 2400', 13', 22', 30', 38', 50', 60', 70', 80', 90', 2504', 12', 22', 30', 40', 54', 63', 74', 82', 90', 2600' w/1-0.41" spf. Total 30 holes. Treated w/1711 gal 15% HCL acid & fraced w/30,000# 100 mesh & 211,000# 40/70 Wisconsin sand in slick water. CO after frac, drilled CBP @ 2700' & CO to CBP @ 3200'. On 6/7/14, landed ESP on 2-7/8" 6.5# J-55 tbg @ 2018'. Released completion rig on 6/7/14.

Following a test on this 1st portion, we plan move the rig back & continue with the 2nd portion of the workover. Following a test of the 2nd portion of the workover, we plan to drill out the CBP @ 3200' & DHC w/the existing Yeso perfs (3290'-4624'). **These two oil pools have a blanket DHC order (19.15.12.11E).**

ART-DHC-4609-S

Spud Date: 7/17/12

Drilling Rig Release Date: 7/23/12

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 6/9/14

Type or print name

Mike Pippin

E-mail address: mike@pippinllc.com

PHONE: 505-327-4573

For State Use Only

APPROVED BY:

[Signature]

TITLE

Dist H Spencer

DATE

6/23/14

Conditions of Approval (if any):