

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- 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

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**
- [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☒ PLC ☐ PC ☐ OLS ☐ OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**
- [A] ☒ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☒ Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached
- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **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.

Marshall Bates
 Print or Type Name

MBates
 Signature

Engineering Tech
 Title

10/4/2021
 Date

Marshall@FAEnergyus.com
 e-mail Address

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. 725, 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	Price: <u>\$3.62/MMBTU</u>	Calculated Value of Commingled Production	Volumes
<u>79240 Jalmat</u>	<u>1.374</u>	<u>1.074</u>		<u>\$561/ Month</u>	<u>0 MMBTU</u>
<u>37240 Langlie Mattix</u>	<u>1.074</u>				<u>189 MMBTU</u>

- (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: 9/27/2021

TYPE OR PRINT NAME Marshall Bates TELEPHONE NO.: (832) 241-8080
E-MAIL ADDRESS: Marshall@FAEnergyus.com

fae II operating

September 28, 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 Jalmat and Langlie Mattix Pools for the Custer State #1, Langlie A State #3, and Possh #4 Wells at the Possh #4 CTB located in Unit Letter B, Sec. 36, T-24S, 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 Jalmat and Langlie Mattix Pools for its Custer State #1, Langlie A State #3, and Possh #4 wells located in Section 36 of T-24S, R-36E as shown on the map in Exhibit A. The wells are located on three separate leases. Exhibit B offers further detail on the relevant wells on the leases.

The attached battery diagrams, Exhibits C and D, are accurate schematics of the current facility and the proposed commingled facility, respectively. The Custer State #1 and Langlie A State #3 will have gas allocation meters manufactured and assembled in accordance with American Gas Association specifications. The Possh #4 gas production will be determined by subtracting the metered wells from the total production measured at the lease custody transfer meter. A new gas flowline will be laid from the Custer State #1 and Langlie A State #3 to the Possh #4 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

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Exhibit A – Lease Boundaries Map

