

RECEIVED:	REVIEWER:	TYPE:	APP NO:
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ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Geological & Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Applicant: <u>FAE II Operating, LLC</u>	OGRID Number: <u>329326</u>
Well Name: <u>Dyer #002</u>	API: <u>30-025-11854</u>
Pool: <u>Jalmat (Oil)</u>	Pool Code: <u>33820</u>

SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED BELOW

1) **TYPE OF APPLICATION:** Check those which apply for [A]

A. Location – Spacing Unit – Simultaneous Dedication

☐ NSL

☐ NSP (PROJECT AREA)

☐ NSP (PRORATION UNIT)

☐ SD

B. Check one only for [I] or [II]

[I] Commingling – Storage – Measurement

☒ DHC

☐ CTB

☐ PLC

☐ PC

☐ OLS

☐ OLM

[II] Injection – Disposal – Pressure Increase – Enhanced Oil Recovery

☐ WFX

☐ PMX

☐ SWD

☐ IPI

☐ EOR

☐ PPR

2) **NOTIFICATION REQUIRED TO:** Check those which apply.

A. ☐ Offset operators or lease holders

B. ☐ Royalty, overriding royalty owners, revenue owners

C. ☐ Application requires published notice

D. ☐ Notification and/or concurrent approval by SLO

E. ☐ Notification and/or concurrent approval by BLM

F. ☐ Surface owner

G. ☐ For all of the above, proof of notification or publication is attached, and/or,

H. ☐ No notice required

FOR OCD ONLY

☐

Notice Complete

☐

Application
Content
Complete

3) **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

David Schellstede

Print or Type Name

Date

832-220-3202

Phone Number

David@FAEnergyus.com

e-mail Address

Signature

District I
1625 N. French Drive, Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised August 1, 2011

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

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

APPLICATION FOR DOWNHOLE COMMINGLING

FAE II Operating, LLC 11757 Katy Fwy. Ste. 1000, Houston, TX 77079

Operator	Address		
Dyer	3	H-31-25S-37E Lea	
Lease	Well No.	Unit Letter-Section-Township-Range	County
329326	329826	30-025-11855	X
OGRID No.	Property Code	API No.	Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Jalmat		Langlie Mattix
Pool Code	79240 33820 79240		37240
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2,778 – 3,340'		3,340' – 3,550'
Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift
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)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)	35.0 API / 1.421 BTU		35.0 API / 1.421 BTU
Producing, Shut-In or New Zone	Producing		New Zone
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.)	See Attached Date: Rates:	Date: Rates:	See Attached Date: Rates:
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 0 % 3 %	Oil Gas % %	Oil Gas 100 % 97 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ No ☐
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? 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 M Bates TITLE Engineering Tech DATE 2/11/2021
TYPE OR PRINT NAME Marshall Bates TELEPHONE NO. (832) 241 - 8080
E-MAIL ADDRESS Marshall@FAEnergyUS.com

faeIIoperating

February 10, 2021

VIA ONLINE FILING

Mr. Dean McClure
New Mexico Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Application of FAE II Operating, LLC for Administrative Approval to Downhole Commingle and Sell Oil and Gas Production from the Jalmat and Langlie Mattix Pools for the Dyer #002 well located in Sec. 31, T-25S, R-337E, Lea County, New Mexico

Dear Mr. McClure:

FAE II Operating LLC, OGRID: 329326, requests administrative approval for downhole commingling of oil and gas production from the Jalmat and Langlie Mattix Pools for its Dyer #002 well located in Unit Letter A, Section 31, T-25S, R-37E, 735 feet FNL and 980 feet FEL, as shown in the attached C-102's for each zone.

The Dyer #002 is currently open to the Yates-Seven Rivers interval, which translates to the JALMAT pool [Pool ID: 33820]. The production curve for this interval is shown in Exhibit A. To develop a forecast for this zone, a decline curve was utilized based on the aforementioned historical production.

The zone that does not have production history in the Dyer #002 is the Seven Rivers-Queen, which translates to the LANGLEIE MATTIX; 7 RVRS-Q-GRAYBURG [Pool ID: 37240]. To develop a forecast for this zone, four (4) surrounding wells with production history from the Seven Rivers-Queen were used as an offset to prove up hole potential in the Dyer #002 by taking the historical average of the oil, gas, and water production. The resulting historical average production curve for this interval is shown in Exhibit B. From there, a decline curve was utilized based on the aforementioned historical production.

Overall, the forecast for the proposed downhole commingled production was formed by combining the forecasts for both zones, as shown in the Synthetic Decline Curve column of Exhibit C. This forecast for the Dyer #002 proved that an IP of 3.3 BOPD and 66.8 MCFPD is the expected total, and of that, 3.3 BOPD and 65.8 MCFPD will come from the Seven Rivers-Queen zone. The Yates-Seven Rivers is projected to yield 0.0 BOPD and 1.0 MCFPD with the additional intervals that will be opened up. This information along with the percentage allocation across the zones is shown in Exhibit D.

After a review of internal records, the interest owners are identical for the aforementioned wells. As such, notification to the relevant parties of our intent to commingle production will not be necessary.

This proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production. If there are further questions concerning this application, please feel free to contact the undersigned by email at marshall@faenergyus.com or by telephone at (832) 241-8080.

