

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:** 329326
Well Name: Citgo AS State #004 **API:** 30-025-34486
Pool: Jalmat **Pool Code:** 33820

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

Form C-107A
Revised August 1, 2011

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

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	Address		
Citgo AS State	4	4-2-24S-36E	Lea
Lease	Well No.	Unit Letter-Section-Township-Range	County
329326	326359	30-025-34486	X
OGRID No.	Property Code	API No.	Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Jalmat		Langlie Mattix
Pool Code	33820		37240
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2,918 – 3,605'		3,605' – 3,783'
Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift
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)	30.4 API / 1.303 BTU		30.4 API / 1.303 BTU
Producing, Shut-In or New Zone	Producing		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.)	See Attached Date: Rates:	Date: Rates:	See Attached 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 0 % 31 %	Oil Gas % %	Oil Gas 100 % 69 %

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	Marshall Bates	TITLE	Engineering Tech	DATE	1/13/2021
TYPE OR PRINT NAME	Marshall Bates	TELEPHONE NO.	(832) 241-8080		
E-MAIL ADDRESS	Marshall@FAEnergyos.com				

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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: Citgo AS State #004: API 30-025-34486
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.

Thank you for your attention to this matter.

Sincerely,

FAE II Operating, LLC



Rebecca Wing
Land

fae II Operating

January 12, 2021

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 Jalmat and Langlie Mattix Pools for the Citgo AS State #4 well located in Sec. 2, 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 Jalmat and Langlie Mattix Pools for its Citgo AS State #4 well located in Lot 4, Section 2, T-24S, R-36E, 330 feet FNL and 330 feet FWL, as shown in the attached C-102's for each zone.

The Citgo AS State #4 is currently open to the Yates-Seven Rivers interval, which translates to the JALMAT; TAN-YATES-7 RVRS pool [Pool ID: 33820]. The production curve for this interval is shown in Exhibit A. To develop a forecast for this zone, a decline curve was utilized based on the aforementioned historical production.

The zone that does not have production history in the Citgo AS State #4 is the Seven Rivers-Queen, which translates to the LANGLEIE MATTIX; 7 RVRS-Q-GRAYBURG [Pool ID: 37240]. To develop a forecast for this zone, eighteen (18) surrounding wells with production history from the Seven Rivers-Queen were used as an offset to prove up hole potential in the Citgo AS State #4 by taking the historical 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.

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 C. This forecast for the Citgo AS State #4 proved that an IP of 3.2 BOPD and 15.0 MCFPD is the expected total, and of that, 3.2 BOPD and 10.4 MCFPD will come from the Seven Rivers-Queen zone. The Yates-Seven Rivers is projected to yield 0.0 BOPD and 4.6 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 or by telephone at (832) 241-8080.

