

U4SOD-200204-C-107B 938

Revised March 23, 2017

RECEIVED: 2/4/20	REVIEWER: DM	TYPE: CTB	APP NO: pDM2006257434
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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 **OGRID Number:** 329326  
**Well Name:** SHELL STATE #1 AND SHELL STATE 11 **API:** 30-025-32025; 30-025-04250  
**Pool:** EUMONT, YATES, 7RIVERS- QUEEN **Pool Code:** 76480

**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	
<input type="checkbox"/>	Notice Complete
<input type="checkbox"/>	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

1/28/2020  
 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-107-B
Revised August 1, 2011

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: FAE II OPERATING, LLC
OPERATOR ADDRESS: 11757 Katy Freeway Suite 1000 Houston , TX 77079
APPLICATION TYPE:

Pool Commingling Lease Commingling Pool and Lease Commingling Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: Fee State Federal

Is this an Amendment to existing Order? Yes No If "Yes", please include the appropriate Order No.
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
Yes No

(A) POOL COMMINGLING
Please attach sheets with the following information

Table with 5 columns: (1) Pool Names and Codes, Gravities / BTU of Non-Commingled Production, Calculated Gravities / BTU of Commingled Production, Calculated Value of Commingled Production, Volumes

(2) Are any wells producing at top allowables? Yes No
(3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No FAE II owns 100% and the State is only mineral owner
(4) Measurement type: Metering Other (Specify)
(5) Will commingling decrease the value of production? Yes No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING
Please attach sheets with the following information

(1) Pool Name and Code. Eumont, Yates-7 RVRs - Queen: 76480
(2) Is all production from same source of supply? Yes No
(3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No State only mineral owner
(4) Measurement type: Metering Other (Specify)

(C) POOL and LEASE COMMINGLING
Please attach sheets with the following information

(1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT
Please attached sheets with the following information

(1) Is all production from same source of supply? Yes No
(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)
Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location.
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.
(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: [Signature] TITLE: Chief Operating Officer DATE: 1/28/2020
TYPE OR PRINT NAME: David Schellstede TELEPHONE NO.: 832-220-3202
E-MAIL ADDRESS: david@faenergyus.com

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January 28, 2020

New Mexico State Land Office  
Oil & Gas Division  
310 Old Santa Fe Trail  
Santa Fe, NM 87504

**RE: Surface Commingling Shell State Lease**  
**Shell State #1: API 30-025-32025**  
**Shell State #11: API 30-025-0425**

To Whom it May Concern:

FAE II Operating LLC, OGRID: 329326, requests to surface commingle current gas production from the Shell State #1 and the Shell State #11, both located on State lease BO 1398 49. The Shell State #11 will have an orifice meter manufactured and assembled with in accordance with American Gas Association specifications. The Shell State #1 will be determined by subtracting the metered well from the total production measured at the lease custody transfer meter.

A new gas flowline will be laid from the Shell State #1 well to the Shell State #11 and tied in after the orifice meter as shown on page 5.

After a review of internal records, the operator and interest owners are identical for the wells mentioned above.

If you have any questions, please feel free to contact the undersigned by email at david@faenergyus.com or by telephone at (832) 220-3202.

