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TILIC		ATIVE APPLICATIO		DIVISION BUILES AND
IHIS	CHECKLIST IS MANDATORY FOR ALL REGULATIONS WHICH REG	QUIRE PROCESSING AT THE DI		
pplicant: FAE II C				Number: 329326
/ell Name: Wells	s A #008			025-23857
ool: Jalmat			P001 C	ode: 79240
SUBMIT ACCUR	ATE AND COMPLETE INFO	ORMATION REQUIRE		HE TYPE OF APPLICATION
A. Location	ICATION: Check those variety of a Spacing Unit — Simulton Simulton Simulton SL SP (PRO	aneous Dedication	PRORATION UNIT)	D
[1] Com	one only for [1] or [1] nmingling – Storage – Me DHC	C PC OL re Increase – Enhar	ced Oil Recover	y FOR OCD ONLY
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	cation requires publishe		eis	Application Content
D. Notifi	cation and/or concurre	nt approval by \$LO		Complete
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	otice required			
administrative understand th	N: I hereby certify that the approval is accurate on action will be taked are submitted to the Divi	ind complete to the en on this applicati	e best of my know	wledge. I also
N	ote: Statement must be complete	ed by an individual with m	anagerial and/or supe	rvisory capacity.
			1/12/	
			Date	202/
David Schellstede			Dale	
Print or Type Name			832-220-3202	

Signature

Phone Number

David@FAEnergyus.com
e-mail Address

Released to Imaging: 7/2/2021 4:57:48 PM

<u>District I</u> 1625 N. French Drive, Hobbs, NM 88240

District II 811 S. First St., Artesia, NM 88210

<u>District III</u> 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

> Oil Conservation Division 1220 Sant

APPLICATION TYPE X Single Well

Form C-107A

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Revised August 1, 2011

APPLICATIO

U South St. Francis Dr.	_ASingle Wen
ta Fe, New Mexico 87505	Establish Pre-Approved Pools
	EXISTING WELLBORE
N FOR DOWNHOLE COMMINGLING	_X_ YesNo

FAE II Operating, LLC	11757 Katy Fwy. Ste. 10	000, Houston, TX 77079					
Operator Wells A	Lea						
Lease 329326 OGRID No. Property Cod	328247 30-	Section-Township-Range 025-23857 X Lease Type:					
DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE				
Pool Name	Jalmat		Langlie Mattix				
Pool Code	33820		37240				
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2,850 – 3,350'		3,350' – 3,450'				
Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift				
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)							
Oil Gravity or Gas BTU (Degree API or Gas BTU)	23.0 API / 1.084 BTU		23.0 API / 1.084 BTU				
Producing, Shut-In or New Zone	The second secon						
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production	See Attached Date:	Date:	See Attached Date:				
estimates and supporting data.)	Rates:	Rates:	Rates:				
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 0 % 39 %	Oil Gas %	Oil Gas 100 % 61 %				
	ADDITIO	NAL DATA					
Are all working, royalty and overriding If not, have all working, royalty and over	royalty interests identical in all co	mmingled zones? en notified by certified mail?	YesX No Yes No				
Are all produced fluids from all commi-	ngled zones compatible with each	other?	YesX No				
Will commingling decrease the value of			Yes No <i>X</i>				
If this well is on, or communitized with or the United States Bureau of Land Ma			YesX No				
NMOCD Reference Case No. applicable	le to this well:						
Attachments: C-102 for each zone to be comming Production curve for each zone for For zones with no production histor Data to support allocation method of Notification list of working, royalty Any additional statements, data or of	at least one year. (If not available, ry, estimated production rates and sor formula.	attach explanation.) supporting data. or uncommon interest cases.					
	PRE-APPRO	OVED POOLS					
If application is	to establish Pre-Approved Pools, t	he following additional information wi	Il 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 MB atta	TITLE_	Engineering Ter	CA DATE 1/13/2021

SIGNATURE mBates TELEPHONE NO. (832) 241-8080 TYPE OR PRINT NAME Marshall Bates

Marshall @ FAEnergyus. com E-MAIL ADDRESS_

December 9, 2020

Mr. Dean McClure New Mexico Energy, Minerals and Natural Resources Department 1220 South St. Francis Drive Santa Fe, New Mexico 87505

Re:

Wells A #008: API 30-025-23857

Jalmat Pool: 79240

Langlie Mattix Pool: 37240

Dear Mr. McClure:

FAE II Operating LLC, as operator, will be filing applications with the New Mexico Oil Conservation Division for approval of the aforementioned commingling project. After a review of internal records, this letter serves as notice that the operator and interest owners are identical for the pools listed above.

If you have any questions, please feel free to contact the undersigned phone at (832) 219-0809 or by email at rebecca@faenergyus.com.

Thank you for your attention to this matter.

Sincerely,

FAE II Operating, LLC

Rebecca Wing

Land

Received by OCD: 1/14/2021 10:12:39

fae loperating

January 12, 2021

VIA ONLINE FILING

Mr. Dean McClure New Mexico Energy, Minerals and Natural Resources Department 1220 South St. Francis Drive Santa Fe, New Mexico 87505

Re: Application of FAE II Operating, LLC for Administrative Approval to Downhole Commingle and Sell Oil and Gas Production from the Jalmat and Langlie Mattix Pools for the Wells A #8 well located in Sec. 1, T-25S, R-36E, Lea County, New Mexico

Dear Mr. McClure:

FAE II Operating LLC, OGRID: 329326, requests administrative approval for downhole commingling of oil and gas production from the Jalmat and Langlie Mattix Pools for its Wells A #8 well located in Unit Letter N, Section 1, T-25S, R-36E, 990 feet FSL and 1,650 feet FWL, as shown in the attached C-102's for each zone.

The Wells A #8 is currently open to the Yates-Seven Rivers interval, which translates to the JALMAT; TAN-YATES-7 RVRS pool [Pool ID: 79240]. The production curve for this interval is shown in Exhibit A. To develop a forecast for this zone, a decline curve was utilized based on the aforementioned historical production.