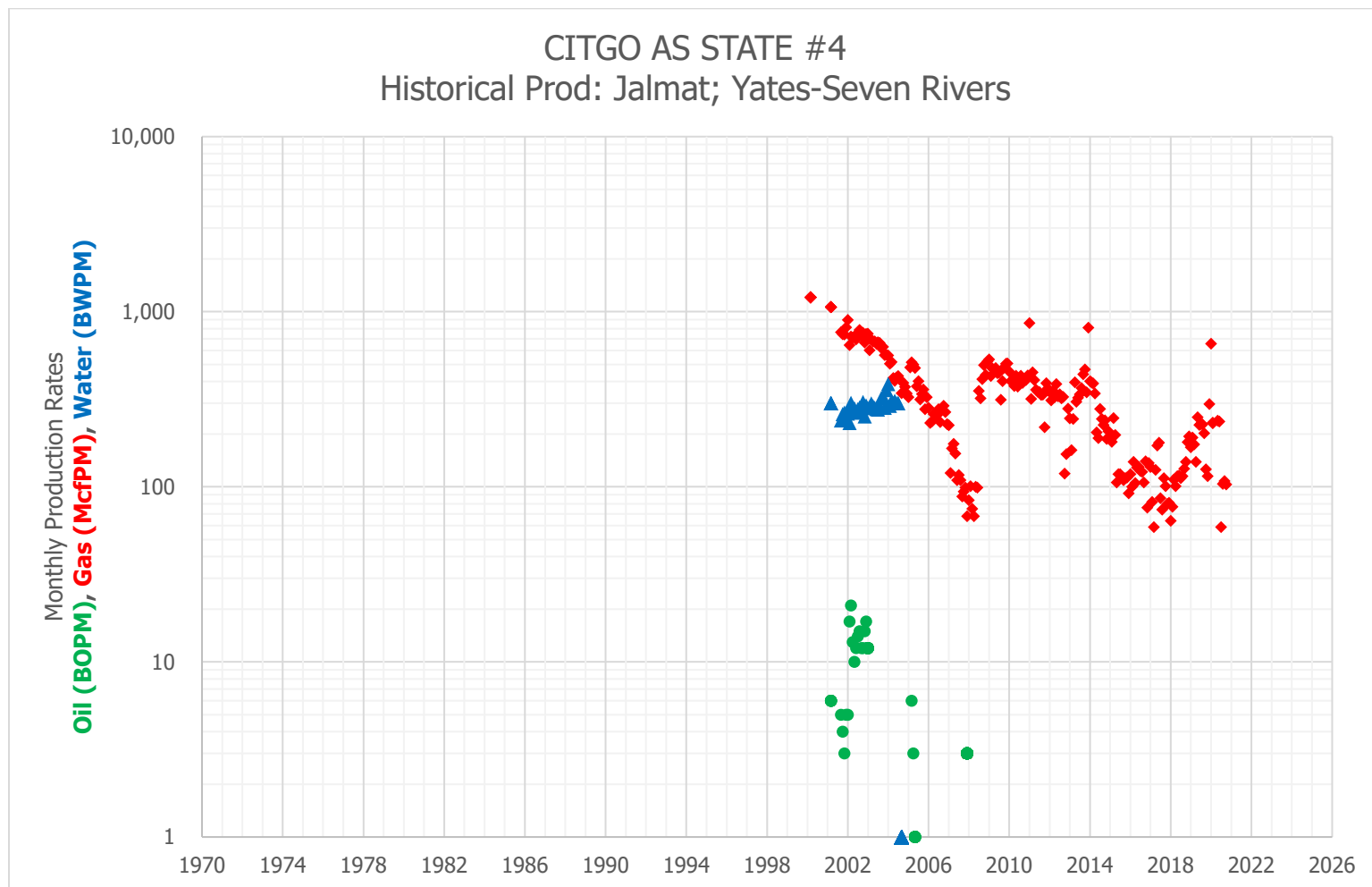
Very truly yours,



FAE II Operating, LLC

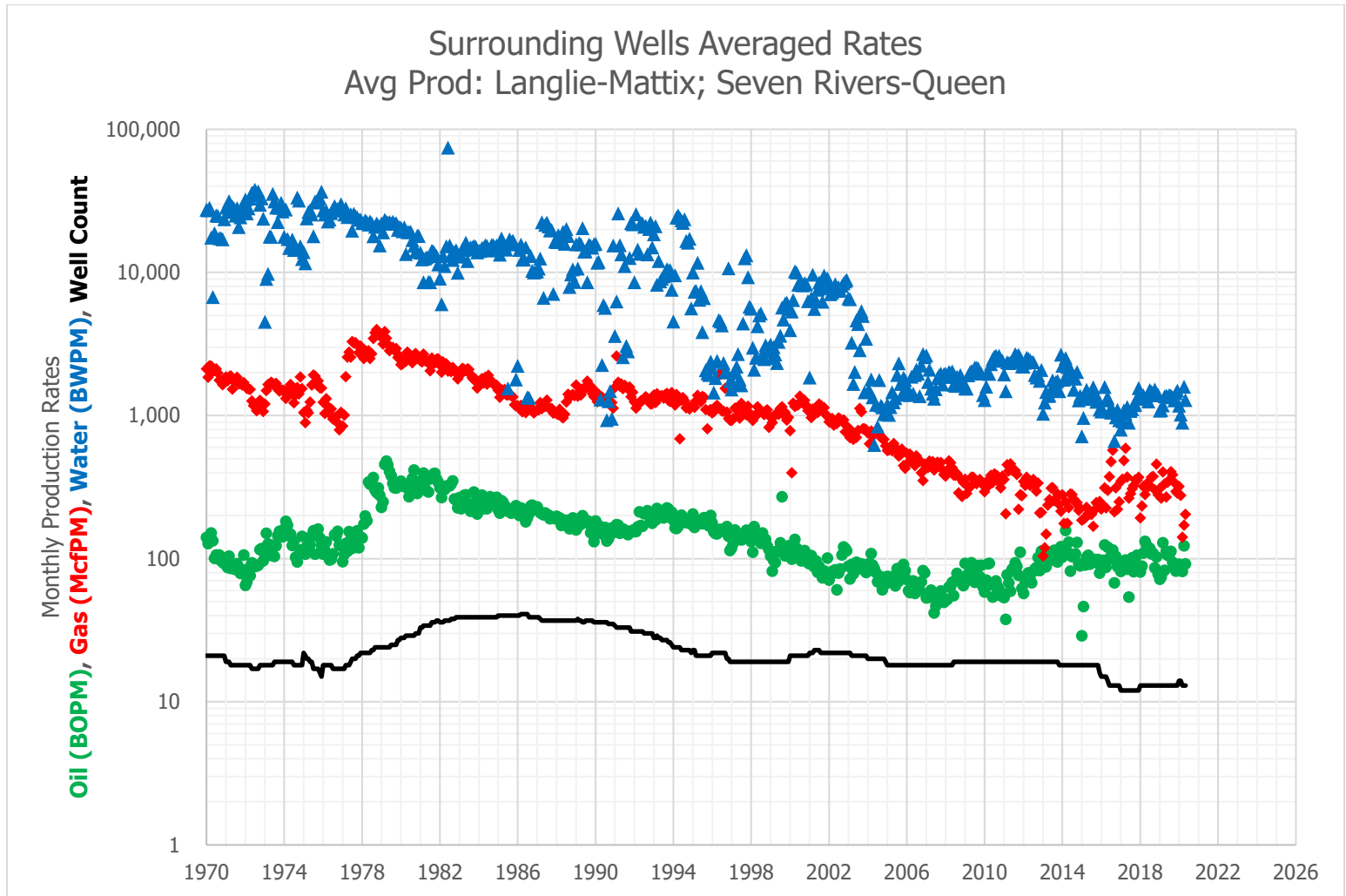
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Exhibit A – Historical and Forecast Production in the Current Zone



