

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-107-B
Revised August 1, 2011

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: FAE II Operating, LLC
OPERATOR ADDRESS: 11757 Katy Fwy, Ste. 1000, Houston, TX 77079
APPLICATION TYPE:

Pool Commingling Lease Commingling Pool and Lease Commingling Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: Fee State Federal

Is this an Amendment to existing Order? Yes No If "Yes", please include the appropriate Order No. _____
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
 Yes No

(A) POOL COMMINGLING
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes
24130 Eunice	1.409 BTU	1.386 BTU		\$1,264.45 / Month	366/ Month
33820 Jalmat (Oil)	1.353 BTU				239/Month
					(MMBTU)

- (2) Are any wells producing at top allowables? Yes No
- (3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No.
- (4) Measurement type: Metering Other (Specify)
- (5) Will commingling decrease the value of production? Yes No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING
Please attach sheets with the following information

- (1) Pool Name and Code.
- (2) Is all production from same source of supply? Yes No
- (3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No
- (4) Measurement type: Metering Other (Specify)

(C) POOL and LEASE COMMINGLING
Please attach sheets with the following information

- (1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT
Please attached sheets with the following information

- (1) Is all production from same source of supply? Yes No
- (2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)
Please attach sheets with the following information

- (1) A schematic diagram of facility, including legal location.
- (2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.
- (3) Lease Names, Lease and Well Numbers, and API Numbers.

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: 2/28/2021

TYPE OR PRINT NAME Marshall Bates TELEPHONE NO.: (832) 241-8080

E-MAIL ADDRESS: Marshall@FAEnergyus.com

fae II operating

February 21, 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 Surface Commingle and Sell Gas Production from the Eunice Pool for the Citgo SE State Compression System at the existing State H Compression System located in Unit A, Sec. 17, T-22S, R-36E, Lea County, New Mexico

Dear Mr. McClure:

FAE II Operating LLC, OGRID: 329326, requests administrative approval for surface commingling of gas production from the Eunice Pool for its Citgo SE State Compression system located in Section 17, T-22S, R-36E as shown on the map in Exhibit A. The existing Citgo SE State Compression system is comprised of the Citgo SE State #1 and #2 wells, while the existing State H Compression System is comprised of the State H #2, #3, #5, and #6 wells. Both the Citgo SE State and State H wells are located on the same lease, which is identified by outline and legend. Exhibit B offers further detail on the relevant wells on the lease.

The attached battery diagrams, Exhibits C and D, are accurate schematics of the current facility and the proposed commingled facility, respectively. Each of the Citgo SE State and State H wells will have gas allocation meters manufactured and assembled in accordance with American Gas Association specifications. A new gas flowline will be laid from the Citgo SE State #2 and tied in to the suction side of the compressor at the State H #5, which is the sales point of the State H Compression System. Total production for the wells will be measured by the lease custody transfer meter at the State H #5 CTB.

After a review of internal records, the interest owners are not identical for the wells mentioned above. As such, we have notified all relevant parties of our intent to commingle production (see attached letter). The working and royalty interest owners as shown in Exhibit E have been notified of this application by certified mail. Copies of the certified mail receipts are attached as Exhibit F.

