

RECEIVED:	REVIEWER:	TYPE:	APP NO:
-----------	-----------	-------	---------

ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Geological & Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



### ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Applicant: <u>FAE II Operating, LLC</u>	OGRID Number: <u>326876</u>
Well Name: <u>Custer State #001</u>	API: <u>30-025-26501</u>
Pool: <u>Jalmat (Oil)</u>	Pool Code: <u>79240</u>

### SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED BELOW

1) **TYPE OF APPLICATION:** Check those which apply for [A]

A. Location – Spacing Unit – Simultaneous Dedication

☐ NSL      ☐ NSP (PROJECT AREA)      ☐ NSP (PRORATION UNIT)      ☐ SD

B. Check one only for [ I ] or [ II ]

[ I ] Commingling – Storage – Measurement

☒ DHC    ☐ CTB    ☐ PLC    ☐ PC    ☐ OLS    ☐ OLM

[ II ] Injection – Disposal – Pressure Increase – Enhanced Oil Recovery

☐ WFX    ☐ PMX    ☐ SWD    ☐ IPI    ☐ EOR    ☐ PPR

2) **NOTIFICATION REQUIRED TO:** Check those which apply.

- A. ☐ Offset operators or lease holders
- B. ☐ Royalty, overriding royalty owners, revenue owners
- C. ☐ Application requires published notice
- D. ☒ Notification and/or concurrent approval by SLO
- E. ☐ Notification and/or concurrent approval by BLM
- F. ☐ Surface owner
- G. ☐ For all of the above, proof of notification or publication is attached, and/or,
- H. ☐ No notice required

#### FOR OCD ONLY

- ☐ Notice Complete

☐ Application Content Complete

3) **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note: Statement must be completed by an individual with managerial and/or supervisory capacity.**

David Schellstede

Print or Type Name

Signature

Date

832-220-3202

Phone Number

David@FAEnergyus.com

e-mail Address

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

District II  
811 S. First St., 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 August 1, 2011

APPLICATION TYPE

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

### APPLICATION FOR DOWNHOLE COMMINGLING

**FAE II Operating, LLC**

**11757 Katy Fwy. Ste. 1000, Houston, TX 77079**

Operator **Custer State** Address **G-36-24S-36E** **Lea**  
Lease **329326** Well No. **326912** Unit Letter-Section-Township-Range **30-02S-26S01** County **X**  
OGRID No. \_\_\_\_\_ Property Code \_\_\_\_\_ API No. \_\_\_\_\_ Lease Type: \_\_\_\_\_ Federal \_\_\_\_\_ State \_\_\_\_\_ Fee \_\_\_\_\_

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	<b>Jalmat</b>		<b>Langlie Mattix</b>
Pool Code	<b>79240</b>		<b>37240</b>
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	<b>3,046 – 3,333'</b>		<b>3,346' – 3,410'</b>
Method of Production (Flowing or Artificial Lift)	<b>Artificial Lift</b>		<b>Artificial Lift</b>
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)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)	<b>31 API / 0.968 BTU</b>		<b>31 API / 0.968 BTU</b>
Producing, Shut-In or New Zone	<b>Producing</b>		<b>Producing</b>
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.)	<b>See Attached</b> Date: Rates:	Date: Rates:	<b>See Attached</b> Date: Rates:
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 <b>0 % 12 %</b>	Oil Gas <b>% %</b>	Oil Gas <b>100 % 88 %</b>

### 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 Jonathan Gatlin TITLE Project Analyst DATE 12/10/2020  
TYPE OR PRINT NAME Jonathan Gatlin TELEPHONE NO. ( 832 ) 241 - 8080

# faeIIoperating

December 9, 2020

Mr. Dean McClure  
New Mexico Energy, Minerals and Natural Resources Department  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

**Re: Custer State #001: API 30-025-26501**  
**Jalmat Pool: 79240**  
**Langlie Mattix Pool: 37240**

Dear Mr. McClure:

FAE II Operating LLC, as operator, will be filing applications with the New Mexico Oil Conservation Division for approval of the aforementioned commingling project. After a review of internal records, this letter serves as notice that the operator and interest owners are identical for the pools listed above.

If you have any questions, please feel free to contact the undersigned phone at (832) 219-0809 or by email at [rebecca@faenergyus.com](mailto:rebecca@faenergyus.com).

Thank you for your attention to this matter.