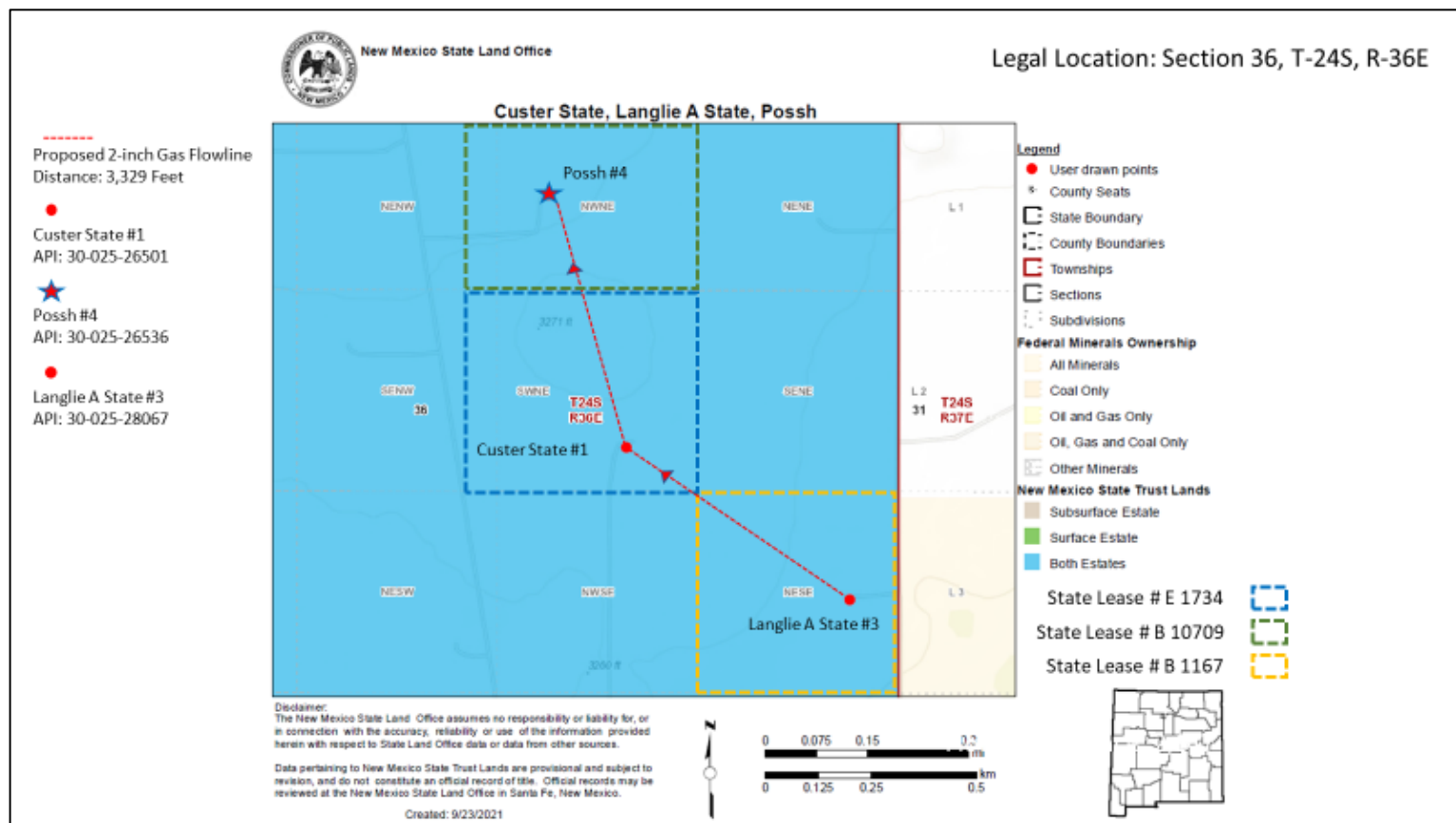
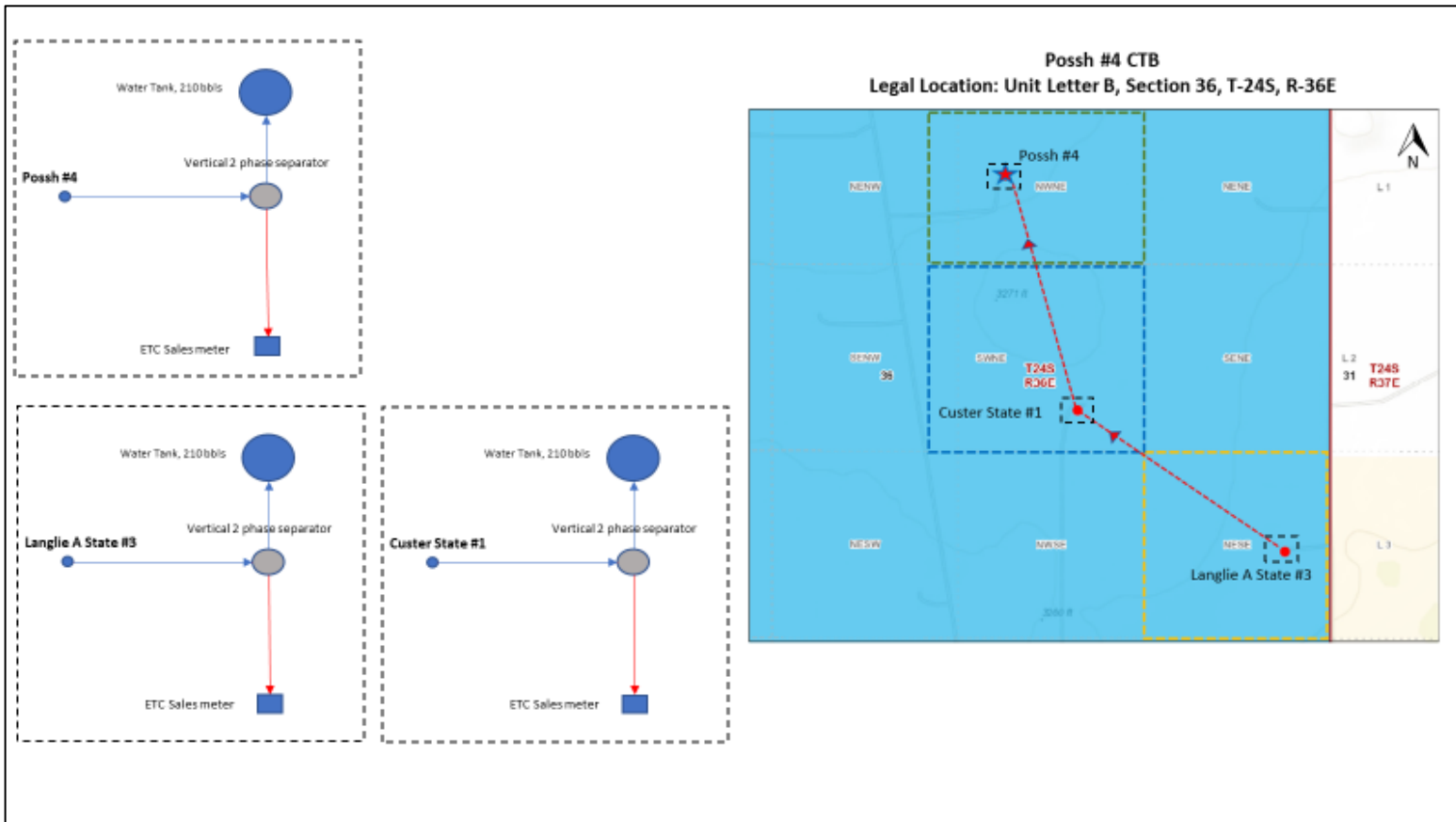


