

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



WELCH RL STATE #14 -- 30-015-40068

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 4746
 - LRE operating, LLC
 281994
 - Welch RL State #14
 30-015-40068

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[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

Pool
 - Red Lake, SAN
 Andres
 97203
 - Antecora, Clunieto
 Yes
 46830

[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	<i>Mike Pippin</i>	Petroleum Engineer	March 27, 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

March 28, 2015

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

RE: C-107A TO COMMINGLE TWO POOLS
WELCH RL STATE #14— API#: 30-015-40068
Unit Letter "F" Section 28 T17S R28E
Eddy County, New Mexico

Dear Mr. Goetze,

The referenced oil well was completed on February 3, 2014 in the Artesia Glorieta-Yeso (96830). The attached NOI sundry to recomplete this well to the Red Lake, San Andres (97253) 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 3/25/15 was 2 BOPD, 24 MCF/D, & 21 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. Fanch Drive, Hobbs, NM 88240

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

District III
1090 Rio Bravo Road, Aztec, NM 87410

District IV
1230 S. St. Francis Dr., Santa Fe, NM 87503

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

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

APPLICATION FOR DOWNHOLE COMMINGLING

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

WELCH RL STATE #14 F SEC. 28 T17S R28E Eddy
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 281994 Property Code 309873 API No. 30-015-40068 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Red Lake;-San Andres		Artesia: Glorieta-Yeso
Pool Code	97253		96830
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	~2061'-3171'		3394'-3510'
Method of Production (Flowing or Artificial Lift)	Plan to Pump		Pumping
Bottomhole Pressure <small>(Note: Pressure data will not be required if the bottom perforation in the lower zone is within ±50% of the depth of the top perforation in the upper zone)</small>	741 PSI		851 PSI
Oil Gravity or Gas BTU <small>(Degree API or Gas BTU)</small>	34.8		38.32
Producing, Shut-In or New Zone	Proposed New Zone		Producing
Date and Oil/Gas/Water Rates of Last Production. <small>(Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)</small>	Date: RATES:	Date: Rates:	Date: March 25, 2015 Rates: 2 BOPD 24 MCF/D 21 BWPD
Fixed Allocation Percentage <small>(Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)</small>	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

NMOC 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 March 28, 2015
 TYPE OR PRINT NAME Mike Pippin TELEPHONE NO. (505) 327-4573
 E-MAIL ADDRESS mike@pippinllc.com

	County	EDDY	Well Name	Redlake	Field:	Redlake	Well Sketch:	AFE R15013
			Welch RL State #14	Glorieta-Yeso NE			LRE Operating, LLC	
	Surface Lat:	32.8060374°N	BH Lat:	32.8060374°N	Survey:	S28-T17S-R28E Unit F	API #	36-015-40068
	Surface Long:	104.1812505°W	BH Long:	104.1812505°W		2310' FNL & 2310' FWL	OGRID #	281994

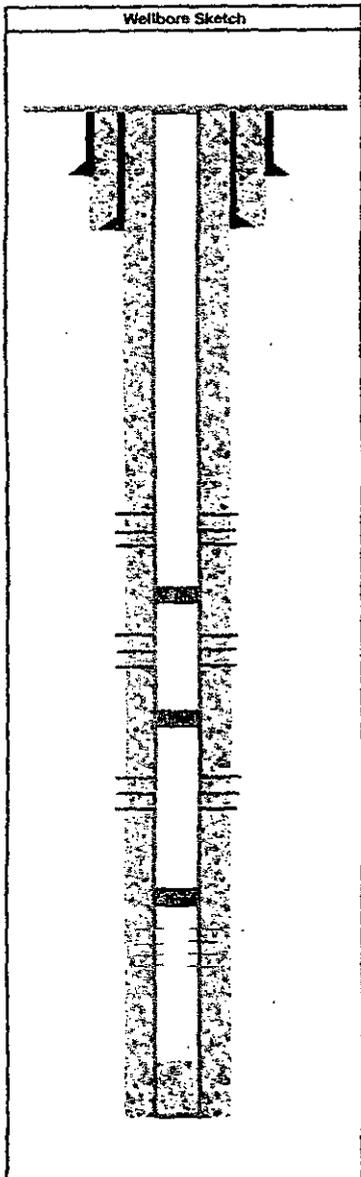
Directional Data:			
KOP			
Max Dev.:			
Defg sev.:			
Dev @ Perfs			
Ret to Vert:			