Sincerely,

FAE II Operating, LLC



Rebecca Wing  
Land

# faeIIoperating

December 10, 2020

**VIA ONLINE FILING**

Mr. Dean McClure  
New Mexico Energy, Minerals and Natural Resources Department  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

**Re: Application of FAE II Operating, LLC for Administrative Approval to Downhole Commingle and Sell Oil and Gas Production from the Langlie Mattix Pool for the Custer State #001 well located in Sec. 36, T-24S, R-36E, Lea County, New Mexico**

Dear Mr. McClure:

FAE II Operating LLC, OGRID: 329326, requests administrative approval for downhole commingling of oil and gas production from the Langlie Mattix Pool for its Custer State #001 well located in Unit Letter G, Section 36, T-24S, R-36E, 660 feet FNL and 2,310 feet FEL, as shown in the attached C-102's for each zone.

Custer State #001 is currently open to the Yates-Seven Rivers zone, which translates to the JALMAT; TAN-YATES-7 RVRS pool [Pool ID: 33820]. The production curve for this zone is shown in Exhibit A. To develop a production forecast, a decline curve was utilized based on the well's historical production within the zone.

The other zone that has production history in the Custer State #001 is the Seven Rivers-Queen, which translates to the LANGLEIE MATTIX; 7 RVRS-Q-GRAYBURG [Pool ID: 37240]. To develop a production forecast, twenty-four (24) surrounding wells with historical production from the Seven Rivers-Queen were used as an offset by taking the average of the oil, gas, and water production. The resulting historical average production curve for this interval is shown in Exhibit B. From there, a decline curve was utilized based on the aforementioned historical production. Furthermore, Geology studied an Custer State #001 log, Attachment A, and also correlated it with other logs in the surrounding area to help determine the location of the new perforations in the Seven Rivers-Queen zone for the Custer State #001.

Overall, the forecast for the proposed downhole commingled production was formed by combining the forecasts for both zones, as shown in the Synthetic Decline Curve column of Exhibit D. This forecast for the Custer State #001 proved that an IP of 2.5 BOPD and 4.4 MCFPD is the expected total, and of that, 2.5 BOPD and 3.9 MCFPD will come from the Seven Rivers-Queen zone. The Yates-Seven Rivers is projected to yield 0.0 BOPD and 0.5 MCFPD with the additional intervals that will be opened up. This information along with the percentage allocation across the zones is shown in Exhibit D.

After a review of internal records, the interest owners are identical for the aforementioned wells. As such, notification to the relevant parties of our intent to commingle production will not be necessary.

This proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production. If there are further questions concerning this application, please feel free to contact the undersigned by email at [marshall@faenergyus.com](mailto:marshall@faenergyus.com) or by telephone at (832) 241-8080.

