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 $_{\rm DATE\ IN}10/27/20$ DM **DHC** pDM2030851113 SUSPENSE ENGINEER LOGGED IN

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

FAE II Operating LLC [329326]

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 **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] Location - Spacing Unit - Simultaneous Dedication [A] □ NSL □ NSP □ SD Check One Only for [B] or [C] Commingling - Storage - Measurement ☑ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM Injection - Disposal - Pressure Increase - Enhanced Oil Recovery [C]□ WFX □ PMX □ SWD □ IPI □ EOR □ PPR [D] Other: Specify [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply Working, Royalty or Overriding Royalty Interest Owners [A] [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. 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.

Received by OCD: 10/27/2020 8:21:14 AM

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

APPLICATION FOR DOWNHOLE COMMINGLING

Form C-107A Revised August 1, 2011

APPLICATION TYPE Single Well

Establish Pre-Approved Pools EXISTING WELLBORE __X__Yes ____No

FAE II Operating, LLC 11757 Katy Fwy. Ste. 1000, Houston, TX 77079 Operator Address Martin B 3 C-31-24S-37E Lea Lease Well No. Unit Letter-Section-Township-Range 329326 326935 30-025-37959 OGRID No._____ Property Code_ API No. Lease Type: _Federal _ _State _

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE			
Pool Name	Jalmat		Langlie Mattix			
Pool Code	79240		37240			
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2,755' – 3,335'		3,353' - 3,549'			
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)	1.334		35 API			
Producing, Shut-In or New Zone	Producing		New Zone			
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 han current or past production, supporting data or explanation will be required.)	Oil Gas 87 %	Oil Gas	Oil Gas			

ADDITIONAL DATE

ADDITIONAL DATA	
Are all working, royalty and overriding royalty interests identical in all commingled zones? If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?	YesXNo YesNo
Are all produced fluids from all commingled zones compatible with each other?	YesX No
Will commingling decrease the value of production?	Yes NoX
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.	

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.

TITLE Engineering Tech DATE 10/26/2020

TYPE OR PRINT NAME Marshall Bates TELEPHONE NO. (713) 253 - 2885

E-MAIL ADDRESS Marshall @ FAEnergy us. com

Received by OCD: 10/27/2020 8:21:14 AM

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October 26, 2020

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 Langlie Mattix Pool for the Martin B #3 well located in Sec. 31, T-24S, 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 Langlie Mattix Pool for its Martin B #3 well located in Unit Letter C, Section 31, T-24S, R-37E, 660 feet FNL and 1,917 feet FWL, as shown in the attached C-102's for each zone.

The Martin B #3 is currently open to the Yates-Seven Rivers (Dry Gas) interval, which translates to the JALMAT; TAN-YATES-7 RVRS pool [Pool ID: 79240]. 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 Martin B #3 is the Seven Rivers-Queen (Oil), which translates to the LANGLIE MATTIX; 7 RVRS-Q-GRAYBURG [Pool ID: 37240]. To develop a forecast for this zone, eight (8) surrounding wells with production history from the Seven Rivers-Queen (Oil) were used as an offset to prove up hole potential in the Martin B #3 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. Furthermore, Geology studied a Martin B #3 log, Exhibit C, and also correlated it with other logs in the surrounding area to help determine the location of the new perforations in the Seven Rivers-Queen (Oil) zone for the Martin B #3.

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 D. This forecast for the Martin B #3 proved that an IP of 4.0 BOPD and 59 MCFPD is the expected total, and of that, 4.0 BOPD and 52 MCFPD will come from the Seven Rivers-Queen (Oil) zone. The Yates-Seven Rivers (Gas) is projected to yield 0.0 BOPD and 7 MCFPD with the additional intervals that will be opened up. This information along with the percentage allocation across the zones is shown in Exhibit E.

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.

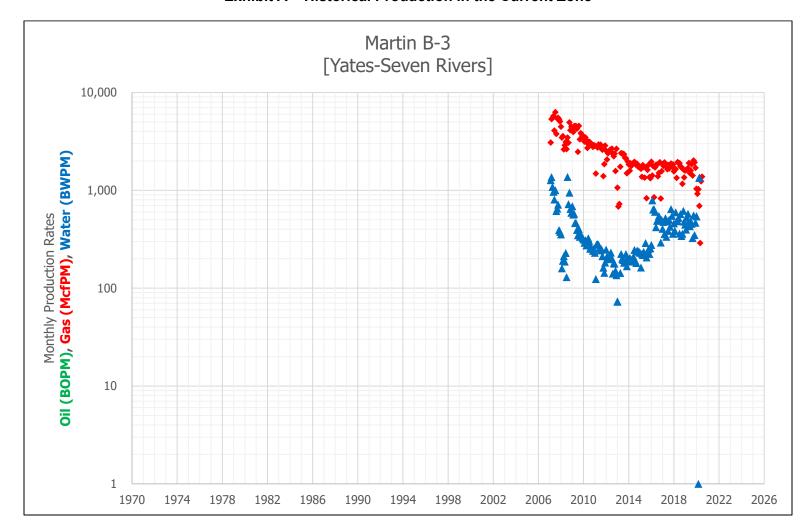
This proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production. If there are further questions concerning this application, please feel free to contact the undersigned by email at kevin@faenergyus.com or by telephone at (832) 220-9188.