Exhibit B – Lease and Well Information

Well Name	Lease No.	API #	Pool ID
Custer State #1	E 1734	30-025-26501	79240 JALMAT; TAN-YATES-7 RVRS (GAS)
Langlie A State #3	B 1167	30-025-28067	79240 JALMAT; TAN-YATES-7 RVRS (GAS)
Possh #4	B 10709	30-025-26536	37240 LANGLIE MATTIX; 7 RVRS-Q-GRAYBURG

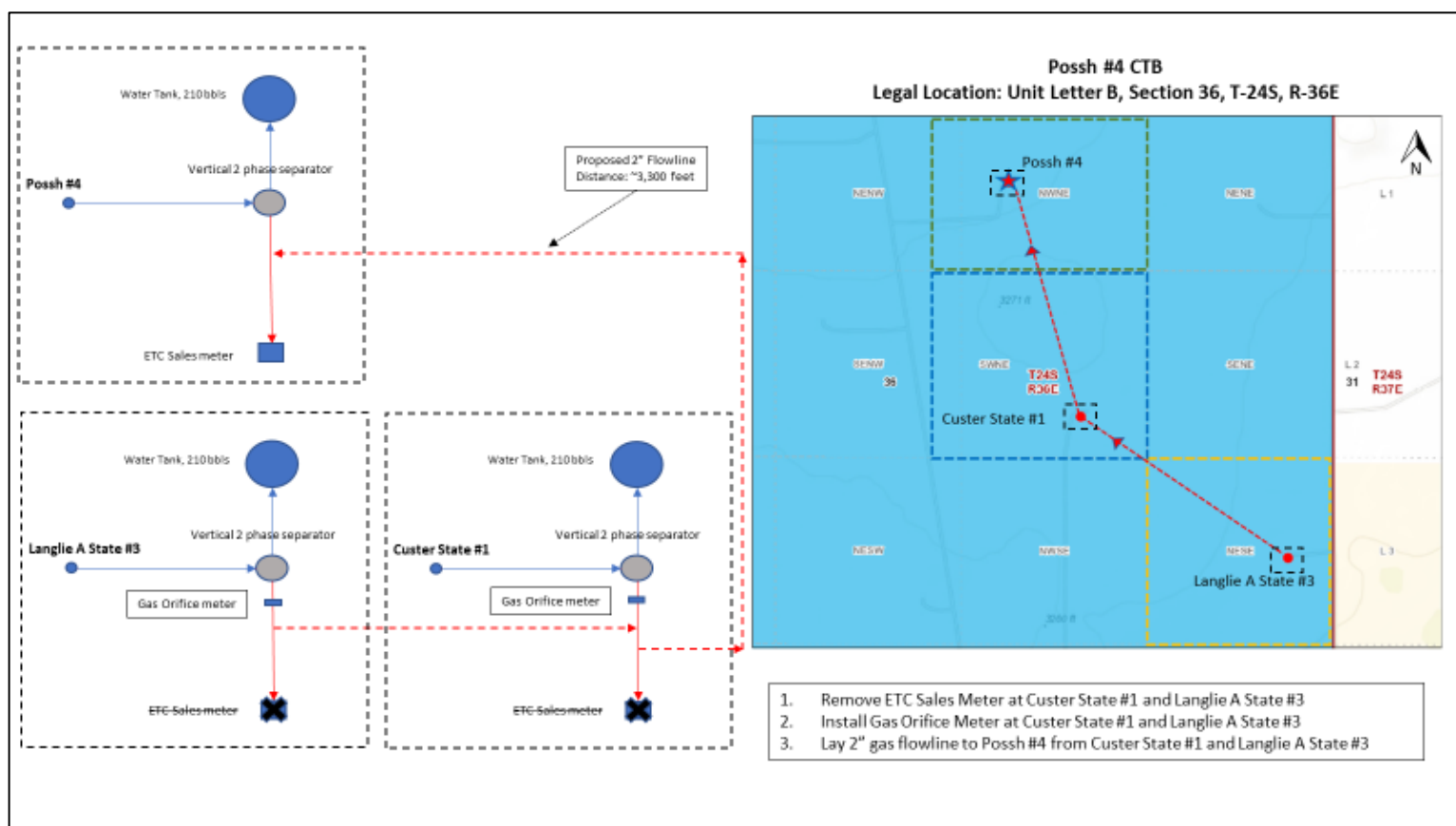
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Exhibit C – Current Facility Layout