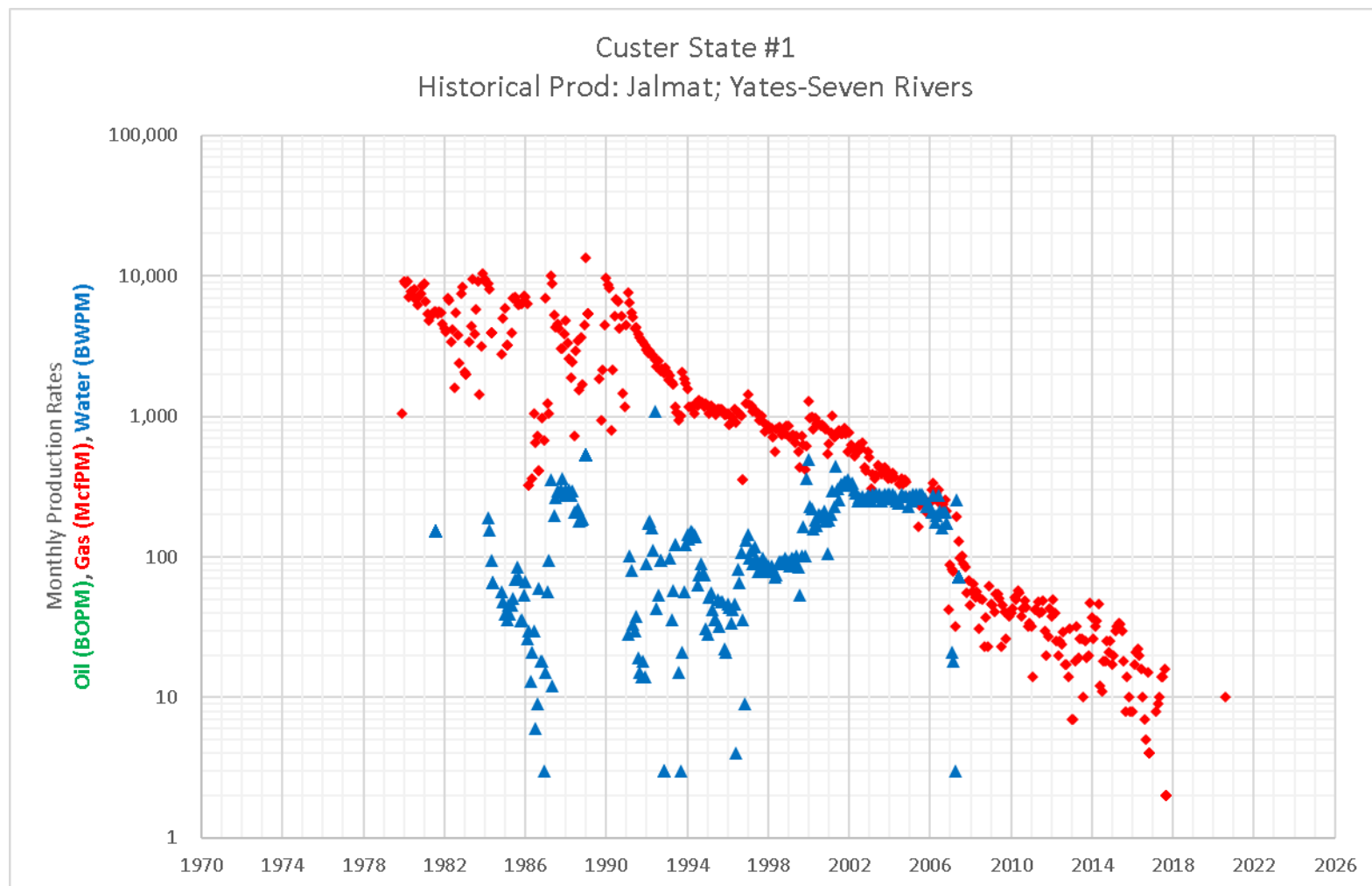
Very truly yours,



FAE II Operating, LLC

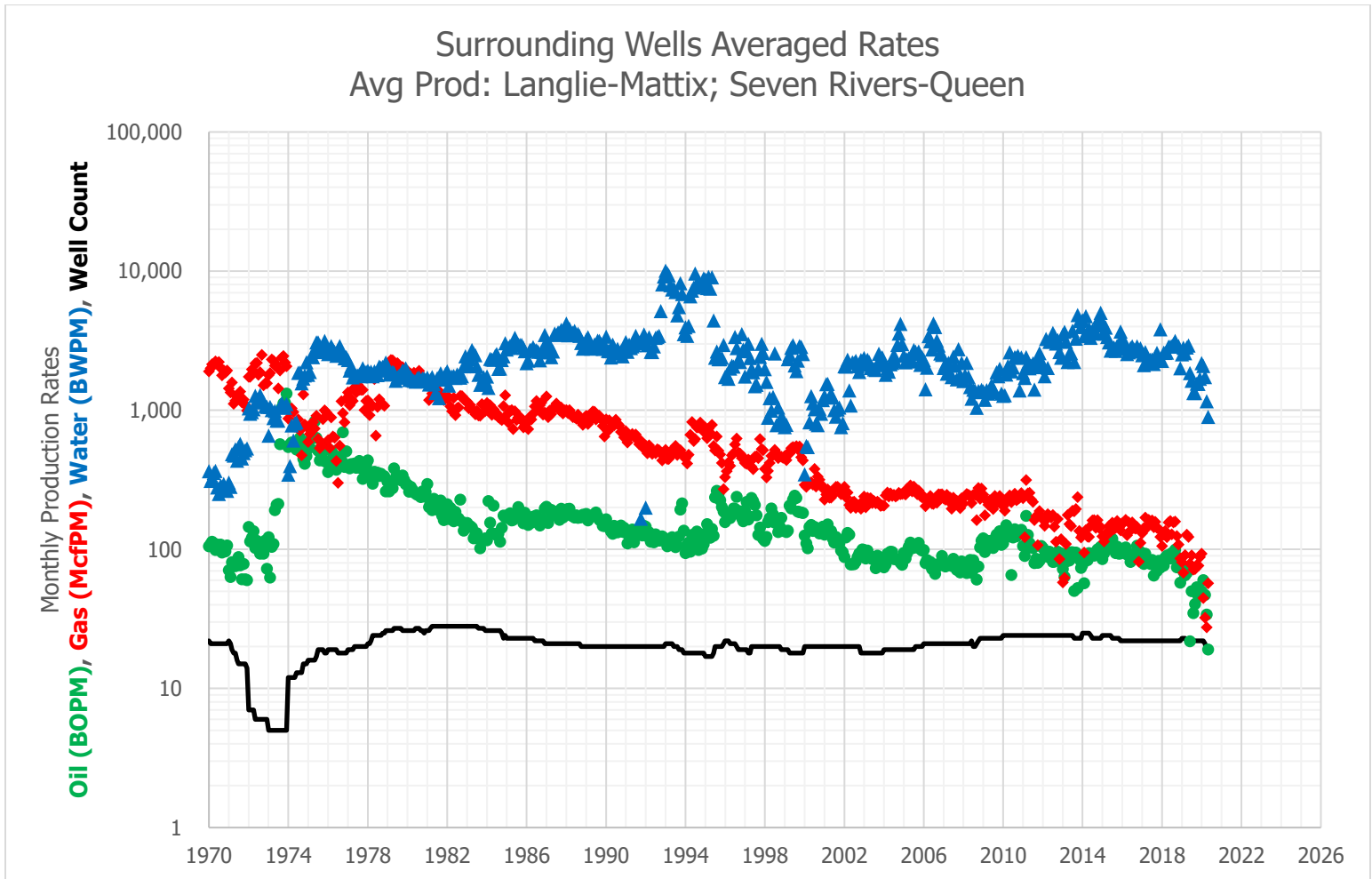
# faeIIoperating

## Exhibit A – Historical Production in the Current Zone



# faeIIoperating

## Exhibit B – Historical Average Production in the Proposed Zone



# faeIoperating

## Exhibit C – Historical Production and Decline Curve

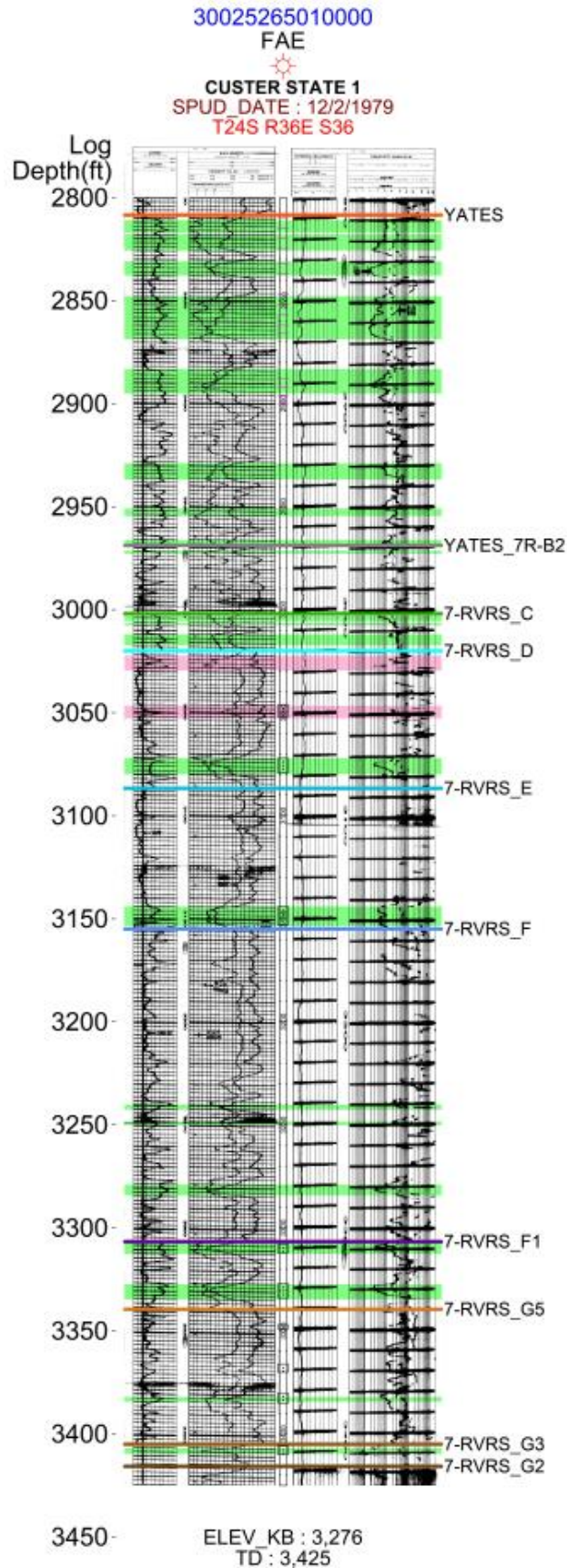
Surrounding Wells Averaged Rates					Custer State #1				Synthetic Decline Curve			
Avg Prod: Langlie-Mattix; Seven Rivers-Queen					Historical Prod: Jalmat; Yates-Seven Rivers							
Date	Avg Oil (BOPM)	Avg Gas (McfPM)	Avg Water (BWPM)	Well Count	Date	Avg Oil (BOPM)	Avg Gas (McfPM)	Avg Water (BWPM)	Month	Avg Oil (BOPM)	Avg Gas (McfPM)	Avg Water (BWPM)
1/1/2015	85	124	4,311	24	1/1/2015		17		1	74.5	135	2,454
2/1/2015	93	114	3,555	24	2/1/2015		20		2	74.2	135	2,446
3/1/2015	102	129	3,910	24	3/1/2015		30		3	73.8	134	2,438
4/1/2015	100	127	3,357	24	4/1/2015		32		4	73.5	134	2,430
5/1/2015	104	147	3,070	24	5/1/2015		34		5	73.1	134	2,422
6/1/2015	117	134	2,673	24	6/1/2015		33		6	72.8	133	2,414
7/1/2015	119	155	2,827	23	7/1/2015		30		7	72.4	133	2,406
8/1/2015	105	140	2,816	23	8/1/2015		18		8	72.1	133	2,398
9/1/2015	94	143	2,660	23	9/1/2015		8		9	71.7	132	2,390
10/1/2015	104	159	2,900	23	10/1/2015		14		10	71.4	132	2,383
11/1/2015	93	142	2,756	23	11/1/2015		10		11	71.1	132	2,375
12/1/2015	93	137	3,677	22	12/1/2015		8		12	70.7	131	2,367
1/1/2016	99	154	3,321	22	1/1/2016		8		13	70.4	131	2,359
