

DATE IN 12/4/12	SUSPENSE 12-24	ENGINEER 1	LOGGED IN 12-20	TYPE CTB	APP NO. p DKB1235538554
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ABOVE THIS LINE FOR DIVISION USE ONLY

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



LRE Operating
Sedona #1 & 2

SEDONA #1 30-015-37696 & SEDONA #2 30-015-34110

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 SURFACE COMMINGLE

[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
 Print or Type Name

Mike Pippin
 Signature

Petroleum Engineer
 Title

November 29, 2012
 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

November 29, 2012

NMOCD
Richard Ezeanyim
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: Application for Surface Commingling
SEDONA #1 & SEDONA #2 - API#s: 30-015-37696 & 30-015-34110
Unit Letter "P" Section 21 T17S R28E
Eddy County, New Mexico

Dear Mr. Ezeanyim,

LRE OPERATING, LLC (operator) would like to surface commingle production from the referenced two, marginal, State oil wells, which are located on the same State lease and producing from the same State pool (Red Lake, Queen-Grayburg-San Andres – 51300). Attached is a form C-107B, C-102 for each well, a lease map showing the relative location of both wells, a plat indicating the quarterly testing procedure of the testing facility, and a copy of the letters to the interest owners, and the NM Public Lands, along with the other necessary supporting data.

This surface commingle will eliminate redundant surface equipment for these marginal oil wells thus preventing waste. The common tank battery is located on the Sedona #2 well pad. The surface owner is the State of New Mexico.

However, the ownership in these two marginal, State, wells is not identical. Therefore, Lime Rock plans to test each of these wells on a quarterly basis in order to establish the oil & gas allocation per well. All the interest owners have been notified.

The Sedona #2 is a marginal well that last tested for 4 BOPD, 9 MCF/D, & 15 BWPD. The Sedona #1 was recently recompleted into the San Andres, 1st delivered on 11/21/12, and tested on 11/25/12 for 29 BOPD, 44 MCF/D, & 206 BWPD. We anticipate that this well will decline rapidly.

Should you have any questions or concerns, please contact me at 505-327-4573.

Very truly yours,



Mike Pippin PE
Petroleum Engineer

Enclosures

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Ave, 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 June 10, 2003

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: LRE OPERATING, LLC

OPERATOR ADDRESS: C/o Mike Pippin LLC, 3104 N. Sullivan, Farmington, NM 87401

APPLICATION TYPE:

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

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

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes
Red Lake, Q-G-SA 51300					

(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.

(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. Red Lake, Q-G-SA 51300

(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

(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: Mike Pippin

TITLE: Petroleum Engineer - Agent

DATE: 11/29/12

TYPE OR PRINT NAME Mike Pippin

TELEPHONE NO.: 505-327-4573

E-MAIL ADDRESS: mike@pippinllc.com

Revised March 17, 1989

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, N M 87505

☐ AMENDED REPORTDistrict I
625 N. French Dr. Hobbs, NM 88240District II
811 South First, Artesia, NM 88210District III
1000 Rte. Bronco Rd., Aztec NM 87410District IV
2040 South Pacheco, Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-34110	Pool Code 51300	Pool Name Red Lake, QN-GB-SA
Property Code 34318	Property Name SEDONA	Well Number 2
OGRID No. 020451	Operation Name SDX RESOURCES, INC.	Elevation 3622

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
P	21	17-S	28-E		604	SOUTH	990	EAST	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.						

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

	OPERATOR CERTIFICATION I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.	
	Signature <i>Bonnie Atwater</i> Printed Name Bonnie Atwater	
	Title Regulatory Tech	
	Date 5/10/05	
	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 KNOWLEDGE AND BELIEF.	
APRIL 28, 2005 Date of Survey		Signature and Seal of Professional Surveyor

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 30-015-37696	² Pool Code 51300	³ Pool Name RED LAKE, Queen-Grayburg-San Andres
⁴ Property Code 309879	⁵ Property Name SEDONA	⁶ Well Number 1
⁷ OGRID No. 281994	⁸ Operator Name LRE OPERATING, LLC.	⁹ Elevation 3639' 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
P	21	17-S	28-E		990	SOUTH	330	EAST	EDDY