Drilling / Completion Fluid	
Drilling Fluid:	10.2 PPG Brine / Salt Gel
Drilling Fluid:	
Completion Fluid:	2% KCL
Completion Fluid:	
Packer Fluid:	NA

Tubular Data							
Tubulars	Size	Weight	Grade	Thread	TVD	MD	TOC
Conductor	14"	68.7#	B	Weld	40'	40'	SURF
Surface	8 5/8"	24#	J-55	STC	436'	436'	SURF
Intermediate							
Production	5 1/2"	17#	J-55	LTC	3,657'	3,657'	SURF
Liner							

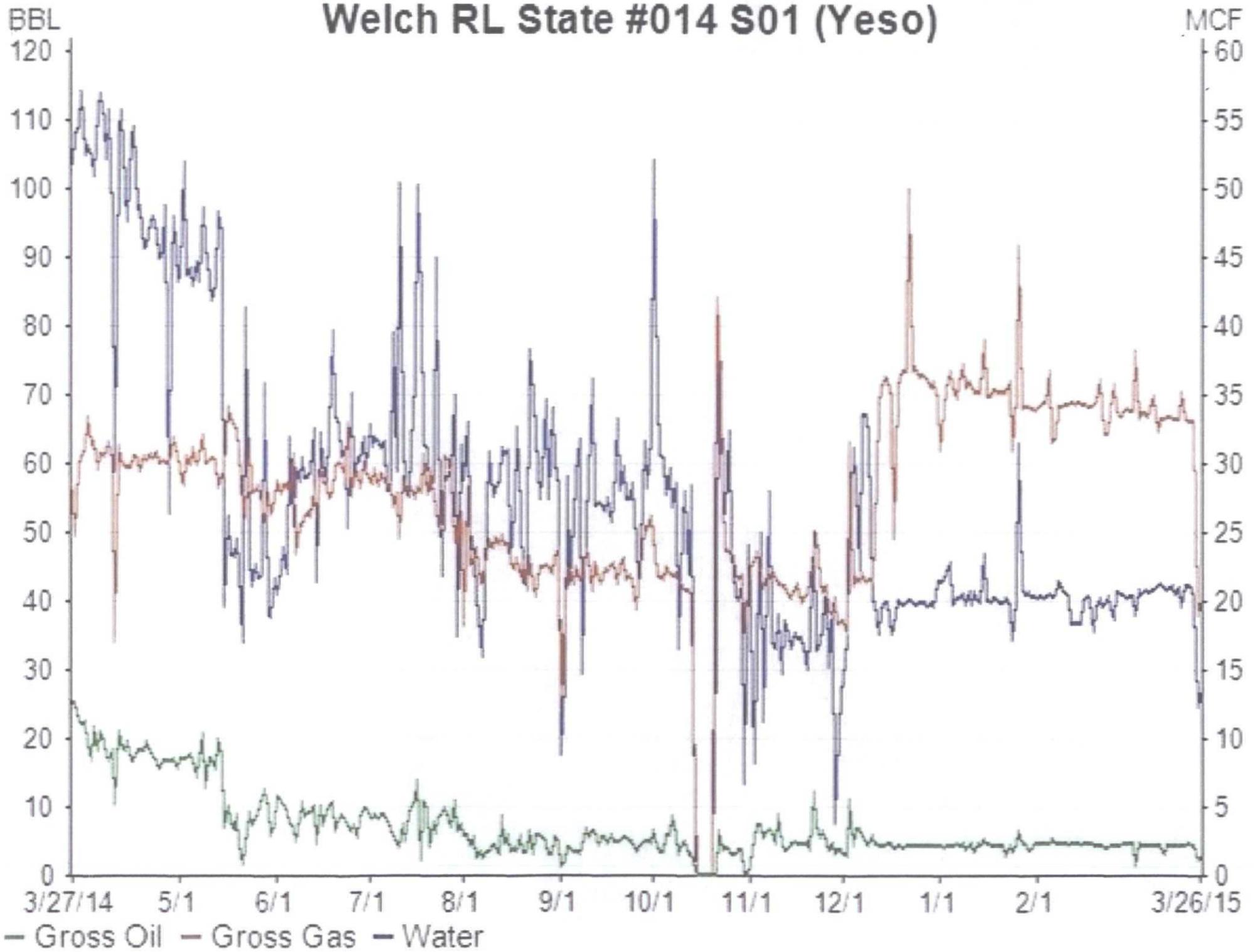
CEMENT DATA							
	L/Sks	Yld	Wt	T/Sks	Yld	Wt	XS
Surface	250	1.35	14.8	NA	NA	NA	8 sx
Intermediate							
Liner							
Production	300	1.9	12.8	375	1.33	14.8	70 sx

