STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

APPLICATION FOR SURFACE COMMINGLING
SUBMITTED BY FAE II OPERATING, LLC **ORDER NO. CTB-956**

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 to surface commingle and off-lease measure the gas production ("Application") from the pools, leases, and wells identified in Exhibit A.
2. To the extent that ownership is identical, Applicant submitted a certification by a licensed attorney or qualified petroleum landman that the ownership in the pools, leases, and wells to be commingled is identical as defined in 19.15.12.7(B) NMAC.
3. Applicant proposed a method to allocate the gas production to the pools, leases, and wells to be commingled.
4. Applicant proposed using estimation to allocate gas production to the wells identified in Exhibit B if they produce less than fifteen (15) thousand cubic feet per day.
5. To the extent that ownership is diverse, Applicant provided notice of the Application to all persons owning an interest in the gas production to be commingled, including the owners of royalty and overriding royalty interests, regardless whether they have a right or option to take their interests in kind, and those persons either submitted a written waiver or did not file an objection to the Application.
6. 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

7. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, §§ 70-2-6, 70-2-11, 70-2-12, 70-2-16, and 70-2-17, and 19.15.12 NMAC.
8. Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10(A)(2), (C)(4)(c), and (C)(4)(e) NMAC, as applicable.
9. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.10(B)(1) or (C)(1) NMAC, as applicable.

10. Applicant's proposal to use estimation to allocate gas production to the wells identified in Exhibit B if they produce less than fifteen (15) thousand cubic feet per day, as modified herein, complies with 19.15.12.10(C)(3) NMAC.

11. Commingling of gas production from state, federal, or tribal leases shall not commence until approved by the BLM or NMSLO, as applicable, in accordance with 19.15.12.10(B)(3) and (C)(4)(h) NMAC.

12. 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 surface commingle and off-lease measure gas production from the pools, leases, and wells identified in Exhibit A.

2. The allocation of gas production to each well identified in Exhibit E shall be determined by an estimate based upon that well's production history. No later than sixty (60) days after a change in condition of operation for any well which may increase production to greater than or equal to fifteen (15) thousand cubic feet in a day, Applicant shall conduct a test to determine the new production for that well and submit Form C-103 to OCD which shall include the parameters and results of the test. If the results of the test indicate that production increased to greater than or equal to fifteen (15) thousand cubic feet in a day, Applicant shall submit a new surface commingle application to OCD. If Applicant fails to submit Form C-103 as specified above, this Order shall terminate sixty one (61) days after a change in condition of operation for a well which may increase production to greater than or equal to fifteen (15) thousand cubic feet per day. If OCD denies the new surface commingle application, this Order shall terminate on the date of denial.

3. Applicant shall measure the commingled gas at a central delivery point described in Exhibit A in accordance with 19.15.19.9 NMAC, provided however that if the gas is flared, and regardless whether OCD has granted an exception pursuant to 19.15.18.12(B) NMAC, Applicant shall report the gas in accordance with 19.15.18.12(F) NMAC.

4. Applicant shall calibrate the meters used to measure or allocate gas production in accordance with 19.15.12.10(C)(2) NMAC.

5. Applicant shall not commence commingling gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.

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

DATE: 6/11/2020

ADRIENNE SANDOVAL
DIRECTOR

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: CTB-956
Operator: FAE II Operating, LLC (329326)
Central Tank Battery: Adele Sowell 1 Central Tank Battery
Central Tank Battery Location (NMPM): Unit P, Section 19, Township 24 South, Range 37 East
Gas Custody Transfer Meter Location (NMPM): Unit P, Section 19, Township 24 South, Range 37 East

Pools

Pool Name	Pool Code
LANGLIE MATTIX; 7 RVRS-Q-GRAYBURG	37240

Leases as defined in 19.15.12.7(C) NMAC

Lease	Location (NMPM)	
Fee	S/2 NE/4	Sec 19-T24S-R37E
Fee	E/2 SE/4	Sec 19-T24S-R37E

Wells

Well API	Well Name	Location (NMPM)	Pool Code	Train
30-025-25630	Adele Sowell 1	P-19-24S-37E	37240	
30-025-25755	Adele Sowell 2	I-19-24S-37E	37240	
30-025-25608	Cities Thomas 3	H-19-24S-37E	37240	
30-025-25756	Cities Thomas 4	G-19-24S-37E	37240	

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Exhibit B

Order: CTB-956
Operator: FAE II Operating, LLC (329326)

Wells

Well API	Well Name	Recent Avg Prod	Prior Year Avg Prod
30-025-25630	Adele Sowell 1	5 mcf/day	7 mcf/day
30-025-25755	Adele Sowell 2	14 mcf/day	14 mcf/day
30-025-25608	Cities Thomas 3	0 mcf/day	1 mcf/day
30-025-25756	Cities Thomas 4	13 mcf/day	8 mcf/day