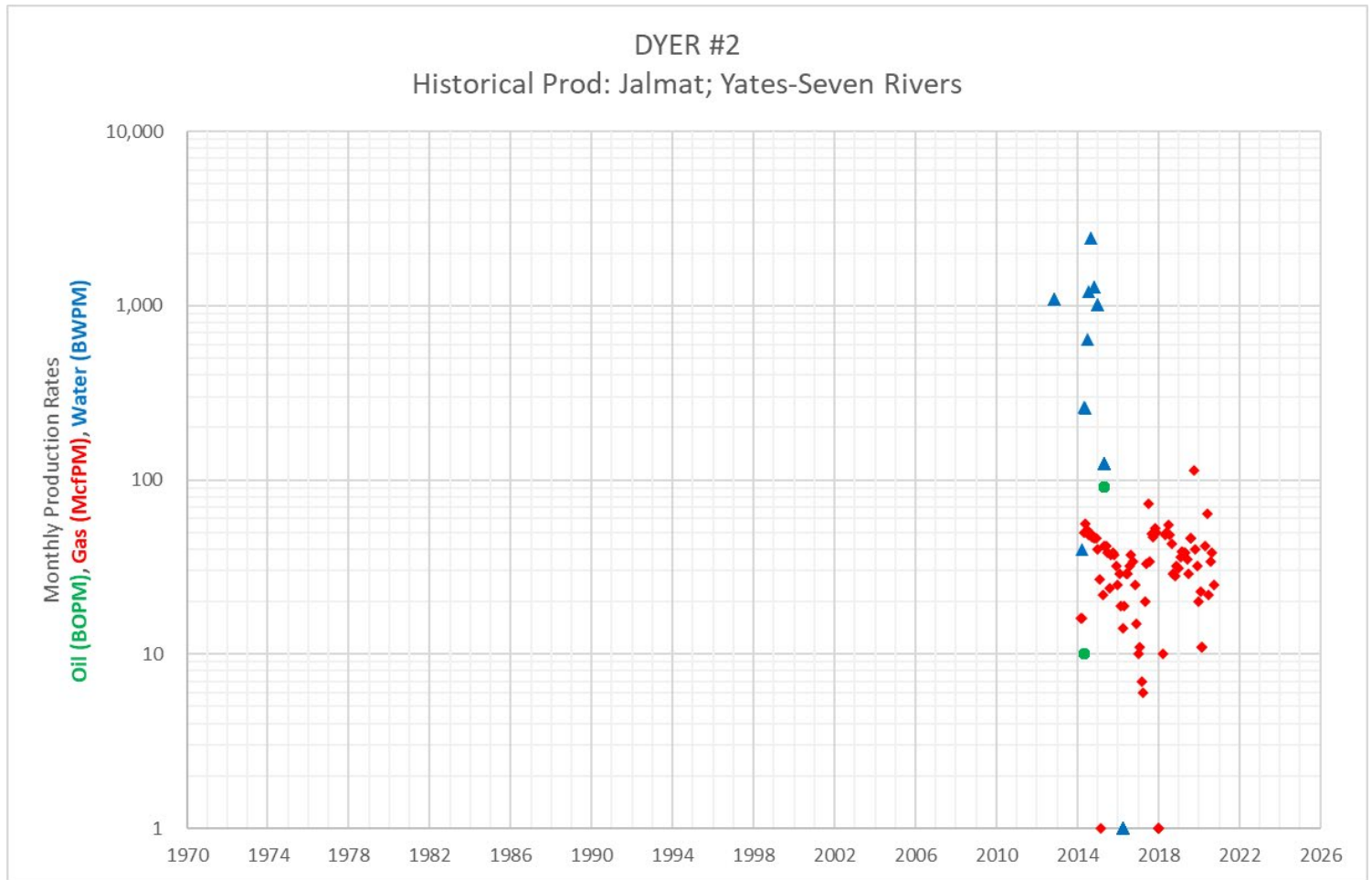
Very truly yours,



FAE II Operating, LLC

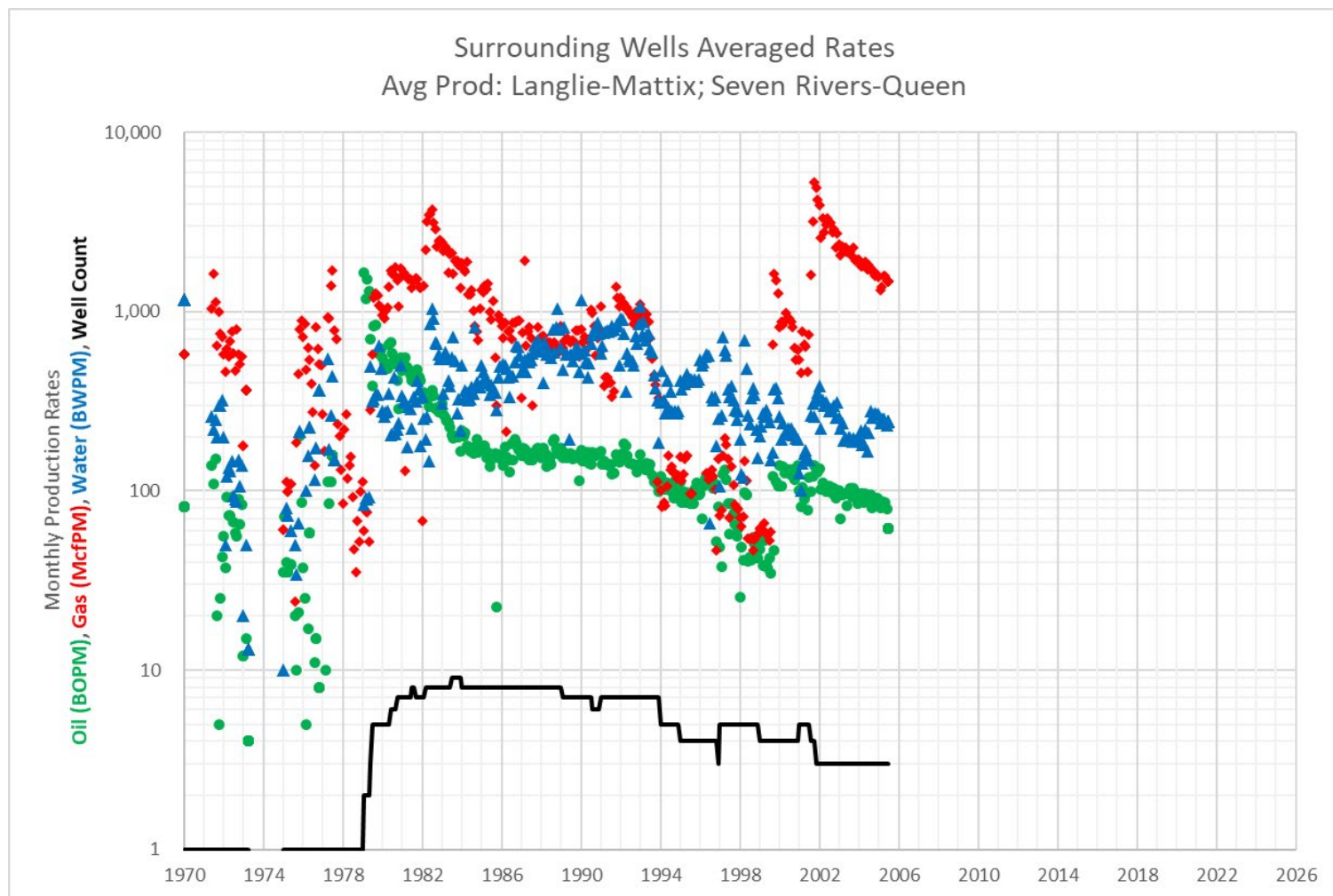
faeIIoperating

Exhibit A – Historical and Forecast Production in the Current Zone



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Exhibit B – Historical Average Production in the Proposed Zone



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Exhibit C – Historical Production and Decline Curve

Surrounding Wells Averaged Rates Avg Prod: Langlie-Mattix; Seven Rivers-Queen					DYER #2 Historical Prod: Jalmat; Yates-Seven Rivers				Synthetic Decline Curve			
Date	Avg Oil (BOPM)	Avg Gas (McfPM)	Avg Water (BWPM)	Well Count	Date	Avg Oil (BOPM)	Avg Gas (McfPM)	Avg Water (BWPM)	Month	Avg Oil (BOPM)	Avg Gas (McfPM)	Avg Water (BWPM)
3/1/2000	136	837	241	4	6/1/2015		42	-	1	99.2	2,032	233
4/1/2000	126	898	207	4	7/1/2015		38	-	2	98.7	2,027	233
5/1/2000	129	981	214	4	8/1/2015		24		3	98.2	2,022	232
6/1/2000	132	912	222	4	9/1/2015		37		4	97.8	2,017	231
7/1/2000	131	921	220	4	10/1/2015		38		5	97.3	2,012	230
8/1/2000	122	875	224	4	11/1/2015		37		6	96.8	2,007	230
9/1/2000	132	821	205	4	12/1/2015		32		7	96.4	2,002	229
10/1/2000	115	625	208	4	1/1/2016		25	-	8	95.9	1,997	228
11/1/2000	133	538	198	4	2/1/2016		29	-	9	95.5	1,992	227
12/1/2000	138	614	193	4	3/1/2016		19	-	10	95.0	1,987	227
1/1/2001	101	536	126	5	4/1/2016		14	1	11	94.6	1,982	226
2/1/2001	82	455	101	5	5/1/2016		19		12	94.1	1,977	225
3/1/2001	105	778	144	5	6/1/2016		29		13	93.7	1,972	224
4/1/2001	90	651	162	5	7/1/2016		29		14	93.2	1,967	224
5/1/2001	95	636	168	5	8/1/2016		32		15	92.8	1,962	223
6/1/2001	78	460	152	5	9/1/2016		37		16	92.3	1,957	222
7/1/2001	119	745	148	5	10/1/2016		34		17	91.9	1,952	221
8/1/2001	100	1,598	264	4	11/1/2016		25		18	91.4	1,948	221
9/1/2001	120	3,166	310	4	12/1/2016		15		19	91.0	1,943	220
10/1/2001	139	5,259	259	4	1/1/2017		10		20	90.6	1,938	219
11/1/2001	128	4,922	327	3	2/1/2017		11		21	90.1	1,933	219
12/1/2001	128	4,205	354	3	3/1/2017		7		22	89.7	1,928	218
1/1/2002	134	3,933	387	3	4/1/2017		6		23	89.3	1,923	217
2/1/2002	102	2,590	224	3	5/1/2017		20		24	88.8	1,919	216
3/1/2002	111	3,301	322	3	6/1/2017		33		25	88.4	1,914	216
4/1/2002	104	2,783	298	3	7/1/2017		73		26	88.0	1,909	215
