

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

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

David R. Catanach, Division Director
Oil Conservation Division



Administrative Order DHC-4738
Order Date: February 26, 2015
Application Reference Number: pMAM1505647141

LRE Operating, LLC
1111 Bagby Street, Suite 4600
Houston, TX 77002

Attention: Mr. Mike Pippin

Kersey State Well No. 5
API No: 30-015-37693
Unit I, Section 32, Township 17 South, Range 28 East, NMPM
Eddy County, New Mexico

| | | | |
|--------|-----------------------------------|-----|-------|
| Pool | ARTESIA;QUEEN-GRAYBURG-SAN ANDRES | Oil | 3230 |
| Names: | ARTESIA; GLORIETA-YESO (O) | Oil | 96830 |

Reference is made to your recent application for an exception to 19.15.12.9A. NMAC of the Division Rules and Regulations to permit the above-described well to commingle production from the subject pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of 19.15.12.11A. NMAC, and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion or otherwise required separation of the zones is hereby placed in abeyance.

In accordance with 19.15.12.11A.(6) NMAC, the production attributed to any commingled pool within the well shall not exceed the allowable applicable to that pool.

As per the application, the assignment of allowable and allocation of production from the well shall be based on the subtraction method. The total well production minus the Artesia; Glorieta-Yeso Pool production shall be assigned to the Artesia; Queen-Grayburg-San Andres Pool. The final production allocation percentages of oil and gas between these pools shall be supplied to the Division's Engineering and Geological Services Bureau within 60 days following completion of this well or workover.

REMARKS: The operator shall notify the Division's District II office upon implementation of commingling operations.

This Order is subject to like approval from the New Mexico State Land Office.

Pursuant to 19.15.12.11B NMAC, the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

A handwritten signature in black ink, reading "David R. Catanach". The signature is written in a cursive style with a large, stylized "D" and "C".

David R. Catanach
Director

DRC/mam

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