

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

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

|   |
|---|
| WELL API NO.<br>30-015-40988  |
| 5. Indicate Type of Lease<br>STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>           |
| 6. State Oil & Gas Lease No.  |
| 7. Lease Name or Unit Agreement Name<br><b>STALEY STATE</b>   |
| 8. Well Number #26  |
| 9. OGRID Number 281994  |
| 10: Pool name or Wildcat<br>Red Lake, Glorieta-Yeso NE (96836)<br>Red Lake, Queen-Grayburg-San Andres (51300) |

**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  Gas Well  Other

2. Name of Operator  
**LRE OPERATING, LLC**

3. Address of Operator  
c/o Mike Pippin LLC, 3104 N. Sullivan, Farmington, NM 87401

4. Well Location  
Unit Letter L : 1655 feet from the SOUTH line and 990 feet from the WEST line  
Section 30 Township 17-S Range 28-E NMPM Eddy County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)  
3598' GL

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

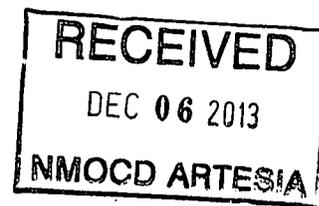
|  |   |  |  |
|--|---|--|--|
| <b>NOTICE OF INTENTION TO:</b>                         |   | <b>SUBSEQUENT REPORT OF:</b>   |  |
| PERFORM REMEDIAL WORK <input type="checkbox"/>         | PLUG AND ABANDON <input type="checkbox"/> | REMEDIAL WORK <input type="checkbox"/>   | ALTERING CASING <input type="checkbox"/> |
| TEMPORARILY ABANDON <input type="checkbox"/>           | CHANGE PLANS <input type="checkbox"/>     | COMMENCE DRILLING OPNS. <input type="checkbox"/>                                       | P AND A <input type="checkbox"/>         |
| PULL OR ALTER CASING <input type="checkbox"/>          | MULTIPLE COMPL <input type="checkbox"/>   | CASING/CEMENT JOB <input type="checkbox"/>   |  |
| DOWNHOLE COMMINGLE <input type="checkbox"/>            |   |  |  |
| CLOSED-LOOP SYSTEM <input checked="" type="checkbox"/> |   |  |  |
| OTHER: <input type="checkbox"/>                        |   | OTHER: 1 <sup>st</sup> Delivered DHC & Allocations <input checked="" type="checkbox"/> |  |

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.

This well was originally completed in the Yeso on 2/26/13 (3154'-4560'). On 11/11/13, this well was recompleted from the Yeso to the San Andres (2070'-2890') & downhole commingled with the Yeso as per order DHC-4609L. Before the recompletion, on July 13, 2013, the lower zone (Yeso) tested for **14 BOPD, 70 MCF/D**. Following the workover the commingled intervals were 1<sup>st</sup> Delivered on 11/13/13 & IP Tested on 12/4/13 for **83 BOPD, 108 MCF/D**. The calculated pool allocations are as follows:

|      | <u>Upper Zone (San Andres)</u> | <u>Lower Zone (Yeso)</u> |
|------|--------------------------------|--------------------------|
| OIL: | 83%                            | 17%                      |
| GAS: | 35%                            | 65%                      |

See the attached calculations.



Spud Date: 2/6/13 Drilling Rig Release Date: 2/12/13

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 12/5/13

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

**For State Use Only**

APPROVED BY: RD Wade TITLE Dist. Supervisor DATE 12/09/2013

Conditions of Approval (if any):

LRE OPERATING, LLC  
**STALEY STATE #26**  
Red Lake; Glorieta-Yeso NE & Red Lake, Queen, Grayburg, San Andres  
L Section 30 T17S R28E  
12/5/2013 – Mike Pippin  
API#: 30-015-40988

## Commingle Allocation Calculations

This well was originally completed in the Yeso on 2/26/13. On 11/11/13, this well was recompleted from the Yeso to the San Andres (2070'-2890') & downhole commingled with the Yeso as per order DHC-4609L. Before the recompletion, on July 13, 2013, the lower zone (Yeso) tested for 14 BOPD, 70 MCF/D from Yeso perfs 3154'-4560'.

Following the workover the two commingled intervals tested on 12/4/13 for 83 BOPD, 108 MCF/D.

Therefore, the oil from the upper zone (San Andres) should be:  $83 - 14 = \underline{69 \text{ BOPD}}$ .  
The gas from the upper zone (San Andres) should be  $108 - 70 = \underline{38 \text{ MCF/D}}$ .

### RECOMMENDED NEW OIL ALLOCATION

$$\% \text{ Lower Zone} = \frac{14}{83} = \underline{17\%}$$

$$\% \text{ Upper Zone} = \frac{69}{83} = \underline{83\%}$$

### RECOMMENDED NEW GAS ALLOCATION

$$\% \text{ Lower Zone} = \frac{70}{108} = \underline{65\%}$$

$$\% \text{ Upper Zone} = \frac{38}{108} = \underline{35\%}$$