

DATE IN 08/07/13	SUSPENSE	ENGINEER PG	LOGGED IN 08/08/13	TYPE DHC	PPRG 1322058068
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ABOVE THIS LINE FOR DIVISION USE ONLY

4637

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



WILLIAMS A FEDERAL #3 - 30-015-34614

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

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

Williams A Fed #3
 30-015-34614
 LRE operating

RECEIVED OGD
 2013 AUG -7 A 11:21

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **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.

Mike Pippin	<i>Mike Pippin</i>	Petroleum Engineer	August 6, 2013
Print or Type Name	Signature	Title	Date
		mike@pippinllc.com	
		e-mail Address	

LRE OPERATING, LLC
Mike Pippin
3104 N. Sullivan Avenue
Farmington, NM 87401
505-327-4573 (phone) mike@pippinllc.com

August 6, 2013

NMOCD
c/o Phil Goetze
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: C-107A TO COMMINGLE TWO POOLS
WILLIAMS A FEDERAL #3– API#: 30-015-34614
Unit Letter "L" Section 29 T17S R28E
Eddy County, New Mexico

Dear Mr. Goetze,

The referenced oil well was completed on June 7, 2006 in the Artesia, Glorieta-Yeso (96830). On 6/8/13, the well was recompleted into the Red Lake, Queen-Grayburg-San Andres (51300) with the lower zone shut-in below a CBP. LRE would like to commingle these two pools by drilling out the CBP, which currently segregate the two pools. Interests in these two pools are identical. A commingle application has also been submitted to the BLM.

The Yeso production test on 3/16/13 before the recompletion was 7 BOPD & 26 MCF/D. The test on the San Andres alone after the recompletion was on 5/18/13 for 96 BOPD and 311 MCF/D. We therefore recommend an allocation for the San Andres (upper zone) of 93% for oil and 92% for gas. For the Yeso (lower zone), we recommend 7% for oil and 8% for gas. See the attached calculations.

Please contact me at 505-327-4573 should you have any questions.

Very truly yours,



Mike Pippin

Petroleum Engineer

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

District II
1301 W. Grand Avenue, 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 June 10, 2003

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

LRE OPERATING, LLC c/o Mike Pippin LLC (agent), 3104 N. Sullivan, Farmington, NM 87401
Operator Address

WILLIAMS A FEDERAL #3 Well No. L SEC. 29 T17S R28E Unit Letter-Section-Township-Range Eddy County

OGRID No. 281994 Property Code 309877 API No. 30-015-34614 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	RED LAKE; -Queen-Grayburg-San Andres		ARTESIA: Glorieta-Yeso
Pool Code	51300		96830
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2200'-3202'		3330'-3498'
Method of Production (Flowing or Artificial Lift)	Pumping		Plan to Pump
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)	690 psi ✓		851 psi ✓
Oil Gravity or Gas BTU (Degree API or Gas BTU)	34.8 ✓		38.32 ✓
Producing, Shut-In or New Zone	Producing		SI Below CBP
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.)	Date: 5/18/13 RATES: 96 BOPD 311 MCF/D	Date: Rates:	Date: 3/16/13 Rates: 7 BOPD 26 MCF/D
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 ✓ 93% 92%	Oil Gas % %	Oil ✓ Gas ✓ 7% 8%

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 Mike Pippin TITLE Petroleum Engineer - Agent DATE August 6, 2013

TYPE OR PRINT NAME Mike Pippin TELEPHONE NO. (505) 327-4573

E-MAIL ADDRESS mike@pippinllc.com

LRE OPERATING, LLC
WILLIAMS A FEDERAL #3
 Artesia; Glorieta-Yeso & Red Lake, Queen-Grayburg-San Andres
 L Section 29 T17S R28E
 8/6/2013
 API#: 30-015-34614

Commingle Allocation Calculations

On 6/7/06, the Yeso (lower zone) was completed as a new well. On 5/8/13, the well was recompleted into the San Andres (upper zone) with the lower zone shut-in below a CBP. The Yeso production test on 3/16/13 before the recompletion was 7 BOPD & 26 MCF/D. The latest test on the San Andres alone after the recompletion was on 5/18/13 for 96 BOPD & 311 MCF/D.