Very truly yours,

FAE II Operating, LLC

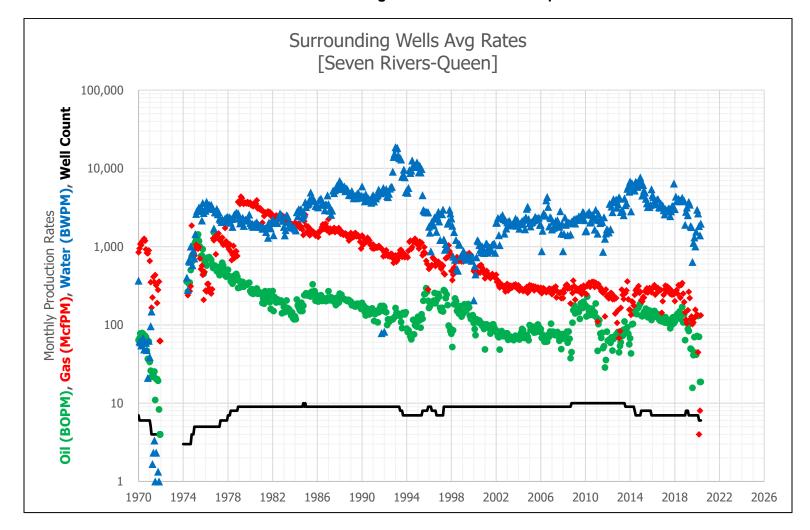
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Exhibit A - Historical Production in the Current Zone



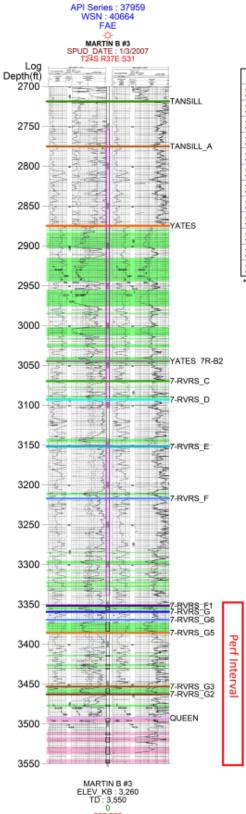
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Exhibit B – Historical Average Production in the Proposed Zone



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Exhibit C - Well Log



50,189

API	Source	Perf Type	Top Perf	Btm Perf
30025379590000	CJH	Proposed	3353	3357
30025379590000	CJH	Proposed	3373	3384
30025379590000	CJH	Proposed	3414	3415
30025379590000	CJH	Proposed	3425	3427
30025379590000	CJH	Proposed	3430	3430
30025379590000	CJH	Proposed	3456	3461
30025379590000	CJH	Proposed	3476	3478
30025379590000	CJH	Proposed	3493	3498
30025379590000	CJH	Proposed	3511	3514
30025379590000	CJH	Proposed	3517	3523
30025379590000	CJH	Proposed	3529	3538
30025379590000	CJH	Proposed*	3545	3549

^{*}Perf Interval may not be possible with listed well TD

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Exhibit D – Historical Production and Decline Curve