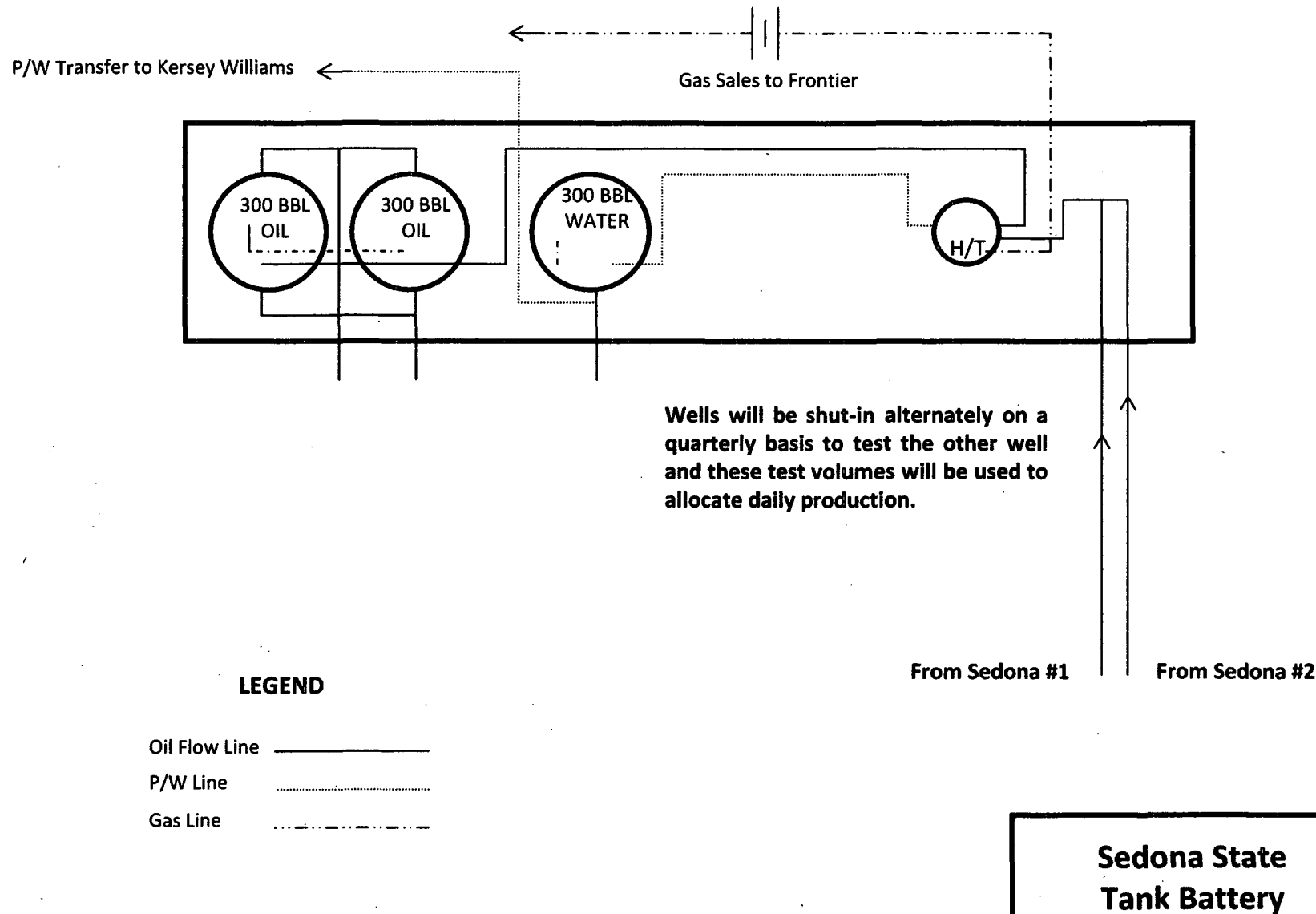
¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