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 – Lease Boundaries Map

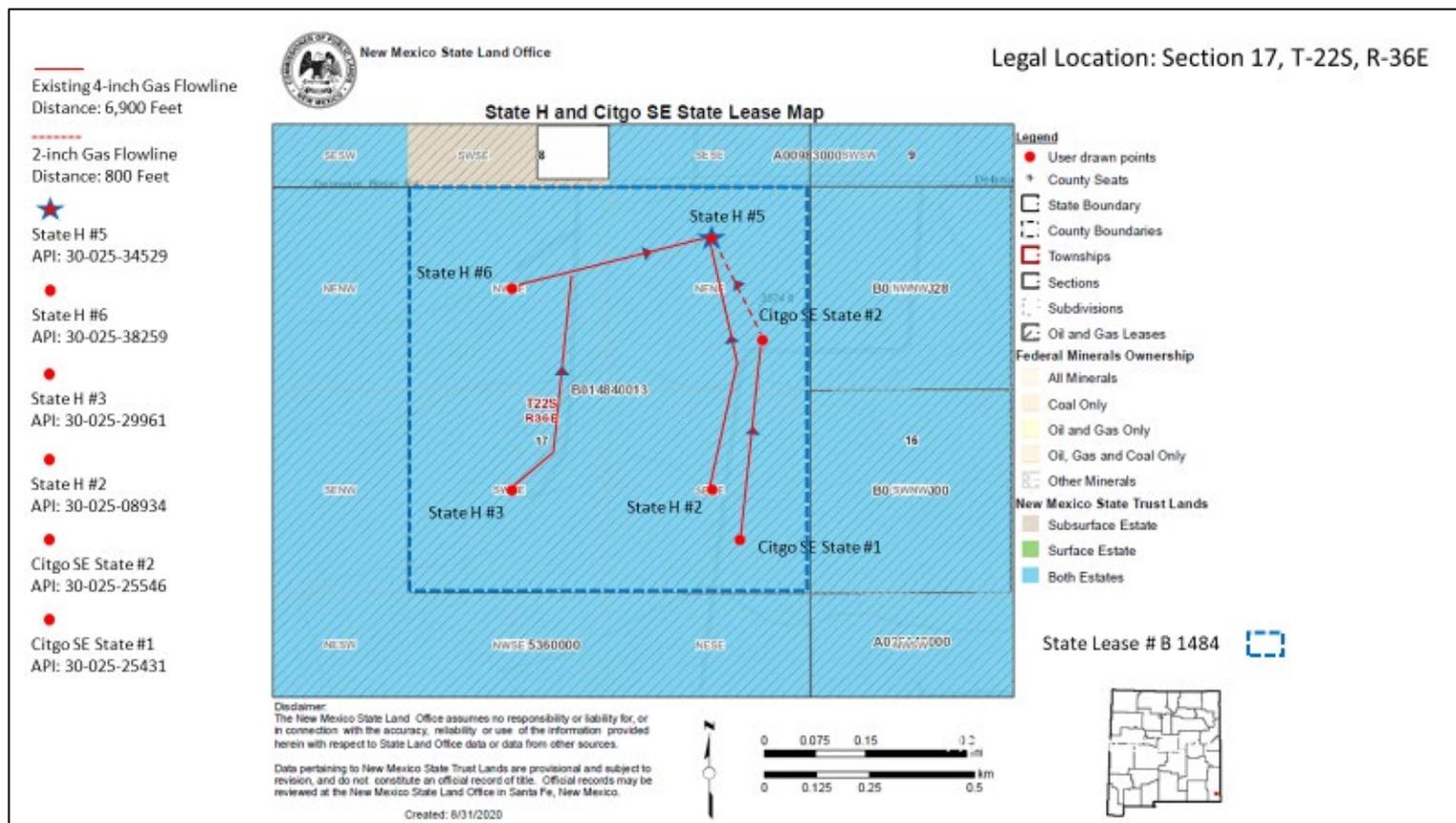
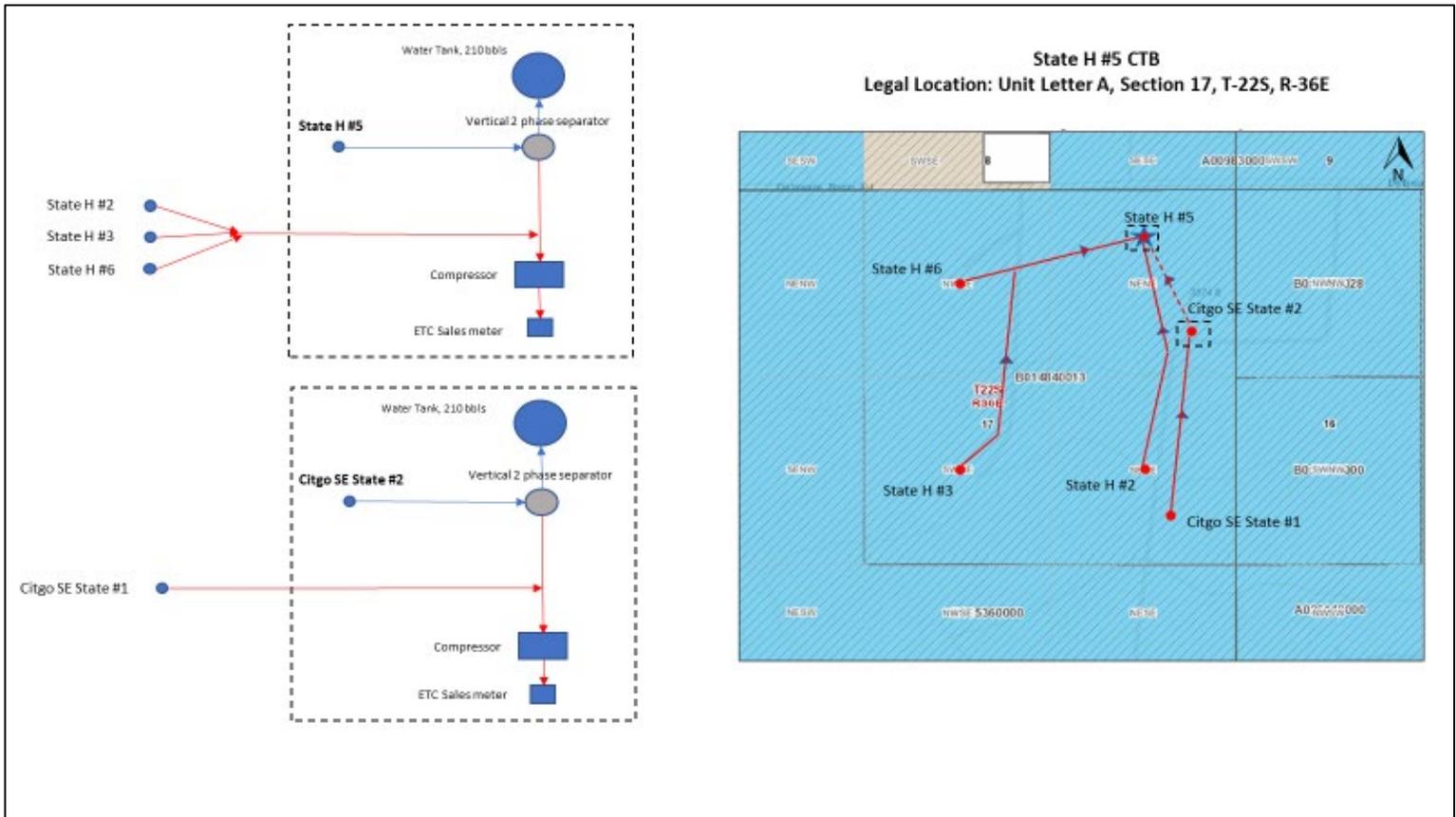