2/1/2016	95	156	3,083	22	2/1/2016		17		14	70.0	131	2,351
3/1/2016	103	163	2,834	22	3/1/2016		21		15	69.7	130	2,344
4/1/2016	92	126	2,530	22	4/1/2016		22		16	69.4	130	2,336
5/1/2016	91	156	2,597	22	5/1/2016		20		17	69.0	130	2,328
6/1/2016	81	137	2,792	22	6/1/2016		16		18	68.7	129	2,321
7/1/2016	92	156	2,875	22	7/1/2016		10		19	68.4	129	2,313
8/1/2016	89	142	2,730	22	8/1/2016		7		20	68.1	129	2,305
9/1/2016	91	140	2,674	22	9/1/2016		5		21	67.7	128	2,298
10/1/2016	106	145	2,867	22	10/1/2016		15		22	67.4	128	2,290
11/1/2016	89	81	2,636	22	11/1/2016		4		23	67.1	128	2,283
12/1/2016	96	111	2,778	22	12/1/2016				24	66.8	127	2,275
1/1/2017	87	130	2,481	22	1/1/2017	-			25	66.5	127	2,268
2/1/2017	78	142	2,110	22	2/1/2017	-			26	66.1	127	2,260
3/1/2017	93	169	2,616	22	3/1/2017		8		27	65.8	126	2,253
4/1/2017	82	143	2,167	22	4/1/2017		9		28	65.5	126	2,246
5/1/2017	81	163	2,255	22	5/1/2017		10		29	65.2	126	2,238
6/1/2017	79	155	2,302	22	6/1/2017		14		30	64.9	125	2,231
7/1/2017	84	161	2,312	22	7/1/2017		14		31	64.6	125	2,223
8/1/2017	65	144	2,143	22	8/1/2017		16		32	64.3	125	2,216
9/1/2017	76	157	2,427	22	9/1/2017		2		33	64.0	124	2,209
10/1/2017	70	143	2,576	22	10/1/2017	-	-	-	34	63.6	124	2,202
11/1/2017	83	140	2,375	22	11/1/2017	-	-	-	35	63.3	124	2,194
12/1/2017	74	123	3,807	22	12/1/2017	-	-	-	36	63.0	124	2,187
1/1/2018	81	105	2,257	22	1/1/2018	-	-	-	37	62.7	123	2,180
2/1/2018	76	127	2,595	22	2/1/2018	-	-	-	38	62.4	123	2,173
3/1/2018	87	136	2,581	22	3/1/2018	-	-	-	39	62.1	123	2,166
