Revised March 23, 2017

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: FAE II Operating, LLC **OGRID Number:** 329326
Well Name: Steeler A #004 **API:** 30-025-28044
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

FOR OCD ONLY
☐ Notice Complete
☐ Application Content Complete

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

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

1/12/2021
Date

832-220-3202
Phone Number

Signature

David@FAEnergyus.com
e-mail Address

Received by OCD: 2/14/2021 4:52:01 PM
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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
_X__Single Well
____Establish Pre-Approved Pools
EXISTING WELLBORE
__X__ Yes ____No

APPLICATION FOR DOWNHOLE COMMINGLING

FAE II Operating, LLC — *11757 Katy Fwy. Ste. 1000, Houston, TX 77079*
Operator — Address

Steeler A — *4* — *M-20-23S-37E* — *Lea*
Lease — Well No. — Unit Letter-Section-Township-Range — County

329326 — *329848* — *30-025-28044* — *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)	*2,700 – 3,370'*		*3,370' – 3,680'*
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)	*23.0 API / 1.084 BTU*		*23.0 API / 1.084 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 *0* % Gas *88* %	Oil % Gas %	Oil *100* % Gas *12* %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes__*X*__ 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__*X*__ No_____

Will commingling decrease the value of production? Yes_____ No__*X*__

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__*X*__ 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 M Bates TITLE Engineering Tech DATE 1/13/2021

TYPE OR PRINT NAME Marshall Bates TELEPHONE NO. (832) 241-8080

E-MAIL ADDRESS Marshall@FAEnergyus.com

Received by OCD: 2/14/2021 4:52:01 PM
Released to Imaging: 7/2/2021 5:03:02 PM

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 Steeler A #4 well located in Sec. 20, T-23S, R-37E, 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 Steeler A #4 well located in Unit Letter M, Section 20, T-23S, R-37E, 330 feet FSL and 990 feet FWL, as shown in the attached C-102's for each zone.

The Steeler A #4 is currently open to the Seven Rivers-Queen interval, which translates to the LANGLIE MATTIX; 7 RVRS-Q-GRAYBURG [Pool ID: 37240]. 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 Steeler A #4 is the Yates-Seven Rivers, which translates to the JALMAT; TAN-YATES-7 RVRS [Pool ID: 33820]. To develop a forecast for this zone, 28 surrounding wells with production history from the Yates-Seven Rivers were used as an offset to prove up hole potential in the Steeler A #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 Steeler A #4 proved that an IP of 0.4 BOPD and 15.5 MCFPD is the expected total, and of that, 0.0 BOPD and 13.6 MCFPD will come from the Yates-Seven Rivers zone. The Seven Rivers-Queen is projected to yield 0.4 BOPD and 1.9 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,

M Bates

FAE II Operating, LLC

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Released to Imaging: 7/2/2021 5:03:02 PM

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Exhibit A – Historical and Forecast Production in the Current Zone