Very truly yours,

**FAE II Operating, LLC**

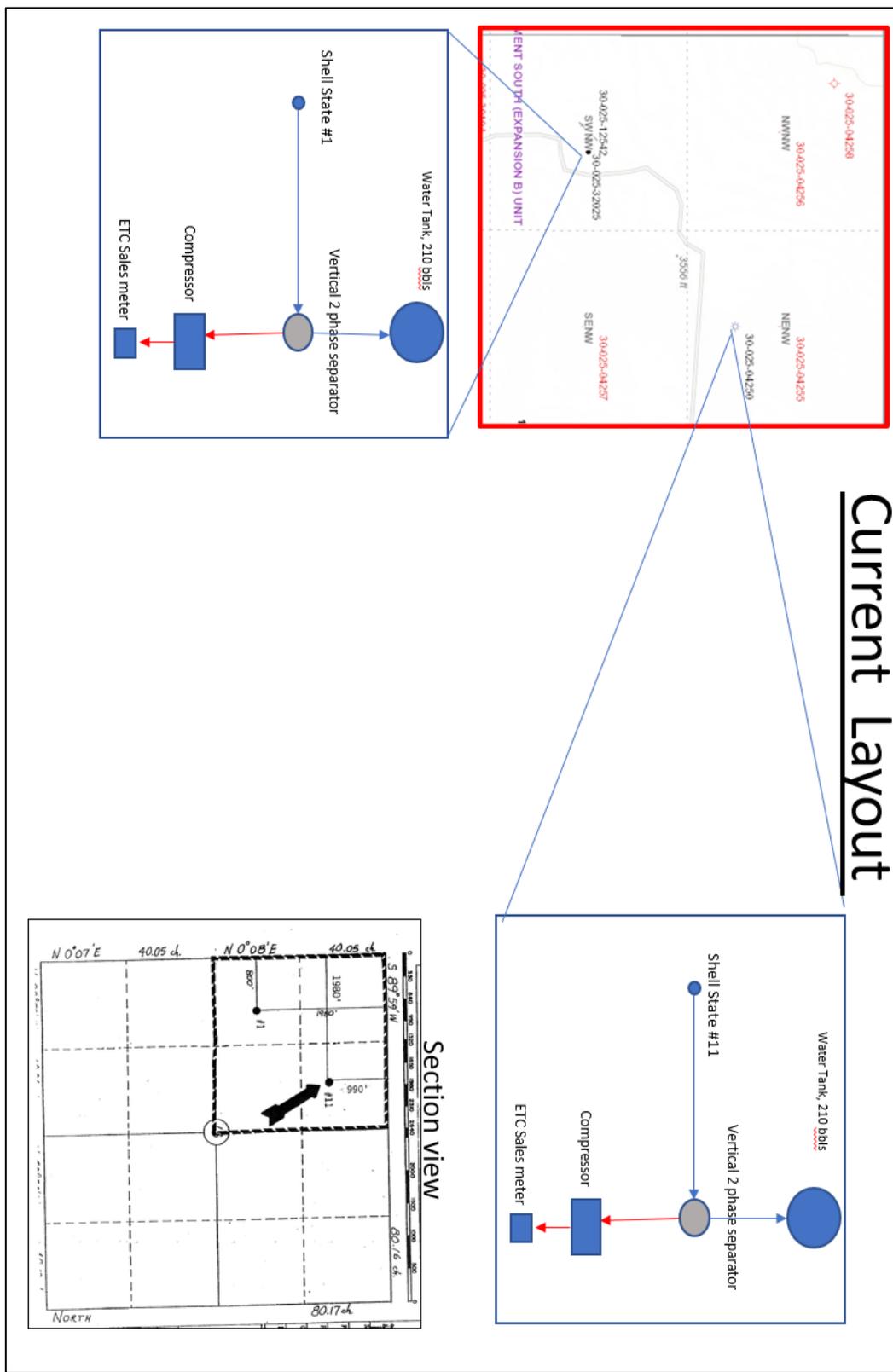
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## Surface Commingling: Pool and Lease are the Same

- WI: 100% FAE II Operating
- NRI: 87.5%
- Mineral Interest owner: The state of NM has all of the 12.5%
- Lease Name: Shell State
- Shell State 1:
  - Location: Section 13 T 20S R 36 E; 1980' FNL and 800' FWL
  - Current Production: 8 MCFD
  - API 30-025-32025
  - Pools: 76480- Eumont, Yates-7 RVRS-QUEEN
- Shell State 11:
  - Location: Section 13 T 20S R 36 E; 990' FNL and 1980' FWL
  - Current Production: 46 MCFD
  - API 30-025-04250
  - Pools: 76480- Eumont, Yates-7 RVRS-QUEEN



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