

ABOVE THIS LINE FOR DIVISION USE ONLY

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



KERSEY STATE #5 -- 30-015-37693

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 _____

- DHC 4738
 - LRE OPERATING, LLC
 281994

RECEIVED OGD
 2015 FEB 25 A 11: 25

[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

Well
 - Kersey state #5
 30-015-37693
Pool
 - Antesia, Queen
 Grayburg - SAN
 Andrewes
 3230
 - Antesia, Glun, etc
 YES
 36830

[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		Petroleum Engineer	February 23, 2015
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

February 23, 2015

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

RE: C-107A TO COMMINGLE TWO POOLS
KERSEY STATE #5— API#: 30-015-37693
Unit Letter "I" Section 32 T17S R28E
Eddy County, New Mexico

Dear Mr. Goetze,

The referenced oil well was completed on January 5, 2011 in the Artesia Glorieta-Yeso (96830). The attached NOI sundry to recomplete this well to the Artesia, Queen-Grayburg San Andres (3230) has been submitted to the NM District office in Artesia. Interests in these two pools are identical, and the NM Commissioner of Public Lands has been notified.

The Yeso production test before the recompletion on 2/16/15 was 8 BOPD, 47 MCF/D, & 85 BWPD. After the recompletion to San Andres and a test of the San Andres alone, the CBP between the two pools will be removed and the two pools downhole commingled. The production allocations for each pool will then be calculated by subtracting the current (Yeso) production from the total well production after about two months of commingled production. We plan to submit these calculations and the resulting allocations to the district office.

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

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

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

District III
1000 Rio Brazos Road, Aztec, NM 87410

APPLICATION FOR DOWNHOLE COMMINGLING

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

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

KERSEY STATE #5 Well No. I SEC. 32 T17S R28E Unit Letter-Section-Township-Range
Lease Eddy County

OGRID No. 281994 Property Code _____ API No. 30-015-37693 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Artesia, Queen-Grayburg-San Andres		Artesia: Glorieta-Yeso
Pool Code	3230		96830
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	~2308'-3386'		3540'-4988'
Method of Production (Flowing or Artificial Lift)	Pumping		Pumping
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)	741 PSI		851 PSI
Oil Gravity or Gas BTU (Degree API or Gas BTU)	34.8		38.32
Producing, Shut-In or New Zone	Proposed New Zone		Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicants shall be required to attach production estimates and supporting data.)	Date: RATES:	Date: Rates:	Date: February 16, 2015 Rates: 8 BOPD 47 MCF/D 85 BWP/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	Oil Gas	Oil Gas
		% %	

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 February 22, 2015

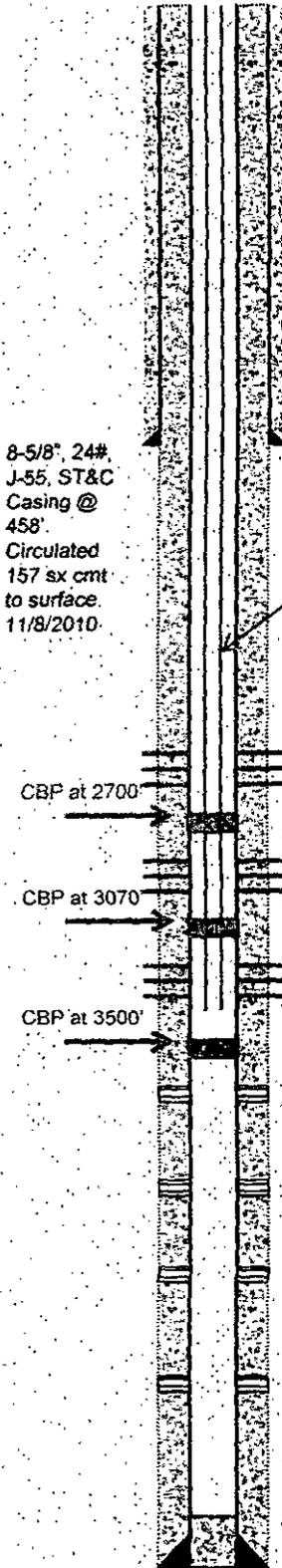
TYPE OR PRINT NAME Mike Pippin TELEPHONE NO. (505) 327-4573