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Exhibit D – Proposed Facility Layout



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Exhibit E – Ownership Information

Well Name(s)	Ownership Type	Name	Address
Clower State #1, Langlie A State #3 Possh #4	Working	FAE II Operating LLC	11757 Katy Fwy Ste. 725 Houston, TX 77079-1762
Clower State #1, Langlie A State #3 Possh #4	Royalty	State of New Mexico Commissioner of Public Lands	PO Box 1148 Santa Fe, NM 87504-1148
Custer State #1	Royalty	ConocoPhillips Co.	22295 Network Place Chicago, IL 60673-1222
Custer State #1	Royalty	Millard Deck Testamentary Trust	4800 E 42 nd St. Odessa, TX 79762
Langlie A State #3	Royalty	The McDaniel Company	12900 Preston Road, Suite 415 Dallas, TX 75231
Langlie A State #3	Royalty	Marjam Energy, LLC	10440 N. Central Express Way, Suite 1010 Dallas, TX 75231
Langlie A State #3	Royalty	Milagro Resources, LP	415 West Wall Avenue, Suite 1118 Midland, TX 79701
Langlie A State #3	Royalty	John F. Special	P.O. Box 369 Stillwater, OK 74076
Langlie A State #3	Royalty	Larry Bond	3501 French Park Drive, Suite G Edmond, OK 73034
Langlie A State #3	Royalty	Jimmie Eden Jr. Trust	P.O. Box 17 Stillwater, OK 74076
Langlie A State #3	Royalty	Legat LLC	6114 W. Canterbury Drive Stillwater, OK 74074
Possh #4	Royalty	Citation Oil & Gas	PO Box 200206 Dallas, TX 75320-0206

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Exhibit F – Certified Mail Receipts

U.S. Postal Service™ CERTIFIED MAIL® RECEIPT Domestic Mail Only	
For delivery information, visit our website at www.usps.com ®.	
OFFICIAL USE	
Certified Mail Fee \$ Extra Services & Fees (check box, add fee as appropriate) <input type="checkbox"/> Return Receipt (hardcopy) \$ <input type="checkbox"/> Return Receipt (electronic) \$ <input type="checkbox"/> Certified Mail Restricted Delivery \$ <input type="checkbox"/> Adult Signature Required \$ <input type="checkbox"/> Adult Signature Restricted Delivery \$ Postage \$ Total Postage and Fees \$	Postmark Here
Sent To Jimmie Eden Jr. Trust Street and Apt. No., or PO Box No. PO Box 17 City, State, ZIP+4® Stillwater, OK 74076 PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions	

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Sent To Legat, LLC Street and Apt. No., or PO Box No. 6114 W. Canterbury Drive City, State, ZIP+4® Stillwater, OK 74074 PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions	

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Sent To Mariam Energy, LLC Street and Apt. No., or PO Box No. 10440 N. Central Express Way City, State, ZIP+4® Dallas, TX 75231 PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions	

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Sent To Larry Bond Street and Apt. No., or PO Box No. 3501 French Park Drive Ste. G City, State, ZIP+4® Edmond, OK 73034 PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions	

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Sent To Milagro Resources, LP Street and Apt. No., or PO Box No. 415 West Wall Ave. Ste. 1118 City, State, ZIP+4® Midland, TX 79701 PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions	

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Sent To The McDaniel Company Street and Apt. No., or PO Box No. 12900 Preston Road, Ste. 415 City, State, ZIP+4® Dallas, TX 75231 PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions	