Wellhead Data	
Type:	
WP:	
Tree Cap	Flange:
	Thread:
Tbg Hanger:	
8TM Flange:	
BPV Profile:	NA
Elevations:	GR - RKB = 11.8'
RKB:	3650.8
GL:	3,639.0'



Completion Information					
DEPTHS (MD)	FORMATION TOPS / WELL INFO	PERFORATIONS		# of HOLES	DETAILS
		from	to		
0					
40'	20" Hole				14" Conductor Pipe
436'	11" Hole				8-5/8" Surf Csg Circ 8 sx Cmt to surf
648'	Seven Rivers				
1,205'	Queen				
1,630'	Grayburg				
1,957'	San Andres				
2 7/8" tbg, TAC at 1961', SN at 3200', 4' slotted sub, 1 jt MA w BP at 3235'					
49-1" KD, 40- 7/8" KD, 35 - 3/4" KD, 4- 1.5" kbars, 2.5"x2"x20" RHBC-HVR Pump					
Weatherford ALX 320-256-120 w 30 HP Motor, 104" SL at 8 SPM					
	Stage #3 San Andres	2,061'	2,389'	31	328', 1500 g 15% HCL, 30,000 # 100 Mesh 156,340 # 40/70, 8700 bbls water, 80 + BPM
CBP at 2414'					
	Stage #2 San Andres	2,435'	2,721'	31	286', 1500 g 15% HCL, 30,000 # 100 Mesh 260,190 # 40/70, 8100 bbls water, 80 + BPM
CBP at 2752'					
	Stage #1 San Andres	2,776'	3,171'	40	395', 1500 g 15% HCL, 30,000 # 100 Mesh 371,490 # 40/70, 9500 bbls water, 80 + BPM
3,311'	Glorieta				
3,394'	Yeso				
CBP at 3350'					
	Stage 1 Yeso Frac	3,394'	3,511'	40	117' Stg1 - See Frac Design
	Stimulated 1/30/14				
	P8TD				
3,657'	PROD CSG				above 5-1/2" Float Collar 5-1/2" Prod Csg. Circ 70 SX Cmt to Surf
Comments: NM OGD CLP				Plug back Depth:	MD
				Total Well Depth:	3,660' 3660' MD
				Prepared By:	Date:
				Eric McClusky	6-Mar-15

Welch RL State #014 S01 (Yeso)



— Gross Oil — Gross Gas — Water

Submit 1 Copy To Appropriate District Office
 District I - (575) 393-6161
 1625 N. French Dr., Hobbs, NM 88240
 District II - (575) 748-1283
 811 S. First St., Artesia, NM 88210
 District III - (505) 334-6178
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV - (505) 476-3460
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 Revised July 18, 2013

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.)		WELL API NO. 30-015-40068
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator LRE OPERATING, LLC		6. State Oil & Gas Lease No.
3. Address of Operator c/o Mike Pippin LLC, 3104 N. Sullivan, Farmington, NM 87401		7. Lease Name or Unit Agreement Name WELCH RL STATE
4. Well Location Unit Letter <u>F</u> : <u>2310</u> feet from the <u>North</u> line and <u>2310</u> feet from the <u>West</u> line Section <u>28</u> Township <u>17-S</u> Range <u>28-E</u> NMPM <u>Eddy</u> County		8. Well Number # <u>14</u>
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3639' GL		9. OGRID Number <u>281994</u>
10. Pool name or Wildcat Artesia, Glorieta-Yeso (96830)		

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 type="checkbox"/> CLOSED-LOOP SYSTEM <input checked="" type="checkbox"/> OTHER: <u>Recomplete to San Andres & DHC</u> <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 19.15.7.14 NMAC. 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 @ ~3350' & PT to ~3500 psi. (Existing Yeso perms are @ 3394'-3510'). Perf lower San Andres @ ~2776'-3171' w/~40 holes. Stimulate with ~1500 gal 15% HCL acid & frac w/~30,000# 100 mesh & ~371,490# 40/70 Ottawa sand in slick water.