The zone that does not have production history in the Wells A #8 is the Seven Rivers-Queen, which translates to the LANGLIE MATTIX; 7 RVRS-Q-GRAYBURG [Pool ID: 37240]. To develop a forecast for this zone, ten (10) surrounding wells with production history from the Seven Rivers-Queen were used as an offset to prove up hole potential in the Wells A #8 by taking the historical average of the oil, gas, and water production. The resulting historical average production curve for this interval is shown in Exhibit B. From there, a decline curve was utilized based on the aforementioned historical production.

Overall, the forecast for the proposed downhole commingled production was formed by combining the forecasts for both zones, as shown in the Synthetic Decline Curve column of Exhibit C. This forecast for the Wells A #8 proved that an IP of 4.3 BOPD and 11.1 MCFPD is the expected total, and of that, 4.3 BOPD and 6.7 MCFPD will come from the Seven Rivers-Queen zone. The Yates-Seven Rivers is projected to yield 0.0 BOPD and 4.4 MCFPD with the additional intervals that will be opened up. This information along with the percentage allocation across the zones is shown in Exhibit D.

After a review of internal records, the interest owners are identical for the aforementioned wells. As such, notification to the relevant parties of our intent to commingle production will not be necessary.

This proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production. If there are further questions concerning this application, please feel free to contact the undersigned by email at marshall@faenergyus.com or by telephone at (832) 241-8080.

