

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

N.M. OIL CONSERVATION DIVISION FORM APPROVED  
OMB No. 1004-0137  
811 S. FIRST STREET  
Expire: July 31, 2010  
5. Lease Serial No.  
ARTESIAN NM 001648

**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>  |   | 6. If Indian, Allottee or Tribe Name                                  |
| 1. Type of Well<br><input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other |   | 7. If Unit of CA/Agreement, Name and/or No.                           |
| 2. Name of Operator<br>LRE Operating, LLC  |   | 8. Well Name and No.<br>China Federal #5                              |
| 3a. Address<br>1111 Bagby Street, Suite 4600<br>Houston, TX 77002  | 3b. Phone No. (include area code)<br>575-623-8424 | 9. API Well No.<br>30-005-61605                                       |
| 4. Location of Well (Footage, Sec., T., R., M., or Survey Description)<br>1322' FSL 2080' FEL Unit J Sec 18 T07S R23E            |   | 10. Field and Pool or Exploratory Area<br>Pecos Slope; ABO West (Gas) |
|  |   | 11. Country or Parish, State<br>Chaves County, New Mexico             |

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 checked="" type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Subsequent Report           | <input type="checkbox"/> Alter Casing         | <input 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 type="checkbox"/> Recomplete                           | <input type="checkbox"/> Other _____    |
|  | <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 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 recompleate 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 recompleation 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.)

All wells on the lease referenced in the attached written order are capable of producing in paying quantities.

They are shut in due to Agave's (Gas Purchaser) inability to sale the gas due to high nitrogen content.

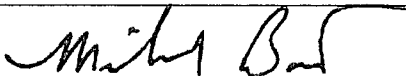
Agave is in the process of installing a nitrogen rejection unit which will enable Lime Rock Resources/LRE Operating, LLC and other companies to return their wells to production.

The estimated time for the plant to be in operation is in the late 4th Quarter of this year (2014).

Please see attached letter from Agave Energy.

Accepted for record  
NMOCD 10/30/14

APPROVED FOR 6 MONTH PERIOD  
FEB 01 2015  
ENDING

|   |  |                             |
|---|--|-----------------------------|
| 14. I hereby certify that the foregoing is true and correct.<br>Name (Printed/Typed)<br>Michael Barrett |  | Title Production Supervisor |
| Signature            |  | Date 07/21/2014             |

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

|   |  |                                       |
|---|--|---------------------------------------|
| Approved by<br><b>ISI Angel Mayes</b>   | Assistant Field Manager,<br>Lands And Minerals | Date<br><b>7 23 '14</b>               |
| 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<br><b>Roswell Field Office</b> |

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)

**OPERATIONS COPY**

☒ Certified Mail - Return  
Receipt Requested  
70103090000044926250

**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
NOTICE OF WRITTEN ORDER**

| IDENTIFICATION |           |
|----------------|-----------|
| ID#            |           |
| Lease          | NMNM36648 |
| CA             |           |
| Unit           |           |
| PA             |           |

|   |                                |                                   |                       |   |                        |                         |                    |
|---|--------------------------------|-----------------------------------|-----------------------|---|------------------------|-------------------------|--------------------|
| Bureau of Land Management Office<br><b>ROSWELL FIELD OFFICE</b> |                                |                                   |                       | Operator<br><b>LRE OPERATING, LLC</b>                         |                        |                         |                    |
| Address<br><b>2909 W. SECOND ST.<br/>ROSWELL NM 88201</b>       |                                |                                   |                       | Address<br><b>1111 BAGBY, SUITE 4600<br/>HOUSTON TX 77002</b> |                        |                         |                    |
| Telephone<br><b>575.627.0272</b>                                |                                |                                   |                       | Attention   |                        |                         |                    |
| Inspector<br><b>OTORRES</b>                                     |                                |                                   |                       | Attn Addr   |                        |                         |                    |
| Site Name<br><b>CHINA FEDERAL</b>                               | Well/Facility/FMP<br><b>11</b> | 1/4 1/4 Section<br><b>NWNE 18</b> | Township<br><b>7S</b> | Range<br><b>23E</b>   | Meridian<br><b>NMP</b> | County<br><b>CHAVES</b> | State<br><b>NM</b> |
| Site Name<br><b>CHINA FEDERAL</b>                               | Well/Facility/FMP<br><b>11</b> | 1/4 1/4 Section<br><b>NWNE 20</b> | Township<br><b>7S</b> | Range<br><b>23E</b>   | Meridian<br><b>NMP</b> | County<br><b>CHAVES</b> | State<br><b>NM</b> |
| Site Name<br><b>(SEE ATTACHED)</b>                              | Well/Facility/FMP              | 1/4 1/4 Section                   | Township              | Range   | Meridian               | County                  | State              |