Exhibit B – Lease and Well Information

Well Name	State Lease No.	API #	Pool ID
Citgo SE State #1	B 1484	30-025-25431	24130 EUNICE; SEVEN RIVERS-QUEEN, SOUTH
Citgo SE State #2	B 1484	30-025-25546	24130 EUNICE; SEVEN RIVERS-QUEEN, SOUTH
State H #2	B 1484	30-025-08934	33820 JALMAT; TAN-YATES 7 RVRS (OIL)
State H #3	B 1484	30-025-29961	33820 JALMAT; TAN-YATES 7 RVRS (OIL)
State H #5	B 1484	30-025-34529	33820 JALMAT; TAN-YATES 7 RVRS (OIL)
State H #6	B 1484	30-025-38259	33820 JALMAT; TAN-YATES 7 RVRS (OIL)

faeIIoperating

Exhibit C – Current Facility Layout



faeIIoperating

Exhibit D – Proposed Facility Layout

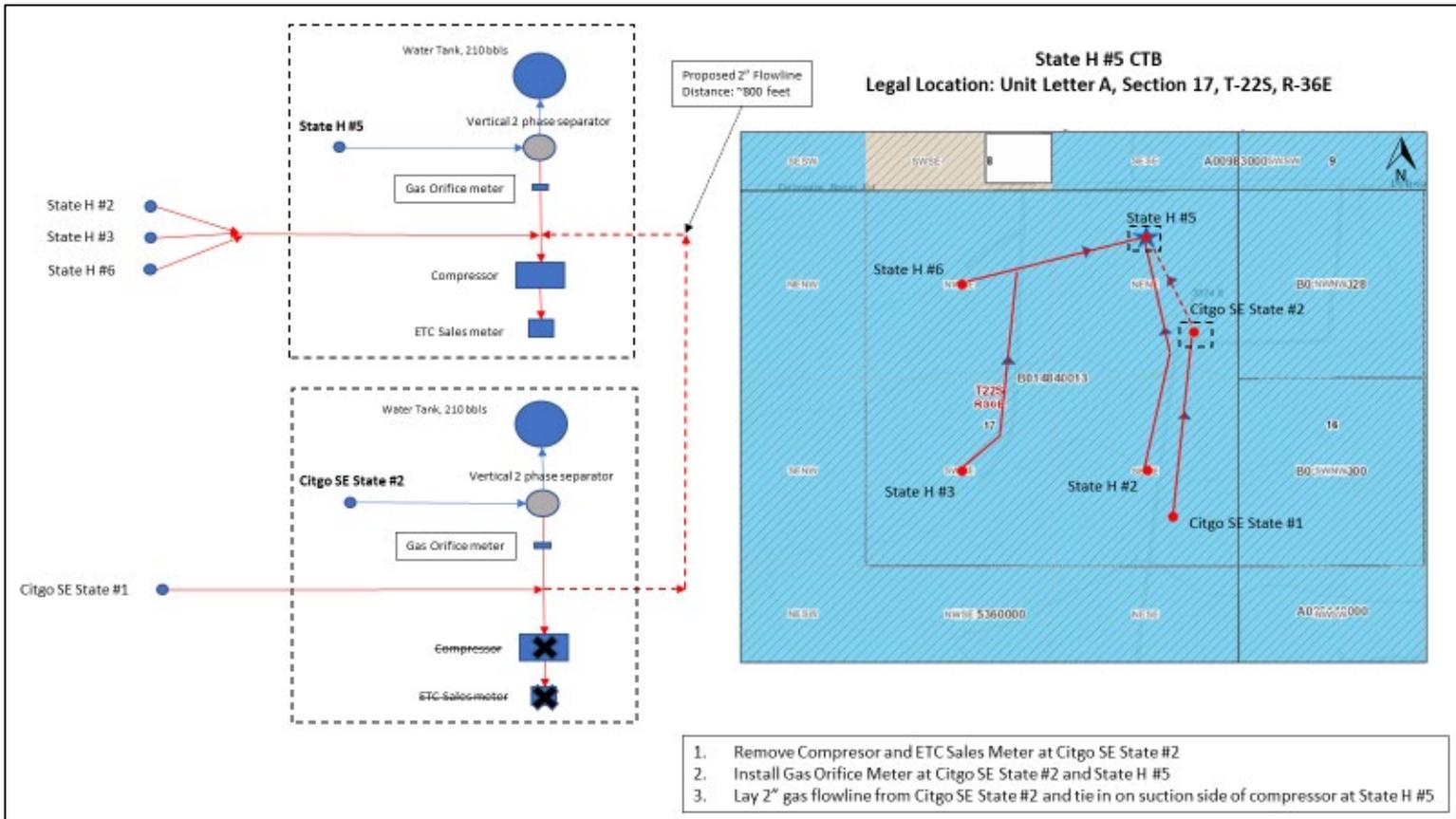


Exhibit E – Ownership Information

Well Name(s)	Ownership Type	Name	Address
Citgo SE State #1, #2 State H #2, #3, #5, #6	Working	FAE II Operating LLC	11757 Katy Fwy Ste. 1000 Houston, TX 77079-1762
Citgo SE State #1, #2 State H #2, #3, #5, #6	Royalty	State of New Mexico Taxation & Revenue Department	PO Box 2308 Santa Fe, NM 87504-2308
Citgo SE State #1, #2	Overriding Royalty	Doyle Hartman	PO Box 10426 Midland, TX 79702
Citgo SE State #1, #2	Overriding Royalty	Quanah Exploration, LLC	PO Box 494 Midland, TX 79702
Citgo SE State #1, #2	Working	Sonic Oil & Gas LP	505 5 th St. Graham, TX 76450-7240

faeIoperating

Exhibit F – Certified Mail Receipts

7020 0640 0000 9346 8959

**U.S. Postal Service™
CERTIFIED MAIL® RECEIPT**
Domestic Mail Only

For delivery information, visit our website at www.usps.com®.

Santa Fe, NM 87504

Certified Mail Fee	\$3.60
Extra Services & Fees (check box, add fee as appropriate)	\$2.85
<input type="checkbox"/> Return Receipt (hardcopy)	\$0.00
<input type="checkbox"/> Return Receipt (electronic)	\$0.00
<input type="checkbox"/> Certified Mail Restricted Delivery	\$0.00
<input type="checkbox"/> Adult Signature Required	\$0.00
<input type="checkbox"/> Adult Signature Restricted Delivery	\$0.00
Postage	\$0.55
Total Postage and Fees	\$7.00

Postmark Here 3 2021

Sent To: State of New Mexico
Taxation and Revenue Dept.
PO Box 2308 Santa Fe, NM 87504

PG Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

7020 0640 0000 9346 8942

**U.S. Postal Service™
CERTIFIED MAIL® RECEIPT**
Domestic Mail Only

For delivery information, visit our website at www.usps.com®.