4/1/2018	90	122	2,593	22	4/1/2018	-	-	-	40	61.8	122	2,159
5/1/2018	91	156	2,857	22	5/1/2018	-	-	-	41	61.5	122	2,151
6/1/2018	86	160	2,853	22	6/1/2018	-	-	-	42	61.3	122	2,144
7/1/2018	94	128	2,870	22	7/1/2018	-	-	-	43	61.0	121	2,137
8/1/2018	92	156	2,988	22	8/1/2018	-	-	-	44	60.7	121	2,130
9/1/2018	99	158	3,140	22	9/1/2018	-	-	-	45	60.4	121	2,123
10/1/2018	74	124	2,883	22	10/1/2018	-	-	-	46	60.1	121	2,116
11/1/2018	87	108	2,880	22	11/1/2018	-	-	-	47	59.8	120	2,109
12/1/2018	57	86	1,999	22	12/1/2018	-	-	-	48	59.5	120	2,102
1/1/2019	73	81	2,521	23	1/1/2019	-	-	-	49	59.2	120	2,096
2/1/2019	69	68	2,804	23	2/1/2019	-	-	-	50	58.9	119	2,089
3/1/2019	65	91	2,561	23	3/1/2019	-	-	-	51	58.7	119	2,082
4/1/2019	67	128	2,818	22	4/1/2019	-	-	-	52	58.4	119	2,075
5/1/2019	74	122	2,916	22	5/1/2019	-	-	-	53	58.1	118	2,068
6/1/2019	22	79	1,843	22	6/1/2019	-	-	-	54	57.8	118	2,061
7/1/2019	50	90	1,626	22	7/1/2019	-	-	-	55	57.6	118	2,055
8/1/2019	35	71	1,326	22	8/1/2019	-	-	-	56	57.3	118	2,048
9/1/2019	40	72	1,328	22	9/1/2019	-	-	-	57	57.0	117	2,041
10/1/2019	53	77	1,550	22	10/1/2019	-	-	-	58	56.7	117	2,034
11/1/2019	46	76	1,541	22	11/1/2019	-	-	-	59	56.5	117	2,028
12/1/2019	47	88	1,678	22	12/1/2019	-	-	-	60	56.2	116	2,021
1/1/2020	50	93	2,175	22	1/1/2020	-	-	-				
2/1/2020	60	45	2,077	22	2/1/2020	-	-	-				
3/1/2020	47	32	1,724	21	3/1/2020	-	-	-				
4/1/2020	34	27	1,157	19	4/1/2020	-	-	-				
5/1/2020	19	57	893	19	5/1/2020	-	-	-				
					6/1/2020	-	-	-				

