

RECEIVED:	REVIEWER:	TYPE:	APP NO:
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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:** FAE II Operating, LLC **OGRID Number:** 326876  
**Well Name:** POSSH #004 **API:** 30-025-26536  
**Pool:** Langlie Mattix **Pool Code:** 37240

**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 **POSSH** Address **B-36-24S-36E** **Lea**  
Lease **329326** Well No. **326880** Unit Letter-Section-Township-Range **30-02S-2653E** 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>33820</b>		<b>37240</b>
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	<b>3,043 – 3,378'</b>		<b>3,461' – 3,520'</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>27.3 API / 1.086 BTU</b>		<b>27.3 API / 1.086 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 <b>73 %</b> Gas <b>62 %</b>	Oil <b>%</b> Gas <b>%</b>	Oil <b>27 %</b> Gas <b>38 %</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 \_\_\_\_\_

NMOC 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

E-MAIL ADDRESS Marshall@faenergyus.com

# 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: Possh #004: API 30-025-26536**  
**Jalmat Pool: 33820**  
**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 POSSH #004 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 POSSH #004 well located in Unit Letter D, 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.

POSSH #004 is currently open to the Seven Rivers-Queen zone, which translates to the LANGLIE MATTIX; 7 RVRS-Q-GRAYBURG [Pool ID: 37240]. 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 POSSH #004 is the Yates-Seven Rivers, which translates to the JALMAT; TAN-YATES-7 RVRS pool [Pool ID: 33820]. To develop a production forecast, fifty-two (52) surrounding wells with historical production from the Yates-Seven Rivers 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 POSSH #004 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 Yates-Seven Rivers zone for the POSSH #004.

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 POSSH #004 proved that an IP of 4.0 BOPD and 16.9 MCFPD is the expected total, and of that, 1.1 BOPD and 6.4 MCFPD will come from the Seven Rivers-Queen zone. The Yates-Seven Rivers is projected to yield 2.9 BOPD and 10.5 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,