The following condition(s) were found by Bureau of Land Management Inspectors on the date and at the site(s) listed above.

| Date       | Time<br>(24-hour clock) | Corrective Action to be<br>Completed by | Date<br>Corrected | Authority Reference |
|------------|-------------------------|---|-------------------|---------------------|
| 06/30/2014 | 13:30                   | 08/08/2014                              |                   | 43 CFR 3162.1(a)    |

Remarks:

**NOTICE OF ORDERS OF THE BLM AUTHORIZED OFFICER**

An inspection was performed by BLM representative Oscar Torres, Petroleum Engineering Technician on wells committed to the following Lease NMNM 36648:

China Federal; #4, #3, #7, #1, #5, #2, #8, #14, #15, #12, #11, #13, #9

**THE ABOVE REFERENCED WELLS ARE SHUTIN WITHOUT PRIOR APPROVAL**  
(Remarks continued on following page(s).)

When the Written Order is complied with, sign this notice and return to above address.

Company Representative Title Production Supervisor Signature [Signature] Date 7-16-14  
Company Comments A 3160-S is attached detailing plans to return wells to production upon completion of Agaves No. plant

**Warning**

The Authorized Officer has authority to issue a Written Order in accordance with 43 CFR 3161.2. Written Order correction and reporting time frames begin upon receipt of this Notice or 7 business days after the date it is mailed, whichever is earlier. Each stipulation must be corrected within the prescribed time from receipt of this Notice and reported to the Bureau of Land Management Office at the address shown above. If you do not comply as noted above under "Corrective Action to be Completed By", you shall be issued an Incident of Noncompliance (INC) in accordance with 43 CFR 3163.1(a). Failure to comply with the INC may result in assessments as outlined in 43 CFR 3163.1 and may also incur civil penalties (43 CFR 3163.2). All self-certified corrections must be postmarked no later than the next business day after the prescribed time frame for correction.

Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3163.2(f)(1), provides that any person who "knowingly or willfully" prepares, maintains, or submits false, inaccurate, or misleading reports, notices, affidavits, records, data, or other written information required by this part shall be liable for a civil penalty of up to \$25,000 per violation for each day such violation continues, not to exceed a maximum of 20 days.

**Review and Appeal Rights**

A person contesting a decision shall request a State Director review of the Written Order. This request must be filed within 20 working days of receipt of the Notice with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Land Appeals, 801 North Quincy Street, Suite 300, Arlington, VA 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

Signature of Bureau of Land Management Authorized Officer [Signature] Date 06/30/2014 Time