	Upper Zone (SA)	+	Lower Zone (YESO)	=	Total
Total Oil (bbls/d)	96	+	7	=	103
Total Gas (mcf/d)	311	+	26	=	337

OIL

Upper Zone (SA) = 15 BOPD
 Total oil = 19 BOPD
% Upper Zone = $\frac{96}{103} = \underline{93\%}$

Lower Zone (Yeso) = 4 BOPD
% Lower Zone = $\frac{7}{103} = \underline{7\%}$

GAS

Upper Zone (SA) = 31 mcf/d
 Total gas = 41 mcf/d
% Upper Zone = $\frac{311}{337} = \underline{92\%}$

Lower Zone (Yeso) = 10 mcf/d
% Lower Zone = $\frac{26}{337} = \underline{8\%}$

WILLIAMS A FEDERAL #3

Current 8/6/13

Artesia; Glorieta-Yeso

Red Lake; Queen-Grayburg-San Andres

API#: 30-015-34614

(L) Section 29, T-17-S, R-28-E, Eddy County, NM

Spud: 4/5/06

12-1/4" hole

Yeso Completed: 6/7/06

San Andres Completed: 6/8/13

Yates @ 600'

7 Rivers @ 900'

Queen @ 1080'

Grayburg @ 1588'

San Andres @ 1848'

Glorieta @ 3240'

Yeso @ 3330'

8-5/8" 22# Csg @ 452'
Cmt w/375 sx
Circ cmt to Surface

2-7/8" tubing @ 3258'

San Andres Perfs: 2200'-3202'

5-1/2" CBP # 3293'

Yeso Perfs: 3330'-3498'

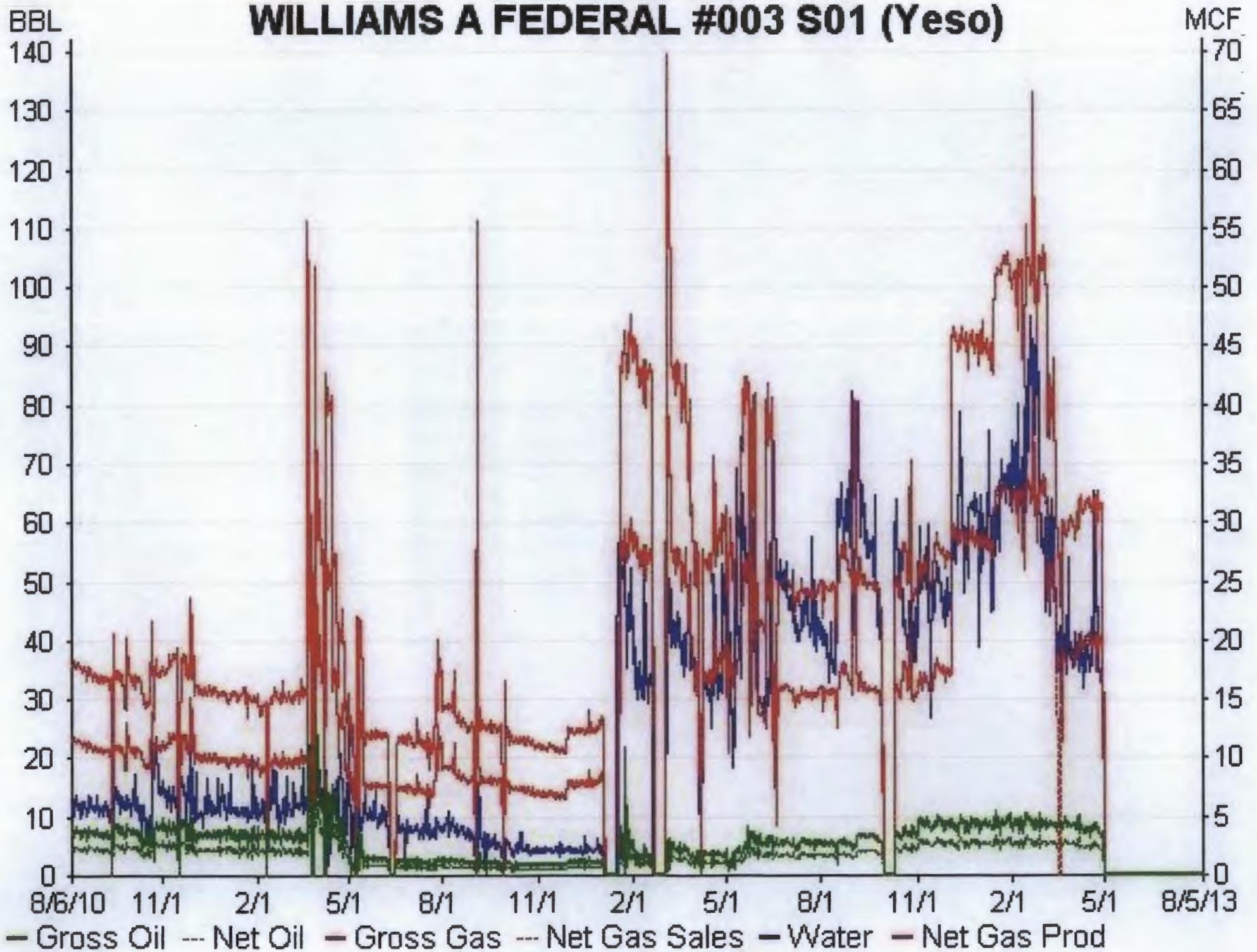
7-7/8" hole

PBTD 3545'