Midland, TX 79702

Certified Mail Fee	\$3.60
Extra Services & Fees (check box, add fee as appropriate)	\$2.85
<input type="checkbox"/> Return Receipt (hardcopy)	\$0.00
<input type="checkbox"/> Return Receipt (electronic)	\$0.00
<input type="checkbox"/> Certified Mail Restricted Delivery	\$0.00
<input type="checkbox"/> Adult Signature Required	\$0.00
<input type="checkbox"/> Adult Signature Restricted Delivery	\$0.00
Postage	\$0.55
Total Postage and Fees	\$7.00

Postmark Here 02/23/2021

Sent To: Doyle Hertrman
PO Box 10426
Midland, TX 79702

PG Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

7020 0640 0000 9346 8928

**U.S. Postal Service™
CERTIFIED MAIL® RECEIPT**
Domestic Mail Only

For delivery information, visit our website at www.usps.com®.

Graham, TX 76450

Certified Mail Fee	\$3.60
Extra Services & Fees (check box, add fee as appropriate)	\$2.85
<input type="checkbox"/> Return Receipt (hardcopy)	\$0.00
<input type="checkbox"/> Return Receipt (electronic)	\$0.00
<input type="checkbox"/> Certified Mail Restricted Delivery	\$0.00
<input type="checkbox"/> Adult Signature Required	\$0.00
<input type="checkbox"/> Adult Signature Restricted Delivery	\$0.00
Postage	\$0.55
Total Postage and Fees	\$7.00

Postmark Here 02/23/2021

Sent To: Sonic Oil and Gas LP
SPS 5th St.
Graham, TX 76450-7240

PG Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

7020 0640 0000 9346 8935

**U.S. Postal Service™
CERTIFIED MAIL® RECEIPT**
Domestic Mail Only

For delivery information, visit our website at www.usps.com®.

Midland, TX 79702

Certified Mail Fee	\$3.60
Extra Services & Fees (check box, add fee as appropriate)	\$2.85
<input type="checkbox"/> Return Receipt (hardcopy)	\$0.00
<input type="checkbox"/> Return Receipt (electronic)	\$0.00
<input type="checkbox"/> Certified Mail Restricted Delivery	\$0.00
<input type="checkbox"/> Adult Signature Required	\$0.00
<input type="checkbox"/> Adult Signature Restricted Delivery	\$0.00
Postage	\$0.55
Total Postage and Fees	\$7.00

Postmark Here 02/23/2021

Sent To: Quangh Exploration LLC
PO Box 494
Midland, TX 79702

PG Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

From: kberend@bbsoil.com
To: [Marshall Bates](#)
Subject: RE: Application to Surface Commingle - Citgo SE State - Lea County, NM
Date: Monday, July 12, 2021 1:44:59 PM
Attachments: [image001.png](#)

Perfect. We are willing to accept the PDF's as substitute.

Thank you,

Kyle Berend
Sonic Oil & Gas, L.P.
940-549-0780 ext. 112

From: Marshall Bates <marshall@faenergyus.com>
Sent: Monday, July 12, 2021 2:42 PM
To: kberend@bbsoil.com
Subject: RE: Application to Surface Commingle - Citgo SE State - Lea County, NM

This is just for notification, it wouldn't change your interest or how you're being paid currently.

From: kberend@bbsoil.com <kberend@bbsoil.com>
Sent: Monday, July 12, 2021 2:40 PM
To: Marshall Bates <marshall@faenergyus.com>
Subject: RE: Application to Surface Commingle - Citgo SE State - Lea County, NM

Hi Marshall,

Do we need to consent on anything, or is it just for notification purposes?

Thanks,
Kyle Berend

From: Marshall Bates <marshall@faenergyus.com>
Sent: Monday, July 12, 2021 1:56 PM
To: bfa@bbsoil.com; kberend@bbsoil.com
Cc: Rebecca Wing <rebecca@faenergyus.com>
Subject: Application to Surface Commingle - Citgo SE State - Lea County, NM

Hello,

We tried to send this application to Sonic Oil and Gas through the mail, but to our knowledge it did not go through. Would you be willing to accept these PDF's as a substitute?