5/1/2002	100	3,051	312	3	8/1/2017		34		27	87.6	1,904	214
6/1/2002	105	3,344	306	3	9/1/2017		49		28	87.2	1,900	214
7/1/2002	106	3,158	280	3	10/1/2017		47		29	86.7	1,895	213
8/1/2002	104	3,146	288	3	11/1/2017		53		30	86.3	1,890	212
9/1/2002	97	2,778	279	3	12/1/2017		50		31	85.9	1,885	211
10/1/2002	104	2,885	300	3	1/1/2018		1		32	85.5	1,881	211
11/1/2002	92	2,277	256	3	2/1/2018		-		33	85.1	1,876	210
12/1/2002	100	2,749	313	3	3/1/2018		-		34	84.7	1,871	209
1/1/2003	101	2,384	256	3	4/1/2018		10		35	84.3	1,867	209
2/1/2003	70	2,059	224	3	5/1/2018		48		36	83.9	1,862	208
3/1/2003	95	2,301	239	3	6/1/2018		50		37	83.5	1,857	207
4/1/2003	97	2,202	192	3	7/1/2018		55		38	83.1	1,853	207
5/1/2003	97	2,261	196	3	8/1/2018		48		39	82.7	1,848	206
6/1/2003	83	2,167	190	3	9/1/2018		43		40	82.3	1,843	205
7/1/2003	98	2,183	200	3	10/1/2018		29		41	81.9	1,839	205
8/1/2003	103	2,153	196	3	11/1/2018		28		42	81.5	1,834	204
9/1/2003	92	2,040	189	3	12/1/2018		32		43	81.1	1,830	203
10/1/2003	103	2,280	196	3	1/1/2019		31		44	80.7	1,825	203
11/1/2003	98	1,935	190	3	2/1/2019		36		45	80.3	1,820	202
12/1/2003	85	1,946	193	3	3/1/2019		39		46	80.0	1,816	201
1/1/2004	96	1,941	204	3	4/1/2019		38		47	79.6	1,811	201
2/1/2004	96	1,800	217	3	5/1/2019		38		48	79.2	1,807	200
3/1/2004	97	1,800	180	3	6/1/2019		35		49	78.8	1,802	199
4/1/2004	86	1,822	182	3	7/1/2019		29		50	78.4	1,798	199
5/1/2004	96	1,894	219	3	8/1/2019		46		51	78.1	1,793	198
6/1/2004	89	1,722	167	3	9/1/2019		-		52	77.7	1,789	197
7/1/2004	88	1,820	210	3	10/1/2019		113		53	77.3	1,784	197
8/1/2004	95	1,744	280	3	11/1/2019		40		54	76.9	1,780	196
9/1/2004	80	1,680	256	3	12/1/2019		32		55	76.6	1,776	195
10/1/2004	90	1,682	267	3	1/1/2020		20		56	76.2	1,771	195
11/1/2004	89	1,580	273	3	2/1/2020		23		57	75.8	1,767	194
12/1/2004	91	1,615	269	3	3/1/2020		11		58	75.5	1,762	193
1/1/2005	86	1,550	269	3	4/1/2020		-		59	75.1	1,758	193
2/1/2005	81	1,326	240	3	5/1/2020		42		60	74.8	1,753	192
3/1/2005	87	1,377	254	3	6/1/2020		64					
4/1/2005	83	1,573	254	3	7/1/2020		22					
5/1/2005	86	1,593	242	3	8/1/2020		34					
6/1/2005	79	1,503	234	3	9/1/2020		38					
7/1/2005	62	1,476	241	3	10/1/2020		25					
8/1/2005	-	-	-	0	11/1/2020	-	-	-				