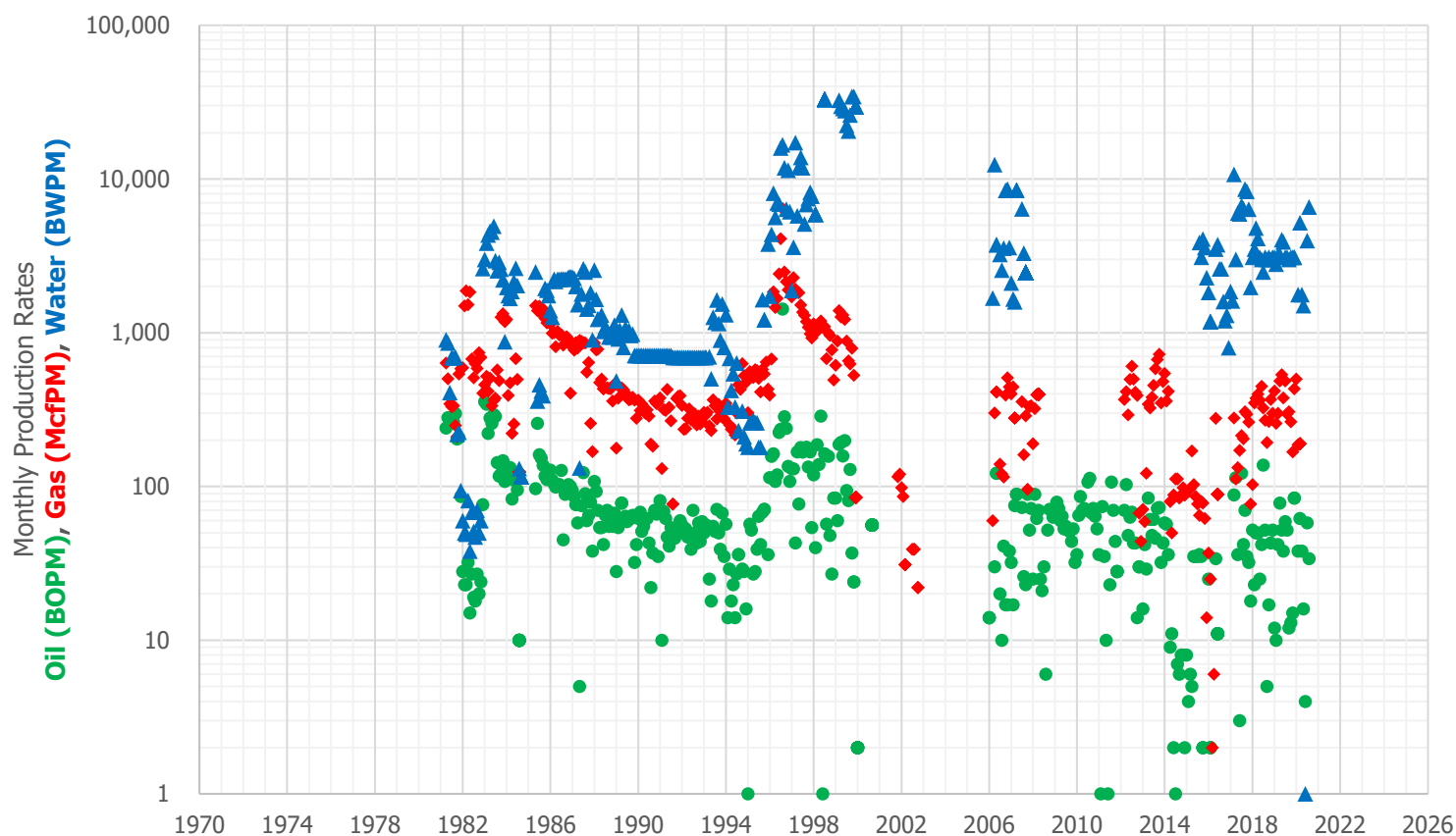


FAE II Operating, LLC

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