# faeIIoperating

## Exhibit D – Decline Curve IP Rates and Zone Allocation Percentage

Zone (1)	Zone (2)	Oil IP (BOPD)	Gas IP (MCFD)	Water IP (BWPD)
Jalmat	Yates-Seven Rivers	0.0	0.5	0.0
Langlie Mattix	Seven Rivers-Queen	2.5	3.9	80.7
	<b>Total</b>	<b>2.5</b>	<b>4.4</b>	<b>80.7</b>
Jalmat	Yates-Seven Rivers	0%	12%	0%
Langlie Mattix	Seven Rivers-Queen	100%	88%	100%
	<b>Total (%)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Attachment A – Custer #001 Well Log



NEW MEXICO OIL CONSERVATION COMMISSION  
WELL LOCATION AND ACREAGE DEDICATION PLAT

Revised  
Form 1  
Reprinted 6-1-78  
Oil Conservation Division

All distances must be from the outer boundaries of the Section

FAE II Operating, LLC		Custer State		1	
G	36	24 South	36 East	Lea	
2310	North	1900	East		
3264.6	Yates-Seven Rivers	Jalmat (Gas) Pool	80		

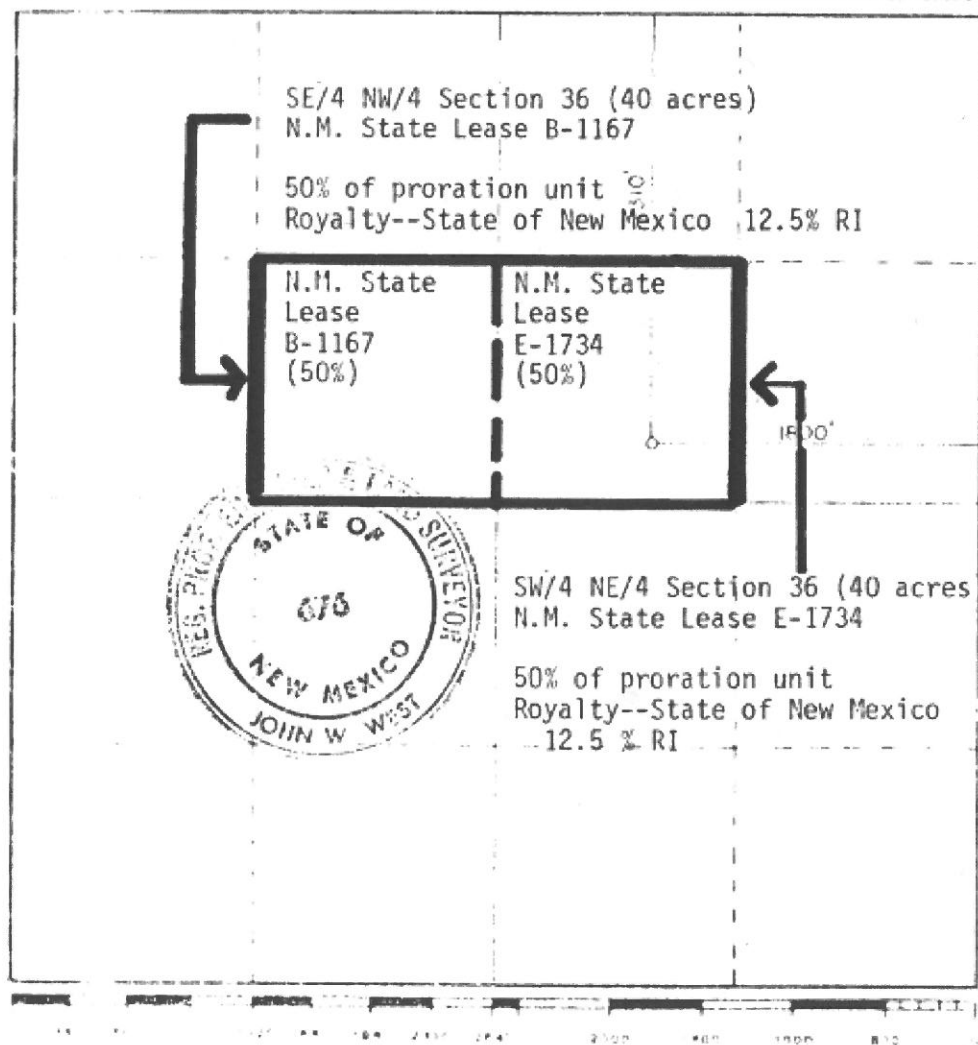
- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

