

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD Artesia

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

LRE OPERATING, LLC

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

3b. Phone No. (include area code)
505-327-4573

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

1400' FSL & 1150' FWL Unit L
Sec. 29, T17S, R28E

RECEIVED

JAN 29 2014

5. Lease Serial No.

NMNM-048344

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

WILLIAMS A FEDERAL #3

3

30-015-34614

10. Field and Pool, or Exploratory Area

Artesia, Glorieta-Yeso (96830)

Red Lake, Queen-Grayburg-San Andres (51300)

AND

Eddy County, New Mexico

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input checked="" type="checkbox"/> Other DHC
	<input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

LRE requests administrative approval to downhole commingle the existing (SI) Artesia, Glorieta-Yeso (96830) and the existing producing Red Lake, Queen-Grayburg-San Andres (51300). The well was originally completed in the Yeso on 6/7/06 with a recompletion into the San Andres on 5/8/13. Both intervals have common ownership (Category #1), & we have not experienced any significant cross flows, & all the fluids are compatible. Downhole commingling will improve recovery of liquids & gas, eliminate redundant surface equipment, & maximize productivity. Notice has been filed concurrently on form C-107A with the State.

LRE plans to commingle by removing the CBP @ 3293' which is set above the Yeso perms. LRE is requesting approval to commingle the two pools upon completion of rig operations. The production allocation was calculated using the Yeso test before the recompletion workover of 7 BOPD & 26 MCF/D on 3/16/13 and the San Andres test on 5/18/13 after the recompletion of 96 BOPD & 311 MCF/D. The upper zone allocation is, oil - 93% & gas - 92% with the lower zone, oil - 7% & gas - 8%. See the attached C-107A, WBD & other supporting data, which has been filed with the State.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Mike Pippin

Title

Petroleum Engineer (Agent)

Signature

Mike Pippin

Date

August 6, 2013

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

APPROVED

JAN 27 2014

**BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE**

**SUBJECT TO LIKE
APPROVAL BY STATE**

District I
1625 N. French Drive, Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1900 Rio Brazos Road, Aztec, NM 87410

District IV
1720 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-107A
Revised June 10, 2003

APPLICATION TYPE

☒ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Operator LRE OPERATING, LLC c/o Mike Pippin LLC (agent), 3104 N. Sullivan, Farmington, NM 87401
Address

Lease WILLIAMS A FEDERAL #3 Well No. L SEC. 29 T17S R28E Unit Letter-Section-Township-Range Eddy County

OGRID No. 281994 Property Code 309877 API No. 30-015-34614 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	RED LAKE; -Queen-Grayburg-San Andres		ARTESIA: Glorieta-Yeso
Pool Code	51300		96830
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2200'-3202'		3330'-3498'
Method of Production (Flowing or Artificial Lift)	Pumping		Plan to Pump
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)	690 psi		851 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	34.8		38.32
Producing, Shut-In or New Zone	Producing		SI Below CBP
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 5/18/13 RATES: 96 BOPD 311 MCF/D	Date: Rates:	Date: 3/16/13 Rates: 7 BOPD 26 MCF/D
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil 93% Gas 92%	Oil % Gas %	Oil 7% Gas 8%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes ☒ No ☐
Yes ☐ No ☐

Are all produced fluids from all commingled zones compatible with each other?

Yes ☒ No ☐

Will commingling decrease the value of production?

Yes ☐ No ☒

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application?

Yes ☒ No ☐

NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will 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 Mike Pippin TITLE Petroleum Engineer - Agent DATE August 6, 2013

TYPE OR PRINT NAME Mike Pippin TELEPHONE NO. (505) 327-4573

E-MAIL ADDRESS mike@pippinllc.com

LRE OPERATING, LLC
WILLIAMS A FEDERAL #3
 Artesia; Glorieta-Yeso & Red Lake, Queen-Grayburg-San Andres
 L Section 29 T17S R28E
 8/6/2013
 API#: 30-015-34614

Commingle Allocation Calculations

On 6/7/06, the Yeso (lower zone) was completed as a new well. On 5/8/13, the well was recompleted into the San Andres (upper zone) with the lower zone shut-in below a CBP. The Yeso production test on 3/16/13 before the recompletion was 7 BOPD & 26 MCF/D. The latest test on the San Andres alone after the recompletion was on 5/18/13 for 96 BOPD & 311 MCF/D.