E-MAIL ADDRESS mike@pippinllc.com



LRE Operating LLC,
Kersey State # 5
San Andres Recompletion
AFE # R15009

Kersey State #5
Sec 32-17S-28E (NW of 1)
2310' FSL, 890' FEL
Elevation - 3,683' GR
API #: 30-015-37693
Eddy County, NM



2-7/8"; 6.5# J-55 Tubing, TAC at 2208', SN at 3350', 4' slotted sub, 1 jt MA w/BP at 3385'. T-couplings, 1" KD pony set, 87- 1" KD, 43-7/8" KD, 4- 1.5" kbars, 2.5"x2"x20" RHBC-HVR pump, 76" SL at 9 SPM.

CBP at 2700'
CBP at 3070'
CBP at 3500'

San Andres Perfs: 2308'-2668'
34 holes
San Andres Perfs: 2736'-3031'
30 holes
San Andres Perfs: 3110'-3386'
30 holes

Stim Info: 1500 g 15% HCL, 8,100 bbls water, 30,000 #'s 100 Mesh, 257,040 #'s 40/70 Ottawa, 80+ BPM
Stim Info: 1500 g 15% HCL, 8,100 bbls water, 30,000 #'s 100 Mesh, 257,040 #'s 40/70 Ottawa, 80+ BPM
Stim Info: 1500 g 15% HCL, 8,100 bbls water, 30,000 #'s 100 Mesh, 257,040 #'s 40/70 Ottawa, 80+ BPM

GL/Yeso Perfs: 3540'-3755' - 28 holes @ 1 spf then 3764-3810 @ 2 spf all 0.41 EHD & 29" pen
12/1/11

STIM INFO: 2646 gals 15% NEFE; fraced w/128,000# 16/30 Brady & 29,000# 16/30 Resin sand in 25# X-linked gel

Yeso Perfs: 3875'-4158', 42 holes
12/29/2010

STIM INFO: 3486 gals 15% NEFE; fraced w/177,460# 16/30 & 49,690# 20/40 Super LC sand in 25# X-linked gel.

Yeso Perfs: 4255'-4547', 44 holes
12/30/2010

STIM INFO: 3422 gals 15% NEFE; fraced w/130,390# 16/30 & 38,488# 20/40 Super LC sand in 25# X-linked gel

Yeso Perfs: 4599'-4988', 50 holes
12/31/2010

STIM INFO: 4158 gals 15% NEFE; fraced w/153,484# 16/30 & 46,053# 20/40 Super LC sand in 25# X-linked gel

PBTD @ 5,047'