Very truly yours,

AE II Operating, LLC

Bates

fae I Toperating

Exhibit A - Historical and Forecast Production in the Current Zone

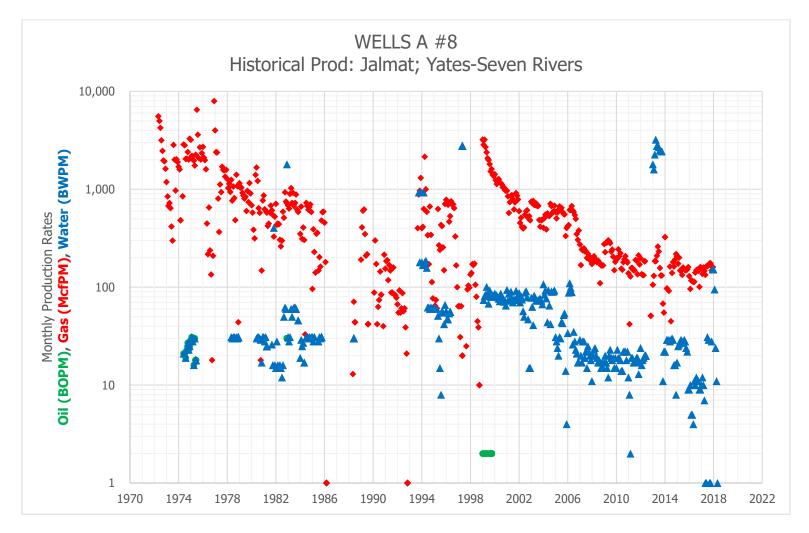


Exhibit B – Historical Average Production in the Proposed Zone

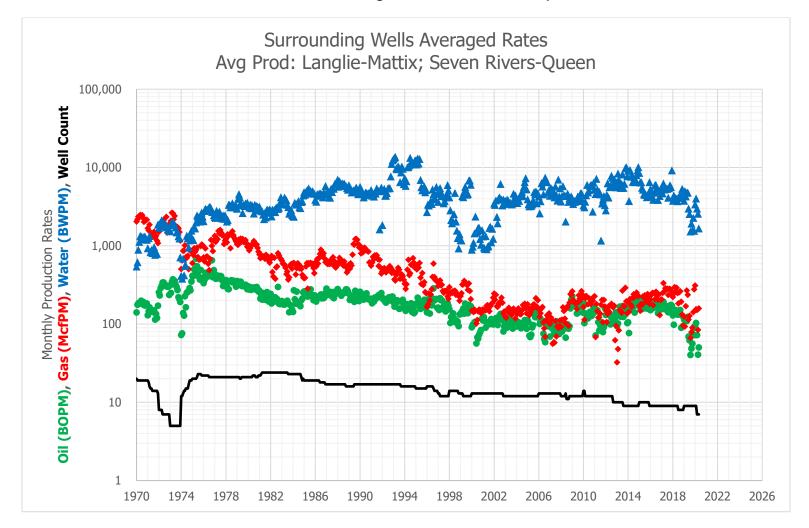


Exhibit C - Historical Production and Decline Curve

Surrounding Wells Averaged Rates Avg Prod: Langlie-Mattix; Seven Rivers-Queen					Historica		LS A #8 at; Yates-Se	ven Rivers	Synthetic Decline Curve			
Date	Avg Oil (BOPM)	Avg Gas (McfPM)	Avg Water (BWPM)	Well Count	Date	Avg Oil (BOPM)	Avg Gas (McfPM)	Avg Water (BWPM)	Month	Avg Oil (BOPM)	Avg Gas (McfPM)	Avg Water
1/1/2015	166	170	8,515	10	1/1/2015	(501 111)	207	17	1	129.4	338	4,541
2/1/2015	178	147	6,409	10	2/1/2015		174	25	2	128.8	338	4,526
3/1/2015	172	180	6,480	10	3/1/2015		201	26	3	128.2	337	4,511
4/1/2015	154	175	5,488	10	4/1/2015		148	28	4	127.5	336	4,497
5/1/2015	184	225	5,202	10	5/1/2015		148	29	5	126.9	335	4,482
6/1/2015	215	219	4,549	10	6/1/2015		134	28	6	126.3	334	4,467
7/1/2015	207	233	4,476	10	7/1/2015		159	27	7	125.7	333	4,452
8/1/2015	170	193	4,486	10	8/1/2015		154	29	8	125.1	333	4,438
9/1/2015	157	212	4,159	10	9/1/2015		149	28	9	124.5	332	4,423
10/1/2015	174	241	4,287	10	10/1/2015		149	24	10	123.9	331	4,409
11/1/2015	195	212	4,415	10	11/1/2015		152	22	11	123.3	330	4,394
12/1/2015	169	182	6,496	9	12/1/2015		160	9	12	122.7	329	4,380
1/1/2016	150	205	5,293	9	1/1/2016		130	9	13	122.2	328	4,365
2/1/2016	171	236	4,959	9	2/1/2016		96	10	14	121.6	328	4,351
3/1/2016	190	250	4,285	9	3/1/2016		117	5	15	121.0	327	4,337
4/1/2016	159	174	3,869	9	4/1/2016		117	5	16	120.4	326	4,322
5/1/2016	164	249	4,761	9	5/1/2016		113	4	17	119.8	325	4,308
6/1/2016	164	208	5,980	9	6/1/2016		114	11	18	119.3	324	4,294
7/1/2016	206	258	5,902	9	7/1/2016		141	10	19	118.7	324	4,280
8/1/2016	179	233	5,340	9	8/1/2016		149	12	20	118.1	323	4,266
9/1/2016	137	204	3,851	9	9/1/2016		151	11	21	117.6	322	4,252
10/1/2016	188	238	4,944	9	10/1/2016		147	11	22	117.0	321	4,238
11/1/2016	152	130	4,330	9	11/1/2016		101	9	23	116.4	320	4,224
12/1/2016	178	203	5,195	9	12/1/2016		161	9	24	115.9	320	4,210
1/1/2017	156	206	5,611	9	1/1/2017		156	10	25 26	115.3 114.8	319 318	4,196
2/1/2017	156 192	250	4,656	9	2/1/2017		137 159	10	25	114.8	317	4,182
3/1/2017	174	333 259	6,257 5,231	9	3/1/2017 4/1/2017		147	7	28	114.2	317	4,169 4,155
4/1/2017 5/1/2017	154	259	5,456	9	5/1/2017		134	1	28	113.7	316	4,155
6/1/2017	170	275	5,373	9	6/1/2017		164	1	30	112.6	315	4,141
7/1/2017	153	282	5,333	9	7/1/2017		164	31	31	112.0	314	4,128
8/1/2017	141	235	4,104	9	8/1/2017		169	29	32	111.5	313	4,101
9/1/2017	170	281	5,436	9	9/1/2017		175	1	33	111.0	312	4,087
10/1/2017	144	279	5,942	9	10/1/2017		176	1	34	110.5	312	4,074
11/1/2017	176	267	5,631	9	11/1/2017		148	28	35	109.9	311	4,060
12/1/2017	171	238	9,187	9	12/1/2017		161	152	36	109.4	310	4,047
1/1/2018	128	220	3,751	9	1/1/2018		101	152	37	108.9	309	4,034
2/1/2018	98	244	4,393	9	2/1/2018			95	38	108.4	309	4,020
3/1/2018	136	295	3,942	9	3/1/2018			24	39	107.9	308	4,007
4/1/2018	151	260	4,023	9	4/1/2018			11	40	107.3	307	3,994
5/1/2018	137	290	3,992	9	5/1/2018			1	41	106.8	306	3,981
6/1/2018	132	248	3,701	9	6/1/2018	-	-	-	42	106.3	305	3,968
7/1/2018	132	183	4,134	8	7/1/2018	-	-	-	43	105.8	305	3,955
8/1/2018	141	254	4,092	8	8/1/2018	-	-	-	44	105.3	304	3,942
9/1/2018	151	262	4,472	8	9/1/2018	-	-	-	45	104.8	303	3,929
10/1/2018	89	193	4,159	8	10/1/2018	-	-	-	46	104.3	302	3,916
11/1/2018	128	132	5,332	8	11/1/2018	-	-	-	47	103.8	302	3,903
12/1/2018	95	95	4,465	8	12/1/2018	-	-	-	48	103.3	301	3,890
1/1/2019	114	124	3,763	9	1/1/2019	-	-	-	49	102.8	300	3,877
2/1/2019	114	93	4,985	9	2/1/2019	-	-	-	50	102.3	299	3,865
3/1/2019	110	169	4,263	9	3/1/2019	-	-	-	51	101.8	299	3,852
4/1/2019	109	268	4,763	9	4/1/2019	-	-	-	52	101.3	298	3,839
5/1/2019	123	236	4,771	9	5/1/2019	-	-	-	53	100.9	297	3,827
6/1/2019	69	114	2,983	9	6/1/2019	-	-	-	54	100.4	296	3,814
7/1/2019	62	127	2,544	9	7/1/2019	-	-	-	55	99.9	296	3,802
8/1/2019	40	66	1,521	9	8/1/2019	-	-	-	56	99.4	295	3,789
9/1/2019	49	79	1,916	9	9/1/2019	-	-	-	57	98.9	294	3,777
10/1/2019	56	90	1,573	9	10/1/2019	-	-	-	58	98.5	293	3,764
11/1/2019	88	142	2,275	9	11/1/2019	-	-	-	59	98.0	293	3,752
12/1/2019	72	277	1,553	9	12/1/2019	-	-	-	60	97.5	292	3,740
1/1/2020	95	310	3,378	9	1/1/2020	-	-	-				
2/1/2020	103	155	4,018	9	2/1/2020	-	-	-				
3/1/2020	72	151	2,987	7	3/1/2020	-	-	-				
4/1/2020	41	84	2,566	7	4/1/2020	-	-	-				
5/1/2020	50	158	1,660	7	5/1/2020	-	-	-				
					6/1/2020	-	-	- 1				

Exhibit D – Decline Curve IP Rates and Zone Allocation Percentage

Zone (1)	Zone (2)	Oil IP (BOPD)	Gas IP (MCFD)	Water IP (BWPD)
Jalmat	Yates-Seven Rivers	0.0	4.4	7.7
Langlie Mattix	Seven Rivers-Queen	4.3	6.7	141.6
	Total	4.3	11.1	149.4
Jalmat	Yates-Seven Rivers	0%	39%	5%
Langlie Mattix	Seven Rivers-Queen	100%	61%	95%
	Total (%)	100%	100%	100%

Received by OCD: 1/14/2021 10:12:39 AM

NEW N CO OIL CONSERVATION COMMISSION WELL LOCATION AND ACREAGE DEDICATION PLA.