Thank you,

Marshall Bates | Engineering Tech
forty acres energy

11757 Katy Freeway, Suite 1000 | Houston, TX 77079

O [832.241.8080 \(ext. 161\)](tel:832.241.8080)

C [713.253.2885](tel:713.253.2885)

E marshall@faenergyus.com

From: [Rebecca Wing](#)

Sent: Monday, July 12, 2021 1:00 PM

To: [Marshall Bates](#)

Subject: RE: surface commingling application PLC-745

Marshall,

Here are the Business Development contact from the BT Lanehart well acquisition. Hopefully they can help.

bfa@bbsoil.com; kberend@bbsoil.com

From: Marshall Bates <marshall@faenergyus.com>

Sent: Monday, July 12, 2021 12:11 PM

To: Rebecca Wing <rebecca@faenergyus.com>

Subject: RE: surface commingling application PLC-745

SONIC OIL & GAS LP

505 5TH ST

GRAHAM, TX 76450

Marshall Bates | Engineering Tech

forty acres energy

11757 Katy Freeway, Suite 1000 | Houston, TX 77079

O [832.241.8080 \(ext. 161\)](tel:832.241.8080)

C [713.253.2885](tel:713.253.2885)

E marshall@faenergyus.com

From: [Rebecca Wing](#)

Sent: Monday, July 12, 2021 12:02 PM

To: [Marshall Bates](#)

Subject: RE: surface commingling application PLC-745

What's the current address you have on file? I need to make sure I'm finding something different than we already have.

Thanks,
Rebecca

From: Marshall Bates <marshall@faenergyus.com>

Sent: Monday, July 12, 2021 11:45 AM

To: Rebecca Wing <rebecca@faenergyus.com>

Subject: FW: surface commingling application PLC-745

Rebecca,

Thanks for your help with Quanah Exploration. Do you have a recent address for Sonic Oil and Gas? I'm planning on trying them again, or we can do an affidavit of publication.

Thank you,

Marshall Bates | Engineering Tech

forty acres energy

11757 Katy Freeway, Suite 1000 | Houston, TX 77079

O [832.241.8080 \(ext. 161\)](tel:832.241.8080)

C [713.253.2885](tel:713.253.2885)

E marshall@faenergyus.com

From: [McClure, Dean, EMNRD](#)

Sent: Friday, April 30, 2021 7:11 AM

To: [Marshall Bates](#)

Subject: surface commingling application PLC-745

Mr. Bates,

I am reviewing surface commingling application PLC-745 which involves the State H Compression System operated by FAE II Operating, LLC (329326).

Please fill out and return the attached admin checklist.

Please confirm that the following persons have received notification of this application:

	Quanah Exploration, LLC	7020 0640 0000 9346 8935	Returned
2/25/2021	Sonic Oil & Gas LP	7020 0640 0000 9346 8928	Attempt
	SLO	Unknown	

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

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY																	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Signature X <input type="checkbox"/> Agent <input type="checkbox"/> Addressee																	
1. Article Addressed to:	B. Received by (<i>Printed Name</i>)	C. Date of Delivery																
Quanah Exploration, LLC 515 Tradewinds Blvd. Midland, TX 79706	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No																	
9590 9402 6004 0069 4625 00	3. Service Type <table border="0"> <tr> <td><input type="checkbox"/> Adult Signature</td> <td><input type="checkbox"/> Priority Mail Express®</td> </tr> <tr> <td><input type="checkbox"/> Adult Signature Restricted Delivery</td> <td><input type="checkbox"/> Registered Mail™</td> </tr> <tr> <td><input type="checkbox"/> Certified Mail®</td> <td><input type="checkbox"/> Registered Mail Restricted Delivery</td> </tr> <tr> <td><input type="checkbox"/> Certified Mail Restricted Delivery</td> <td><input type="checkbox"/> Return Receipt for Merchandise</td> </tr> <tr> <td><input type="checkbox"/> Collect on Delivery</td> <td><input type="checkbox"/> Signature Confirmation™</td> </tr> <tr> <td><input type="checkbox"/> Collect on Delivery Restricted Delivery</td> <td><input type="checkbox"/> Signature Confirmation Restricted Delivery</td> </tr> <tr> <td><input type="checkbox"/> Registered Mail</td> <td></td> </tr> <tr> <td><input type="checkbox"/> Registered Mail Restricted Delivery (over \$500)</td> <td></td> </tr> </table>		<input type="checkbox"/> Adult Signature	<input type="checkbox"/> Priority Mail Express®	<input type="checkbox"/> Adult Signature Restricted Delivery	<input type="checkbox"/> Registered Mail™	<input type="checkbox"/> Certified Mail®	<input type="checkbox"/> Registered Mail Restricted Delivery	<input type="checkbox"/> Certified Mail Restricted Delivery	<input type="checkbox"/> Return Receipt for Merchandise	<input type="checkbox"/> Collect on Delivery	<input type="checkbox"/> Signature Confirmation™	<input type="checkbox"/> Collect on Delivery Restricted Delivery	<input type="checkbox"/> Signature Confirmation Restricted Delivery	<input type="checkbox"/> Registered Mail		<input type="checkbox"/> Registered Mail Restricted Delivery (over \$500)	
<input type="checkbox"/> Adult Signature	<input type="checkbox"/> Priority Mail Express®																	
<input type="checkbox"/> Adult Signature Restricted Delivery	<input type="checkbox"/> Registered Mail™																	
<input type="checkbox"/> Certified Mail®	<input type="checkbox"/> Registered Mail Restricted Delivery																	
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<input type="checkbox"/> Collect on Delivery	<input type="checkbox"/> Signature Confirmation™																	
<input type="checkbox"/> Collect on Delivery Restricted Delivery	<input type="checkbox"/> Signature Confirmation Restricted Delivery																	
<input type="checkbox"/> Registered Mail																		
<input type="checkbox"/> Registered Mail Restricted Delivery (over \$500)																		
2. Article Number (<i>Transfer from service label</i>)	Domestic Return Receipt																	
7020 0640 0000 9346 7693																		
PS Form 3811, July 2015 PSN 7530-02-000-9053																		