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Exhibit D – Decline Curve IP Rates and Zone Allocation Percentage

Zone (1)	Zone (2)	Oil IP (BOPD)	Gas IP (MCFD)	Water IP (BWPD)
Jalmat	Yates-Seven Rivers	0.0	1.0	0.0
Langlie Mattix	Seven Rivers-Queen	3.3	65.8	7.7
	Total	3.3	66.8	7.7
Jalmat	Yates-Seven Rivers	0%	2%	0%
Langlie Mattix	Seven Rivers-Queen	100%	98%	100%
	Total (%)	100%	100%	100%

NE MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

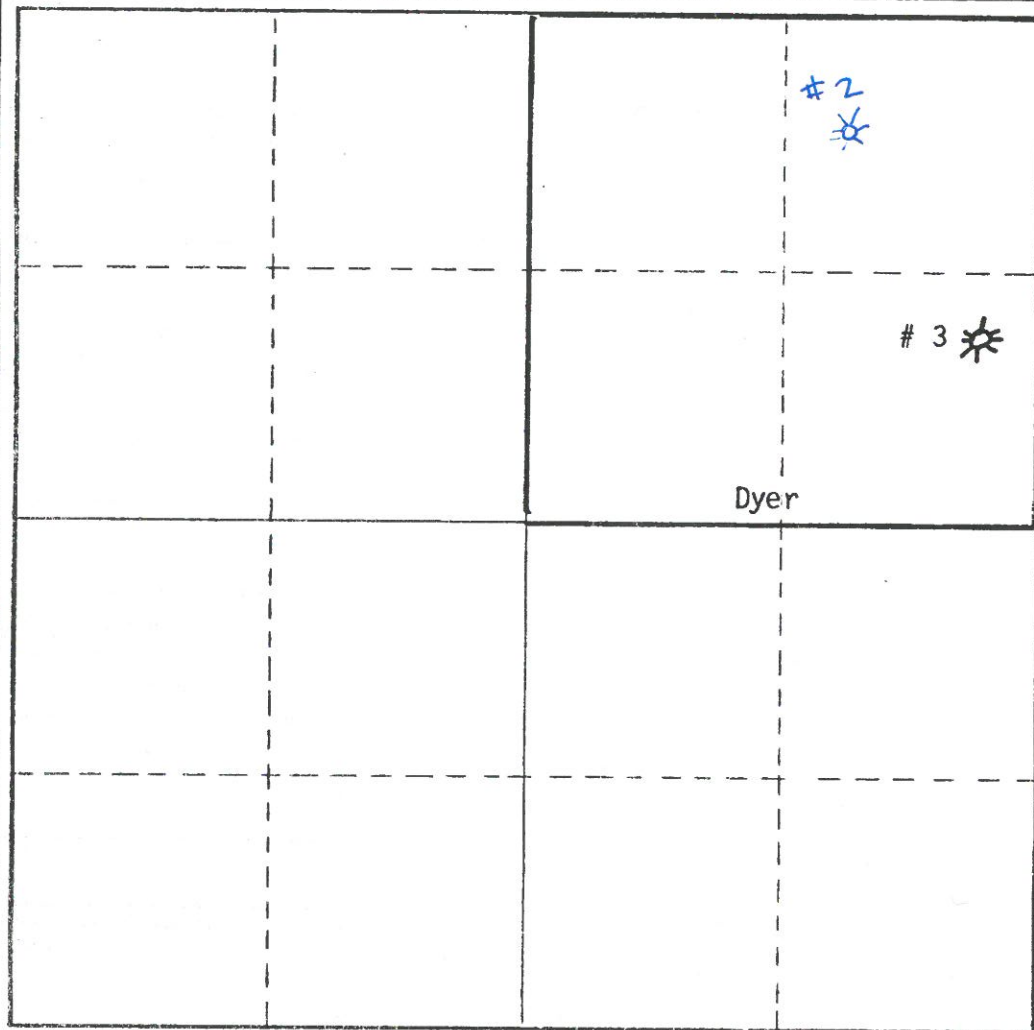
Operator FAE II operating, LLC		Lease Dyer		Well No. 2	
Unit Letter A	Section 31	Township 25-S	Range 37-E	County Lea	
Actual Footage Location of Well: 980 feet from the east line and 735 feet from the north line					
Ground Level Elev. 2998	Producing Formation Upper Yates		Pool Jalmat Oil		Dedicated Acreage: 160 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

M. Bates

Name

Marshall Bates

Position

Engineering Tech

Company

FAE II operating, LLC

Date

2/11/2021

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.