Form C-102 Supersedes C-128 Eliective 1-1-65

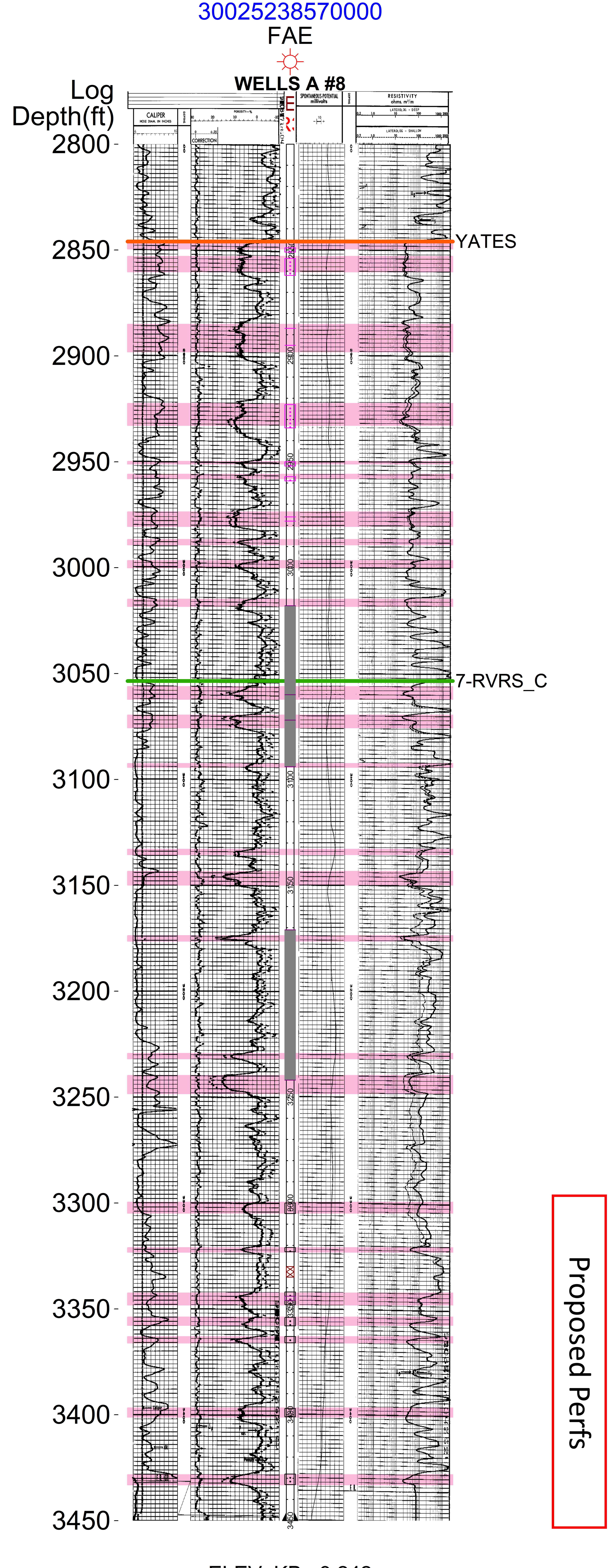
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All distances must be from the outer boundaries of the Section.

Ciperator FA1	E II Operation	ng, LLC	Lease	LL "A"	Well No.				
Unit Letter	Section 1	Township 25 SOUTH	Range 36 EAST	County					
Actual Footage Loc	feet from the SOL	JTH line cand	1650 fee	t from the WEST	line				
Ground Level Elev.		matton ES-7 RIVERS	Jalma+	Dedic	Oted Acreage;				
1. Outline th	ne acreage dedica	ted to the subject w	ed by colored pencil o	r hachure marks on the pla	t below.				
2. If more the interest a	2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).								
		ifferent ownership is initization, force-pool		have the interests of all o	wners been consoli-				
Yes	☐ No If ar	nswer is "yes;" type o	of consolidation						
	is "no," list the	owners and tract desc	criptions which have ac	ctually been consolidated.	Use reverse side of				
No allowa	ble will be assigne			consolidated (by community h interests, has been appro					
7				CER	TIFICATION				
Well and the second sec	1		ENGINE IR & ZZZZZZZZZZZZZZZZZZZZZZZZZZZZZZZZZZ	tained herein is best of my knowl					
	+			Name, Marshall	Bates				
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Andreas may diese pa			JOHN W WEST	Company FAE II O	perating, LLC				
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4) - 10 - 10 - 10 - 10 - 10 - 10 - 10 - 1	1	8	Ï		at was plotted from field surveys made by me or				
			1	is true and corr	sion, and that the same sect to the best of my				
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1650'			1	Date Surveyed					
	.06		55' LOWER THAN	AUGUST 1 Registered Profess and/or Land Survey	ional Engineer				
	66	TENNECO WELL THE NW & SW &	NO. 4 LOCATED IN OF SEC. 1	John	West				
0 330 860	190 1320 1650 196	0 2310 2040 2000	1800 1000 80	oo Confilicate No.	676				

All distances must be from the outer boundaries of the Section

		VII matances must be i		ites of the Section.					
Ciperator FAE	I Operati	ing, LLC	Lease	WELL "A"		Well No.			
Unit Letter	Section	Township 25 South	Range 36 EAST	County	LEA				
Actual Footage Loc	ation of Well:	23 000111	J J LAST						
990	feet from the SOL	JTH line and	1650	feet from the	WEST	line			
Ground Level Elev.	Producing For Seven R	mation ivers - Queen	Langlie	Mattix	Dedi	Cated Acreage; O			
2. If more th		ted to the subject w				at below.			
	3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc? Yes No If answer is "yes," type of consolidation								
this form i No allowal	i necessary.) ble will be assign	owners and tract desc ed to the well until al or until a non-standar	l interests have b	een consolidat	ed (by communi	tization, unitization,			
		REG ASC	CHGNE A & COMMENTED TO STATE OF THE STATE OF	SOV3	I hereby certify tained herein is best of my know Marshall Position Engineeri.	Bates ng Tech erating, LLC			
1650'		NOTE:	 		shown on this p notes of actual under my superv is true and co knowledge and b	y that the well location lat was plotted from field surveys made by me or rision, and that the same rrect to the best of my pelief.			