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: _____ OGRID Number: _____
 Well Name: _____ API: _____
 Pool: _____ Pool Code: _____

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

<u>FOR OCD ONLY</u>	
<input type="checkbox"/>	Notice Complete
<input type="checkbox"/>	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.

 Print or Type Name

Date

 Signature

Phone Number

e-mail Address

From: [Marshall Bates](#)
To: [McClure, Dean, EMNRD](#)
Subject: RE: surface commingling application PLC-745
Date: Monday, July 12, 2021 11:09:10 AM
Attachments: [D86F4284E6E14925BAE1E77BECF35368F3272541321.png](#)
[State H Administrative.pdf](#)

Dean,

Also, here is the administrative application checklist attached.

Thank you,

Marshall Bates | Engineering Tech

forty acres energy

11757 Katy Freeway, Suite 1000 | Houston, TX 77079

O [832.241.8080 \(ext. 161\)](tel:832.241.8080)

C [713.253.2885](tel:713.253.2885)

E marshall@faenergyus.com

From: [Marshall Bates](#)
Sent: Monday, July 12, 2021 11:58 AM
To: [McClure, Dean, EMNRD](#)
Subject: RE: surface commingling application PLC-745

Dean,

Just an update on this application – we will likely do an affidavit of publication here because we did not hear back from Sonic. However, this has been approved by the NMSLO – tracking number on that is 7020 0640 0000 9346 5552.

Thank you,

Marshall Bates | Engineering Tech

forty acres energy

11757 Katy Freeway, Suite 1000 | Houston, TX 77079

O [832.241.8080 \(ext. 161\)](tel:832.241.8080)

C [713.253.2885](tel:713.253.2885)

E marshall@faenergyus.com

From: [McClure, Dean, EMNRD](#)
Sent: Friday, April 30, 2021 7:11 AM
To: [Marshall Bates](#)
Subject: surface commingling application PLC-745

Mr. Bates,

I am reviewing surface commingling application PLC-745 which involves the State H Compression System

operated by FAE II Operating, LLC (329326).

Please fill out and return the attached admin checklist.

Please confirm that the following persons have received notification of this application:

	Quanah Exploration, LLC	7020 0640 0000 9346 8935	Returned
2/25/2021	Sonic Oil & Gas LP	7020 0640 0000 9346 8928	Attempt
	SLO	Unknown	

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

From: [Engineer, OCD, EMNRD](#)
To: [Marshall Bates](#)
Cc: [McClure, Dean, EMNRD](#); [Simmons, Kurt, EMNRD](#); [Bratcher, Mike, EMNRD](#); [Kautz, Paul, EMNRD](#); [Hawkins, James, EMNRD](#); [Powell, Brandon, EMNRD](#); [lisa@rwbyram.com](#); [Holm, Anchor E.](#); [Dawson, Scott](#)
Subject: Approved Administrative Order PLC-745
Date: Wednesday, August 18, 2021 1:15:05 PM
Attachments: [PLC745 Order.pdf](#)

NMOCD has issued Administrative Order PLC-745 which authorizes FAE II Operating, LLC (329326) to surface commingle or off-lease measure, as applicable, the following wells:

Well API	Well Name	Location (NMPM)	Pool Code
30-025-25431	Citgo SE State #1	H-17-22S-36E	24130
30-025-25546	Citgo SE State #2	A-17-22S-36E	24130
30-025-08934	State H #2	H-17-22S-36E	33820
30-025-29961	State H #3	G-17-22S-36E	33820
30-025-34529	State H #5	A-17-22S-36E	33820
30-025-38259	State H #6	B-17-22S-36E	33820