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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 Avg Prod: Langlie-Mattix; Seven Rivers-Queen					CITGO AS STATE #4 Historical Prod: Jalmat; Yates-Seven Rivers				Synthetic Decline Curve			
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	29	186	714	18	1/1/2015		191		1	95.9	456	1,220
2/1/2015	46	189	961	18	2/1/2015		181		2	95.4	455	1,216
3/1/2015	90	192	1,306	18	3/1/2015		247		3	95.0	454	1,212
4/1/2015	102	228	1,512	18	4/1/2015		198		4	94.5	453	1,208
5/1/2015	106	206	1,407	18	5/1/2015		106		5	94.1	451	1,204
6/1/2015	91	205	1,339	18	6/1/2015		118		6	93.6	450	1,200
7/1/2015	99	203	1,370	18	7/1/2015		118		7	93.2	449	1,196
8/1/2015	99	168	1,575	18	8/1/2015		114		8	92.7	448	1,192
9/1/2015	97	220	1,343	18	9/1/2015		109		9	92.3	447	1,188
10/1/2015	94	246	1,245	18	10/1/2015		112		10	91.9	446	1,184
11/1/2015	98	240	1,308	18	11/1/2015		113		11	91.4	445	1,181
12/1/2015	79	250	1,099	16	12/1/2015		92		12	91.0	444	1,177
1/1/2016	87	222	1,068	15	1/1/2016		118		13	90.5	442	1,173
2/1/2016	97	236	1,082	15	2/1/2016		100		14	90.1	441	1,169
3/1/2016	125	312	1,579	15	3/1/2016		139		15	89.7	440	1,165
4/1/2016	87	226	1,275	15	4/1/2016		105		16	89.3	439	1,161
5/1/2016	120	300	1,327	14	5/1/2016		129		17	88.8	438	1,157
6/1/2016	101	373	1,070	13	6/1/2016		130		18	88.4	437	1,154
7/1/2016	100	475	1,045	13	7/1/2016		123		19	88.0	436	1,150
8/1/2016	115	570	1,089	13	8/1/2016		122		20	87.6	435	1,146
9/1/2016	68	212	663	13	9/1/2016		106		21	87.1	434	1,142
10/1/2016	104	312	968	13	10/1/2016		140		22	86.7	433	1,139
11/1/2016	88	220	1,093	13	11/1/2016		76		23	86.3	432	1,135
12/1/2016	91	249	926	13	12/1/2016		137		24	85.9	430	1,131
1/1/2017	81	345	797	12	1/1/2017		130		25	85.5	429	1,127
2/1/2017	87	359	910	12	2/1/2017		82		26	85.1	428	1,124
3/1/2017	89	484	1,086	12	3/1/2017		59		27	84.7	427	1,120
4/1/2017	98	590	1,027	12	4/1/2017		125		28	84.3	426	1,116
5/1/2017	84	371	1,146	12	5/1/2017		172		29	83.9	425	1,113
6/1/2017	54	264	892	12	6/1/2017		179		30	83.5	424	1,109
7/1/2017	97	285	1,077	12	7/1/2017		86		31	83.1	423	1,105
8/1/2017	101	307	1,103	12	8/1/2017		74		32	82.7	422	1,102
9/1/2017	81	324	1,182	12	9/1/2017		112		33	82.3	421	1,098
10/1/2017	94	355	1,184	12	10/1/2017		101		34	81.9	420	1,095
11/1/2017	105	353	1,320	12	11/1/2017		80		35	81.5	419	1,091
12/1/2017	87	370	1,552	12	12/1/2017		81		36	81.1	418	1,087
1/1/2018	81	192	1,350	13	1/1/2018		64		37	80.7	417	1,084
2/1/2018	89	233	1,345	13	2/1/2018		77		38	80.3	416	1,080
3/1/2018	109	319	1,381	13	3/1/2018		110		39	79.9	415	1,077
4/1/2018	132	280	1,314	13	4/1/2018		101		40	79.6	414	1,073
5/1/2018	124	333	1,306	13	5/1/2018		115		41	79.2	413	1,070
6/1/2018	118	320	1,249	13	6/1/2018		116		42	78.8	412	1,066
7/1/2018	118	323	1,505	13	7/1/2018		112		43	78.4	411	1,063
8/1/2018	108	371	1,462	13	8/1/2018		115		44	78.1	409	1,059
9/1/2018	109	375	1,382	13	9/1/2018		127		45	77.7	408	1,056
10/1/2018	86	302	1,520	13	10/1/2018		139		46	77.3	407	1,052
11/1/2018	103	457	1,427	13	11/1/2018		180		47	76.9	406	1,049
12/1/2018	78	278	1,393	13	12/1/2018		194		48	76.6	405	1,045
1/1/2019	72	309	1,078	13	1/1/2019		168		49	76.2	404	1,042
2/1/2019	74	265	1,090	13	2/1/2019		191		50	75.8	403	1,038
3/1/2019	129	403	1,178	13	3/1/2019		175		51	75.5	402	1,035
4/1/2019	83	333	1,356	13	4/1/2019		139		52	75.1	401	1,032
5/1/2019	113	269	1,376	13	5/1/2019		250		53	74.8	400	1,028
6/1/2019	105	341	1,349	13	6/1/2019		226		54	74.4	399	1,025
7/1/2019	107	353	1,386	13	7/1/2019		228		55	74.0	398	1,021
8/1/2019	112	405	1,378	13	8/1/2019		227		56	73.7	397	1,018
9/1/2019	94	384	1,339	13	9/1/2019		202		57	73.3	396	1,015
10/1/2019	85	340	1,275	13	10/1/2019		126		58	73.0	395	1,011
11/1/2019	82	295	1,434	13	11/1/2019		115		59	72.6	394	1,008
12/1/2019	89	286	1,492	13	12/1/2019		297		60	72.3	393	1,005
1/1/2020	91	319	1,168	14	1/1/2020		657					
2/1/2020	87	276	1,014	14	2/1/2020		232					
3/1/2020	81	141	889	13	3/1/2020		-					
4/1/2020	123	171	1,585	13	4/1/2020		-					
5/1/2020	92	204	1,281	13	5/1/2020		239					
6/1/2020	95	285	1,273	13	6/1/2020		236					

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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	4.6	0.0
Langlie Mattix	Seven Rivers-Queen	3.2	10.4	40.1
	Total	3.2	15.0	40.1
Jalmat	Yates-Seven Rivers	0%	31%	0%
Langlie Mattix	Seven Rivers-Queen	100%	69%	100%
	Total (%)	100%	100%	100%