ELEV_KB: 3,242 TD: 3,450

2 Article Number (Transfer from sentice label)	9590 9402 5648 9308 7217 13		Sonta Fe, NM 87508	301 Dinosaur Trail	BLM - New Mexico State Office	1. Article Addressed to:	Attach this card to the back of the mailpiece, or on the front if space permits.	Print your name and address on the reverse so that we can return the card to you.	Complete items 1, 2, and 3.
☐ Collect on Delivery F	Adult Signature Adult Signature Resi Adult Signature Resi Certified Mail® Certified Mail Restrict Collect on Delivery	Carin	12/19/19	1971	If YES, enter c	D. Is delivery add	B. Received by (I	x大tion	The state of the s

ENDER: COMPLETE THIS SECTION

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Released to Imaging: 7/2/2021 4:57:48 PM

 From:
 Marshall Bates

 To:
 McClure, Dean, EMNRD

 Cc:
 Shepard, Jonathon W

Subject: [EXT] RE: Downhole Commingling Application DHC-5106

Date: Thursday, January 28, 2021 11:54:22 PM

Attachments: FAE II Operating Downhole Commingling Application - Wells A #8.pdf

BLM Sundry - Wells A #8.pdf

Mr. McClure,

Please see the attached Sundry Notice that I am happy to send to the BLM, although I have learned that these Sundries are not necessary when there is identical ownership between the pools. Are you looking for certified mail tracking number?

Sorry for the confusion on the Jalmat pool, we would like to confirm that it is the gas pool (79240).

Thank you,

Marshall Bates Forty Acres Energy 11757 Katy Fwy. Ste. 1000 Houston, TX 77079

From: McClure, Dean, EMNRD

Sent: Tuesday, January 19, 2021 3:03 PM

To: Marshall Bates

Subject: Downhole Commingling Application DHC-5106

Mr. Bates,

I am reviewing the downhole commingling application (DHC-5106) for the Wells A #8 (30-025-23857) operated by FAE II Operating, LLC (329326).

Please confirm the Jalmat pool for this well. The application and attached C-102 indicates that the well is within the oil pool (33820), but OCD currently has it as the gas pool (79240).

Please submit either the tracking number for the certified mail sent to the BLM or a copy of the sundry submitted to the BLM notifying them of the application.

Dean McClure
Petroleum Engineer, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
(505) 469-8211

From: <u>Marshall Bates</u>
To: <u>McClure, Dean, EMNRD</u>

Subject: [EXT] RE: Downhole Commingling Application DHC-5106

Date: Wednesday, February 3, 2021 3:16:09 PM

Mr. McClure,

Following our conversation today about how to notify the BLM, here is the certified mail tracking number – 7020 0640 0000 9346 8362 – this will be the same number for all of the following downhole commingling applications:

- 1. DHC 5106 Wells A #8
- 2. DHC 5114 Harrison Federal WB #1
- 3. DHC 5104 Carlson Harrison Federal Com #4
- 4. DHC 5115 Santa Fe Federal #1
- 5. DHC 5101 Jack B 30 #1
- 6. DHC 5092 Jack B 30 #3

We are grateful for your guidance on this, and we hope that this tracking number is sufficient to demonstrate BLM notification for the aforementioned applications.

Thank you,

Marshall Bates Forty Acres Energy 11757 Katy Fwy. Ste. 1000 Houston, TX 77079 C: (713) 253-2885

From: Marshall Bates

Sent: Friday, January 29, 2021 12:53 AM

To: McClure, Dean, EMNRD **Cc:** Shepard, Jonathon W

Subject: RE: Downhole Commingling Application DHC-5106

Mr. McClure,

Please see the attached Sundry Notice that I am happy to send to the BLM, although I have learned that these Sundries are not necessary when there is identical ownership between the pools. Are you looking for certified mail tracking number?

Sorry for the confusion on the Jalmat pool, we would like to confirm that it is the gas pool (79240).

Thank you,

Marshall Bates

Forty Acres Energy 11757 Katy Fwy. Ste. 1000 Houston, TX 77079

From: McClure, Dean, EMNRD

Sent: Tuesday, January 19, 2021 3:03 PM

To: Marshall Bates

Subject: Downhole Commingling Application DHC-5106

Mr. Bates,

I am reviewing the downhole commingling application (DHC-5106) for the Wells A #8 (30-025-23857) operated by FAE II Operating, LLC (329326).

Please confirm the Jalmat pool for this well. The application and attached C-102 indicates that the well is within the oil pool (33820), but OCD currently has it as the gas pool (79240).

Please submit either the tracking number for the certified mail sent to the BLM or a copy of the sundry submitted to the BLM notifying them of the application.

Dean McClure
Petroleum Engineer, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
(505) 469-8211

From: Marshall Bates

To: Kautz, Paul, EMNRD; McClure, Dean, EMNRD

Cc: <u>Jessica LaMarro</u>

Subject: [EXT] RE: downhole commingling applications

Date: Tuesday, June 1, 2021 2:52:53 PM

Attachments: image001.png

Dean,

Here is the log for Wells A #8. Although we are not currently planning to deepen this well, we may as well follow through with this application in case those plans change.

Sorry again for the confusion, but we would like to continue this application.

Thank you,

Marshall Bates | Engineering Tech

forty acres energy

11757 Katy Freeway, Suite 1000 | Houston, TX 77079

O 832.241.8080 (ext. 161)

C 713.253.2885

E marshall@faenergyus.com

From: Kautz, Paul, EMNRD

Sent: Tuesday, May 25, 2021 8:26 AM **To:** McClure, Dean, EMNRD; Marshall Bates

Cc: Jessica LaMarro

Subject: RE: downhole commingling applications

Dean,

I have no problems with requiring logs when deepening a well to be downhole comingled.

