

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

Form C-101
August 1, 2011

Permit 288540

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address FAE II Operating LLC 11757 Katy Freeway, Suite 1000 Houston, TX 77079		2. OGRID Number 329326
		3. API Number 30-025-47991
4. Property Code 326919	5. Property Name ARNOTT RAMSAY NCT-B	6. Well No. 021

7. Surface Location

UL - Lot E	Section 32	Township 25S	Range 37E	Lot Idn E	Feet From 1795	N/S Line N	Feet From 650	E/W Line W	County Lea
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8. Proposed Bottom Hole Location

UL - Lot E	Section 32	Township 25S	Range 37E	Lot Idn E	Feet From 1795	N/S Line N	Feet From 650	E/W Line W	County Lea
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9. Pool Information

JALMAT;TAN-YATES-7 RVRS (OIL)	33820
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Additional Well Information

11. Work Type New Well	12. Well Type OIL	13. Cable/Rotary	14. Lease Type State	15. Ground Level Elevation 2985
16. Multiple N	17. Proposed Depth 3600	18. Formation Queen	19. Contractor	20. Spud Date 1/15/2021
Depth to Ground water		Distance from nearest fresh water well		Distance to nearest surface water

☒ We will be using a closed-loop system in lieu of lined pits

21. Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	12.25	8.625	24	950	250	0
Prod	7.875	5.5	15.5	3600	250	0

Casing/Cement Program: Additional Comments

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22. Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Double Ram	3000	1500	Shaffer

23. I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify I have complied with 19.15.14.9 (A) NMAC ☒ and/or 19.15.14.9 (B) NMAC ☒ if applicable.	OIL CONSERVATION DIVISION	
Signature:		
Printed Name: Electronically filed by Huxley Song	Approved By: Paul F Kautz	
Title: CEO	Title: Geologist	
Email Address: huxley@faenergyus.com	Approved Date: 11/10/2020	Expiration Date: 11/10/2022
Date: 11/6/2020	Phone: 832-706-0057	Conditions of Approval Attached

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Form C-102

August 1, 2011

Permit 288540

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-025-47991	2. Pool Code 33820	3. Pool Name JALMAT;TAN-YATES-7 RVRS (OIL)
4. Property Code 326919	5. Property Name ARNOTT RAMSAY NCT-B	6. Well No. 021
7. OGRID No. 329326	8. Operator Name FAE II Operating LLC	9. Elevation 2985

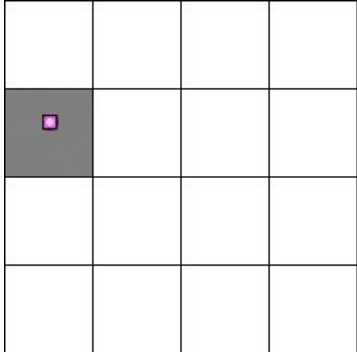
10. Surface Location

UL - Lot E	Section 32	Township 25S	Range 37E	Lot Idn E	Feet From 1795	N/S Line N	Feet From 650	E/W Line W	County Lea
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11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 40.00	13. Joint or Infill			14. Consolidation Code			15. 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

	OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i> E-Signed By: Huxley Song Title: CEO Date: 11/6/2020 SURVEYOR CERTIFICATION <i>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.</i> Surveyed By: Gary Jones Date of Survey: 10/29/2020 Certificate Number: 7977
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GAS CAPTURE PLAN

Date: 11/10/2020

☒ Original

Operator & OGRID No.: [329326] FAE II Operating LLC

☐ Amended - Reason for
Amendment: _____

This Gas Capture Plan outlines actions to be taken by the Operator to reduce well/production facility flaring/venting for new completion (new drill, recomple to new zone, re-frac) activity.

Note: Form C-129 must be submitted and approved prior to exceeding 60 days allowed by Rule (Subsection A of 19.15.18.12 NMAC).

Well(s)/Production Facility – Name of facility

The well(s) that will be located at the production facility are shown in the table below.

