

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
OCD Artesia

FORM APPROVED
OMB No. 1004-0137
Expires: July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NMLC-054908

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2.

7. If Unit of CA/Agreement, Name and/or No.

1. Type of Well

Oil Well Gas Well Other

8. Well Name and No.
Fair 18 Federal #1

2. Name of Operator
Fair Oil, Ltd.

9. API Well No.
30-015-39189

3a. Address
P.O. Box 689, Tyler, TX 75710

3b. Phone No. (include area code)
903-510-6527

10. Field and Pool or Exploratory Area
Cedar Lake; Glorieta-Yeso

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
2310' FNL & 840' FEL, Sec 18, T17S, R31E, NMPM

11. Country or Parish, State
Eddy, New Mexico

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Comingle production downhole</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Fair Oil had requested a royalty rate determination for our wells in Section 17 and Section 18 under lease NMLC-054908. The BLM has responded the Paddock formation is subject to the sliding scale royalty under the lease and the Blinebry is considered a new discovery and not subject to the sliding scale royalty and was granted a royalty rate of 12.5%. Fair Oil is requesting permission to comingle the Paddock and Blinebry formation production downhole for both the Fair 18 Federal #1 (API 30-015-39189) and the Fair 18 Federal #2 (API 30-015-40472) based upon the following:

Information pulled from the internet indicates Linn Energy has 8 producing wells and 2 injection well in lease NMLC-054908. Production from Linn Energy wells are reported on a lease basis. Fair currently has two producing wells. Using the sliding scale and if all 12 wells qualify as producing during the month, the total oil production from all zones (formations) would have to exceed 17,640 bbls of oil for the month before the royalty rate of 13% would apply. Fair's two wells currently produce 3486 oil per month and Linn's production is 1082 bbls oil. Combined production is 12.68 bbls/day/well, which is below the 50 bbls/day/well threshold for 13% royalty.

Should production from Linn's wells and Fair's wells reach the threshold for increased royalty based upon the sliding scale for the Paddock formation, Fair Oil would develop a plan to test the Paddock formation in each of Fair's producing wells to determine the oil production rate from the Paddock with the approval of the BLM. Under current conditions the likely hood of production reaching the threshold for 13% royalty rate is unlikely even with the addition of more wells producing from the Yeso (Paddock/Blinebry formation).

SUBJECT TO LIKE APPROVAL BY BLM

Accepted for record
NMOCD TB 5/29/2013
MUST obtain DHC through Smle 9e OCD

RECEIVED
MAY 28 2013
NMOCD ARTESIA
Title - Production Manager

APPROVED
MAY 24 2013
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)

Rodney K. Thomson

Signature

Rodney K. Thomson

Date 03/13/2013

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.