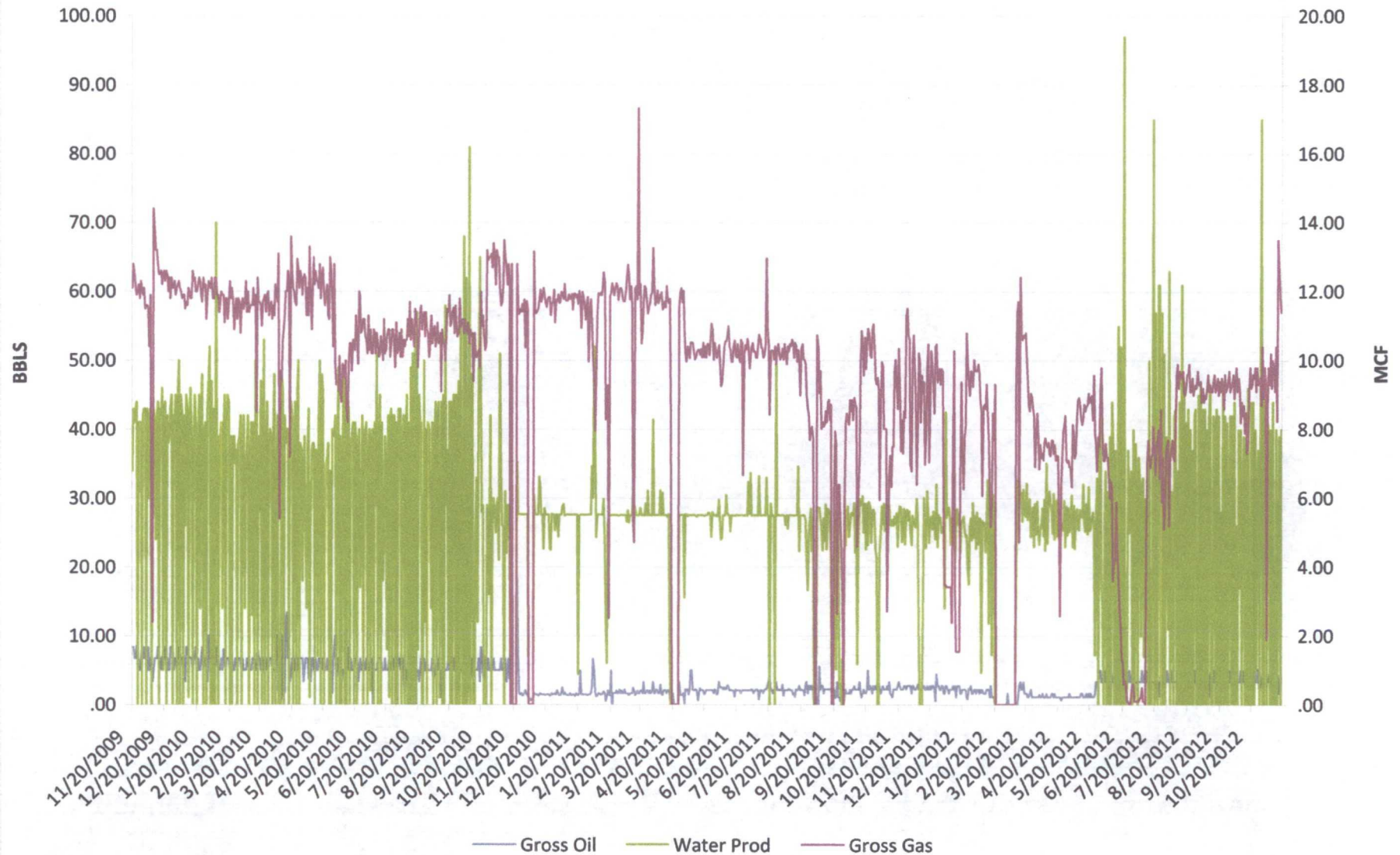
¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

	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 <u>Mike Pippin</u> Date 11/20/12 Printed Name <u>Mike Pippin</u>
	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 1/29/10 Signature and Seal of Professional Surveyor: Gary G. Eidson Certificate Number 12641



Sedona #2 SA



Daily

**LRE OPERATING LLC
SURFACE COMMINGLE APPLICATION FOR SEDONA #1 AND SEDONA #2
INTEREST OWNERS**

Chisos Ltd.
c/o Sue Ann Craddock
670 Dona Ana Road SW
Deming, NM 88030

The Surface Owner is
The State of New Mexico

Edge Petroleum Operating Co.
2000 W. Sam Houston Pkwy. SO
Suite 2000
Houston, TX 77042-3622

BNM, Inc.
4032 US Hwy 82
Mayhill, NM 88339

Fred C. Corey dba Poco Royalty
2602 Terrace Ave.
Midland, TX 79705-7325

Manix Royalty Ltd.
P.O. Box 2818
Midland, TX 79702

Mayhill Oil Corp.
P.O. Box 5334
Midland, TX 79704

Commissioner of Public Lands
State of New Mexico
P.O. Box 1148
Santa Fe, NM 87504-1148

Tay-Mor Enterprises, Inc.
P.O. Box 4723
Midland, TX 79704

Vicki Jean-Ali
P.O. Box 81052
Midland, TX 79708

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

November 29, 2012

RE: Application to Surface Commingle
SEDONA #1 & SEDONA #2 – API#s: 30-015-37696 & 30-015-34110
Unit Letter "P" Section 21 T17S R28E
Eddy County, New Mexico

VIA CERTIFIED MAIL
To all Interest Owners:

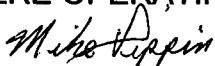
In accordance with the New Mexico Oil Conservation Division Rule 19.15.12.10 governing surface commingling, you are hereby notified that LRE OPERATING, LLC, as operator of the above-referenced wells, has submitted an application to surface commingle production from two oil wells producing on the same State lease and from the same State pool: Red Lake, Queen-Grayburg-San Andres (51300).

This surface commingle will eliminate redundant surface equipment thus preventing waste. It will eliminate an entire additional tank battery and gas measuring facilities. The common tank battery is located on the Sedona #2 well pad.