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7020 0640 0000 9346 4160

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<input type="checkbox"/> Return Receipt (electronic) \$	
<input type="checkbox"/> Certified Mail Restricted Delivery \$	
<input type="checkbox"/> Adult Signature Required \$	
<input type="checkbox"/> Adult Signature Restricted Delivery \$	
Postage \$	
Total Postage and Fees \$	
Sent To Citation Oil and Gas	
Street and Apt. No., or PO Box No. PO Box 200206	
City, State, ZIP+4® Dallas, TX 75320-0206	

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<input type="checkbox"/> Return Receipt (hardcopy) \$	
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<input type="checkbox"/> Certified Mail Restricted Delivery \$	
<input type="checkbox"/> Adult Signature Required \$	
<input type="checkbox"/> Adult Signature Restricted Delivery \$	
Postage \$	
Total Postage and Fees \$	
Sent To John F. Special	
Street and Apt. No., or PO Box No. PO Box 369	
City, State, ZIP+4® Stillwater, OK 74076	

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<input type="checkbox"/> Return Receipt (electronic) \$	
<input type="checkbox"/> Certified Mail Restricted Delivery \$	
<input type="checkbox"/> Adult Signature Required \$	
<input type="checkbox"/> Adult Signature Restricted Delivery \$	
Postage \$	
Total Postage and Fees \$	
Sent To ConocoPhillips Co.	
Street and Apt. No., or PO Box No. 22295 Network Place	
City, State, ZIP+4® Chicago, IL 60673-1222	

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

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<input type="checkbox"/> Return Receipt (hardcopy) \$	
<input type="checkbox"/> Return Receipt (electronic) \$	
<input type="checkbox"/> Certified Mail Restricted Delivery \$	
<input type="checkbox"/> Adult Signature Required \$	
<input type="checkbox"/> Adult Signature Restricted Delivery \$	
Postage \$	
Total Postage and Fees \$	
Sent To Millard Deck Testamentary Trust	
Street and Apt. No., or PO Box No. 4800 E. 42nd St	
City, State, ZIP+4® Odessa, TX 79762	

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

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<input type="checkbox"/> Return Receipt (electronic) \$	
<input type="checkbox"/> Certified Mail Restricted Delivery \$	
<input type="checkbox"/> Adult Signature Required \$	
<input type="checkbox"/> Adult Signature Restricted Delivery \$	
Postage \$	
Total Postage and Fees \$	
Sent To Commissioner of Public Lands	
Street and Apt. No., or PO Box No. PO Box 1148	
City, State, ZIP+4® Santa Fe, NM 87504-1148	

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

Well Name(s)	Ownership Type	Name	Address	Tracking Numbers
Clower State #1, Langlie A State #3 Possh #4	Working	FAE II Operating LLC	11757 Katy Fwy Ste. 725 Houston, TX 77079-1762	
Clower State #1, Langlie A State #3 Possh #4	Royalty	State of New Mexico Commissioner of Public Lands	PO Box 1148 Santa Fe, NM 87504-1148	7020 0640 0000 9346 3985
Custer State #1	Royalty	ConocoPhillips Co.	22295 Network Place Chicago, IL 60673-1222	7020 0640 0000 9346 4173
Custer State #1	Royalty	Millard Deck Testamentary Trust	4800 E 42 nd St. Odessa, TX 79762	7020 0640 0000 9346 4166
Langlie A State #3	Royalty	The McDaniel Company	12900 Preston Road, Suite 415 Dallas, TX 75231	7020 0640 0000 9346 9929
Langlie A State #3	Royalty	Marjam Energy, LLC	10440 N. Central Express Way, Suite 1010 Dallas, TX 75231	7020 0640 0000 9346 9912
Langlie A State #3	Royalty	Milagro Resources, LP	415 West Wall Avenue, Suite 1118 Midland, TX 79701	7020 0640 0000 9346 9905
Langlie A State #3	Royalty	John F. Special	P.O. Box 369 Stillwater, OK 74076	7020 0640 0000 9346 9899
Langlie A State #3	Royalty	Larry Bond	3501 French Park Drive, Suite G Edmond, OK 73034	7020 0640 0000 9346 9882
Langlie A State #3	Royalty	Jimmie Eden Jr. Trust	P.O. Box 17 Stillwater, OK 74076	7020 0640 0000 9346 4203
Langlie A State #3	Royalty	Legat LLC	6114 W. Canterbury Drive Stillwater, OK 74074	7020 0640 0000 9346 4197
Possh #4	Royalty	Citation Oil & Gas	PO Box 200206 Dallas, TX 75320-0206	7020 0640 0000 9346 4180

