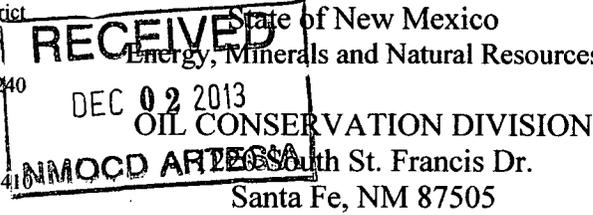


District I - (575) 393-6161  
1625 N. French Dr., Hobbs, NM 88240  
District II - (575) 748-1283  
811 S. First St., Artesia, NM 88210  
District III - (505) 334-6178  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV - (505) 476-3460  
1220 S. St. Francis Dr., Santa Fe, NM 87505



WELL API NO. 30-015-36977
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name <b>STALEY STATE</b>
8. Well Number #8
9. OGRID Number 281994
10. Pool name or Wildcat Red Lake, Glorieta-Yeso NE (96836) Red Lake, Queen-Grayburg-San Andres (51300)
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3601' GL

**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 J : 1980 feet from the South line and 2310 feet from the East line  
Section 30 Township 17-S Range 28-E NMPM Eddy County

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: Commingled 1 <sup>st</sup> Delivery & Pool 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 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

This well was originally completed in the Yeso on 7/7/09 (3226'-4619'). On 11/5/13, this well was recompleted from the Yeso to the San Andres (1738'-3024') & downhole commingled with the Yeso as per order DHC-4609M. Before the recompletion, on July 16, 2013, the lower zone (Yeso) tested for **17 BOPD, 80 MCF/D**. Following the workover the two commingled intervals 1<sup>st</sup> Delivered gas on 11/7/13 & oil on 11/10/13 & IP Tested on 11/23/13 for **70 BOPD, 160 MCF/D**. The pool allocations are as follows:

	<u>Upper Zone (San Andres)</u>	<u>Lower Zone (Yeso)</u>
OIL:	76%	24%
GAS:	50%	50%

See the attached calculations.

Spud Date: 5/26/09 Drilling Rig Release Date: 6/9/09

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 11/25/13  
Type or print name Mike Pippin E-mail address: mike@pippinllc.com PHONE: 505-327-4573

**For State Use Only**

APPROVED BY SR Dade TITLE DISTRICT SUPERVISOR DATE 12/4/2013

Conditions of Approval (if any):  
 tubing depth ?

LRE OPERATING, LLC  
**STALEY STATE #8**  
Red Lake; Glorieta-Yeso NE & Red Lake, Queen, Grayburg, San Andres  
J Section 30 T17S R28E  
11/25/2013 – Mike Pippin  
API#: 30-015-36977

## Commingled Allocation Calculations

This well was originally completed in the Yeso on 7/7/09. On 11/5/13, this well was recompleted from the Yeso to the San Andres (1738'-3024') & downhole commingled with the Yeso as per order DHC-4609M. Before the recompletion, on July 16, 2013, the lower zone (Yeso) tested for 17 BOPD, 80 MCF/D from Yeso perms 3226'-4619'.

Following the workover the two commingled intervals tested on 11/23/13 for 70 BOPD, 160 MCF/D.

Therefore, the oil from the upper zone (San Andres) should be:  $70 - 17 = \underline{53 \text{ BOPD}}$ .  
The gas from the upper zone (San Andres) should be  $160 - 80 = \underline{80 \text{ MCF/D}}$ .

### RECOMMENDED NEW OIL ALLOCATION

$$\% \text{ Lower Zone} = \frac{17}{70} = \underline{24\%}$$

$$\% \text{ Upper Zone} = \frac{53}{70} = \underline{76\%}$$

### RECOMMENDED NEW GAS ALLOCATION

$$\% \text{ Lower Zone} = \frac{80}{160} = \underline{50\%}$$

$$\% \text{ Upper Zone} = \frac{80}{160} = \underline{50\%}$$