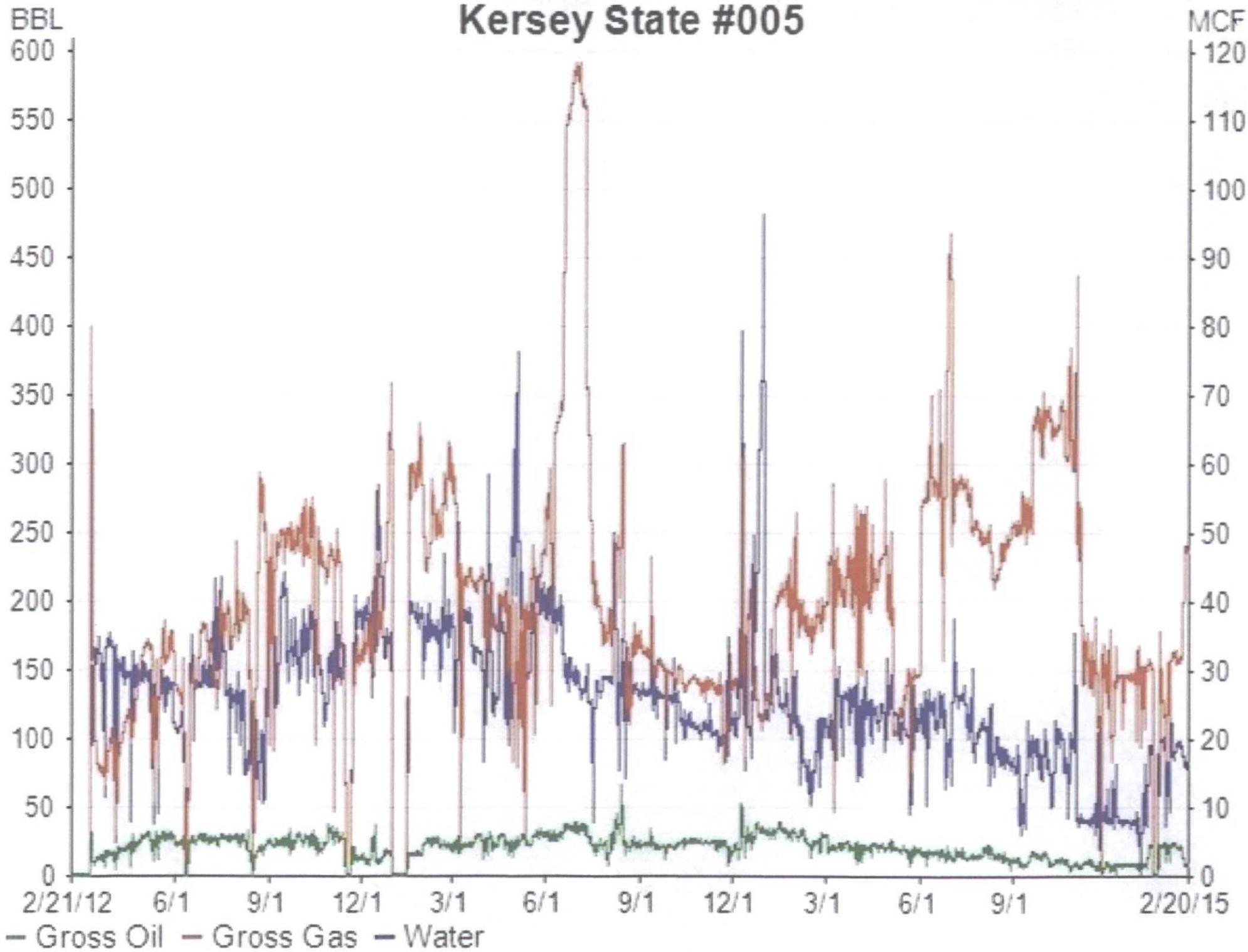
5-1/2"; 17# J-55; ST&C Casing 5,089'. Circulated cmt to surface. (11/22/2010)

TD @ 5,106'

GEOLOGY	
Zone	Top
Queen	1,218'
Grayburg	
San Andres	1,967'
Glorieta	3,433'
Yeso	3,598'
Tubb	4,915'

SURVEYS	
Degrees	Depth
1/4°	446'
1/2°	1,007'
1/2°	1,512'
3/4°	2,017'
1°	2,490'
3/4°	2,996'
1°	3,495'
1-1/2°	4,495'

Kersey State #005



— Gross Oil — Gross Gas — Water

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

February 23, 2015

New Mexico Commissioner of Public Lands
Attention: Pete Martinez
310 Old Santa Fe Trail
PO Box 1148
Santa Fe, NM 87504-1148

RE: Notification of Downhole Commingling
KERSEY STATE #5 – API#: 30-015-37693
Unit Letter "I" Section 32 T17S R28E
Eddy County, New Mexico

Dear Mr. Martinez:

LRE Operating, LLC would like to commingle the existing, producing Artesia, Glorieta-Yeso interval with the proposed, Artesia, Queen-Grayburg-San Andres interval. The designated acreage for the proposed commingle will be the northeast quarter of the southeast quarter of section 32.

This letter is to notify you that we have submitted the necessary application and supporting data to the New Mexico Oil Conservation Division. A check for \$30 is enclosed with this notification along with a copy of the State application.