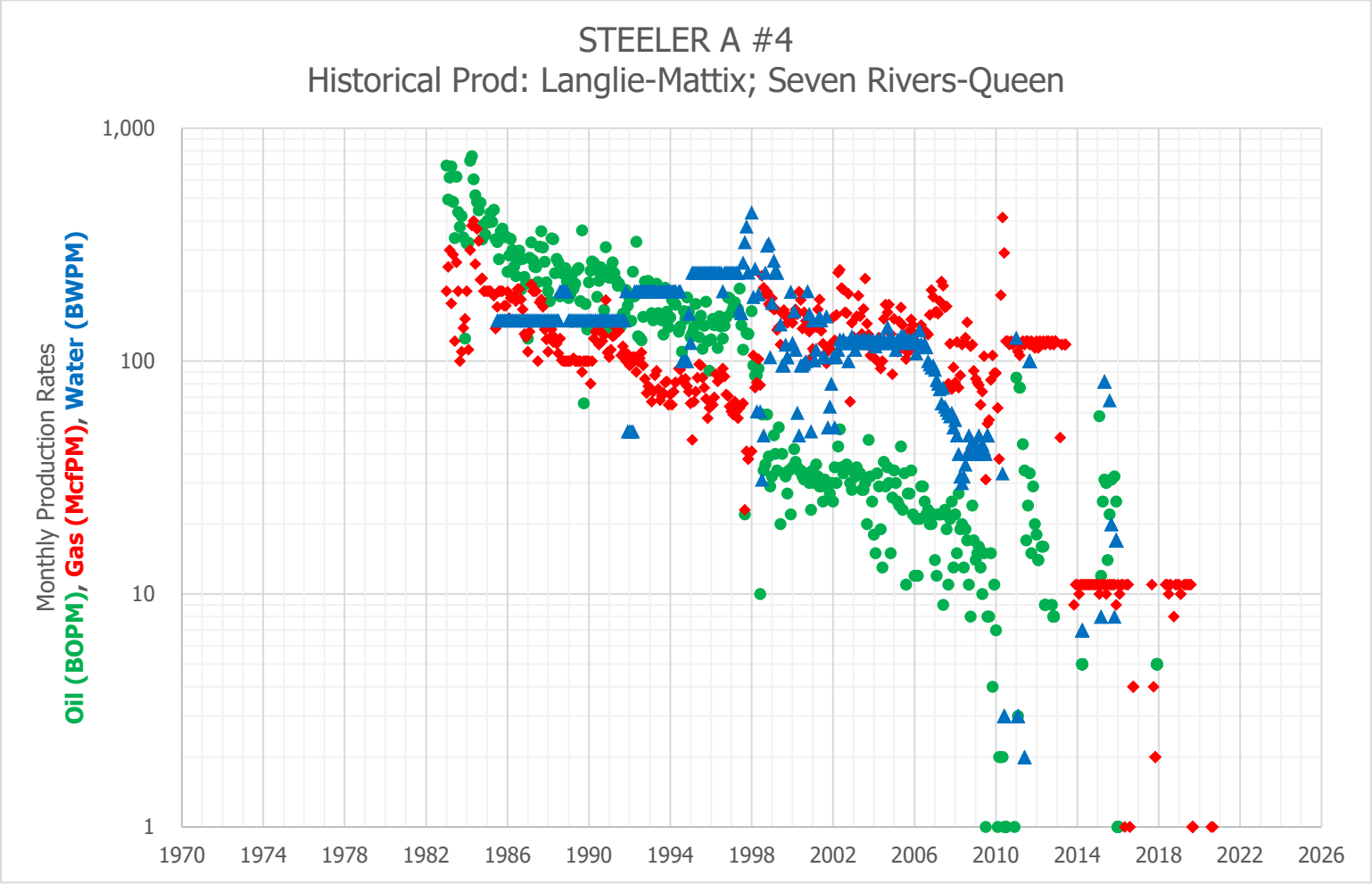

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Exhibit B – Historical Average Production in the Proposed Zone