X Yes      No      If answer is "yes," type of consolidation

80-acre Non-Standard Proration Unit  
requested and approved  
(Case No. 6708)

If answer is "no," list the owners and tract descriptions which have actually been consolidated (list on reverse side of this form if necessary):

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information furnished hereon is true and complete to the best of my knowledge and belief.

Individual

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 knowledge and belief.

Certified by: John W. West 676  
Ronald J. Eidson 3239

Revised  
 1999  
 1999  
 1999

All distances must be from the outer boundaries of the Section.

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc.?

80-acre Non-Standard Proration Unit  
requested and approved  
(Case No. 6708)

X Yes      No      If answer is "yes," type of consolidation

If an owner is "not" listed the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, lateral-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Councils.

C E R T I F I C A T I O N

I hereby certify that the information shown  
forwarded here is true and complete to the  
best of my knowledge and belief.

**Individual**

I hereby certify that the well location  
shown on this plot 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  
knowledge and belief.

Certificate No. John W. West 676  
Ronald J. Erdann 3230

**From:** [Engineer, OCD, EMNRD](#)  
**To:** [Marshall Bates](#)  
**Cc:** [McClure, Dean, EMNRD](#); [Bratcher, Mike, EMNRD](#); [Kautz, Paul, EMNRD](#); [lisa@nwbyram.com](mailto:lisa@nwbyram.com); [Holm, Anchor E.](#); [Dawson, Scott](#)  
**Subject:** Approved Administrative Order DHC-5098  
**Date:** Monday, January 25, 2021 1:15:21 PM  
**Attachments:** [DHC5098 Order.pdf](#)

NMOCD has issued Administrative Order DHC-5098 which authorizes FAE II Operating, LLC (329326) to downhole commingle production from 2 pools in their Custer State #1 well (30-025-26501).

The administrative order is attached to this email and can also be found online at OCD Imaging.

Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval.

<b>Order:</b> DHC-5098				
<b>Operator:</b> FAE II Operating, LLC (329326)				
<b>Well Name:</b> Custer State #1				
<b>Well API:</b> 30-025-26501				
Upper Zone	<b>Pool Name:</b> JALMAT;TAN-YATES-7 RVRS (GAS)			
	<b>Pool ID:</b> 79240	<b>Current:</b> X	<b>New:</b>	
	<b>Allocation:</b> Fixed Percent	<b>Oil:</b> 0%	<b>Gas:</b>	12%
Intermediate Zone	<b>Pool Name:</b>			
	<b>Pool ID:</b>	<b>Current:</b>	<b>New:</b>	
	<b>Allocation:</b>	<b>Oil:</b>	<b>Gas:</b>	
Lower Zone	<b>Pool Name:</b> LANGLIE MATTIX;7 RVRS-Q-GRAYBURG			
	<b>Pool ID:</b> 37240	<b>Current:</b>	<b>New:</b> X	
	<b>Allocation:</b> Fixed Percent	<b>Oil:</b> 100%	<b>Gas:</b>	88%

Dean McClure  
 Petroleum Engineer, Oil Conservation Division  
 New Mexico Energy, Minerals and Natural Resources Department  
 (505) 469-8211

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**APPLICATION FOR DOWNHOLE COMMINGLING  
SUBMITTED BY FAE II OPERATING, LLC**

**ORDER NO. DHC-5098**

**ORDER**

The Director of the New Mexico Oil Conservation Division ("OCD"), having considered the application and the recommendation of the Engineering Bureau, issues the following Order.