	Surroundin	g Wells Ave	raged Rates			Mar	tin B-3					
		even Rivers-	-		Historical		-Seven Rive	s [Dry Gas]		Synthetic [Decline Curve	2
	Avg Oil	Avg Gas	Avg Water	Well		Avg Oil	Avg Gas	Avg Water		Avg Oil	Avg Gas	Avg Water
Date	(BOPM)	(McfPM)	(BWPM)	Count	Date	(BOPM)	(McfPM)	(BWPM)	Month	(BOPM)	(McfPM)	(BWPM)
1/1/2015	131	208	6,822	8	1/1/2015		1,735	230	1	110.3	1,797	3,776
2/1/2015	129	200	4,500	8	2/1/2015		1,661	163	2	109.7	1,793	3,763
3/1/2015	137	227	6,138	8	3/1/2015		1,375	225	3	109.2	1,788	3,751
4/1/2015	146	224	5,236	8	4/1/2015		1,811	218	4	108.7	1,784	3,739
5/1/2015	144	269	4,911	8	5/1/2015		1,735	235	5	108.2	1,779	3,726
6/1/2015	162	263	4,098	8	6/1/2015		1,350	218	6	107.6	1,775	3,714
7/1/2015	148	293	3,567	8	7/1/2015		1,722	290	7	107.1	1,771	3,702
8/1/2015	125	260	3,206	8	8/1/2015		830	206	8	106.6	1,766	3,690
9/1/2015	139	270	3,273	8	9/1/2015		1,618	227	9	106.1	1,762	3,677
10/1/2015	152	296	3,207	8	10/1/2015		1,817	251	10	105.6	1,757	3,665
11/1/2015	141	284	3,407	8	11/1/2015		1,369	224	11	105.1	1,753	3,653
12/1/2015	116	261	5,406	7	12/1/2015		1,332	256	12	104.6	1,749	3,641
1/1/2016	124	293	4,538	7	1/1/2016		1,962	277	13	104.1	1,744	3,629
2/1/2016	134	304	4,320	7	2/1/2016		1,419	791	14	103.6	1,740	3,617
3/1/2016	151	322	3,847	7	3/1/2016		1,772	637	15	103.1	1,735	3,606
4/1/2016	145	243	3,489	7	4/1/2016		851	641	16	102.6	1,731	3,594
5/1/2016	129	293	3,492	7	5/1/2016		1,719	603	17	102.1	1,727	3,582
6/1/2016	126	258	3,999	7	6/1/2016		1,828	420	18	101.6	1,723	3,570
7/1/2016	137	296	4,018	7	7/1/2016		1,823	488	19	101.1	1,723	3,558
8/1/2016	118	282	3,194	7	8/1/2016		1,392	490	20	101.1	1,714	3,547
9/1/2016	113	277	3,194	7	9/1/2016		1,506	548	20	100.7	1,714	3,535
10/1/2016	134	281	3,563	7	10/1/2016		1,943	505	22	99.7	1,705	3,523
11/1/2016	111	143	3,291	7	11/1/2016		826	293	23	99.2	1,703	
12/1/2016	119	201	3,369	7	12/1/2016		1,571	500	23	98.7	1,697	3,512 3,500
				7	1/1/2017			405	25			
1/1/2017	114	242	2,919	7			1,852			98.3	1,693	3,489
2/1/2017	107	283	2,583		2/1/2017		1,780	477	26	97.8	1,688	3,477
3/1/2017	126	318	3,011	7	3/1/2017		1,934	357	27	97.3	1,684	3,466
4/1/2017	114	270	2,901	7	4/1/2017		1,802	520	28	96.9	1,680	3,455
5/1/2017	106	309	2,808	7	5/1/2017		1,801	335	29	96.4	1,676	3,443
6/1/2017	110	301	3,055	7	6/1/2017		1,643	483	30	96.0	1,672	3,432
7/1/2017	116	295	3,058	7	7/1/2017		1,820	385	31	95.5	1,667	3,421
8/1/2017	90	249	2,451	7	8/1/2017		1,675	500	32	95.0	1,663	3,409
9/1/2017	103	279	2,821	7	9/1/2017		1,781	425	33	94.6	1,659	3,398
10/1/2017	101	243	3,261	7	10/1/2017		1,882	643	34	94.1	1,655	3,387
11/1/2017	125	255	3,307	7	11/1/2017		1,780	550	35	93.7	1,651	3,376
12/1/2017	105	247	6,394	7	12/1/2017		1,843	360	36	93.2	1,647	3,365
1/1/2018	110	201	3,012	7	1/1/2018		1,567	460	37	92.8	1,643	3,354
2/1/2018	122	267	4,360	7	2/1/2018		1,639	385	38	92.3	1,638	3,343
3/1/2018	135	279	3,806	7	3/1/2018		1,650	597	39	91.9	1,634	3,332
4/1/2018	139	251	3,932	7	4/1/2018		1,341	483	40	91.5	1,630	3,321
5/1/2018	136	322	4,081	7	5/1/2018		1,950	490	41	91.0	1,626	3,310
6/1/2018	148	316	3,897	7	6/1/2018		1,896	523	42	90.6	1,622	3,299
7/1/2018	119	223	3,887	7	7/1/2018		1,899	362	43	90.2	1,618	3,288
8/1/2018	132	325	3,808	7	8/1/2018		1,750	573	44	89.7	1,614	3,277
9/1/2018	170	343	4,217	7	9/1/2018		1,730	342	45	89.3	1,610	3,267
10/1/2018	108	252	3,844	7	10/1/2018		1,168	360	46	88.9	1,606	3,256
11/1/2018	137	196	3,852	7	11/1/2018		1,639	617	47	88.4	1,602	3,245
12/1/2018	64	145	1,901	7	12/1/2018		1,356	480	48	88.0	1,598	3,234
1/1/2019	107	117	2,779	8	1/1/2019		1,596	447	49	87.6	1,594	3,224
2/1/2019	111	105	3,164	8	2/1/2019		1,619	397	50	87.2	1,590	3,213
3/1/2019	89	154	2,518	8	3/1/2019		1,651	528	51	86.8	1,586	3,203
4/1/2019	84	265	3,734	7	4/1/2019		1,688	577	52	86.4	1,582	3,192
5/1/2019	104	220	3,438	7	5/1/2019		1,907	478	53	85.9	1,578	3,182
6/1/2019	50	119	1,823	7	6/1/2019		1,502	430	54	85.5	1,574	3,171
7/1/2019	49	128	1,783	7	7/1/2019		1,596	483	55	85.1	1,570	3,161
8/1/2019	16	102	639	7	8/1/2019		1,844	455	56	84.7	1,566	3,150
9/1/2019	41	102		7	9/1/2019			325	57	84.7		
	70		1,116 1,310	7	10/1/2019		1,421		58		1,562	3,140
10/1/2019		122					2,018	555		83.9	1,559	3,130
11/1/2019	44	156	1,006	7	11/1/2019		1,932	350	59	83.5	1,555	3,119
12/1/2019	42	130	1,554	7	12/1/2019		1,700	468	60	83.1	1,551	3,109
1/1/2020	72	136	2,953	7	1/1/2020	-	1,037	543				
2/1/2020	130	45	2,656	7	2/1/2020	-	924	-				
3/1/2020	70	4	1,829	6	3/1/2020	-	1,026	1				
4/1/2020	19	8	1,391	6	4/1/2020		695	1,347				
5/1/2020	19	132	1,966	6	5/1/2020		290					
					6/1/2020		1,239					