Paul Kautz
Petroleum Specialist
Hobbs District Geologist
Energy Minerals Natural Resources Dept.
Oil Conservation Division
1625 N. French Dr.
Hobbs, NM 88240
Cell # 575-602-4493

From: McClure, Dean, EMNRD < Dean. McClure@state.nm.us>

Sent: Monday, May 24, 2021 4:08 PM

To: Marshall Bates <marshall@faenergyus.com>

Cc: Kautz, Paul, EMNRD <paul.kautz@state.nm.us>; Jessica LaMarro <jessica@faenergyus.com>

Subject: RE: downhole commingling applications

Hello Marshall,

If this occurs in the future, then presuming that Paul is in agreement we will likely add a requirement that the logs conducted to determine the depth is submitted to the OCD and allow for the depth to be altered within the DHC Order.

Having said that, please confirm that FAE II Operating, LLC (329326) would like to withdraw application DHC-5106 which involves the Wells A #8 (30-025-23857).

Dean McClure

Petroleum Engineer, Oil Conservation Division

New Mexico Energy, Minerals and Natural Resources Department

(505) 469-8211

From: Marshall Bates < marshall@faenergyus.com >

Sent: Monday, May 24, 2021 3:49 PM

To: McClure, Dean, EMNRD < Dean. McClure@state.nm.us>

Cc: Kautz, Paul, EMNRD <paul.kautz@state.nm.us>; Jessica LaMarro <jessica@faenergyus.com>

Subject: [EXT] RE: downhole commingling applications

Hi Dean,

Sorry for the confusion, we are no longer planning to deepen this well, so we would actually like to withdraw this application.

Thank you,

Marshall Bates | Engineering Tech

forty acres energy

11757 Katy Freeway, Suite 1000 | Houston, TX 77079

O 832.241.8080 (ext. 161)

C 713.253.2885

E marshall@faenergyus.com

From: Marshall Bates

Sent: Monday, May 24, 2021 4:35 PM

To: McClure, Dean, EMNRD

Cc: Kautz, Paul, EMNRD; Jessica LaMarro

Subject: RE: downhole commingling applications

Dean.

You are right, we cannot locate the top of the Queen from this log. That 3,563 number is just an estimate. How to proceed?

Thank you,

Marshall Bates | Engineering Tech

forty acres energy

11757 Katy Freeway, Suite 1000 | Houston, TX 77079

O 832.241.8080 (ext. 161)

C 713.253.2885

E marshall@faenergyus.com

From: McClure, Dean, EMNRD
Sent: Friday, March 26, 2021 1:13 PM

To: <u>Marshall Bates</u>
Cc: <u>Kautz, Paul, EMNRD</u>

Subject: RE: downhole commingling applications

Marshall,

Please have them recheck the pick for Wells A #8. The pick seems to be below the currently proposed perforations.

Dean McClure

Petroleum Engineer, Oil Conservation Division

New Mexico Energy, Minerals and Natural Resources Department

(505) 469-8211

From: Marshall Bates < marshall@faenergyus.com >

Sent: Thursday, March 25, 2021 3:52 PM

To: McClure, Dean, EMNRD < Dean.McClure@state.nm.us > Cc: Kautz, Paul, EMNRD < Deaul.kautz@state.nm.us > Subject: [EXT] RE: downhole commingling applications

Dean

Here is where the top of the Queen is for each well according to our Geology department:

Wells A #8 – 3,563 ft. Arnott Ramsay NCT-B #1 – 3,429 ft. Citgo AS State #4 – 3,705 ft. Langlie A State #3 – 3,397 ft. Harrison Federal WB #1 – 3,378 ft. Thank you,

Marshall Bates Forty Acres Energy 11757 Katy Fwy. Ste. 1000 Houston, TX 77079 C: (713) 253-2885

From: McClure, Dean, EMNRD

Sent: Wednesday, March 17, 2021 6:52 AM

To: <u>Marshall Bates</u>
Cc: <u>Kautz, Paul, EMNRD</u>

Subject: RE: downhole commingling applications

Actually, it looks like we do have access to logs from IHS, but my search turned up limited logs for these wells. We may have enough for Harrison Federal WB #1 and Citgo AS State #4, but I did not see anything of use for the other 3 wells.

Dean McClure

Petroleum Engineer, Oil Conservation Division New Mexico Energy, Minerals and Natural Resources Department (505) 469-8211

From: McClure, Dean, EMNRD

Sent: Wednesday, March 17, 2021 5:19 AM

To: Marshall Bates <marshall@faenergyus.com>
Cc: Kautz, Paul, EMNRD <paul.kautz@state.nm.us>
Subject: downhole commingling applications

Hello Mr. Bates,

Please provide FAE's picks for the top of the Queen formation for the wells listed below. Prior to approval of the C-104 for the second pool being added to these wells, FAE will need to get with Paul and provide him with data sufficient for him to confirm the picks. Alternatively, if you confirm the top with him prior to issuance of the DHC Orders, then you will not need to submit a sundry with the correction at a later date. Regarding the logs for these wells, it is my understanding that we had an agreement with the predecessor to IHS to receive logs from them, but I do not think any discussions have occurred with IHS regarding logs.

