

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

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

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.)		WELL API NO. 30-015-36253
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator LRE OPERATING, LLC		6. State Oil & Gas Lease No.
3. Address of Operator c/o Mike Pippin LLC, 3104 N. Sullivan, Farmington, NM 87401		7. Lease Name or Unit Agreement Name STALEY STATE
4. Well Location Unit Letter <u>I</u> : <u>1750</u> feet from the <u>South</u> line and <u>990</u> feet from the <u>East</u> line Section <u>30</u> Township <u>17-S</u> Range <u>28-E</u> NMPM <u>Eddy</u> County		8. Well Number # <u>7</u>
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3604' GL		9. OGRID Number <u>281994</u>
		10. Pool name or Wildcat Red Lake, Glorieta-Yeso NE (96836) Red Lake, Queen-Grayburg-San Andres (51300)

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

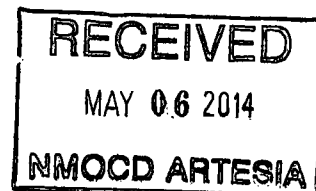
NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE 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: 1 st 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 8/28/08 (3310'-4667'). On 3/30/14, this well was recompleted from the Yeso to the San Andres (1750'-3130') & downhole commingled with the Yeso as per order DHC-4609-P. Before the recompletion, on 2/12/14, the lower zone (Yeso) tested for **13 BOPD, 92 MCF/D**. Following the workover the two commingled intervals 1st Delivered on 4/2/14 & IP Tested on 4/10/14 for **55 BOPD, 150 MCF/D**. The pool allocations are as follows:

	<u>Upper Zone (San Andres)</u>	<u>Lower Zone (Yeso)</u>
OIL:	76%	24%
GAS:	39%	61%

See the attached calculations.



Spud Date: 6/9/08 Drilling Rig Release Date: 6/19/08

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 5/5/14

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

For State Use Only

APPROVED BY: [Signature] TITLE Dist. Engineer DATE 5/12/14

Conditions of Approval (if any):

LRE OPERATING, LLC
STALEY STATE #7
Red Lake; Glorieta-Yeso NE & Red Lake, Queen, Grayburg, San Andres
I Section 30 T17S R28E
5/5/2014 – Mike Pippin
API#: 30-015-36253

Commingle Allocation Calculations

This well was originally completed in the Yeso on 8/28/08. On 3/30/14, this well was recompleted from the Yeso to the San Andres (1750'-3130') & downhole commingled with the Yeso as per order ART-4609-P. Before the recompletion, on 2/12/14, the lower zone (Yeso) tested for 13 BOPD, 92 MCF/D from Yeso perms 3310'-4667'.

Following the workover the two commingled intervals tested on 4/10/14 for 55 BOPD, 150 MCF/D.

Therefore, the oil from the upper zone (San Andres) should be: $55 - 13 = \underline{42 \text{ BOPD}}$.
The gas from the upper zone (San Andres) should be $150 - 92 = \underline{58 \text{ MCF/D}}$.

RECOMMENDED NEW OIL ALLOCATION

$$\% \text{ Lower Zone} = \frac{13}{55} = \underline{24\%}$$

$$\% \text{ Upper Zone} = \frac{42}{55} = \underline{76\%}$$

RECOMMENDED NEW GAS ALLOCATION

$$\% \text{ Lower Zone} = \frac{92}{150} = \underline{61\%}$$

$$\% \text{ Upper Zone} = \frac{58}{150} = \underline{39\%}$$