	Upper Zone (SA)	+	Lower Zone (YESO)	=	Total
Total Oil (bbls/d)	96	+	7	=	103
Total Gas (mcf/d)	311	+	26	=	337

OIL

Upper Zone (SA) = 15 BOPD
 Total oil = 19 BOPD
 % Upper Zone = $\frac{96}{103} = \underline{93\%}$

Lower Zone (Yeso) = 4 BOPD
 % Lower Zone = $\frac{7}{103} = \underline{7\%}$

GAS

Upper Zone (SA) = 31 mcf/d
 Total gas = 41 mcf/d
 % Upper Zone = $\frac{311}{337} = \underline{92\%}$

Lower Zone (Yeso) = 10 mcf/d
 % Lower Zone = $\frac{26}{337} = \underline{8\%}$

WILLIAMS A FEDERAL #3

Current 8/6/13

Artesia; Glorieta-Yeso

Red Lake; Queen-Grayburg-San Andres

API#: 30-015-34614

(L) Section 29, T-17-S, R-28-E, Eddy County, NM

Spud: 4/5/06

12-1/4" hole

Yeso Completed: 6/7/06

San Andres Completed: 6/8/13

Yates @ 600'

7 Rivers @ 900'

Queen @ 1080'

Grayburg @ 1588'

San Andres @ 1848'

Glorieta @ 3240'

Yeso @ 3330'

8-5/8" 22# Csg @ 452'
Cmt w/375 sx
Circ cmt to Surface

2-7/8" tubing @ 3258'

San Andres Perfs: 2200'-3202'

5-1/2" CBP # 3293'

Yeso Perfs: 3330'-3498'

7-7/8" hole

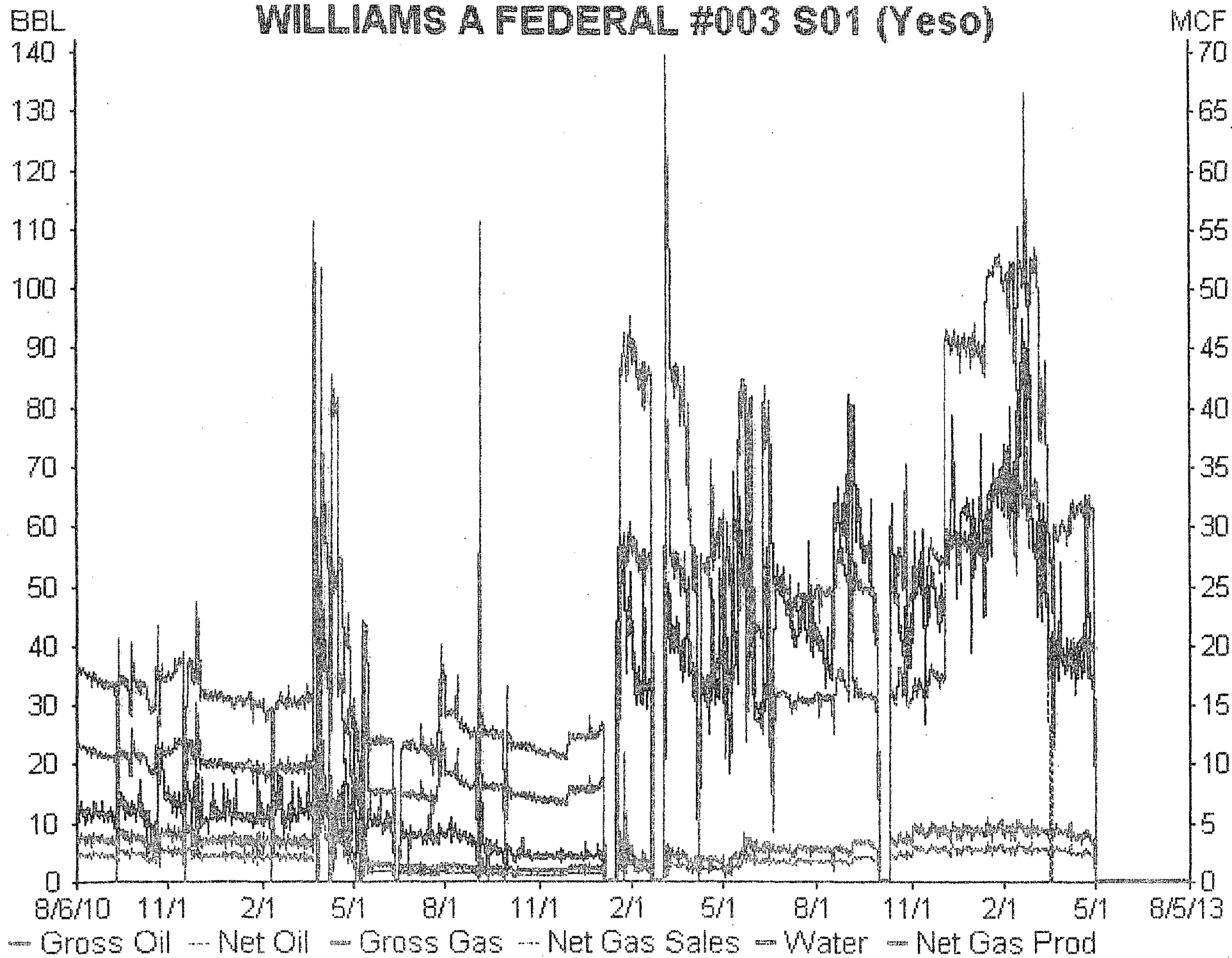
PBTD 3545'