	Commingling Applications													
Admin	Applicant	OGRID Number	ID	Request Number	Title	API	Allocation	Pending CA	(C) (4) (g)		Status	Notes	Date	Folder
DHC- 5106	FAE II Operating, LLC		14697	pDM2101942023	8	30- 025- 23857	Fixed Percent				Under Review	The top of the Queen not identified	3/8/2021	E:\NM WORK\DHC\DHC5106
DHC- 5108	FAE II Operating, LLC		14702			30- 025- 11864	Fixed Percent				Under Review	The top of the Queen not identified	3/8/2021	E:\NM WORK\DHC\DHC5108
DHC- 5112	FAE II Operating, LLC		14714	pDM2101943692	State 4	30- 025- 34486	Fixed Percent				Under Review		3/8/2021	E:\NM WORK\DHC\DHC5112
DHC- 5113	FAE II Operating, LLC		14716	pDM2101943934	A State	30- 025- 28067	Fixed Percent				Under Review		3/8/2021	E:\NM WORK\DHC\DHC5113
DHC- 5114	FAE II Operating, LLC		15507	pDM2102555034		30- 025- 11805	Fixed Percent				Under Review		3/8/2021	E:\NM WORK\DHC\DHC5114

				not
				identified

Dean McClure
Petroleum Engineer, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
(505) 469-8211

From: Engineer, OCD, EMNRD

To: <u>Marshall Bates</u>

Cc: McClure, Dean, EMNRD; Bratcher, Mike, EMNRD; Kautz, Paul, EMNRD; Hawkins, James , EMNRD; Powell,

Brandon, EMNRD; lisa@rwbyram.com; Glover, James; Paradis, Kyle O; Walls, Christopher

Subject: Approved Administrative Order DHC-5106

Date: Friday, July 2, 2021 4:54:42 PM

Attachments: DHC5106 Order.pdf

NMOCD has issued Administrative Order DHC-5106 which authorizes FAE II Operating, LLC (329326) to downhole commingle production from 2 pools in their Wells A #8 well (30-025-23857).

The administrative order is attached to this email and can also be found online at OCD Imaging.

Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me.

Dean McClure
Petroleum Engineer, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
(505) 469-8211

 From:
 Marshall Bates

 To:
 McClure, Dean, EMNRD

 Cc:
 Kautz, Paul, EMNRD

Subject: [EXT] RE: downhole commingling applications

Date: Thursday, March 25, 2021 3:52:32 PM

Dean,

Here is where the top of the Queen is for each well according to our Geology department:

Wells A #8 - 3,563 ft. Arnott Ramsay NCT-B #1 - 3,429 ft. Citgo AS State #4 - 3,705 ft. Langlie A State #3 - 3,397 ft. Harrison Federal WB #1 - 3,378 ft.

Thank you,

Marshall Bates Forty Acres Energy 11757 Katy Fwy. Ste. 1000 Houston, TX 77079 C: (713) 253-2885

From: McClure, Dean, EMNRD

Sent: Wednesday, March 17, 2021 6:52 AM

To: Marshall Bates
Cc: Kautz, Paul, EMNRD

Subject: RE: downhole commingling applications

Actually, it looks like we do have access to logs from IHS, but my search turned up limited logs for these wells. We may have enough for Harrison Federal WB #1 and Citgo AS State #4, but I did not see anything of use for the other 3 wells.

Dean McClure

Petroleum Engineer, Oil Conservation Division New Mexico Energy, Minerals and Natural Resources Department (505) 469-8211

From: McClure, Dean, EMNRD

Sent: Wednesday, March 17, 2021 5:19 AM
To: Marshall Bates <marshall@faenergyus.com>
Cc: Kautz, Paul, EMNRD <paul.kautz@state.nm.us>
Subject: downhole commingling applications

Hello Mr. Bates,

Please provide FAE's picks for the top of the Queen formation for the wells listed below. Prior to approval of the C-104 for the second pool being added to these wells, FAE will need to get with Paul and provide him with data sufficient for him to confirm the picks. Alternatively, if you confirm the top with him prior to issuance of the DHC Orders, then you will not need to submit a sundry with the correction at a later date. Regarding the logs for these wells, it is my understanding that we had an agreement with the predecessor to IHS to receive logs from them, but I do not think any discussions have occurred with IHS regarding logs.

	Commingling Applications													
Admin	Applicant	OGRID Number	ID	Request Number	Title	API	Allocation	CA I	(C) (4) (g)	Infill	Status	Notes	Date	Folder
DHC-	FAE II	329326	14697	pDM2101942023	Wells A	30-	Fixed				Under	The top	3/8/2021	E:\NM
5106	Operating,				8	025-	Percent				Review	of the		WORK\DHC\DHC5106
	LLC					23857						Queen		
												not		
												identified		
DHC-	FAE II	329326	14702	pDM2101942616	Arnott	30-	Fixed				Under	The top	3/8/2021	E:\NM
5108	Operating,				Ramsay	025-	Percent				Review	of the		WORK\DHC\DHC5108
	LLC				NCT B 1	11864						Queen		
												not		

									identified		
DHC-	FAE II	329326	14714	pDM2101943692	Citgo AS	30-	Fixed	Under	The top	3/8/2021	E:\NM
5112	Operating,				State 4	025-	Percent	Review	of the		WORK\DHC\DHC5112
	LLC					34486			Queen		
									not		
									identified		
DHC-	FAE II	329326	14716	pDM2101943934	Langlie	30-	Fixed	Under	The top	3/8/2021	E:\NM
5113	Operating,				A State	025-	Percent	Review	of the		WORK\DHC\DHC5113
	LLC				3	28067			Queen		
									not		
									identified		
DHC-	FAE II	329326	<u>15507</u>	pDM2102555034	Harrison	30-	Fixed	Under	The top	3/8/2021	E:\NM
5114	Operating,				Federal	025-	Percent	Review	of the		WORK\DHC\DHC5114
	LLC				WB 1	11805			Queen		
									not		
									identified		

Dean McClure
Petroleum Engineer, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
(505) 469-8211

State of New Mexico Energy, Minerals and Natural Resources Department

Notice

Order: DHC-5106

Operator: FAE II Operating, LLC (329326)

Publication Date:

Date Sent: 2/3/2021

Noticed Persons

Noticed Persons										
Date		Person		Certified Tracking Number	Status					
2/8/2021	BLM			7020 0640 0000 9346 8362	Delivered					

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

APPLICATION FOR DOWNHOLE COMMINGLING SUBMITTED BY FAE II OPERATING, LLC

ORDER NO. DHC-5106

ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having considered the application and the recommendation of the Engineering Bureau, issues the following Order.