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Exhibit E – Decline Curve Production Rates and Zone Allocation Percentage

Zone (1)	Zone (2)	Oil IP (BOPD)	Gas IP (MCFD)	Water IP (BWPD)
Jalmat	Yates-Seven Rivers (Dry Gas)	0	52	14
Langlie Mattix	lattix Seven Rivers- Queen (Oil)		7	110
	Total	4	59	124
Jalmat	Yates-Seven Rivers (Dry Gas)	0%	87%	11%
Langlie Mattix	Seven Rivers- Queen (Oil)	100%	13%	89%
	Total (%)	100%	100%	100%

DESTRICT I	\cup	State of New Mexico Songy, Minerals and Status Resources Department
DISTRICT II	OIĹ	CONSERVATION DIVISION 1220 SOUTH ST. FRANCIS DR.
DISTRICT III 1000 Rio Bresso Bd., Axteo, NM 87410		Santa Fe, New Mexico 87505

Form. C-102 Revised Catabase 18, 2006 Submit to Appropriate Matter CfClus Shute Lease - 4 Capites For Lease - 3 Capites

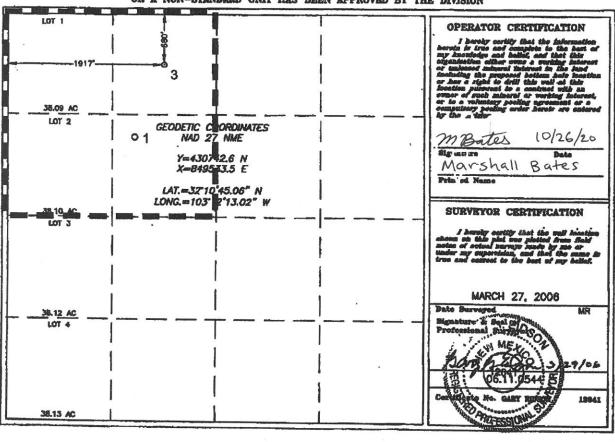
DISTRICT IV	WELL LOCATION AND	ACREAGE DEDICATION P	LAT C AMENDED REPORT				
30-025-37959	79240						
Property Code 326934		PERTY NAME RTIN B	Well Humber 3				
329326		OPERATING, LLC	Hevation 3250'				

	Township 24~S		E 660		North/South Bise NORTH	Charles and Charles		County			
Hottom Hole Location If Different From Surface											

Surface Location

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Dedicated Acres 156.19	foint or infill	Consolidation	Code C	NMOCE	Approval Let	SD - 06 · ter by Joe D.)/78)

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



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DISTRICT IV	his materials are	Mid among	WELL LO	CATION	AND	ACREA	GE DEDICATION	ON PLAT	C) AMEND	ED REPOR
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					Surfe	ce Loc	ation			
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DL or lot No.	Section	Township	Reugs	Lot Ma		rem the	North/South line	Feet from the	Mast/West line	County
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Dedicated Acre 156.19	-	Y intiit C	oneolidation	Code Or	der No.	MOCE	Approval Lett	SD - 06 · er by Joe D.)/78)
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State of New Mexico