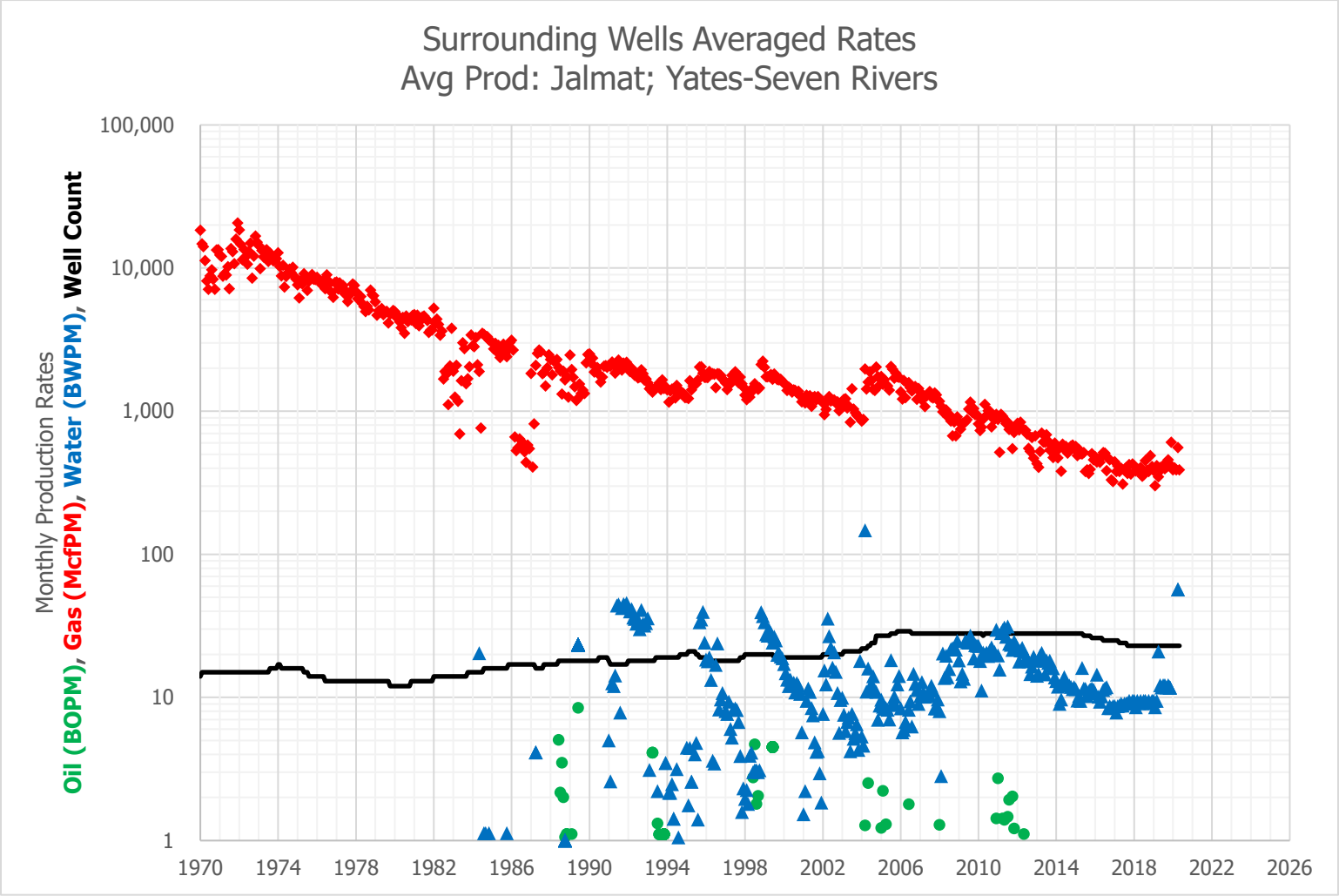

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Exhibit C – Historical Production and Decline Curve

Surrounding Wells Averaged Rates Avg Prod: Jalmat; Yates-Seven Rivers				
Date	Avg Oil (BOPM)	Avg Gas (McfPM)	Avg Water (BWPM)	Well Count
1/1/2015	0	567	11	28
2/1/2015	-	489	10	28
3/1/2015	0	539	10	28
4/1/2015	-	504	9	28
5/1/2015	0	501	16	28
6/1/2015	-	514	12	27
7/1/2015	-	378	11	27
8/1/2015	-	389	10	27
9/1/2015	-	367	11	27
10/1/2015	-	393	11	27
11/1/2015	-	505	12	26
12/1/2015	-	458	11	26
1/1/2016	-	481	11	26
2/1/2016	-	441	14	26
3/1/2016	-	458	10	26
4/1/2016	-	439	9	26
5/1/2016	-	479	10	26
6/1/2016	-	512	11	25
7/1/2016	0	510	12	25
8/1/2016	-	384	12	25
9/1/2016	-	470	8	25
10/1/2016	-	456	9	25
11/1/2016	-	331	8	25
12/1/2016	-	322	9	25
1/1/2017	-	442	9	25
2/1/2017	-	378	8	25
3/1/2017	-	414	9	25
4/1/2017	-	379	9	24
5/1/2017	-	400	9	24
6/1/2017	-	309	9	24
7/1/2017	-	387	9	24
8/1/2017	-	403	9	24
9/1/2017	-	367	9	23
10/1/2017	-	424	9	23
11/1/2017	-	363	9	23
12/1/2017	-	426	9	23
1/1/2018	-	415	9	23
2/1/2018	-	382	9	23
3/1/2018	-	390	9	23
4/1/2018	-	381	9	23
5/1/2018	-	402	9	23
6/1/2018	-	351	9	23
7/1/2018	-	359	9	23
8/1/2018	-	450	9	23
9/1/2018	-	386	9	23
10/1/2018	-	378	9	23
11/1/2018	-	489	9	23
12/1/2018	-	410	9	23
1/1/2019	-	383	9	23
2/1/2019	-	302	9	23
3/1/2019	-	416	9	23
4/1/2019	-	348	21	23
5/1/2019	-	402	12	23
6/1/2019	0	393	12	23
7/1/2019	-	418	12	23
8/1/2019	-	396	12	23
9/1/2019	-	407	12	23
10/1/2019	-	457	12	23
11/1/2019	-	424	12	23
12/1/2019	-	607	-	23
1/1/2020	-	388	-	23
2/1/2020	-	401	-	23
3/1/2020	-	388	-	23
4/1/2020	-	556	57	23
5/1/2020	-	389	-	23
6/1/2020	-	410	-	23

STEELER A #4 Historical Prod: Langlie-Mattix; Seven Rivers-			
Date	Avg Oil (BOPM)	Avg Gas (McfPM)	Avg Water (BWPM)
1/1/2015	-	11	-
2/1/2015	58	10	-
3/1/2015	12	11	8
4/1/2015	25	11	-
5/1/2015	31	11	82
6/1/2015	30	10	-
7/1/2015	14	11	-
8/1/2015	22	11	68
9/1/2015	31	11	20
10/1/2015	-	11	-
11/1/2015	32	11	8
12/1/2015	25	9	17
1/1/2016	1	11	
2/1/2016		10	
3/1/2016		11	
4/1/2016		11	
5/1/2016		1	
6/1/2016		11	
7/1/2016		11	
8/1/2016		1	
9/1/2016		-	
10/1/2016		4	
11/1/2016			
12/1/2016			
1/1/2017	-	-	
2/1/2017	-	-	
3/1/2017	-	-	
4/1/2017	-	-	
5/1/2017	-	-	
6/1/2017	-	-	
7/1/2017	-	-	
8/1/2017	-	-	
9/1/2017	-	11	
10/1/2017	-	4	
11/1/2017	-	2	
12/1/2017	5		
1/1/2018		-	
2/1/2018		-	
3/1/2018		-	
4/1/2018		-	
5/1/2018		11	
6/1/2018		11	
7/1/2018		10	
8/1/2018		11	
9/1/2018		-	
10/1/2018		8	
11/1/2018		11	
12/1/2018		11	
1/1/2019		11	
2/1/2019		10	
3/1/2019		-	
4/1/2019		11	
5/1/2019		11	
6/1/2019		11	
7/1/2019		11	
8/1/2019		11	
9/1/2019		1	
10/1/2019			
11/1/2019			
12/1/2019			
1/1/2020		-	
2/1/2020		-	
3/1/2020		-	
4/1/2020		-	
5/1/2020		-	
6/1/2020		-	