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No.

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

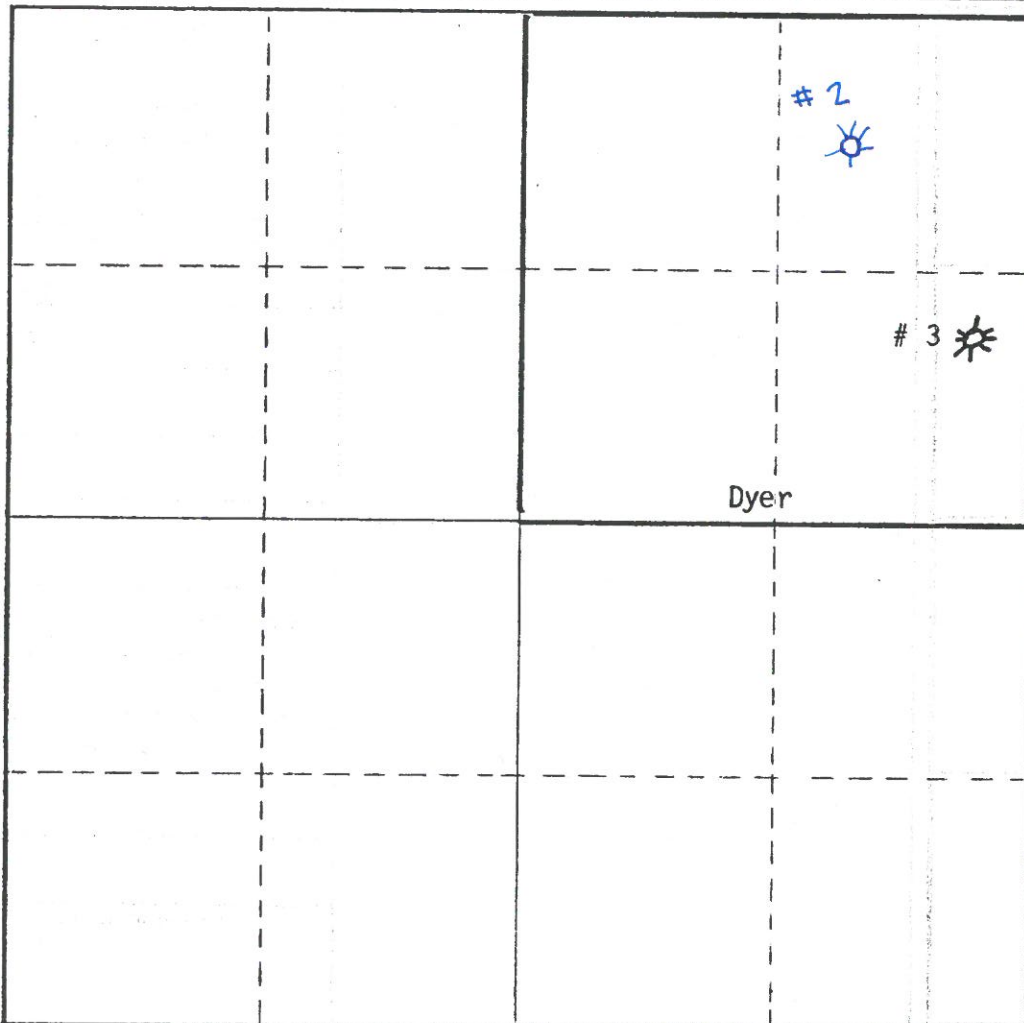
Operator FAE II Operating, LLC			Lease Dyer		Well No. 2
Unit Letter A	Section 31	Township 25-S	Range 37-E	County Lea	
Actual Postage Location of Well: 980 feet from the east line and 735 feet from the north line					
Ground Level Elev. 2998	Producing Formation Upper Yates		Foot Langlie Matrix	Dedicated Acreage: 160 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

M Bates

Name

Marshall Bates

Position

Engineering Tech

Company

FAE II Operating, LLC

Date

2/11/2021

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.

Date Surveyed

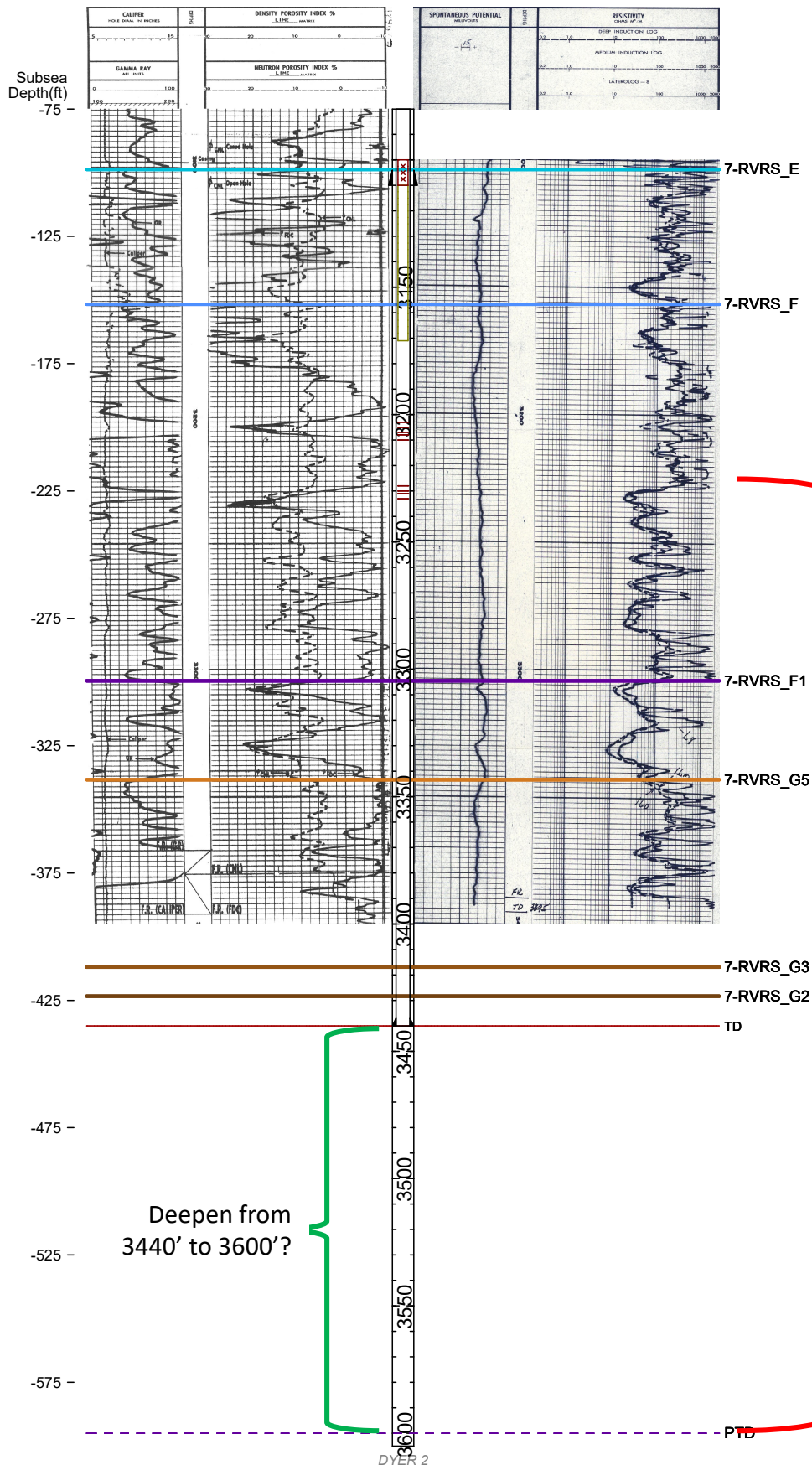
Registered Professional Engineer and/or Land Surveyor