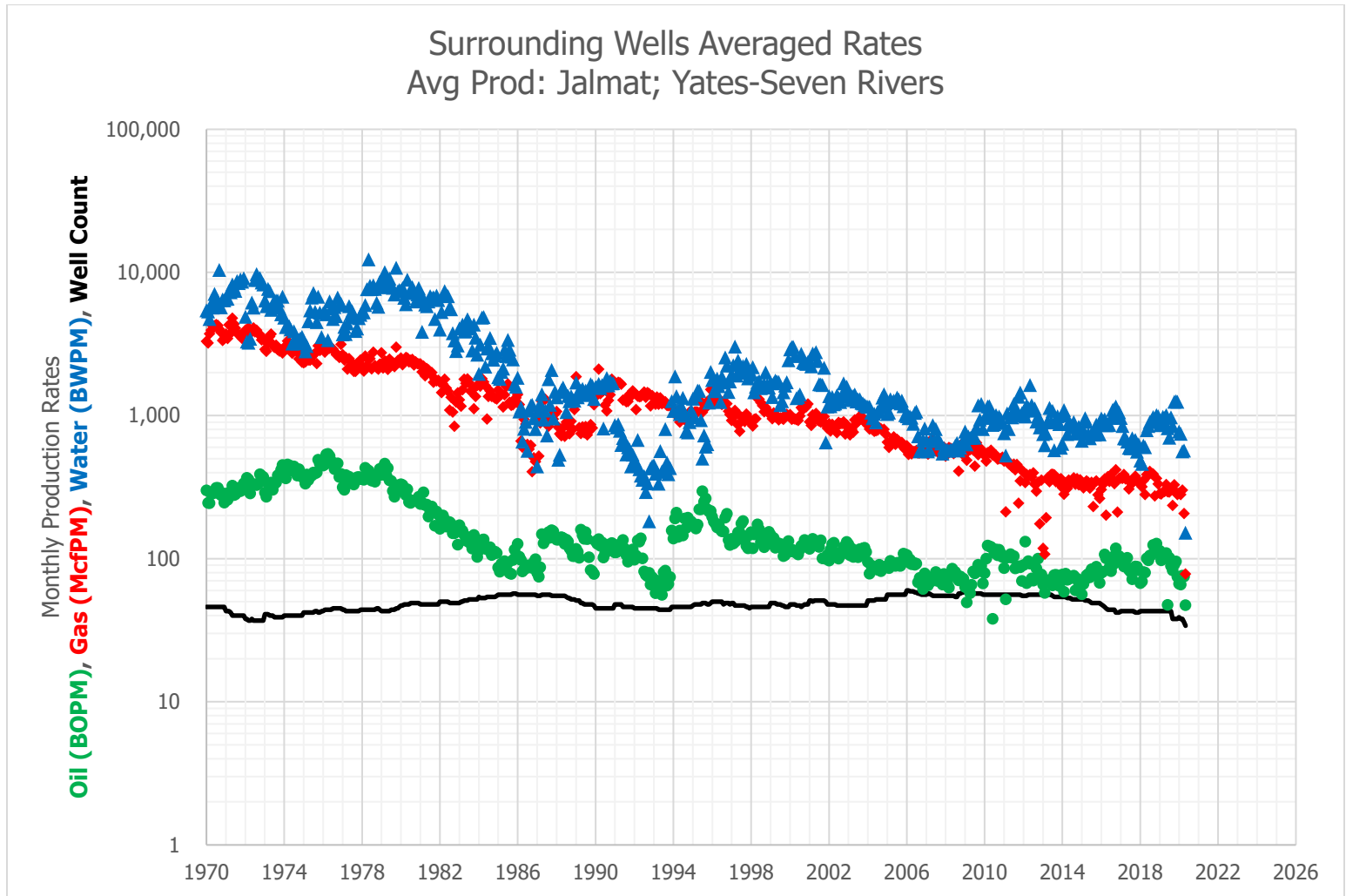
## Exhibit A – Historical Production in the Current Zone