Synthetic Decline Curve			
Month	Avg Oil (BOPM)	Avg Gas (McfPM)	Avg Water (BWPM)
1	12.6	472	17
2	12.6	471	17
3	12.5	469	17
4	12.5	468	17
5	12.4	467	17
6	12.3	466	17
7	12.3	465	17
8	12.2	464	17
9	12.2	462	17
10	12.1	461	17
11	12.0	460	17
12	12.0	459	17
13	11.9	458	17
14	11.9	457	16
15	11.8	456	16
16	11.8	454	16
17	11.7	453	16
18	11.6	452	16
19	11.6	451	16
20	11.5	450	16
21	11.5	449	16
22	11.4	448	16
23	11.4	447	16
24	11.3	445	16
25	11.3	444	16
26	11.2	443	16
27	11.2	442	16
28	11.1	441	16
29	11.1	440	16
30	11.0	439	16
31	10.9	438	16
32	10.9	437	16
33	10.8	436	15
34	10.8	434	15
35	10.7	433	15
36	10.7	432	15
37	10.6	431	15
38	10.6	430	15
39	10.5	429	15
40	10.5	428	15
41	10.4	427	15
42	10.4	426	15
43	10.3	425	15
44	10.3	424	15
45	10.2	423	15
46	10.2	422	15
47	10.1	421	15
48	10.1	420	15
49	10.0	418	15
50	10.0	417	15
51	9.9	416	15
52	9.9	415	15
53	9.8	414	14
54	9.8	413	14
55	9.8	412	14
56	9.7	411	14
57	9.7	410	14
58	9.6	409	14
59	9.6	408	14
60	9.5	407	14

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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	13.6	0.3
Langlie Mattix	Seven Rivers-Queen	0.4	1.9	0.2
	Total	**0.4**	**15.5**	**0.6**
Jalmat	Yates-Seven Rivers	0%	88%	57%
Langlie Mattix	Seven Rivers-Queen	100%	12%	43%
	Total (%)	**100%**	**100%**	**100%**

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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	Lease	Well No.
FAE II Operating, LLC	STEELER A	4

Unit Letter	Section	Township	Range	County
M	20	23 SOUTH	37 EAST	LEA

Actual Footage Location of Well: 330 feet from the SOUTH line and 990 feet from the WEST line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3312.8	Tan-Yates-7 Rivers	Jalmat	40 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

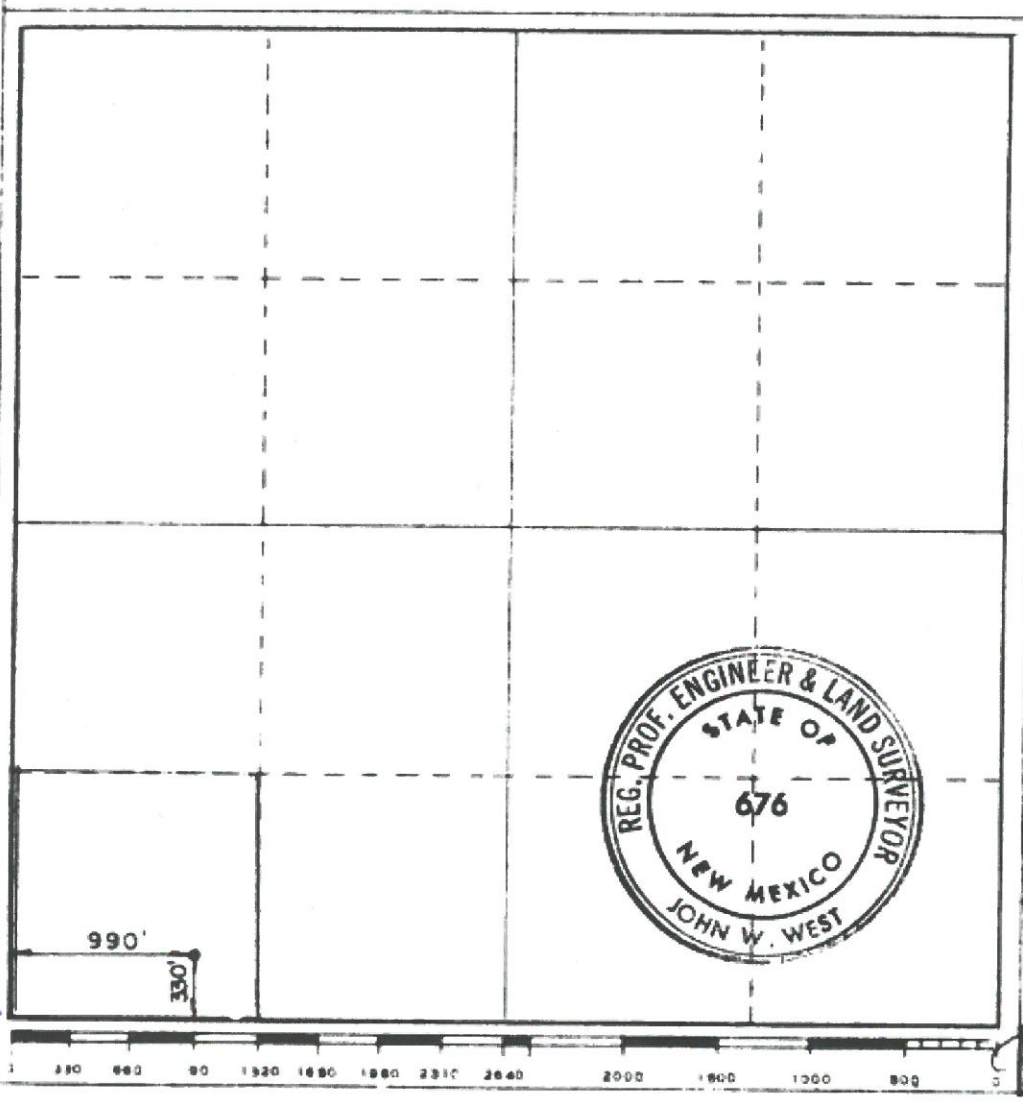
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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.