DISTRICT I
P.O. Box 1900, Hobbs, NM 88241-1900

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 Rio Brazos Rd., Artesia, NM 87410

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT IV
P.O. Box 2088, Santa Fe, NM 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-0 25-34486	Pool Code 33820	Jalmat
Property Code 326359	Property Name CITGO STATE AS	Well Number 4
OCRID No. 329326	Operator Name FAE II Operating, LLC	Elevation 3373


Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0 4	2	24 S	36 E		330	NORTH	330	WEST	LEA

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

 <p>LOT 4 39.98 AC.</p>	<p>LOT 3 39.92 AC.</p>	<p>LOT 2 39.88 AC.</p>	<p>LOT 1 39.82 AC.</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>M Bates</i> Signature Marshall Bates Printed Name Engineering Tech Title 1/12/2021 Date</p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date Surveyed _____ CDG Signature <i>E. Seal</i> Professional Surveyor</p> <p>Certificate No. RONALD EIDSON, 3239 GARY G. EIDSON, 12841 ED PROFFER, 12185</p>

DISTRICT I

P.O. Box 1990, Hobbs, NM 88241-1990

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994
Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT II

P.O. Drawer DD, Artesia, NM 88211-0710

DISTRICT III

1000 Rio Brazos Rd., Artesia, NM 87410

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT IV

P.O. Box 2088, Santa Fe, NM 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-0 25-34-86	Pool Code 37240	Langlie Mattix
Property Code 326359	Property Name CITGO STATE AS	Well Number 4
OGRID No. 329326	Operator Name FAE II Operating, LLC	Elevation 3373

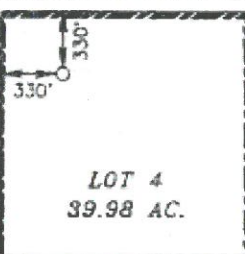
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0 4	2	24 S	36 E		330	NORTH	330	WEST	LEA

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

 <p>LOT 4 39.98 AC.</p>	<p>LOT 3 39.92 AC.</p>	<p>LOT 2 39.88 AC.</p>	<p>LOT 1 39.82 AC.</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><u>M Bates</u> Signature</p> <p><u>Marshall Bates</u> Printed Name</p> <p><u>Engineering Tech</u> Title</p> <p><u>1/12/2021</u> Date</p>
<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date Surveyed: _____ CDG</p> <p>Signature: <u>E. Seefor</u> Professional Surveyor</p>				
<p>Certificate No. <u>RONALD A. EDSON, 3239</u> <u>GARY G. EDSON, 12841</u> <u>WILLIAM MCDONALD, 12185</u></p>				

From: [Marshall Bates](#)
To: [McClure, Dean, EMNRD](#)
Subject: [EXT] RE: downhole commingling application DHC-5112
Date: Wednesday, February 3, 2021 3:33:47 PM

Mr. McClure,

Here is the certified mail tracking number: 7020 0640 0000 9346 8355

Thank you!

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

From: [McClure, Dean, EMNRD](#)
Sent: Tuesday, January 19, 2021 5:27 PM
To: [Marshall Bates](#)
Subject: downhole commingling application DHC-5112

Mr. Bates,

I am reviewing the downhole commingling application (DHC-5112) for the Citgo AS State #4 (30-025-34486) operated by FAE II Operating, LLC (329326).

Please submit the tracking number for the certified mail sent to the NMSLO notifying them of the application.

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](#)
Cc: [Kautz, Paul, EMNRD](#)
Subject: [EXT] RE: downhole commingling applications
Date: Thursday, March 25, 2021 3:52:32 PM

Dean,

Here is where the top of the Queen is for each well according to our Geology department:

Wells A #8 – 3,563 ft.
 Arnott Ramsay NCT-B #1 – 3,429 ft.
 Citgo AS State #4 – 3,705 ft.
 Langlie A State #3 – 3,397 ft.
 Harrison Federal WB #1 – 3,378 ft.

Thank you,

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

From: [McClure, Dean, EMNRD](#)
Sent: Wednesday, March 17, 2021 6:52 AM
To: [Marshall Bates](#)
Cc: [Kautz, Paul, EMNRD](#)
Subject: RE: downhole commingling applications

Actually, it looks like we do have access to logs from IHS, but my search turned up limited logs for these wells. We may have enough for Harrison Federal WB #1 and Citgo AS State #4, but I did not see anything of use for the other 3 wells.