However, the ownership in these four State wells is not identical. Therefore, Lime Rock plans to test each of these marginal wells on a quarterly basis in order to establish the oil & gas allocation per well.

Should you have any questions or concerns, please contact me at 505-327-4573 and/or the NMOCD at 505-476-3467, 1220 South St. Frances Drive, Santa Fe, NM 87505 within 20 days.

Very truly yours,
LRE OPERATING, LLC



Mike Pippin PE
Petroleum Engineer

Enclosures

7011 1570 0001 0600 3574

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Restricted Delivery Fee (Endorsement Required)		\$0.00
Total Postage & Fees	\$	\$3.40

0401
 NOV 28 2012
 FARMINGTON NM 87401
 Postmark Here

Sent To: *Vicki Jean-Ali*
 Street, Apt. No., or PO Box No.: *PO Box 81052*
 City, State, ZIP+4: *Midland TX 79708-1052*

PS Form 3800, August 2006 See Reverse for Instructions

7011 1570 0001 0600 3575

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Sent To: *Jay-Mox Enterprises Inc.*
 Street, Apt. No., or PO Box No.: *PO Box 4723*
 City, State, ZIP+4: *Midland TX 79704*

PS Form 3800, August 2006 See Reverse for Instructions

7011 1570 0001 0601 0275

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Restricted Delivery Fee (Endorsement Required)		\$0.00
Total Postage & Fees	\$	\$3.40

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 FARMINGTON NM 87401
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Sent To: *Mayhill Oil Corp.*
 Street, Apt. No., or PO Box No.: *PO Box 5334*
 City, State, ZIP+4: *Midland TX 79704*

PS Form 3800, August 2006 See Reverse for Instructions

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Restricted Delivery Fee (Endorsement Required)		\$0.00
Total Postage & Fees	\$	\$3.40

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 NOV 28 2012
 FARMINGTON NM 87401
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Sent To: *Manix Royalty Ltd*
 Street, Apt. No., or PO Box No.: *PO Box 2818*
 City, State, ZIP+4: *Midland TX 79702*

PS Form 3800, August 2006 See Reverse for Instructions

7011 1570 0001 0601 0282

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Restricted Delivery Fee (Endorsement Required)		\$0.00
Total Postage & Fees	\$	\$3.40

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 NOV 28 2012
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Sent To: *Fred C. Conroy dba Poco Royalty*
 Street, Apt. No., or PO Box No.: *2602 Terrace Ave*
 City, State, ZIP+4: *Midland TX 79705-7325*

PS Form 3800, August 2006 See Reverse for Instructions

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Restricted Delivery Fee (Endorsement Required)		\$0.00
Total Postage & Fees	\$	\$3.40

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 NOV 28 2012
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Sent To: *BNM Inc.*
 Street, Apt. No., or PO Box No.: *4032 US Hwy 82*
 City, State, ZIP+4: *Mayhill NM 88339*

PS Form 3800, August 2006 See Reverse for Instructions

7011 1570 0001 0601 0244

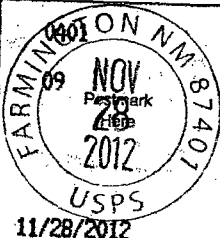
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Total Postage & Fees	\$	\$3.40



11/28/2012

Sent To *Edge Petroleum Operating Co.*
Street, Apt. No.,
or PO Box No. *2000 W. Sam Houston Pkwy Ste 2000*
City, State, ZIP+4 *Houston TX 77042-3622*

PS Form 3800, August 2006

See Reverse for Instructions

7011 1570 0001 0601 0244

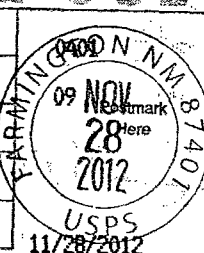
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Total Postage & Fees	\$	\$3.40



11/28/2012

Sent To *Chisora Ltd. % Sue Ann Chaddock*
Street, Apt. No.,
or PO Box No. *670 Dona Ana Rd. S.W.*
City, State, ZIP+4 *Deming, NM 88030*

PS Form 3800, August 2006

See Reverse for Instructions

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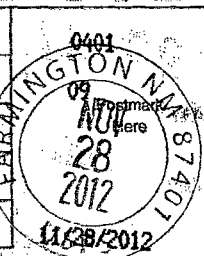
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SANTA FE NM 87504

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Restricted Delivery Fee (Endorsement Required)		\$0.00
Total Postage & Fees	\$	\$3.40



11/28/2012

Sent To *Comm. of Public Lands - St. of NM*
Street, Apt. No.,
or PO Box No. *PO Box 1148*
City, State, ZIP+4 *Santa Fe NM 87504-1148*

PS Form 3800, August 2006

See Reverse for Instructions