M Bates

Marshall Bates

Position: Engineering Tech

Company: FAE II Operating, LLC

Date: 1/12/2021

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.

Received by OCD: 2/14/2021 4:52:01 PM

Released to Imaging: 7/2/2021 5:03:02 PM

Page 9 of 21

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

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Supersedes C-128
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Actual Footage Location of Well: 330 feet from the SOUTH line and 990 feet from the WEST line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3312.8	Queen	Langlie Mattix	40 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

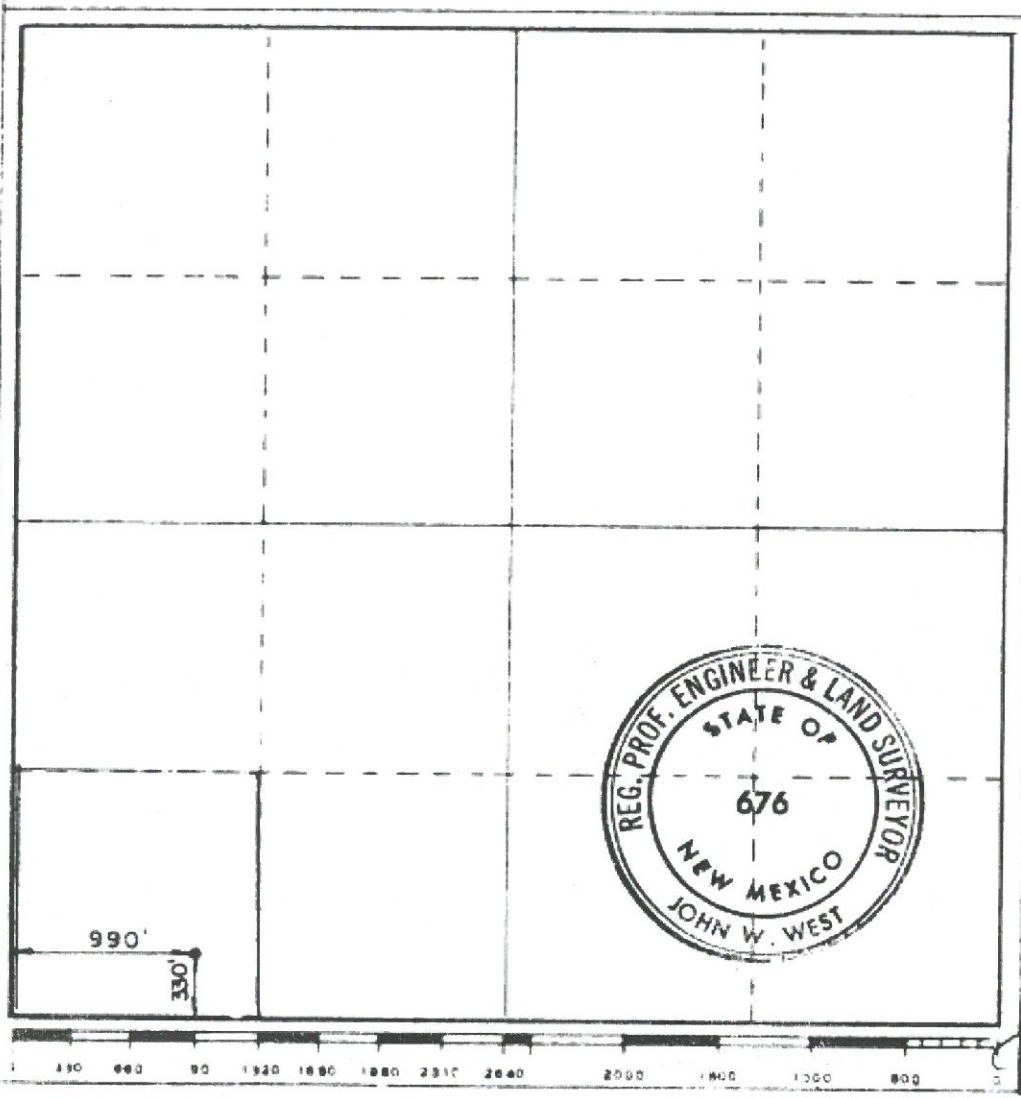
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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