TD 3550'

5-1/2" 14# Csg @ 3547'
Cmt with 775 sx
Circ cmt to Surface

M. Pippin

WILLIAMS A FEDERAL #003 S01 (Yeso)



District I

1625 N. French Dr., Hobbs, NM 88240

District II

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District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT**WELL LOCATION AND ACREAGE DEDICATION PLAT**

¹ API Number 30-015-34614		² Pool Code 51300	³ Pool Name Red Lake; Queen-Grayburg-San Andres
⁴ Property Code 309877	⁵ Property Name WILLIAMS A FEDERAL		⁶ Well Number 3
⁷ OGRID No. 281994	⁸ Operator Name LRE OPERATING, LLC.		⁹ Elevation 3653' GL

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	29	17-S	28-E		1400	SOUTH	1150	WEST	EDDY

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

<div style="text-align: center; font-size: 2em;">29</div>				¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Signature: <u>Mike Pippin</u> Date: <u>2/4/13</u>
				¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey: <u>5/17/05</u> Signature and Seal of Professional Surveyor: <u>Dan R. Reddy</u> 5412 Certificate Number

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Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

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Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	96830	Pool Name	Artesia, Gloria-4-30
Property Code	26370	Property Name	WILLIAMS A FEDERAL
OGRID No.	020451	Operation Name	SDX RESOURCES, INC.
		Well Number	3
		Elevation	3653

Surface Location									
UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
L	29	17-S	28-E		1400	SOUTH	1150	WEST	EDDY

Bottom Hole Location If Different From Surface									
UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						
40									

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION			
	I HEREBY CERTIFY THAT THE INFORMATION CONTAINED HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.			
	Signature			
	Bonnie Atwater			
	Printed Name			
	Regulatory Tech			
	Title and E-mail Address			
	5/25/05			
	Date			
	SURVEYOR CERTIFICATION			
	I HEREBY CERTIFY THAT THE WELL LOCATION SHOWN ON THIS PLAT WAS PLOTTED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY SUPERVISION, AND THAT THE SAME IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.			
	MAY 17, 2005			
	Date of Survey			
	Signature and Seal of Professional Surveyor			
	Certificate Number			
	PROFESSIONAL			