**FOR OFFICE USE ONLY**

Number 51 Date Type of Inspection PI

## Wells and/or Facilities and/or FMPs, continued

| Site Name     | Well/Facility/FMP | 1/4 1/4 Sec Township | Range | Meridian | County | State |
|---------------|-------------------|----------------------|-------|----------|--------|-------|
| CHINA FEDERAL | 12                | SWNW 19 7S           | 23E   | NMP      | CHAVES | NM    |
| CHINA FEDERAL | 13                | NWSW 20 7S           | 23E   | NMP      | CHAVES | NM    |
| CHINA FEDERAL | 14                | NESE 19 7S           | 23E   | NMP      | CHAVES | NM    |
| CHINA FEDERAL | 15                | NESW 19 7S           | 23E   | NMP      | CHAVES | NM    |
| CHINA FEDERAL | 2                 | SWNW 18 7S           | 23E   | NMP      | CHAVES | NM    |
| CHINA FEDERAL | 3                 | SWNW 17 7S           | 23E   | NMP      | CHAVES | NM    |
| CHINA FEDERAL | 4                 | NESW 17 7S           | 23E   | NMP      | CHAVES | NM    |
| CHINA FEDERAL | 5                 | NWSE 18 7S           | 23E   | NMP      | CHAVES | NM    |
| CHINA FEDERAL | 7                 | NESW 18 7S           | 23E   | NMP      | CHAVES | NM    |
| CHINA FEDERAL | 8                 | NENE 19 7S           | 23E   | NMP      | CHAVES | NM    |
| CHINA FEDERAL | 9                 | SWNW 20 7S           | 23E   | NMP      | CHAVES | NM    |
| (FACILITY)    | A                 | NESW 17 7S           | 23E   | NMP      | CHAVES | NM    |
| (FACILITY)    | B                 | SWNW 17 7S           | 23E   | NMP      | CHAVES | NM    |
| (FACILITY)    | C                 | NESW 18 7S           | 23E   | NMP      | CHAVES | NM    |
| (FACILITY)    | D                 | NWSE 18 7S           | 23E   | NMP      | CHAVES | NM    |
| (FACILITY)    | E                 | SWNW 18 7S           | 23E   | NMP      | CHAVES | NM    |
| (FACILITY)    | F                 | NWNE 18 7S           | 23E   | NMP      | CHAVES | NM    |
| (FACILITY)    | G                 | NENE 19 7S           | 23E   | NMP      | CHAVES | NM    |
| (FACILITY)    | H                 | NESW 19 7S           | 23E   | NMP      | CHAVES | NM    |
| (FACILITY)    | I                 | NESE 19 7S           | 23E   | NMP      | CHAVES | NM    |
| (FACILITY)    | J                 | SWNW 19 7S           | 23E   | NMP      | CHAVES | NM    |
| (FACILITY)    | K                 | SWNW 20 7S           | 23E   | NMP      | CHAVES | NM    |
| (FACILITY)    | L                 | NWSW 20 7S           | 23E   | NMP      | CHAVES | NM    |
| (FACILITY)    | M                 | NWNE 20 7S           | 23E   | NMP      | CHAVES | NM    |

## BLM Remarks, continued

43 CFR 3162.3-4 (c) REQUIRES THAT WELL(S) INCAPABLE OF PRODUCTION IN PAYING QUANTITIES BE PROMPTLY PLUGGED AND ABANDONED AND REQUIRES APPROVAL FOR ANY WELL TEMPORARILY ABANDONED FOR MORE THAN 30 DAYS. THEREFORE YOU ARE ORDERED TO DO ONE OF THE FOLLOWING:

1. IF YOU DECIDE TO RETURN THE WELL TO PRODUCTION, SUBMIT A SUNDRY NOTICE (FORM 3160-5, ORIGINAL AND 3 COPIES) OF INTENT WITHIN 30 DAYS OF RECEIPT OF THIS LETTER INCLUDE THE DATE YOU ANTICIPATE THE WELL BEING PLACED BACK IN SERVICE. 43 CFR 3162.4-1(c) ALSO REQUIRES YOU TO NOTIFY THE AUTHORIZED OFFICER, NOT LATER THAN THE FIFTH BUSINESS DAY AFTER PRODUCTION IS RESUMED FOR ANY WELL WHICH HAS BEEN OFF PRODUCTION FOR MORE THAN 90 DAYS, THE DATE ON WHICH SUCH PRODUCTION WAS RESUMED. NOTIFICATION MAY BE BY LETTER OR SUNDRY NOTICE, OR ORALLY FOLLOWED BY LETTER OR SUNDRY NOTICE.