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

Notice

Order: **PLC-745**

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

Publication Date:

Date Sent:

Noticed Persons

Date	Person	Certified Tracking Number	Status
3/9/2021	State of New Mexico Taxation & Revenue Departm	7020 0640 0000 9346 8959	Delivered
3/12/2021	Doyle Hartman	7020 0640 0000 9346 8942	Delivered
	Quanah Exploration, LLC	7020 0640 0000 9346 8935	Returned
2/25/2021	Sonic Oil & Gas LP	7020 0640 0000 9346 8928	Attempt
	SLO	Unknown	
Notice sent prior to 5/13/2021			
5/13/2021	Quanah Exploration, LLC	7020 0640 0000 9346 7693	Delivered
Notice sent prior to 6/15/2021			
6/15/2021	SLO	7020 0640 0000 9346 5552	Delivered
Email sent on 7/12/2021			
7/12/2021	Sonic Oil & Gas LP	Email	Delivered

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

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

ORDER NO. PLC-745

ORDER

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

FINDINGS OF FACT

1. FAE II Operating, LLC (“Applicant”) submitted a complete application to surface commingle the gas production from the pools, leases, and wells identified in Exhibit A (“Application”).
2. Applicant proposed a method to allocate the gas production to the pools, leases, and wells to be commingled.
3. To the extent that ownership is identical, Applicant submitted a certification by a licensed attorney or qualified petroleum landman that the ownership in the pools, leases, and wells to be commingled is identical as defined in 19.15.12.7(B) NMAC.
4. To the extent that ownership is diverse, Applicant provided notice of the Application to all persons owning an interest in the gas production to be commingled, including the owners of royalty and overriding royalty interests, regardless of whether they have a right or option to take their interests in kind, and those persons either submitted a written waiver or did not file an objection to the Application.
5. Applicant provided notice of the Application to the Bureau of Land Management (“BLM”) or New Mexico State Land Office (“NMSLO”), as applicable.
6. Applicant certified the commingling of gas production from the pools, leases, and wells will not in reasonable probability reduce the value of the gas production to less than if it had remained segregated.

CONCLUSIONS OF LAW

7. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, §§ 70-2-6, 70-2-11, 70-2-12, 70-2-16, and 70-2-17, 19.15.12 NMAC, and 19.15.23 NMAC.
8. Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10(A)(2), (C)(4)(c), and (C)(4)(e) NMAC, as applicable.
9. Applicant satisfied the notice requirements for the Application in accordance with 19.15.23.9(A)(5) and (6) NMAC, as applicable.

10. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.10(B)(1) or (C)(1) NMAC, as applicable.
11. Commingling of gas production from state, federal, or tribal leases shall not commence until approved by the BLM or NMSLO, as applicable, in accordance with 19.15.12.10(B)(3) and (C)(4)(h) NMAC.
12. 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 surface commingle gas production from the pools, leases, and wells identified in Exhibit A.

Applicant is authorized to store and measure gas production off-lease from the pools, leases, and wells identified in Exhibit A at a central tank battery described in Exhibit A.

2. The gas production for each well identified in Exhibit A shall be separated and metered prior to commingling.
3. Applicant shall measure and market the commingled gas at a central delivery point, central tank battery, or gas title transfer meter described in Exhibit A in accordance with this Order and 19.15.19.9 NMAC, provided however that if the gas is vented or flared, and regardless of the reason or authorization pursuant to 19.15.28.8(B) NMAC for such venting or flaring, Applicant shall measure or estimate the gas in accordance with 19.15.28.8(E) NMAC.
4. Applicant shall calibrate the meters used to measure or allocate gas production in accordance with 19.15.12.10(C)(2) NMAC.
5. If the commingling of gas production from any pool, lease, or well reduces the value of the commingled 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 surface commingling application to OCD to amend this Order to remove the pool, lease, or well whose gas production 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.
6. Applicant shall not commence commingling oil or gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.
7. 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).
8. 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**

DATE: 8/12/2021

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 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 19214

CONDITIONS

Operator: FAE II Operating LLC 11757 Katy Freeway, Suite 1000 Houston, TX 77079	OGRID: 329326
	Action Number: 19214
	Action Type: [C-107] Surface Commingle or Off-Lease (C-107B)

CONDITIONS

Created By	Condition	Condition Date
dmcclosure	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.	8/18/2021