FINDINGS OF FACT

- 1. FAE II Operating, LLC ("Applicant") submitted a complete application ("Application") to downhole commingle the pools described in Exhibit A ("the Pools") within the well bore of the well identified in Exhibit A ("the Well").
- 2. Applicant proposed a method to allocate the oil and gas production from the Well to each of the Pools that is satisfactory to the OCD and protective of correlative rights.
- 3. Applicant has certified that all produced fluids from all the Pools are compatible with each other.
- 4. Applicant has certified that downhole commingling the Pools will not decrease the value of the oil and gas production.
- 5. To the extent that ownership is identical, Applicant submitted a certification by a licensed attorney or qualified petroleum landman that ownership in the Pools is identical as defined by 19.15.12.7(B) NMAC.
- 6. To the extent that ownership is diverse, Applicant identified all owners of interest in the Pools, provided evidence a copy of the Application was given to each person, and those persons either submitted a written waiver or did not file an objection to the Application.
- 7. Applicant provided notice of the Application to the Bureau of Land Management ("BLM") or New Mexico State Land Office ("NMSLO"), as applicable.

CONCLUSIONS OF LAW

- 8. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-6, 70-2-11, 70-2-12, 70-2-16, 70-2-17, and 19.15.12 NMAC.
- 9. The downhole commingling of the Pools is common, or Applicant has provided evidence that the fluids are compatible and will not damage the Pools in accordance with 19.15.12.11(A)(1) NMAC.
- 10. The bottom perforation of the lower zone is within one hundred fifty percent (150%) of the depth of the top perforation in the upper zone or Applicant has provided evidence that the

Order No. DHC-5106 Page 1 of 3

- proposed commingling of the Pools shall not result in shut-in or flowing well bore pressure in excess of the commingled pool's fracture parting pressure in accordance with 19.15.12.11(A)(3) NMAC.
- 11. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.11(A)(8) NMAC.
- 12. To the extent that ownership is diverse, Applicant identified all owners of interest in the Pools and provided evidence the application was given to those persons in accordance with 19.15.12.11(C)(1)(b) NMAC.
- 13. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

- 1. Applicant is authorized to downhole commingle the Pools described in Exhibit A within the well bore of the well identified in Exhibit A.
- 2. Applicant shall allocate a fixed percentage of the oil and gas production from the Well to each of the Pools as described in Exhibit A.
- 3. If any of the pools being commingled is prorated, or the Well's production has been restricted by an OCD order in any manner, the allocated production from each producing pool in the commingled well bore shall not exceed the top oil or gas allowable rate for a well in that pool or rate restriction applicable to the well.
- 4. Prior to commingling production from the Pools within the Well's well bore, Applicant shall confirm the depth of the top of the Queen Formation with OCD's District Geologist. If the depth confirmed by OCD's District Geologist is different than the depth submitted within the Application as identified in Exhibit A, then no later than sixty (60) days after commingling production, Applicant shall submit Form C-103 to the OCD Engineering Bureau correcting the depth of the top of the Queen Formation.
- 5. If the Well is deepened, then Applicant shall conduct and, no later than forty-five (45) days after the Well is deepened, provide logs to OCD that are sufficient for OCD to determine which pool(s) each new completed interval of the Well will produce from.
- 6. If the downhole commingling of the Pools reduces the value of the oil and gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new downhole commingling application to OCD to amend this Order to remove the pool that caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.
- 7. If a completed interval of the Well is altered from what is submitted within the Application as identified in Exhibit A, then no later than sixty (60) days after the alteration, Applicant

Order No. DHC-5106 Page 2 of 3

- shall submit Form C-103 to the OCD Engineering Bureau detailing the alteration and completed interval.
- 8. If OCD determines that Applicant has failed to comply with any provision of this Order, OCD may take any action authorized by the Oil and Gas Act or the New Mexico Administrative Code (NMAC).
- 9. OCD retains jurisdiction of this matter and reserves the right to modify or revoke this Order as it deems necessary.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

Woul	DATE:	7/02/2021	
ADRIENNE SANDOVAL			
DIRECTOR			
AS/dm			

Order No. DHC-5106 Page 3 of 3

State of New Mexico Energy, Minerals and Natural Resources Department

Exhibit A

Order: DHC-5106

Operator: FAE II Operating, LLC (329326)

Well Name: Wells A #8
Well API: 30-025-23857

Pool Name: JALMAT; TAN-YATES-7 RVRS (GAS)

Upper Zone Pool ID: 79240 Current: X New:
Allocation: Fixed Percent Oil: 0% Gas: 39%

Interval: Perforations Top: 2,850 Bottom: 3,463

Pool Name:

Intermediate Zone Pool ID: Current: New: Allocation: Oil: Gas:

Interval: Top: Bottom:

Bottom of Interval within 150% of Upper Zone's Top of Interval:

Pool Name: LANGLIE MATTIX;7 RVRS-Q-GRAYBURG

Lower Zone Pool ID: 37240 Current: New: X
Allocation: Fixed Percent Oil: 100% Gas: 61%

Interval: Perforations Top: 3,463 Bottom: TBD

Bottom of Interval within 150% of Upper Zone's Top of Interval: TBD

Top of Queen Formation: 3563

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720 District II

811 S. First St., Artesia, NM 88210 Phone:(575) 748-1283 Fax:(575) 748-9720 District III

1000 Rio Brazos Rd., Aztec, NM 87410 Phone:(505) 334-6178 Fax:(505) 334-6170

1220 S. St Francis Dr., Santa Fe, NM 87505 Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico Energy, Minerals and Natural Resources Oil Conservation Division 1220 S. St Francis Dr. **Santa Fe, NM 87505**

CONDITIONS

Action 14697

CONDITIONS

Operator:	OGRID:
FAE II Operating LLC	329326
11757 Katy Freeway, Suite 1000	Action Number:
Houston, TX 77079	14697
	Action Type:
	[C-107] Down Hole Commingle (C-107A)

CONDITIONS

Created By	Condition	Condition Date
dmcclure	Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me.	7/2/2021