M Bates

Marshall Bates

Position: Engineering Tech

Company: FAE II Operating, LLC

Date: 1/12/2021

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.

Received by OCD: 2/14/2021 4:52:01 PM

Released to Imaging: 7/2/2021 5:03:02 PM

From: Marshall Bates
To: McClure, Dean, EMNRD
Subject: [EXT] RE: Downhole Commingle - Forty Acres Energy
Date: Tuesday, June 1, 2021 9:26:39 AM
Attachments: image001.png

Dean,

On the Steeler A #4 application (DHC-5126), we would like to make a change to the proposed perf depths and allocation percentages, and confirm the pool names. Please see the table below:

Pool Name	79240 JALMAT	37240 LANGLIE MATTIX
Oil Allocation (%)	0%	100%
Gas Allocation (%)	87%	13%
Perf Depths	2,914 – 3,355'	3,394' – 3,509'

Thank you,

Marshall Bates | Engineering Tech
forty acres energy
11757 Katy Freeway, Suite 1000 | Houston, TX 77079
O 832.241.8080 (ext. 161)
C 713.253.2885
E marshall@faenergyus.com

From: Marshall Bates
Sent: Tuesday, June 1, 2021 9:17 AM
To: McClure, Dean, EMNRD
Subject: RE: Downhole Commingle - Forty Acres Energy

Dean,

On the Steeler A #1 application (DHC-5125), we would like to make a change to the proposed perf depths and allocation percentages, and confirm the pool names. Please see the table below:

Pool Name	79240 JALMAT	37240 LANGLIE MATTIX
Oil Allocation (%)	0%	100%
Gas Allocation (%)	87%	13%
Perf Depths	2,750 – 3,341'	3,341' – 3,668'

Thank you,

Marshall Bates | Engineering Tech
forty acres energy
11757 Katy Freeway, Suite 1000 | Houston, TX 77079
O 832.241.8080 (ext. 161)
C 713.253.2885
E marshall@faenergyus.com

From: Marshall Bates
Sent: Monday, May 24, 2021 6:08 PM
To: McClure, Dean, EMNRD
Subject: RE: Downhole Commingle - Forty Acres Energy

Dean,

On the Dyer #2 application (DHC-5122), we would like to make a change to the proposed perf depths, but confirm the pool names and allocation percentages. Please see the table below:

Pool Name	79240 JALMAT	37240 LANGLIE MATTIX
Oil Allocation (%)	0%	100%
Gas Allocation (%)	3%	97%
Perf Depths	3,225' – 3,575'	3,575' – 3,600'

Thank you,

Marshall Bates | Engineering Tech
forty acres energy
11757 Katy Freeway, Suite 1000 | Houston, TX 77079
O 832.241.8080 (ext. 161)
C 713.253.2885
E marshall@faenergyus.com

From: McClure, Dean, EMNRD
Sent: Friday, May 21, 2021 5:16 PM
To: Marshall Bates
Subject: RE: Downhole Commingle - Forty Acres Energy

Based off my notes, I believe that to be the case regarding Dyer #3, but will be in touch if anything else is needed. I did not find time to attach all of these statements today, but hopefully should be able to go back though them in the beginning of next week.

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

From: Marshall Bates <marshall@faenergyus.com>
Sent: Friday, May 21, 2021 9:34 AM
To: McClure, Dean, EMNRD <Dean.McClure@state.nm.us>
Subject: [EXT] RE: Downhole Commingle - Forty Acres Energy

Thank you for this list. I do have all of the ownership statements on hand, so I will go ahead and attach those. Will this complete the Dyer #003 application?