NM State Land Office
Oil, Gas, & Minerals Division

STATE/STATE OR
STATE/FEE
Revised December 2021

COMMUNITIZATION AGREEMENT

ONLINE Version

KNOW ALL PERSONS BY THESE PRESENTS:

API #: 30-0 25 - 26501

STATE OF NEW MEXICO)
SS) Well Name: Custer State #001

COUNTY OF Lea)

THAT THIS AGREEMENT [which is NOT to be used for carbon dioxide or helium] is entered into as of (date before 1st production) February 1, 2023, by and between the parties subscribing, ratifying or consenting hereto, such parties hereinafter being referred to as "Parties hereto";

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by the Legislature, as set forth in Sec. 19-10-53, New Mexico Statutes, Annotated, 1978, in the interest of conservation of oil & gas and the prevention of waste to consent to and approve the development or operation of State Trust Lands under agreements made by lessees of oil & gas leases thereon, jointly or severally with other oil & gas lessees of State Trust Lands, or oil and gas lessees or mineral owners of privately owned or fee lands, for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof, or well-spacing unit, pursuant to any order, rule or regulation of the New Mexico Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department where such agreement provides for the allocation of the production of oil or gas from such pools or communitized areas on an acreage or other basis found by the Commissioner of Public Lands to be fair and equitable.

WHEREAS, the parties hereto, own working, royalty, or other leasehold interests or operating rights under the oil and gas leases and lands subject to this agreement, and all such State leases are required to remain in good standing and compliant with State laws, rules & regulations, which leases are more particularly described in the schedule attached hereto, marked Exhibit "A" and made a part hereof, for all purposes; and

WHEREAS, said leases, insofar as they cover the Jalmat; Tan-Yates-7 Rvrs (Gas) formation or pool as defined by the NMOCD, as further described on Exhibit "A" (hereinafter referred to as "said formation") in and under the land hereinafter described cannot be independently developed and operated in conformity with the well spacing program established for such formation in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this agreement for the purpose of developing, operating and producing hydrocarbons in the said formation in and under the land hereinafter described subject to the terms hereof.

ONLINE
version
December 9, 2021

State/State

1

NOW THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the undersigned as follows:

1. The lands covered by this agreement (hereinafter referred to as the "communitized area") are described as follows:

Subdivisions: SE4NW4, SW4NE4

Of Sect(s): 36 Twp: 24S Rng: 36E NMPM Lea County, NM

Containing 80 acres, more or less. It is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of hydrocarbons from the said formation in and under said land is necessary and advisable in order to properly develop and produce the hydrocarbons in the said formation beneath the said land in accordance with the well spacing rules of the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and in order to promote the conservation of the hydrocarbons in and that may be produced from said formation in and under said lands, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize for proration or spacing purposes only the leases and depths described in Exhibit "A" hereto insofar as they cover hydrocarbons within and that may be produced from the said formation (hereinafter referred to as "communitized substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the hydrocarbons in said formation beneath said lands.

Attached hereto and made a part of this agreement for all purposes, is Exhibit A showing the acreage, depths communitized and ownership (Lessees of Record) of all leases within the communitized area.

2. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.
3. Subject to Paragraph 5, the royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms of said leases shall not be affected by this agreement; and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended.

4. FAE II Operating, LLC shall be the Operator of the said communitized area and all matters of operation shall be determined and performed by FAE II Operating, LLC.
5. The State of New Mexico hereafter is entitled to the right to take in kind its share for the communitized substances allocated to such tract, and Operator shall make deliveries of such royalty share taken in kind in conformity with applicable contracts, laws, and regulations.
6. There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the Operator be required to measure separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.
7. The commencement, completion, and continued operation or production of a well or wells of communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.
8. The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws. This agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if compliance is prevented by or if such failure results from compliance with any such laws, orders, rules and regulations.
9. This agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in paying quantities, and so long as all State leases remain in good standing with all State laws, rules, and regulations; provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such a well is shut-in due to the inability of the Operator to obtain a pipeline connection or to market the gas therefrom, and if either: (a) a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease; or (b) each of the State of New Mexico oil and gas leases covering lands subject to this agreement is in its primary term (if a five-year lease), or in its primary or secondary term (if a ten-year lease), or is held by production from another well. Provided further, however, that prior to production in paying quantities from the communitized

area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production of communitized substances if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence. As to State Trust Lands, written notice of intention to commence such operations shall be filed with the Commissioner of Public Lands within thirty (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

10. Operator will furnish the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and the Commissioner of Public Lands of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.