Possh #004  
Historical Prod: Langlie-Mattix; Seven Rivers-Queen



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



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## Exhibit C – Historical Production and Decline Curve

Surrounding Wells Averaged Rates					Possh #004				Synthetic Decline Curve			
Avg Prod: Jalmat; Yates-Seven Rivers					Historical Prod: Langlie-Mattix; 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	56	327	665	52	1/1/2015	8	-	-	1	120.9	513	4,163
2/1/2015	66	311	783	52	2/1/2015	4	-	-	2	120.3	512	4,150
3/1/2015	71	340	959	51	3/1/2015	6	97	-	3	119.7	511	4,136
4/1/2015	76	350	903	51	4/1/2015	5	170	-	4	119.1	510	4,122
5/1/2015	78	342	740	51	5/1/2015	35	103	-	5	118.6	508	4,109
6/1/2015	74	310	692	50	6/1/2015	35	86	-	6	118.0	507	4,095
7/1/2015	84	341	749	49	7/1/2015	35	77	-	7	117.4	506	4,082
8/1/2015	81	231	763	49	8/1/2015	36	65	3,870	8	116.9	505	4,068
9/1/2015	85	341	734	49	9/1/2015	35	80	3,100	9	116.3	503	4,055
10/1/2015	88	349	863	49	10/1/2015	2	78	4,080	10	115.8	502	4,042
11/1/2015	75	279	756	49	11/1/2015		62	3,595	11	115.2	501	4,028
12/1/2015	68	263	737	49	12/1/2015		14	2,285	12	114.7	500	4,015
1/1/2016	80	304	954	48	1/1/2016	25	37	1,830	13	114.1	498	4,002
2/1/2016	81	329	920	47	2/1/2016	2	25	1,184	14	113.6	497	3,989
3/1/2016	107	361	938	46	3/1/2016	-	2	-	15	113.0	496	3,976
4/1/2016	100	201	855	45	4/1/2016	-	6	-	16	112.5	495	3,963
5/1/2016	100	374	855	44	5/1/2016	34	278	3,500	17	112.0	493	3,950
6/1/2016	87	346	859	44	6/1/2016	11	89	3,750	18	111.4	492	3,937
7/1/2016	81	386	959	44	7/1/2016			2,600	19	110.9	491	3,924
8/1/2016	90	360	1,093	44	8/1/2016			2,600	20	110.4	490	3,911
9/1/2016	104	334	1,108	44	9/1/2016			1,600	21	109.8	488	3,898
10/1/2016	118	417	1,156	42	10/1/2016			1,200	22	109.3	487	3,885
11/1/2016	95	211	1,011	42	11/1/2016			1,300	23	108.8	486	3,872
12/1/2016	104	364	1,052	42	12/1/2016			800	24	108.3	485	3,860
1/1/2017	100	365	960	43	1/1/2017	-	-	1,860	25	107.7	484	3,847
2/1/2017	94	363	842	43	2/1/2017	-	-	1,610	26	107.2	482	3,834
3/1/2017	88	386	693	43	3/1/2017	88	279	10,740	27	106.7	481	3,822
4/1/2017	90	361	690	43	4/1/2017	114	112	3,000	28	106.2	480	3,809
5/1/2017	101	360	657	43	5/1/2017	36	133	6,014	29	105.7	479	3,797
6/1/2017	83	307	596	43	6/1/2017	3	172	5,944	30	105.2	478	3,784
7/1/2017	81	339	591	43	7/1/2017	122	214	6,719	31	104.7	476	3,772
8/1/2017	72	336	692	43	8/1/2017	42	205	6,421	32	104.2	475	3,759
9/1/2017	83	347	656	43	9/1/2017	70	306	8,605	33	103.7	474	3,747
10/1/2017	88	376	675	42	10/1/2017	35	295	8,340	34	103.2	473	3,735
11/1/2017	88	349	558	42	11/1/2017	32	262	6,370	35	102.7	472	3,722
12/1/2017	83	347	628	42	12/1/2017	18	77	1,970	36	102.2	470	3,710
1/1/2018	67	330	484	43	1/1/2018	52	103	3,100	37	101.7	469	3,698
2/1/2018	69	317	459	43	2/1/2018	23	349	3,500	38	101.2	468	3,686
3/1/2018	80	350	616	43	3/1/2018	50	376	4,800	39	100.8	467	3,674
4/1/2018	80	280	600	43	4/1/2018	50	399	4,120	40	100.3	466	3,662
5/1/2018	100	386	790	43	5/1/2018	25	365	3,100	41	99.8	465	3,650
6/1/2018	97	384	845	43	6/1/2018	42	449	3,000	42	99.3	463	3,638
7/1/2018	105	406	898	43	7/1/2018	138	324	2,480	43	98.8	462	3,626
8/1/2018	106	393	919	43	8/1/2018	52	270	3,100	44	98.4	461	3,614
9/1/2018	124	390	975	43	9/1/2018	5	193	3,000	45	97.9	460	3,602
10/1/2018	111	273	909	43	10/1/2018	17	265	3,100	46	97.4	459	3,590
11/1/2018	127	363	1,005	43	11/1/2018	43	368	3,000	47	97.0	458	3,578
12/1/2018	113	332	987	43	12/1/2018	52	299	3,100	48	96.5	457	3,566
1/1/2019	113	285	856	43	1/1/2019	12	419	3,100	49	96.0	455	3,555
2/1/2019	97	282	909	43	2/1/2019	10	258	2,800	50	95.6	454	3,543
3/1/2019	100	291	979	43	3/1/2019	42	300	3,200	51	95.1	453	3,531
4/1/2019	101	294	962	43	4/1/2019	78	485	3,200	52	94.7	452	3,520
5/1/2019	109	329	1,006	43	5/1/2019	52	533	4,030	53	94.2	451	3,508
6/1/2019	48	293	816	43	6/1/2019	38	377	3,900	54	93.8	450	3,497
7/1/2019	101	292	698	43	7/1/2019	59	487	3,100	55	93.3	449	3,485
8/1/2019	89	302	969	43	8/1/2019	52	297	3,100	56	92.9	447	3,474
9/1/2019	83	235	840	38	9/1/2019	12	307	3,000	57	92.4	446	3,462
10/1/2019	91	328	1,249	38	10/1/2019	13	264	3,100	58	92.0	445	3,451
11/1/2019	96	292	1,256	38	11/1/2019	15	168	3,100	59	91.5	444	3,440
12/1/2019	75	280	1,247	38	12/1/2019	84	432	3,100	60	91.1	443	3,428
1/1/2020	67	286	771	39	1/1/2020	-	501	-				
2/1/2020	66	280	743	38	2/1/2020	38	187	1,768				
3/1/2020	76	302	560	38	3/1/2020	62	190	5,213				
4/1/2020	75	206	569	36	4/1/2020	38		1,768				
5/1/2020	47	78	152	34	5/1/2020	16		1,502				
6/1/2020	41	242	754	32	6/1/2020	4		1				