**FINDINGS OF FACT**

1. FAE II Operating, LLC ("Applicant") submitted a complete application ("Application") to downhole commingle the pools described in Exhibit A ("the Pools") within the well bore of the well identified in Exhibit A ("the Well").
2. Applicant proposed a method to allocate the oil and gas production from the Well to each of the Pools that is satisfactory to the OCD and protective of correlative rights.
3. Applicant has certified that all produced fluids from all the Pools are compatible with each other.
4. Applicant has certified that downhole commingling the Pools will not decrease the value of the oil and gas production.
5. To the extent that ownership is identical, Applicant submitted a certification by a licensed attorney or qualified petroleum landman that ownership in the Pools is identical as defined by 19.15.12.7(B) NMAC.
6. To the extent that ownership is diverse, Applicant identified all owners of interest in the Pools, provided evidence a copy of the Application was given to each person, and those persons either submitted a written waiver or did not file an objection to the Application.
7. Applicant provided notice of the Application to the Bureau of Land Management ("BLM") or New Mexico State Land Office ("NMSLO"), as applicable.

**CONCLUSIONS OF LAW**

8. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-6, 70-2-11, 70-2-12, 70-2-16, 70-2-17, and 19.15.12 NMAC.
9. The downhole commingling of the Pools is common, or Applicant has provided evidence that the fluids are compatible and will not damage the Pools in accordance with 19.15.12.11(A)(1) NMAC.
10. The bottom perforation of the lower zone is within one hundred fifty (150) percent of the depth of the top perforation in the upper zone or Applicant has provided evidence that the

proposed commingling of the Pools shall not result in shut-in or flowing well bore pressure in excess of the commingled pool's fracture parting pressure in accordance with 19.15.12.11(A)(3) NMAC.

11. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.11(A)(8) NMAC.
12. To the extent that ownership is diverse, Applicant identified all owners of interest in the Pools and provided evidence the application was given to those persons in accordance with 19.15.12.11(C)(1)(b) NMAC.
13. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

### **ORDER**

1. Applicant is authorized to downhole commingle the Pools described in Exhibit A within the well bore of the well identified in Exhibit A.
2. Applicant shall allocate a fixed percentage of the oil and gas production from the Well to each of the Pools as described in Exhibit A.
3. If any of the pools being commingled is prorated, or the Well's production has been restricted by an OCD order in any manner, the allocated production from each producing pool in the commingled well bore shall not exceed the top oil or gas allowable rate for a well in that pool or rate restriction applicable to the well.
4. If the downhole commingling of the Pools reduces the value of the oil and gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new downhole commingling application to OCD to amend this Order to remove the pool that caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.
5. OCD retains jurisdiction and reserves the right to modify or revoke this Order as it deems necessary to prevent waste or protect correlative rights, public health, or the environment.

**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**



**ADRIENNE SANDOVAL  
DIRECTOR**

AS/dm

**DATE:** 1/25/2021

State of New Mexico  
Energy, Minerals and Natural Resources Department

---

## Exhibit A

---

Order: **DHC-5098**

Operator: **FAE II Operating, LLC (329326)**

Well Name: **Custer State #1**

Well API: **30-025-26501**

---

Pool Name: **JALMAT;TAN-YATES-7 RVRS (GAS)**

Upper Zone

Pool ID: **79240**

Current: **X**

New:

Allocation: **Fixed Percent**

Oil: **0%**

Gas: **12%**

---

Pool Name:

Intermediate Zone

Pool ID:

Current:

New:

Allocation:

Oil:

Gas:

---

Pool Name: **LANGLIE MATTIX;7 RVRS-Q-GRAYBURG**

Lower Zone

Pool ID: **37240**

Current:

New: **X**

Allocation: **Fixed Percent**

Oil: **100%**

Gas: **88%**

**District I**  
1625 N. French Dr., Hobbs, NM 88240  
Phone:(575) 393-6161 Fax:(575) 393-0720  
**District II**  
811 S. First St., Artesia, NM 88210  
Phone:(575) 748-1283 Fax:(575) 748-9720  
**District III**  
1000 Rio Brazos Rd., Aztec, NM 87410  
Phone:(505) 334-6178 Fax:(505) 334-6170  
**District IV**  
1220 S. St Francis Dr., Santa Fe, NM 87505  
Phone:(505) 476-3470 Fax:(505) 476-3462

**State of New Mexico**  
**Energy, Minerals and Natural Resources**  
**Oil Conservation Division**  
**1220 S. St Francis Dr.**  
**Santa Fe, NM 87505**

CONDITIONS  
  
Action 11873

**CONDITIONS OF APPROVAL**

Operator:			OGRID:	Action Number:	Action Type:
FAE II OPERATING LLC                      11757 Katy Freeway, Suite 1000                      Houston, TX77079			329326	11873	C-107A
OCD Reviewer	Condition				
dmcclure	Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval.				