Marshall Bates | Engineering Tech
forty acres energy
11757 Katy Freeway, Suite 1000 | Houston, TX 77079
O 832.241.8080 (ext. 161)
C 713.253.2885
E marshall@faenergyus.com

From: McClure, Dean, EMNRD
Sent: Friday, May 21, 2021 10:10 AM
To: Marshall Bates
Cc: David Schellstede
Subject: RE: Downhole Commingle - Forty Acres Energy

Hello Marshall,

I have another meeting shorty, but later in the morning or the afternoon we can discuss if you want. However, it may be easier to reference the original emails on all but DHC-5130 and DHC-5131 as they contain the requests for information for each application, and then discuss any specific requests if there are questions related to them. I can run a search on my email and reforward them to you if it would be helpful.

My notes for the DHC applications are as follows:

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-5121	FAE II Operating, LLC	329326	18010	pDM2104639171	Arnott Ramsay A 6	30-025-35329	Fixed Percent				Under Review	Requesting confirmation of notice to SLO, ownership statement	2/17/2021	E:\NM WORK\DHC\DHC5121
DHC-5122	FAE II Operating, LLC	329326	18011	pDM2104640119	Dyer 2	30-025-11854	Fixed Percent				Under Review	Requesting ownership statement,	2/17/2021	E:\NM WORK\DHC\DHC5122

												confirmation of pool, confirmation of allocation, confirmation of perf depths		
DHC-5123	FAE II Operating, LLC	329326	18012	pDM2104640372	Dyer 3	30-025-11855	Fixed Percent				Under Review	Requesting ownership statement	2/17/2021	E:\NM WORK\DHC\DHC5123
DHC-5124	FAE II Operating, LLC	329326	18013	pDM2104640640	R O Gregory 3	30-025-11874	Fixed Percent				Under Review	Requesting confirmation of notice to BLM, ownership statement	2/17/2021	E:\NM WORK\DHC\DHC5124
DHC-5125	FAE II Operating, LLC	329326	18014	pDM2104640853	Steeler A 1	30-025-10805	Fixed Percent				Under Review	Requesting confirmation of pools, allocation percent, ownership statement	2/17/2021	E:\NM WORK\DHC\DHC5125
DHC-5126	FAE II Operating, LLC	329326	18015	pDM2104641208	Steeler A 4	30-025-28044	Fixed Percent				Under Review	Requesting confirmation of pools, perforation depths, ownership statement	2/17/2021	E:\NM WORK\DHC\DHC5126
DHC-5127	FAE II Operating, LLC	329326	18016	pDM2104641444	Wells B 1 1	30-025-09718	Fixed Percent				Under Review	Requesting confirmation of notice to BLM, ownership statement, perforation depths, requesting logs - one in application but none in file	2/17/2021	E:\NM WORK\DHC\DHC5127
DHC-5130	FAE II Operating, LLC	329326	23132	pDM2110639521	Arnott Ramsay NCT B 3						Under Review		4/6/2021	E:\NM WORK\DHC\DHC5130
DHC-5131	FAE II Operating, LLC	329326	23144	pDM2110639814	Arnott Ramsay NCT B 12						Under Review		4/6/2021	E:\NM WORK\DHC\DHC5131

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

From: Marshall Bates <marshall@faenergyus.com>
Sent: Friday, May 21, 2021 8:46 AM
To: McClure, Dean, EMNRD <Dean.McClure@state.nm.us>
Cc: David Schellstede <david@faenergyus.com>
Subject: [EXT] Downhole Commingle - Forty Acres Energy

Hi Dean,

Left you a voicemail this morning. We have several outstanding DHC applications that we would like to push to the finish line:

1. Wells A #008 – applied 1/14
2. Arnott Ramey A #006 – applied 2/14
3. Dyer #002 – applied 2/14
4. Dyer #003 – applied 2/14
5. R O Gregory #003 – applied 2/14
6. Steeler A #004 – applied 2/14
7. Wells B 1 #001 – applied 2/14
8. Steeler A #001 – applied 2/14
9. Arnott Ramsay NCT-B #003 – applied 4/6
10. Arnott Ramsay NCT-B #012 – applied 4/6

Are there any extra items you are looking for with regard to these applications?