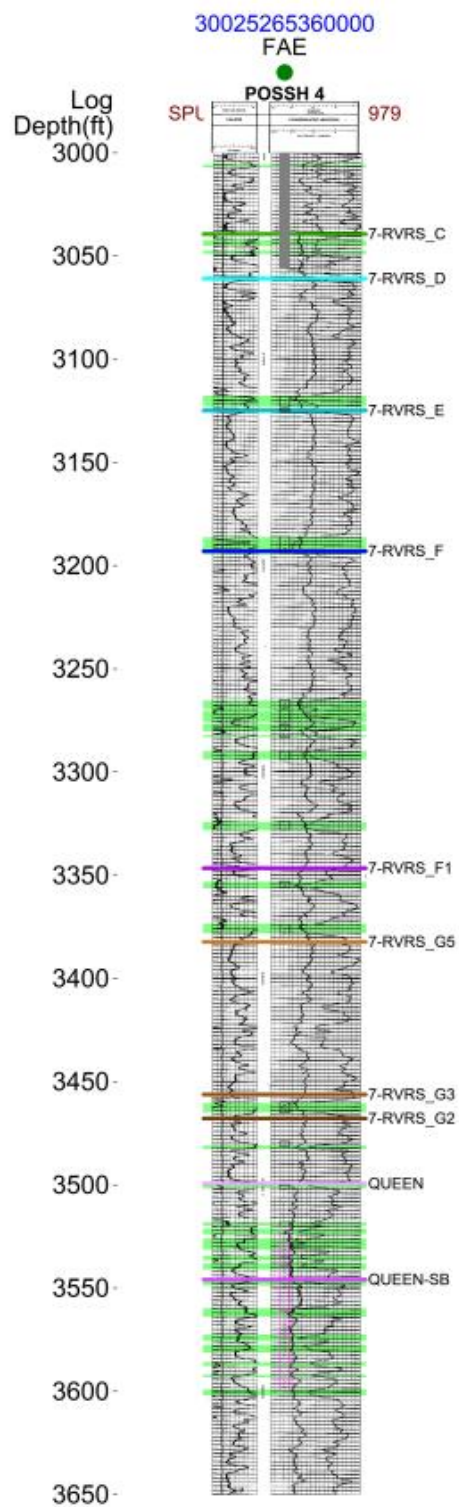
# faeIIoperating

## 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	2.9	10.5	27.3
Langlie Mattix	Seven Rivers-Queen	1.1	6.4	109.6
	<b>Total</b>	<b>4.0</b>	<b>16.9</b>	<b>136.9</b>
Jalmat	Yates-Seven Rivers	73%	62%	20%
Langlie Mattix	Seven Rivers-Queen	27%	38%	80%
	<b>Total (%)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



## Attachment A - POSSH #004 Well Log



API	Source	Perf Type	Top Perf	Btm Perf	Interval
30025265360000	CJH	PROPOSED	3043	3045	2
30025265360000	CJH	PROPOSED	3048	3049	1
30025265360000	CJH	PROPOSED	3118	3123	5
30025265360000	CJH	PROPOSED	3124	3125	1
30025265360000	CJH	PROPOSED	3186	3194	8
30025265360000	CJH	PROPOSED	3265	3269	4
30025265360000	CJH	PROPOSED	3270	3276	6
30025265360000	CJH	PROPOSED	3277	3280	3
30025265360000	CJH	PROPOSED	3282	3283	1
30025265360000	CJH	PROPOSED	3290	3294	4
30025265360000	CJH	PROPOSED	3324	3328	4
30025265360000	CJH	PROPOSED	3353	3356	3
30025265360000	CJH	PROPOSED	3374	3378	4
30025265360000	CJH	PROPOSED	3461	3465	4
30025265360000	CJH	PROPOSED	3481	3482	1
30025265360000	CJH	PROPOSED	3500	3502	2
30025265360000	CJH	PROPOSED	3518	3520	2

Perf Interval

FAE  
POSSH 4  
ELEV KB : 3,283  
TD : 3,675  
0  
3,023  
0

NEW MEXICO OIL CONSERVATION COMMISSION  
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102  
Supersedes C-128  
Effective 1-1-65