Well Name	API	Well Location (ULSTR)	Footages	Expected MCF/D	Flared or Vented	Comments
ARNOTT RAMSAY NCT-B #021	30-025-47991	E-32-25S-37E	1795N 0650W	30	None	

Gathering System and Pipeline Notification

Well(s) will be connected to a production facility after flowback operations are complete, if gas transporter system is in place. The gas produced from production facility is dedicated to SOUTHERN UNION GAS SERVICES LTD and will be connected to SOUTHERN UNION GAS SERVICES LTD Low Pressure gathering system located in Lea County, New Mexico. It will require 1600' of pipeline to connect the facility to Low Pressure gathering system. FAE II Operating LLC provides (periodically) to SOUTHERN UNION GAS SERVICES LTD a drilling, completion and estimated first production date for wells that are scheduled to be drilled in the foreseeable future. In addition, FAE II Operating LLC and SOUTHERN UNION GAS SERVICES LTD have periodic conference calls to discuss changes to drilling and completion schedules. Gas from these wells will be processed at SOUTHERN UNION GAS SERVICES LTD Processing Plant located in Sec. 32, Twn. 25S, Rng. 37E, Lea County, New Mexico. The actual flow of the gas will be based on compression operating parameters and gathering system pressures.

Flowback Strategy

After the fracture treatment/completion operations, well(s) will be produced to temporary production tanks and gas will be flared or vented. During flowback, the fluids and sand content will be monitored. When the produced fluids contain minimal sand, the wells will be turned to production facilities. Gas sales should start as soon as the wells start flowing through the production facilities, unless there are operational issues on SOUTHERN UNION GAS SERVICES LTD system at that time. Based on current information, it is FAE II Operating LLC's belief the system can take this gas upon completion of the well(s).

Safety requirements during cleanout operations from the use of underbalanced air cleanout systems may necessitate that sand and non-pipeline quality gas be vented and/or flared rather than sold on a temporary basis.

Alternatives to Reduce Flaring

Below are alternatives considered from a conceptual standpoint to reduce the amount of gas flared.

- Power Generation – On lease
 - Only a portion of gas is consumed operating the generator, remainder of gas will be flared
- Compressed Natural Gas – On lease
 - Gas flared would be minimal, but might be uneconomical to operate when gas volume declines
- NGL Removal – On lease
 - Plants are expensive, residue gas is still flared, and uneconomical to operate when gas volume declines

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Form APD Comments

Permit 288540

PERMIT COMMENTS

Operator Name and Address: FAE II Operating LLC [329326] 11757 Katy Freeway, Suite 1000 Houston, TX 77079		API Number: 30-025-47991
		Well: ARNOTT RAMSAY NCT-B #021

Created By	Comment	Comment Date
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Form APD Conditions

Permit 288540

PERMIT CONDITIONS OF APPROVAL

Operator Name and Address: FAE II Operating LLC [329326] 11757 Katy Freeway, Suite 1000 Houston, TX 77079	API Number: 30-025-47991
	Well: ARNOTT RAMSAY NCT-B #021

OCD Reviewer	Condition
pkautz	Will require a deviation survey with the C-105
pkautz	SURFACE & PRODUCTION CASING - Cement must circulate to surface
pkautz	If cement does not circulate to surface, must run temperature survey or other log to determine top of cement
pkautz	Surface casing must be set 25' below top of Rustler Anhydrite in order to seal off protectable water
pkautz	1)- The Operator is to notify NMOCD by sundry (Form C-103) within ten (10) days of the well being spud 2)- Drilling Sundries Form C-103 (Casing and Cement test are to be submitted within 10 days 3)- Completion Reports & Logs are to be submitted within 45 days 4)- Deviation / Directional Drill Survey are to be filed with or prior to C-104
pkautz	It is the operator's responsibility to monitor cancellation dates of approved APDs. APD's are good for 2 years and may be extended for one year. Only one 1 year extension will be granted if submitted by C-103 before expiration date. After expiration date or after a 1 year extension must submit new APD. If an APD expires and if site construction has occurred, site remediation is required.
pkautz	Stage Tool 1) Must notify OCD Hobbs Office prior to running Stage Tool at 5753703186 2) If using Stage Tool on Surface casing, Stage Tool must be set greater than 350' from surface and a minimum of 200 feet above surface shoe. 3) When using a Stage Tool on Intermediate or Production Casing Stage must be a minimum of 50 feet below previous casing shoe.