2. IF THE WELL IS TO BE USED FOR BENEFICIAL PURPOSES, SUBMIT A SUNDRY NOTICE (FORM 3160-5, ORIGINAL AND 3 COPIES) WITHIN 30 DAYS OF RECEIPT OF THIS LETTER AND INCLUDE INFORMATION CONCERNING FUTURE USE. A BRIEF DESCRIPTION OF YOUR PROPOSED PLANS AND ECONOMIC FEASIBILITY AND AN ANTICIPATED DATE FOR PLACING THE WELL IN BENEFICIAL USE WILL SUFFICE.

3. IF YOU DECIDE TO PLUG AND ABANDON THE WELL, SUBMIT A SUNDRY NOTICE FORM 3160-5, ORIGINAL AND 3 COPIES) WITHIN 30 DAYS OF RECEIPT OF THIS LETTER AND DESCRIBE THE PROPOSED PLUGGING PROGRAM.

FOR MONITORING AND TRACKING PURPOSES;  
SUBMIT APPROPRIATE PAPERWORK TO THIS OFFICE  
ATTENTION: ROBERT E. HOSKINSON Sr.  
IF YOU HAVE ANY QUESTIONS, CONTACT:

Oscar Torres  
Petroleum Engineering Technician  
2909 West Second Street  
Roswell, NM 88201  
Office: (575) 627-0249  
Cell: (575) 208-8701

# AGAVE ENERGY COMPANY

105 South Fourth Street

Artesia, New Mexico 88210

(575) 748-4555

Fax (575) 748-4275

July 22, 2014

**VIA EMAIL: [Mbarrett@limerockresources.com](mailto:Mbarrett@limerockresources.com)**

Mr. Mike Barrett

Lime Rock Resources

RE: Transwestern Pipeline Gas Quality Issue Posting

Dear Mr. Barrett,

As per your request, please find attached the Gas Quality Issue Posting dated April 21, 2011 by Transwestern Pipeline. This notice effectively forced Agave to curtail gas receipts on our gathering systems in the Bitter Lakes and Red Bluff areas in Chaves County, New Mexico.

Agave has executed a new Gas Purchase agreement with Lime Rock Resources dated January 1 2013. The new Nitrogen treating/blending facility has an expected operational date of November 1<sup>st</sup> 2014. The major delay in the start-up of this facility is due to BLM rights of way re-routes associated with the electrical service provider Central Valley Electric.

Best Regards,



J.B. Smith

President

Agave Energy Company

CC: Tim Miller – Lime Rock Resources

Melanie Brantley-Agave Energy Company

From: Hearn, Steven <[Steven.Hearn@energytransfer.com](mailto:Steven.Hearn@energytransfer.com)>  
To: J.B. Smith  
Sent: Fri Sep 14 12:35:25 2012  
Subject: TW Gas Quality Posting

JB,

See Below This was the posting for the Gas Quality issue

Notice Text: April 21, 2011

To: All Transwestern Pipeline Customers

Reason: Panhandle Lateral Receipt Locations Gas Quality

Sections 2.1 and 2.3 of the General Terms and Conditions of the tariff set forth the gas quality standards and provide that Transwestern can accept gas that deviates from the specifications to the extent that the gas can be blended and does not prevent delivery to downstream locations.

Based on current gas flows and gas quality readings, Transwestern is taking the following additional steps to maintain a blended gas stream on the Panhandle Lateral in line with the tariff standards.

Effective as soon as possible, but not later than Tuesday April 26, 2011, operators should limit Nitrogen content to no greater than 5.0% at any individual receipt point into the Panhandle lateral. Transwestern believes that, given current conditions, this action will result in a blended gas stream in line with tariff standards.

If Transwestern determines that the circumstances or operational conditions have changed or are not being met, then Transwestern may take such action as it deems appropriate, in its sole discretion, to remedy the situation. This may include acting without further notice to shut-in the relevant receipt point(s).