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

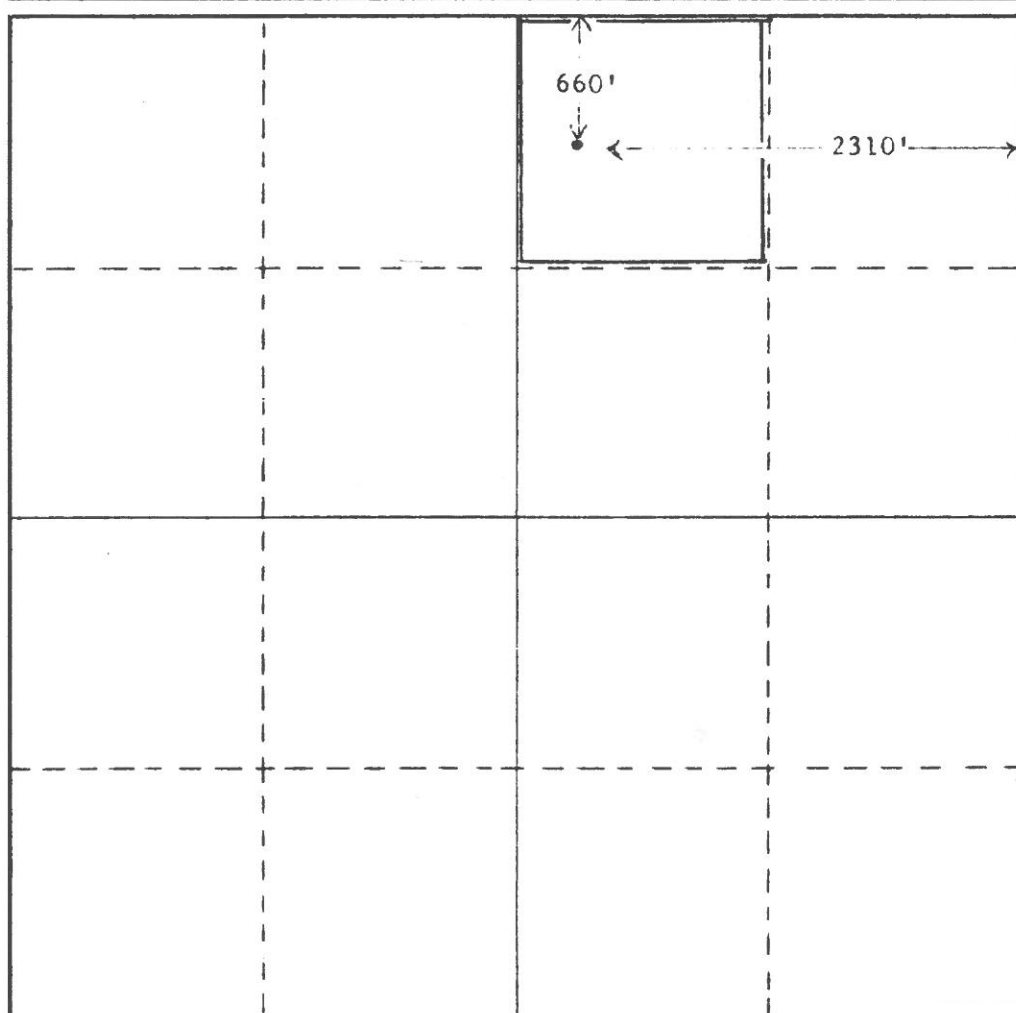
Operator <b>FAE II Operating, LLC</b>		Lease <b>POSSH</b>		Well No. <b>4</b>
Tract Letter <b>R</b>	Section <b>36</b>	Township <b>24 South</b>	Range <b>36 East</b>	County <b>Lea</b>
Actual Location of Well:				
660 feet from the North line and		2310 feet from the East line		
Ground Level Elev. <b>3272'</b>	Producing Formation <b>Yates</b>	Pool <b>Jalmat</b>	Dedicated Acreage: <b>40</b> Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure 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?

☐ Yes ☐ No If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list 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, forced-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 contained herein is true and complete to the best of my knowledge and belief.