TD 3550'

5-1/2" 14# Csg @ 3547'
Cmt with 775 sx
Circ cmt to Surface

WILLIAMS A FEDERAL #003 S01 (Yeso)



— Gross Oil -- Net Oil — Gross Gas --- Net Gas Sales — Water — Net Gas Prod

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NMNM-048344

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
WILLIAMS A FEDERAL #3

3
30-015-34614

10. Field and Pool, or Exploratory Area
Artesia, Glorieta-Yeso (96830)

Red Lake, Queen-Grayburg-San Andres (51300)

AND
Eddy County, New Mexico

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
LRE OPERATING, LLC

3a. Address c/o Mike Pippin LLC
3104 N. Sullivan, Farmington, NM 87401

3b. Phone No. (include area code)
505-327-4573

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

1400' FSL & 1150' FWL Unit L
Sec. 29, T17S, R28E

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input checked="" type="checkbox"/> Other DHC
	<input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

LRE requests administrative approval to downhole commingle the existing (SI) Artesia, Glorieta-Yeso (96830) and the existing producing Red Lake, Queen-Grayburg-San Andres (51300). The well was originally completed in the Yeso on 6/7/06 with a recompletion into the San Andres on 5/8/13. Both intervals have common ownership (Category #1), & we have not experienced any significant cross flows, & all the fluids are compatible. Downhole commingling will improve recovery of liquids & gas, eliminate redundant surface equipment, & maximize productivity. Notice has been filed concurrently on form C-107A with the State.

LRE plans to commingle by removing the CBP @ 3293' which is set above the Yeso perms. LRE is requesting approval to commingle the two pools upon completion of rig operations. The production allocation was calculated using the Yeso test before the recompletion workover of 7 BOPD & 26 MCF/D on 3/16/13 and the San Andres test on 5/18/13 after the recompletion of 96 BOPD & 311 MCF/D. The upper zone allocation is, oil - 93% & gas - 92% with the lower zone, oil - 7% & gas - 8%. See the attached C-107A, WBD & other supporting data, which has been filed with the State.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) Mike Pippin	Title Petroleum Engineer (Agent)
Signature 	Date August 6, 2013

THIS SPACE FOR FEDERAL OR STATE USE

Approved by	Title	Date
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Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office
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Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015-34614		² Pool Code 51300		³ Pool Name Red Lake; Queen-Grayburg-San Andres	
⁴ Property Code 309877		⁵ Property Name WILLIAMS A FEDERAL			⁶ Well Number 3
⁷ OGRID No. 281994		⁸ Operator Name LRE OPERATING, LLC.			⁹ Elevation 3653' GL

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	29	17-S	28-E		1400	SOUTH	1150	WEST	EDDY

¹¹ 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

¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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.

29	1150'	1400'	O

¹⁷ OPERATOR CERTIFICATION
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 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.

Signature: Mike Pippin Date: 2/4/13

Printed Name: Mike Pippin

¹⁸ SURVEYOR CERTIFICATION
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.

Date of Survey: 5/17/05

Signature and Seal of Professional Surveyor:
Dan R. Reddy

5412

Certificate Number

District I
1825 N. French Dr. Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Well Code -96830	Pool Name ARTESIA; Gloria-Lg 30
Property Code 26370	Property Name WILLIAMS A FEDERAL	Well Number 3
OGRID No. 020451	Operation Name SDX RESOURCES, INC.	Elevation 3653

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
L	29	17-S	28-E		1400	SOUTH	1150	WEST	EDDY

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.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I HEREBY CERTIFY THAT THE INFORMATION CONTAINED HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.</p> <p><i>Bonnie Atwater</i> Signature</p> <p>Bonnie Atwater Printed Name</p> <p>Regulatory Tech Title and E-mail Address</p> <p>5/25/05 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 KNOWLEDGE AND BELIEF.</p> <p>MAY 17, 2005 Date of Survey</p> <p><i>DAN R. EDDY</i> Signature and Title of Professional Surveyor</p> <p>DAN R. EDDY NEW MEXICO 5412 REG. NO. 5412 CERTIFICATE NUMBER 5412 PROFESSIONAL SURVEYOR</p>	