11. It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.

12. If any order of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, upon which this agreement is predicated or based is in anyway changed or modified, then in such event said agreement is likewise modified to conform thereto.

13. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instruments, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

OPERATOR: FAZ II Operating, LLC

OPERATOR: FAE II Operating, LLC

BY: Huxley Song (Name and Title of Authorized Agent)

[Signature] (Signature of Authorized Agent)

Acknowledgment in an Individual Capacity

State of _____)
County of _____)

This instrument was acknowledged before me on

Date

By

Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in an Representative Capacity

State of Texas)
County of Harris)

This instrument was acknowledged before me on

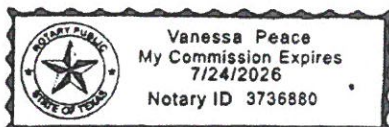
Date : 11/30/2022

By: Huxley Song

Name(s) of Person(s)

(Seal)

Signature of Notarial Officer



My commission expires: 7-24-2026

ONLINE
version
December 9, 2021

State/State

5

Lease # and Lessee of Record: E0-1734-0000 ConocoPhillips CompanyBY: Ryan D. Owen, Attorney-In-Fact (Name and Title of Authorized Agent)

Ry D. L (Signature of Authorized Agent) *man*
JH

Acknowledgment in an Individual Capacity

State of Texas)
 County of Midland) SS)

This instrument was acknowledged before me on

Date 11/2/2023 *nt*

By

Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

My commission expires: _____

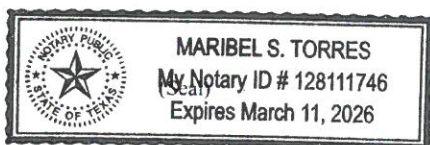
Acknowledgment in an Representative Capacity

State of Texas)
 County of Midland) SS)

This instrument was acknowledged before me on

Date: 1/12/2023By: Ryan D. Owen

Name(s) of Person(s)



Maribel Torres
 Signature of Notarial Officer

My commission expires: 3/11/2026

Lease # and Lessee of Record: E0-1734-0000 ConocoPhillips CompanyBY: Ryan D. Owen, Attorney-In-Fact (Name and Title of Authorized Agent)

Ry D L (Signature of Authorized Agent) *mm*
JH

Acknowledgment in an Individual Capacity

State of _____)
 County of _____)

This instrument was acknowledged before me on

Date

By

Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

My commission expires: _____

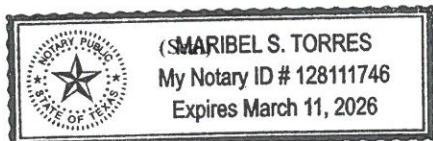
Acknowledgment in an Representative Capacity

State of Texas)
 County of Midland)

This instrument was acknowledged before me on

Date: 1/12/2023By: Ryan D. Owen

Name(s) of Person(s)



Maribel S. Torres
 Signature of Notarial Officer

My commission expires: 3/11/2026

ONLINE
 version
 December 9, 2021

State/State

6

Lease # and Lessee of Record: E0-1734-0000 ConocoPhillips CompanyBY: Ryan D. Owen, Attorney-In-Fact (Name and Title of Authorized Agent)

Ryan D. Owen (Signature of Authorized Agent) *JH*

Acknowledgment in an Individual Capacity

State of _____)
 County of _____)

This instrument was acknowledged before me on

Date

By

Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

My commission expires: _____

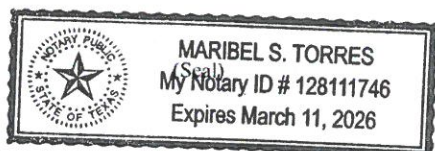
Acknowledgment in an Representative Capacity

State of Texas)
 County of Midland)

This instrument was acknowledged before me on

Date: 4/12/2023By: Ryan D. Owen

Name(s) of Person(s)



Maribel S. Torres
 Signature of Notarial Officer

My commission expires: 3/11/2026

ONLINE
 version
 December 9, 2021

State/State

6

EXHIBIT A

Attached to and made a part of that Communitization Agreement dated February 1, 2023
by and between FAE II Operating, LLC, (Operator) ConocoPhillips Company,
FAE II Operating, LLC,
_____, (Record Title Holders/Lessees of Record) covering
the Subdivisions: SE4NW4, SW4NE4
Sect(s): 36, Twnshp 24S, Rng: 36E, NMPM Lea County, NM
Limited in depth from _____ ft to _____ ft. (enter here what is granted in pooling order if
applicable)
OPERATOR of Communitized Area: FAE II Operating, LLC