Name \_\_\_\_\_

Position \_\_\_\_\_

Company \_\_\_\_\_

Date \_\_\_\_\_

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.

Date Surveyed \_\_\_\_\_

Registered Professional Engineer  
and/or Land Surveyor

Certificate No. \_\_\_\_\_



NEW MEXICO OIL CONSERVATION COMMISSION  
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102  
Supersedes C-128  
Effective 1-1-65

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

Operator <b>FAE II Operating, LLC</b>		Lease <b>POSSH</b>		Well No. <b>4</b>	
Tract Letter <b>R</b>	Section <b>36</b>	Township <b>24 South</b>	Range <b>36 East</b>	County <b>Lea</b>	
Actual Well Location of Well:					
660 feet from the North line and		2310 feet from the East line			
Ground Level Elev. <b>3272'</b>	Producing Formation <b>7 Rvs Queen</b>	Pool <b>Langlie Mattix</b>	Dedicated Acreage: <b>40</b> Acres		

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?

☐ Yes ☐ No If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list 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, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

	<b>CERTIFICATION</b>	
	I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
	Name _____	
	Position _____	
	Company _____	
	Date _____	
	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.	
	Date Surveyed _____	
	Registered Professional Engineer and/or Land Surveyor _____	
	Certificate No. _____	





**Stephanie Garcia Richard**  
COMMISSIONER

**State of New Mexico**  
**Commissioner of Public Lands**

310 OLD SANTA FE TRAIL  
P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

February 26, 2021

FAE II Operating, LLC  
ATTN: Marshall Bates  
11757 Katy Fwy, Ste. 1000  
Houston, TX 77079

Re: Commingling and Off-Lease Storage Application  
Possh #004  
API: 30-025-26536  
Lea County, NM  
POOLS: [37240] LANGLIE MATTIX; 7 RVRS-Q-GRAYBURG  
[33820] JALMAT; TAN-YATES-7 RVRS (OIL)

Dear Mr. Bates,

We have received your \$150 application fee and request for surface commingling for the above-captioned wells.

Since it appears that all the rules and regulations for the New Mexico Oil Conservation Division and the State Land Office have been compiled with and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request is hereby approved.

Our approval

- is subject to approval from all relevant agencies,
- does not constitute the granting of any right-of-way or construction rights not granted by the lease instrument.

If you have any questions or if we may be of further assistance, please contact Commingling Manager Scott Dawson at 505.827.5791 or [sdawson@slo.state.nm.us](mailto:sdawson@slo.state.nm.us)

Respectfully,

*Stephanie Garcia Richard/SS*

Stephanie Garcia Richard  
Commissioner of Public Lands

SGR/sd

cc: OCD-Leonard Lowe  
OGMD and Units Reader Files



**From:** [Engineer, OCD, EMNRD](#)  
**To:** [Marshall Bates](#)  
**Cc:** [McClure, Dean, EMNRD](#); [Bratcher, Mike, EMNRD](#); [Kautz, Paul, EMNRD](#); [lisa@rwbyram.com](mailto:lisa@rwbyram.com); [Holm, Anchor E.; Dawson, Scott](#)  
**Subject:** Approved Administrative Order DHC-5103  
**Date:** Monday, March 8, 2021 4:55:12 PM  
**Attachments:** [DHC5103 Order.pdf](#)

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NMOCD has issued Administrative Order DHC-5103 which authorizes FAE II Operating, LLC (329326) to downhole commingle production from 2 pools in their POSSH #4 well (30-025-26536).

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.

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

**From:** [Marshall Bates](#)  
**To:** [McClure, Dean, EMNRD](#)  
**Subject:** [EXT] RE: downhole commingling application (DHC-5103)  
**Date:** Wednesday, February 3, 2021 3:37:32 PM

---

Mr. McClure,

Here is the certified mail tracking number: 7019 0140 0000 9163 7394

Thank you!

Marshall Bates  
Forty Acres Energy  
11757 Katy Fwy. Ste. 1000  
Houston, TX 77079

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**From:** [McClure, Dean, EMNRD](#)  
**Sent:** Monday, December 14, 2020 5:57 PM  
**To:** [Marshall Bates](#)  
**Subject:** downhole commingling application (DHC-5103)

Mr. Bates,

I am reviewing the downhole commingling application (DHC-5103) for the POSSH #4 (30-025-26536) operated by FAE II Operating, LLC (329326).