Certificate No.

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

30025118540000
FAE II Operating LLC

DYER 2

SPUD DATE : 12/13/1952
T25S R37E S31

faeIIoperating

February 3, 2021

Mr. Dean McClure
New Mexico Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Dyer #002: API 30-025-11854
Jalmat Pool: 33820
Langlie Matix Pool: 37240

Dear Mr. McClure:


FAE II Operating LLC, as operator, will be filing applications with the New Mexico Oil Conservation Division for approval of the aforementioned commingling project. After a review of internal records, this letter serves as notice that the operator and interest owners are identical for the pools listed above.

If you have any questions, please feel free to contact the undersigned phone at (832) 220-9188 or by email at steven@faenergyus.com.

Thank you for your attention to this matter.

Sincerely,

FAE II Operating, LLC



Steven Lehbass
Land

From: [Marshall Bates](#)
To: [McClure, Dean, EMNRD](#)
Cc: [Jessica LaMarro](#)
Subject: RE: Downhole Commingle - Forty Acres Energy
Date: Tuesday, June 29, 2021 3:23:14 PM
Attachments: [image001.png](#)

Dean,

I checked with Geology and the estimated Queen top is 3,475 feet. This puts the pool boundary at 3,375 feet. Sorry for the confusion, please see the adjusted table below:

Pool Name	33820 JALMAT	37240 LANGLE MATTIX
Oil Allocation (%)	0%	100%
Gas Allocation (%)	3%	97%
Perf Depths	3,225' – 3,375'	3,375' – 3,600'

Thank you,

Marshall Bates | Engineering Tech

forty acres energy

11757 Katy Freeway, Suite 1000 | Houston, TX 77079

O 832.241.8080 (ext. 161)

C 713.253.2885

E marshall@faenergyus.com

From: [McClure, Dean, EMNRD](#)
Sent: Tuesday, June 29, 2021 12:21 PM
To: [Marshall Bates](#)
Subject: RE: Downhole Commingle - Forty Acres Energy

Marshall,

For the Dyer #2 (DHC-5122), I'm assuming that the top of the Queen is below the current TVD of the well, but what is the estimated Top?

Dean McClure
Petroleum Engineer, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
(505) 469-8211

From: Marshall Bates <marshall@faenergyus.com>
Sent: Friday, June 25, 2021 8:17 AM
To: McClure, Dean, EMNRD <Dean.McClure@state.nm.us>
Subject: [EXT] RE: Downhole Commingle - Forty Acres Energy

Dean,

My mistake, please keep it at 33820.

Thank you,

Marshall Bates | Engineering Tech

forty acres energy

11757 Katy Freeway, Suite 1000 | Houston, TX 77079

O 832.241.8080 (ext. 161)

C 713.253.2885

E marshall@faenergyus.com

From: [McClure, Dean, EMNRD](#)
Sent: Thursday, June 24, 2021 12:08 PM
To: [Marshall Bates](#)
Subject: RE: Downhole Commingle - Forty Acres Energy

Marshall,

It appears that this well is currently approved to be producing from Pool 33820. Does FAE wish to re-establish this well as a gas well producing from Pool 79240?

Dean McClure
Petroleum Engineer, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
(505) 469-8211

From: Marshall Bates <marshall@faenergyus.com>
Sent: Monday, May 24, 2021 5:08 PM
To: McClure, Dean, EMNRD <Dean.McClure@state.nm.us>
Subject: [EXT] RE: Downhole Commingle - Forty Acres Energy

Dean,

On the Dyer #2 application (DHC-5122), we would like to make a change to the proposed perf depths, but confirm the pool names and allocation percentages. Please see the table below:

Pool Name	79240 JALMAT	37240 LANGLE MATTIX
Oil Allocation (%)	0%	100%
Gas Allocation (%)	3%	97%
Perf Depths	3,225' – 3,575'	3,575' – 3,600'

Thank you,

Marshall Bates | Engineering Tech

forty acres energy

11757 Katy Freeway, Suite 1000 | Houston, TX 77079

O 832.241.8080 (ext. 161)

C 713.253.2885

E marshall@faenergyus.com

From: [McClure, Dean, EMNRD](#)
Sent: Friday, May 21, 2021 5:16 PM
To: [Marshall Bates](#)
Subject: RE: Downhole Commingle - Forty Acres Energy

Based off my notes, I believe that to be the case regarding Dyer #3, but will be in touch if anything else is needed. I did not find time to attach all of these statements today, but hopefully should be able to go back through them in the beginning of next week.

