

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



Administrative Order CTB-667
January 28, 2013

LRE Operating, LLC
C/o Mike Pippin, P.E.
3104 N. Sullivan Ave
Farmington, NM 87401

RE: Surface Commingling

It is our understanding that you propose to commingle production from diversely owned lands, limited to one common source of supply through facilities operated by the above named operator ("Applicant"). By this application you are seeking commingling approval pursuant to Division Rule 12.10.C(4) [19.15.12.10.C.(4) NMAC]. It is further understood that you have provided notice to all interest owners in accordance with Rule 12.10.C(4)(c), and no objections have been received.

Applicant is hereby authorized to [surface] commingle oil and casing head gas production from the Red Lake; Queen Grayburg San Andres Pool (51300) from the following wells and completions located within Eddy County, New Mexico:

Sedona Well No. 1 (API No. 30-015-37696), 990 FSL, 330 FEL
Unit letter P, Section 21, T17S, R28E, NMPM, (40-Acre Oil Spacing Unit)

Sedona Well No. 2 (API No. 30-015-34110), 604 FSL, 990 FEL
Unit letter P, Section 21, T17S, R28E, NMPM, (40-Acre Oil Spacing Unit)

It is our understanding that ownership is not identical between wells, but these wells are very marginal producers. Periodic well testing is approved as the metering method to be used to allocate production and sales between these two wells.

Oil and casing head gas shall be measured on lease and sold at the tank battery for these wells within Unit letter P of Section 21.

This installation shall be constructed and operated in accordance with applicable Division Rules. The gas allocation meters shall be calibrated on a schedule based on throughput as per Rule 12.10.C(2) NMAC.

The Applicant shall notify the District office of the Division prior to implementation of commingling operations. It is the also responsibility of the Applicant to notify the transporter of this commingling authority.

As per Division Rule 19.15.12.10.C.(4)(h) NMAC, the Applicant shall not commence commingling prior to approval from the State Land Office if state lands are involved or the US BLM if tribal or federal lands are involved.

Applicant has not provided notice that it is requesting addition of future wells or additional leases or pools to this commingle as per Rule 12.10.C.(4)(g)(i) NMAC. Therefore, additional wells or pools shall not be included in this surface commingle without the Applicant again making application and providing notice to all owners.

Sincerely,



JAMI BAILEY
Division Director

JB/wvjj

cc: Oil Conservation Division – Artesia
State Land Office – Oil, Gas, and Minerals Division