Please provide demonstration that the SLO was notified of this application.

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

**From:** [McClure, Dean, EMNRD](#)  
**To:** [Marshall Bates](#)  
**Subject:** RE: downhole commingling application (DHC-5103)  
**Date:** Thursday, March 4, 2021 4:28:00 PM

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Thank you sir; there is a bit of a typo on it regarding what the approval is for, but based upon the context it seems to be for this application and has been accepted into record.

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

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**From:** Marshall Bates <marshall@faenergyus.com>  
**Sent:** Thursday, March 4, 2021 4:23 PM  
**To:** McClure, Dean, EMNRD <Dean.McClure@state.nm.us>  
**Subject:** [EXT] RE: downhole commingling application (DHC-5103)

Mr. McClure,

And here is the NMSLO approval, attached.

Thank you,

Marshall Bates  
Forty Acres Energy  
11757 Katy Fwy. Ste. 1000  
Houston, TX 77079  
C: (713) 253-2885

---

**From:** [Marshall Bates](#)  
**Sent:** Wednesday, February 3, 2021 4:37 PM  
**To:** [McClure, Dean, EMNRD](#)  
**Subject:** RE: downhole commingling application (DHC-5103)

Mr. McClure,

Here is the certified mail tracking number: 7019 0140 0000 9163 7394

Thank you!

Marshall Bates  
Forty Acres Energy  
11757 Katy Fwy. Ste. 1000  
Houston, TX 77079

---

**From:** [McClure, Dean, EMNRD](#)

**Sent:** Monday, December 14, 2020 5:57 PM

**To:** [Marshall Bates](#)

**Subject:** downhole commingling application (DHC-5103)

Mr. Bates,

I am reviewing the downhole commingling application (DHC-5103) for the POSSH #4 (30-025-26536) operated by FAE II Operating, LLC (329326).

Please provide demonstration that the SLO was notified of this application.

Dean McClure

Petroleum Engineer, Oil Conservation Division

New Mexico Energy, Minerals and Natural Resources Department

(505) 469-8211



## Notice

Date Sent: 2/3/2021

[illegible]

**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-5103**

**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 percent (150%) 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. Prior to commingling production from the Pools within the Well's well bore, Applicant shall confirm the depth of the top of the Queen Formation with OCD's District Geologist. If the depth confirmed by OCD's District Geologist is different than the depth submitted within the Application as identified in Exhibit A, then no later than sixty (60) days after commingling production, Applicant shall submit Form C-103 to the OCD Engineering Bureau correcting the depth of the top of the Queen Formation.
5. 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.
6. 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**

A handwritten signature in black ink, appearing to read 'AS', is written over a horizontal line.

**ADRIENNE SANDOVAL  
DIRECTOR**

AS/dm

**DATE:** 3/08/2021



State of New Mexico  
Energy, Minerals and Natural Resources Department

## Exhibit A

Order: **DHC-5103**

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

Well Name: **POSSH #4**

Well API: **30-025-26536**

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

**Upper Zone**

Pool ID: **33820**

Current:

New: **X**

Allocation: **Fixed Percent**

Oil: **73%**

Gas: **62%**

Interval: **Perforations**

Top: **3,043**

Bottom: **3,378**

Pool Name:

**Intermediate Zone**

Pool ID:

Current:

New:

Allocation:

Oil:

Gas:

Interval:

Top:

Bottom:

Bottom of Interval within 150% of Upper Zone's Top of Interval:

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

**Lower Zone**

Pool ID: **37240**

Current: **X**

New:

Allocation: **Fixed Percent**

Oil: **27%**

Gas: **38%**

Interval: **Perforations**

Top: **3,461**

Bottom: **3,520**

Bottom of Interval within 150% of Upper Zone's Top of Interval: **YES**

Top of Queen Formation: **3498**

**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 11887

**CONDITIONS OF APPROVAL**

Operator:	FAE II OPERATING LLC      11757 Katy Freeway, Suite 1000      Houston, TX77079			OGRID:	329326	Action Number:	11887	Action Type:	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.								