Dean McClure
Petroleum Engineer, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
(505) 469-8211

From: Marshall Bates <marshall@faenergyus.com>
Sent: Friday, May 21, 2021 9:34 AM
To: McClure, Dean, EMNRD <Dean.McClure@state.nm.us>
Subject: [EXT] RE: Downhole Commingle - Forty Acres Energy

Thank you for this list. I do have all of the ownership statements on hand, so I will go ahead and attach those. Will this complete the Dyer #003 application?

Marshall Bates | Engineering Tech

forty acres energy

11757 Katy Freeway, Suite 1000 | Houston, TX 77079

O 832.241.8080 (ext. 161)

C 713.253.2885

E marshall@faenergyus.com

From: [McClure, Dean, EMNRD](#)
Sent: Friday, May 21, 2021 10:10 AM
To: [Marshall Bates](#)
Cc: [David Schellstede](#)
Subject: RE: Downhole Commingle - Forty Acres Energy

Hello Marshall,

I have another meeting shortly, but later in the morning or the afternoon we can discuss if you want. However, it may be easier to reference the original

emails on all but DHC-5130 and DHC-5131 as they contain the requests for information for each application, and then discuss any specific requests if there are questions related to them. I can run a search on my email and reforward them to you if it would be helpful.

My notes for the DHC applications are as follows:

Commingle Applications														
Admin	Applicant	OGRID Number	ID	Request Number	Title	API	Allocation	Pending CA	(C) (4) (g)	Infill	Status	Notes	Date	Folder
DHC-5106	FAE II Operating, LLC	329326	14697	pDM2101942023	Wells A 8	30-025-23857	Fixed Percent				Under Review	The top of the Queen not identified	3/8/2021	E:\NM\WORK\DHC\DHC5106
DHC-5121	FAE II Operating, LLC	329326	18010	pDM2104639171	Arnott Ramsay A 6	30-025-35329	Fixed Percent				Under Review	Requesting confirmation of notice to SLO, ownership statement	2/17/2021	E:\NM\WORK\DHC\DHC5121
DHC-5122	FAE II Operating, LLC	329326	18011	pDM2104640119	Dyer 2	30-025-11854	Fixed Percent				Under Review	Requesting ownership statement, confirmation of pool, confirmation of allocation, confirmation of perf depths	2/17/2021	E:\NM\WORK\DHC\DHC5122
DHC-5123	FAE II Operating, LLC	329326	18012	pDM2104640372	Dyer 3	30-025-11855	Fixed Percent				Under Review	Requesting ownership statement	2/17/2021	E:\NM\WORK\DHC\DHC5123
DHC-5124	FAE II Operating, LLC	329326	18013	pDM2104640640	R O Gregory 3	30-025-11874	Fixed Percent				Under Review	Requesting confirmation of notice to BLM, ownership statement	2/17/2021	E:\NM\WORK\DHC\DHC5124
DHC-5125	FAE II Operating, LLC	329326	18014	pDM2104640853	Steeler A 1	30-025-10805	Fixed Percent				Under Review	Requesting confirmation of pools, allocation percent, ownership statement	2/17/2021	E:\NM\WORK\DHC\DHC5125
DHC-5126	FAE II Operating, LLC	329326	18015	pDM2104641208	Steeler A 4	30-025-28044	Fixed Percent				Under Review	Requesting confirmation of pools, perforation depths, ownership statement	2/17/2021	E:\NM\WORK\DHC\DHC5126
DHC-5127	FAE II Operating, LLC	329326	18016	pDM2104641444	Wells B 1 1	30-025-09718	Fixed Percent				Under Review	Requesting confirmation of notice to BLM, ownership statement, perforation depths, requesting logs - one in application but none in file	2/17/2021	E:\NM\WORK\DHC\DHC5127
DHC-	FAE II	329326	23132	pDM2110639521	Arnott						Under		4/6/2021	E:\NM

5130	Operating, LLC				Ramsay NCT B 3					Review			WORK\DHC\DHC5130
DHC-5131	FAE II Operating, LLC	329326	23144	pDM2110639814	Arnett Ramsay NCT B 12					Under Review	4/6/2021		E:\NM WORK\DHC\DHC5131

Dean McClure
 Petroleum Engineer, Oil Conservation Division
 New Mexico Energy, Minerals and Natural Resources Department
 (505) 469-8211

From: Marshall Bates <marshall@faenergyus.com>
Sent: Friday, May 21, 2021 8:46 AM
To: McClure, Dean, EMNRD <Dean.McClure@state.nm.us>
Cc: David Schellstede <david@faenergyus.com>
Subject: [EXT] Downhole Commingle - Forty Acres Energy

Hi Dean,

Left you a voicemail this morning. We have several outstanding DHC applications that we would like to push to the finish line:

1. Wells A #008 – applied 1/14
2. Arnett Ramey A #006 – applied 2/14
3. Dyer #002 – applied 2/14
4. Dyer #003 – applied 2/14
5. R O Gregory #003 – applied 2/14
6. Steeler A #004 – applied 2/14
7. Wells B 1 #001 – applied 2/14
8. Steeler A #001 – applied 2/14
9. Arnett Ramsay NCT-B #003 – applied 4/6
10. Arnett Ramsay NCT-B #012 – applied 4/6

Are there any extra items you are looking for with regard to these applications?

Thank you,

Marshall Bates | Engineering Tech

forty acres energy

11757 Katy Freeway, Suite 1000 | Houston, TX 77079

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C [713.253.2885](tel:713.253.2885)

E marshall@faenergyus.com

From: [Engineer, OCD, EMNRD](#)
To: [Marshall Bates](#)
Cc: [McClure, Dean, EMNRD](#); [Bratcher, Mike, EMNRD](#); [Kautz, Paul, EMNRD](#); [Hawkins, James, EMNRD](#); [Powell, Brandon, EMNRD](#); lisa@rwbyram.com
Subject: Approved Administrative Order DHC-5122
Date: Friday, July 2, 2021 4:53:08 PM
Attachments: [DHC5122 Order.pdf](#)

NMOCD has issued Administrative Order DHC-5122 which authorizes FAE II Operating, LLC (329326) to downhole commingle production from 2 pools in their Dyer #2 well (30-025-11854).