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

Very truly yours,



Mike Pippin
Petroleum Engineer

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., 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 and Natural Resources

Form C-103
 June 19, 2008

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.) 1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>		WELL API NO. 30-015-37693 5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/> 6. State Oil & Gas Lease No.
2. Name of Operator LRE OPERATING, LLC		7. Lease Name or Unit Agreement Name KERSEY STATE
3. Address of Operator c/o Mike Pippin LLC, 3104 N. Sullivan, Farmington, NM 87401		8. Well Number #5
4. Well Location Unit Letter <u>I</u> : <u>2310</u> feet from the <u>NORTH</u> line and <u>890</u> feet from the <u>EAST</u> line Section <u>32</u> Township <u>17-S</u> Range <u>28-E</u> NMPM Eddy County		9. OGRID Number 281994
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3683' GL		10. Pool name or Wildcat Artesia, Glorieta-Yeso (96830) Artesia, Queen-Grayburg-San Andres (3230)

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPL <input checked="" type="checkbox"/> DOWNHOLE COMMINGLE <input checked="" type="checkbox"/> CLOSED-LOOP SYSTEM <input checked="" type="checkbox"/> OTHER: Recomplete to San Andres & DHC <input checked="" type="checkbox"/>		SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> P AND A <input type="checkbox"/> CASING/CEMENT JOB <input type="checkbox"/> OTHER: <input type="checkbox"/>	
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13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work).
 SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

LRE Operating, LLC would like to recomplete this Yeso oil well to the San Andres & DHC as follows: MIRUSU. TOH w/rods, pump, & tbg. Set a 5-1/2" CBP @ ~3500' & PT to ~3500 psi. (Existing Yeso perms are @ 3540'-4988'). Perf lower San Andres @ ~3110'-3386' w/~30 holes. Stimulate with ~1500 gal 15% HCL acid & frac w/~30,000# 100 mesh & ~257,040# 40/70 Ottawa sand in slick water.

Set a 5-1/2" CBP @ ~3070' & PT to ~3500 psi. Perf San Andres @ ~2736'-3031' w/~30 holes. Stimulate with ~1500 gal 15% HCL acid & frac w/~30,000# 100 mesh & ~257,040# 40/70 Ottawa sand in slick water.

Set a 5-1/2" CBP @ ~2700' & PT to ~3500 psi. Perf upper San Andres @ ~2308'-2658' w/~34 holes. Stimulate with ~1500 gal 15% HCL acid & frac w/~30,000# 100 mesh & ~257,040# 40/70 Ottawa sand in slick water.

CO after frac & drill out CBPs @ 2700' & 3070', & CO to CBP @ 3500'. Land 2-7/8" 6.5#J-55 production tbg @ ~3385'. Run pump & rods. Release workover rig. Complete as a single San Andres oil well. See the attached proposed wellbore diagram. Following a test of the San Andres alone and the approval of the DHC application in Santa Fe, the CBP @ 3500' will be removed & the well DHC.

Spud Date: 11/6/10 Drilling Rig Release Date: 11/22/10

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 2/20/15
 Type or print name Mike Pippin E-mail address: mike@pippinllc.com PHONE: 505-327-4573

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any): _____

DISTRICT I
1625 N. FRENCH DR., FROBES, NM 87240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III
1000 RIO BRAZOS RD., AZTEC, NM 87410

DISTRICT IV
11885 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
11885 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code 96830	Pool Name Artesia; GL-Yeso
Property Code 305463	Property Name KERSEY STATE	Well Number 5
GRID No. 255333	Operator Name LIME ROCK RESOURCES A, L.P.	Elevation 3683'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	32	17-S	28-E		2310	SOUTH	890	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 to/for	Consolidation Code	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

<p>GEODETTIC COORDINATES NAD 27 NME SURFACE LOCATION Y=651138.6 N X=543513.1 E LAT.=32.789990° N LONG =104.191739° W</p>		<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>George R. Smith</i> 3/10/10 Signature Date</p> <p>George R. Smith, POA agent Printed Name</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 belief.</p> <p>FEBRUARY 1, 2010 Date Surveyed DSS</p> <p>Signature & Seal of Professional Surveyor <i>Ronald J. Eidson</i> 2/5/10 10.11.0412</p> <p>Certificate No. GARY C. EIDSON 12641 RONALD J. EIDSON 3239</p>