Thank you,

Marshall Bates | Engineering Tech
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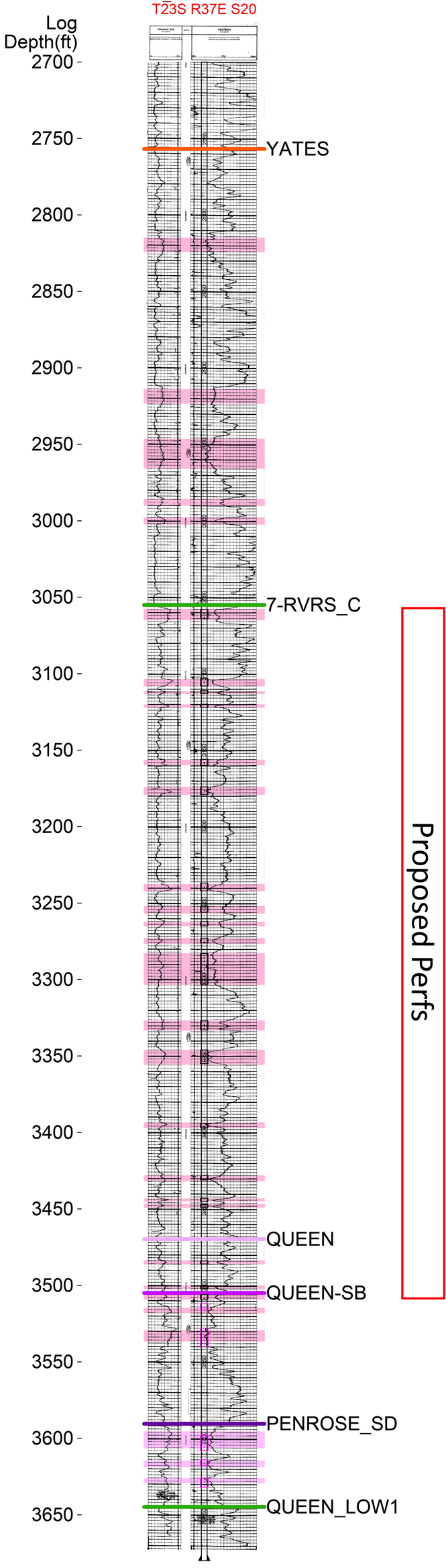
30025280440000
FULFER

STEELER `A` 4
SPUD_DATE : 12/6/1982
T23S R37E S20



ELEV_GR : 3,313
TD : 3,680

fae II operating

February 3, 2021

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

Re: Steeler A #004: API 30-025-28044
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) 220-9188 or by email at steven@faenergyus.com.

Thank you for your attention to this matter.

Sincerely,

FAE II Operating, LLC

Steven Lehrbass
Land

Received by OCD: 2/14/2021 4:52:01 PM

Released to Imaging: 7/2/2021 5:03:02 PM

From:	Engineer, OCD, EMNRD
To:	Marshall Bates
Cc:	McClure, Dean, EMNRD; Bratcher, Mike, EMNRD; Kautz, Paul, EMNRD; Hawkins, James , EMNRD; Powell, Brandon, EMNRD; lisa@rwbyram.com
Subject:	Approved Administrative Order DHC-5126
Date:	Friday, July 2, 2021 4:45:40 PM
Attachments:	DHC5126 Order.pdf

NMOCD has issued Administrative Order DHC-5126 which authorizes FAE II Operating, LLC (329326) to downhole commingle production from 2 pools in their Steeler A #4 well (30-025-28044).

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. If you have any questions regarding this matter, please contact me.

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-5126**

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

Released to Imaging: 7/2/2021 5:03:02 PM

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 Well is deepened, then Applicant shall conduct and, no later than forty-five (45) days after the Well is deepened, provide logs to OCD that are sufficient for OCD to determine which pool(s) each new completed interval of the Well will produce from.

6. 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.

7. If a completed interval of the Well is altered from what is submitted within the Application as identified in Exhibit A, then no later than sixty (60) days after the alteration, Applicant

shall submit Form C-103 to the OCD Engineering Bureau detailing the alteration and completed interval.

8. If OCD determines that Applicant has failed to comply with any provision of this Order, OCD may take any action authorized by the Oil and Gas Act or the New Mexico Administrative Code (NMAC).

9. OCD retains jurisdiction of this matter and reserves the right to modify or revoke this Order as it deems necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

_____ **DATE:** 7/02/2021

ADRIENNE SANDOVAL
DIRECTOR
AS/dm

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

	Order:	DHC-5126			
	Operator:	FAE II Operating, LLC (329326)			
	Well Name:	Steeler A #4			
	Well API:	30-025-28044			
Upper Zone	Pool Name:	JALMAT;TAN-YATES-7 RVRS (GAS)			
	Pool ID:	79240	Current:	New:	X
	Allocation:	Fixed Percent	Oil:	0%	Gas: 87%
	Interval:	Perforations	Top:	2,914	Bottom: 3,355
Intermediate Zone	Pool Name:				
	Pool ID:		Current:	New:	
	Allocation:		Oil:	Gas:	
	Interval:		Top:	Bottom:	
Bottom of Interval within 150% of Upper Zone's Top of Interval:					
Lower Zone	Pool Name:	LANGLIE MATTIX;7 RVRS-Q-GRAYBURG			
	Pool ID:	37240	Current:	X	New:
	Allocation:	Fixed Percent	Oil:	100%	Gas: 13%
	Interval:	Perforations	Top:	3,394	Bottom: 3,509
Bottom of Interval within 150% of Upper Zone's Top of Interval:				YES	
	Top of Queen:	3455			

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 18015

CONDITIONS

Operator: FAE II Operating LLC 11757 Katy Freeway, Suite 1000 Houston, TX 77079	OGRID: 329326
	Action Number: 18015
	Action Type: [C-107] Down Hole Commingle (C-107A)

CONDITIONS

Created By	Condition	Condition Date
dmcclure	Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me.	7/2/2021