The administrative order is attached to this email and can also be found online at OCD Imaging.

Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me.

Dean McClure
Petroleum Engineer, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
(505) 469-8211

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION FOR DOWNHOLE COMMINGLING
SUBMITTED BY FAE II OPERATING, LLC**

ORDER NO. DHC-5122

ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having considered the application and the recommendation of the Engineering Bureau, issues the following Order.

FINDINGS OF FACT

1. FAE II Operating, LLC ("Applicant") submitted a complete application ("Application") to downhole commingle the pools described in Exhibit A ("the Pools") within the well bore of the well identified in Exhibit A ("the Well").
2. Applicant proposed a method to allocate the oil and gas production from the Well to each of the Pools that is satisfactory to the OCD and protective of correlative rights.
3. Applicant has certified that all produced fluids from all the Pools are compatible with each other.
4. Applicant has certified that downhole commingling the Pools will not decrease the value of the oil and gas production.
5. To the extent that ownership is identical, Applicant submitted a certification by a licensed attorney or qualified petroleum landman that ownership in the Pools is identical as defined by 19.15.12.7(B) NMAC.
6. To the extent that ownership is diverse, Applicant identified all owners of interest in the Pools, provided evidence a copy of the Application was given to each person, and those persons either submitted a written waiver or did not file an objection to the Application.
7. Applicant provided notice of the Application to the Bureau of Land Management ("BLM") or New Mexico State Land Office ("NMSLO"), as applicable.

CONCLUSIONS OF LAW

8. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-6, 70-2-11, 70-2-12, 70-2-16, 70-2-17, and 19.15.12 NMAC.
9. The downhole commingling of the Pools is common, or Applicant has provided evidence that the fluids are compatible and will not damage the Pools in accordance with 19.15.12.11(A)(1) NMAC.
10. The bottom perforation of the lower zone is within one hundred fifty percent (150%) of the depth of the top perforation in the upper zone or Applicant has provided evidence that the

proposed commingling of the Pools shall not result in shut-in or flowing well bore pressure in excess of the commingled pool's fracture parting pressure in accordance with 19.15.12.11(A)(3) NMAC.

11. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.11(A)(8) NMAC.
12. To the extent that ownership is diverse, Applicant identified all owners of interest in the Pools and provided evidence the application was given to those persons in accordance with 19.15.12.11(C)(1)(b) NMAC.
13. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Applicant is authorized to downhole commingle the Pools described in Exhibit A within the well bore of the well identified in Exhibit A.
2. Applicant shall allocate a fixed percentage of the oil and gas production from the Well to each of the Pools as described in Exhibit A.
3. If any of the pools being commingled is prorated, or the Well's production has been restricted by an OCD order in any manner, the allocated production from each producing pool in the commingled well bore shall not exceed the top oil or gas allowable rate for a well in that pool or rate restriction applicable to the well.
4. Prior to commingling production from the Pools within the Well's well bore, Applicant shall confirm the depth of the top of the Queen Formation with OCD's District Geologist. If the depth confirmed by OCD's District Geologist is different than the depth submitted within the Application as identified in Exhibit A, then no later than sixty (60) days after commingling production, Applicant shall submit Form C-103 to the OCD Engineering Bureau correcting the depth of the top of the Queen Formation.
5. If the Well is deepened, then Applicant shall conduct and, no later than forty-five (45) days after the Well is deepened, provide logs to OCD that are sufficient for OCD to determine which pool(s) each new completed interval of the Well will produce from.
6. If the downhole commingling of the Pools reduces the value of the oil and gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new downhole commingling application to OCD to amend this Order to remove the pool that caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.
7. If a completed interval of the Well is altered from what is submitted within the Application as identified in Exhibit A, then no later than sixty (60) days after the alteration, Applicant

shall submit Form C-103 to the OCD Engineering Bureau detailing the alteration and completed interval.

8. If OCD determines that Applicant has failed to comply with any provision of this Order, OCD may take any action authorized by the Oil and Gas Act or the New Mexico Administrative Code (NMAC).
9. OCD retains jurisdiction of this matter and reserves the right to modify or revoke this Order as it deems necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



ADRIENNE SANDOVAL
DIRECTOR
AS/dm

DATE: 7/02/2021

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: **DHC-5122**

Operator: **FAE II Operating, LLC (329326)**

Well Name: **Dyer #2**

Well API: **30-025-11854**

Pool Name: **JALMAT;TAN-YATES-7 RVRS (OIL)**

Upper Zone

Pool ID: **33820**

Current: **X**

New:

Allocation: **Fixed Percent**

Oil: **0%**

Gas: **3%**

Interval: **Perforations**

Top: **3,225**

Bottom: **3,375**

Pool Name:

Intermediate Zone

Pool ID:

Current:

New:

Allocation:

Oil:

Gas:

Interval:

Top:

Bottom:

Bottom of Interval within 150% of Upper Zone's Top of Interval:

Pool Name: **LANGLIE MATTIX;7 RVRS-Q-GRAYBURG**

Lower Zone

Pool ID: **37240**

Current:

New: **X**

Allocation: **Fixed Percent**

Oil: **100%**

Gas: **97%**

Interval: **Perforations**

Top: **3,375**

Bottom: **3,600**

Bottom of Interval within 150% of Upper Zone's Top of Interval: **YES**

Top of Queen: **3475**

District I

1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720

District II

811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720

District III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

CONDITIONS

Action 18011

CONDITIONS

Operator: FAE II Operating LLC 11757 Katy Freeway, Suite 1000 Houston, TX 77079	OGRID: 329326
	Action Number: 18011
	Action Type: [C-107] Down Hole Commingle (C-107A)

CONDITIONS

Created By	Condition	Condition Date
dmccure	Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me.	7/2/2021