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

From: McClure, Dean, EMNRD
Sent: Wednesday, March 17, 2021 5:19 AM
To: Marshall Bates <marshall@faenergyus.com>
Cc: Kautz, Paul, EMNRD <paul.kautz@state.nm.us>
Subject: downhole commingling applications

Hello Mr. Bates,

Please provide FAE's picks for the top of the Queen formation for the wells listed below. Prior to approval of the C-104 for the second pool being added to these wells, FAE will need to get with Paul and provide him with data sufficient for him to confirm the picks. Alternatively, if you confirm the top with him prior to issuance of the DHC Orders, then you will not need to submit a sundry with the correction at a later date. Regarding the logs for these wells, it is my understanding that we had an agreement with the predecessor to IHS to receive logs from them, but I do not think any discussions have occurred with IHS regarding logs.

Commingling Applications														
Admin	Applicant	OGRID Number	ID	Request Number	Title	API	Allocation	Pending CA	(C) (4) (g)	Infill	Status	Notes	Date	Folder
DHC-5106	FAE II Operating, LLC	329326	14697	pDM2101942023	Wells A 8	30-025-23857	Fixed Percent				Under Review	The top of the Queen not identified	3/8/2021	E:\NM\WORK\DHC\DHC5106
DHC-5108	FAE II Operating, LLC	329326	14702	pDM2101942616	Arnott Ramsay NCT B 1	30-025-11864	Fixed Percent				Under Review	The top of the Queen not	3/8/2021	E:\NM\WORK\DHC\DHC5108

											identified			
DHC-5112	FAE II Operating, LLC	329326	14714	pDM2101943692	Citgo AS State 4	30-025-34486	Fixed Percent				Under Review	The top of the Queen not identified	3/8/2021	E:\NM WORK\DHC\DHC5112
DHC-5113	FAE II Operating, LLC	329326	14716	pDM2101943934	Langlie A State 3	30-025-28067	Fixed Percent				Under Review	The top of the Queen not identified	3/8/2021	E:\NM WORK\DHC\DHC5113
DHC-5114	FAE II Operating, LLC	329326	15507	pDM2102555034	Harrison Federal WB 1	30-025-11805	Fixed Percent				Under Review	The top of the Queen not identified	3/8/2021	E:\NM WORK\DHC\DHC5114

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

From: [Engineer, OCD, EMNRD](#)
To: [Marshall Bates](#)
Cc: [McClure, Dean, EMNRD](#); [Bratcher, Mike, EMNRD](#); [Kautz, Paul, EMNRD](#); [Powell, Brandon, EMNRD](#); [lisa@rwbyram.com](#); [Holm, Anchor E.](#); [Dawson, Scott](#)
Subject: Approved Administrative Order DHC-5112
Date: Monday, March 29, 2021 5:31:17 PM
Attachments: [DHC5112 Order.pdf](#)

NMOCD has issued Administrative Order DHC-5112 which authorizes FAE II Operating, LLC (329326) to downhole commingle production from 2 pools in their Citgo AS State #4 well (30-025-34486).

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

**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-5112

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

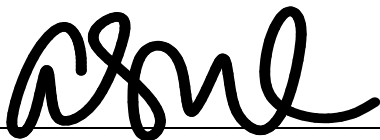
proposed commingling of the Pools shall not result in shut-in or flowing well bore pressure in excess of the commingled pool's fracture parting pressure in accordance with 19.15.12.11(A)(3) NMAC.

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: 3/29/2021

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: **DHC-5112**

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

Well Name: **Citgo AS State #4**

Well API: **30-025-34486**

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

Upper Zone

Pool ID: **33820**

Current: **X**

New:

Allocation: **Fixed Percent**

Oil: **0%**

Gas: **31%**

Interval: **Perforations**

Top: **2,918**

Bottom: **3,605**

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:

New: **X**

Allocation: **Fixed Percent**

Oil: **100%**

Gas: **69%**

Interval: **Perforations**

Top: **3,605**

Bottom: **3,783**

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

Top of Queen Formation: **3705**

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 14714

CONDITIONS OF APPROVAL

Operator:			OGRID:	Action Number:	Action Type:
FAE II OPERATING LLC	11757 Katy Freeway, Suite 1000	Houston, TX77079	329326	14714	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.