Set a 5-1/2" CBP @ ~2752' & PT to ~3500 psi. Perf San Andres @ ~2435'-2721' w/~31 holes. Stimulate with ~1500 gal 15% HCL acid & frac w/~30,000# 100 mesh & ~260,190# 40/70 Ottawa sand in slick water.

Set a 5-1/2" CBP @ ~2414' & PT to ~3500 psi. Perf upper San Andres @ ~2061'-2389' w/~31 holes. Stimulate with ~1500 gal 15% HCL acid & frac w/~30,000# 100 mesh & ~158,340# 40/70 Ottawa sand in slick water.

CO after frac & drill out CBPs @ 2414' & 2752', & CO to CBP @ 3350'. Run 2-7/8" 6.5#J-55 production tbg & land @ ~3235'. 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 & the approval of our DHC application in Santa Fe, the CBP @ 3350' will be removed & the well DHC.

Spud Date: 1/21/14

Drilling Rig Release Date: 1/25/14

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 3/20/15
 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): _____

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

March 28, 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
WELCH RL STATE #14 – API#: 30-015-40068
Unit Letter "F" Section 28 T17S R28E
Eddy County, New Mexico

Dear Mr. Martinez:

LRE Operating, LLC would like to commingle the existing, producing Artesia, Glorieta-Yeso (96830) interval with the proposed, Red Lake, San Andres (97253) interval. The designated acreage for the proposed commingling will be the southeast quarter of the northwest quarter of section 28.

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

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 30-015-40068		² Pool Code 97253		³ Pool Name Red Lake, San Andres	
⁴ Property Code 309873		⁵ Property Name WELCH RL STATE			⁶ Well Number 14
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 Ida	Feet from the	North/South line	Feet from the	East/West line	County
F	28	17-S	28-E		2310	NORTH	2310	WEST	EDDY

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	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.

	<p>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.</p> <p>Signature: <u>Mike Pippin</u> Date: 3/20/15</p> <p>Printed Name: <u>Mike Pippin</u></p>
	<p>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.</p> <p>12/7/11 Date of Survey</p> <p>Signature and Seal of Professional Surveyor: Filmon F. Jaramillo</p> <p>12797 Certificate Number</p>

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 15, 2009
Submit one copy to appropriate
District Office
 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-40068	Pool Code 96830	Pool Name Artesia, Color-Yeso
Property Code 309873	Property Name WELCH RL STATE	
OCRID No. 281994	Operator Name LRE OPERATING, LLC	
		Well Number 14
		Elevation 3639.0

" Surface Location

U/I. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	28	17 S	28 E		2310	NORTH	2310	WEST	EDDY

" Bottom Hole Location If Different From Surface

U/I. 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.
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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.

NW CORNER SEC. 28 LAT. = 32.8122044°N LONG. = 104.1886742°W	N O CORNER SEC. 28 LAT. = 32.8124134°N LONG. = 104.1802224°W	NE CORNER SEC. 28 LAT. = 32.8126237°N LONG. = 104.1717729°W	<p>17 OPERATOR CERTIFICATION</p> <p>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 undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well on this location pursuant to a lease, contract or other agreement of which mineral or working interest or its subsidiary producing oil, gas or a commodity producing well is hereinafter entered by the division:</p> <p><i>Sid Ashworth</i> 3/12/12 Signature Date</p> <p>Printed Name SID ASHWORTH</p> <p>18 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>DECEMBER 20 Date of Survey</p> <p><i>Filmon F. Jarasillo</i> Signature and Seal of Professional Surveyor Certificate Number FILMON F. JARASILLO PLS 12797 REGISTERED LAND SURVEYOR NO 728</p>
<p>WELCH RL STATE #14 ELEV = 3639.0' LAT. = 32.8060374°N (NAD27) LONG. = 104.1812505°W</p> <p>NOTE: LATITUDE AND LONGITUDE COORDINATES ARE SHOWN USING THE NORTH AMERICAN DATUM OF 1927 (NAD27), AND ARE IN DECIMAL DEGREE FORMAT.</p>			
W O CORNER SEC. 28 LAT. = 32.8050697°N LONG. = 104.1887821°W		E O CORNER SEC. 28 LAT. = 32.8054451°N LONG. = 104.1718703°W	
SW CORNER SEC. 28 LAT. = 32.7979286°N LONG. = 104.1882769°W	S O CORNER SEC. 28 LAT. = 32.7980996°N LONG. = 104.1804413°W	SE CORNER SEC. 28 LAT. = 32.7982679°N LONG. = 104.1719713°W	