DESCRIPTION OF LEASES COMMITTED:**TRACT NO. 1**

Lessor: _____ State of New Mexico acting by and through its Commissioner of Public Lands

Lessee of Record: FAE II Operating, LLC

Serial No. of Lease: B0-1167-0078 Date of Lease: 9-15-1932

Description of Lands Committed:

Subdivisions: SE4NW4

Sect(s): 36 Twnshp: 24S, Rng: 36E NMPM Lea County NM

No. of Acres: 40

TRACT NO. 2

Lessor: _____ State of New Mexico acting by and through its Commissioner of Public Lands

Lessee of Record: ConocoPhillips Company

Serial No. of Lease: E0-1734-0000 Date of Lease: 2-10-1948

Description of Lands Committed:

Subdivisions: SW4NE4

Sect(s): 36 Twnshp: 24S Rng: 36E NMPM Lea County, NM

No. of Acres: 40

ONLINE
version
August, 2021

State/State

8

TRACT NO. 3

Lessor: _____

Lessee of Record: _____

Serial No. of Lease: _____ Date of Lease: _____

Description of Lands Committed: _____

Subdivisions: _____

Sect(s): _____ Twnshp: _____ Rng: _____ NMPM _____ County, NM

No. of Acres: _____

TRACT NO. 4

Lessor: _____

Lessee of Record: _____

Serial No. of Lease: _____ Date of Lease: _____

Description of Lands Committed: _____

Subdivisions: _____

Sect(s): _____ Twnshp: _____ Rng: _____ NMPM _____ County, NM

No. of Acres: _____

RECAPITULATION

Tract number	Number of Acres Committed	Percentage of Interest In Communitized Area (Must equal 100%)
No. 1	<u>40</u>	<u>50%</u>
No. 2	<u>40</u>	<u>50%</u>
No. 3	_____	_____
No. 4	_____	_____
TOTALS	<u>80</u>	<u>100%</u>

From: [McClure, Dean, EMNRD](#) on behalf of [Engineer, OCD, EMNRD](#)
To: [Vanessa Peace](#)
Cc: [McClure, Dean, EMNRD](#); [Kautz, Paul, EMNRD](#); [Wrinkle, Justin, EMNRD](#); [Powell, Brandon, EMNRD](#); lisa@rwbyram.com; [Dawson, Scott](#)
Subject: Approved Administrative Order PLC-832
Date: Friday, January 20, 2023 3:28:09 PM
Attachments: [PLC832 Order.pdf](#)

NMOCD has issued Administrative Order PLC-832 which authorizes FAE II Operating, LLC (329326) to surface commingle or off-lease measure, as applicable, the following wells:

Well API	Well Name	UL or Q/Q	S-T-R	Pool
30-025-26501	Custer State #1	F G	36-24S-36E	79240
30-025-28067	Langlie A State #3	H I	36-24S-36E	79240
30-025-26536	Possh #4	B	36-24S-36E	37240

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

From: [Vanessa Peace](#)
To: [McClure, Dean, EMNRD](#)
Cc: [Tyler Van Howe](#); [Zachary James](#)
Subject: RE: [EXTERNAL] RE: surface commingling application PLC-832
Date: Friday, January 13, 2023 1:54:33 PM
Attachments: [image001.png](#)
[Custer State #001 CA - Fully Executed.pdf](#)

Good Afternoon, Dean,

Attached please find the fully executed Custer State #001 Communitization Agreement.

Please let me know if you need any additional information.

Thank you, Vanessa

From: McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>
Sent: Wednesday, December 14, 2022 11:01 AM
To: Vanessa Peace <vpeace@faenergyus.com>; Colleen Bradley <colleen@faenergyus.com>
Cc: Tyler Van Howe <tyler@faenergyus.com>
Subject: RE: [EXTERNAL] RE: surface commingling application PLC-832

Hello Vanessa,

Thank you for the update.

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

From: Vanessa Peace <vpeace@faenergyus.com>
Sent: Tuesday, December 13, 2022 2:24 PM
To: McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>; Colleen Bradley <colleen@faenergyus.com>
Cc: Tyler Van Howe <tyler@faenergyus.com>
Subject: RE: [EXTERNAL] RE: surface commingling application PLC-832

Good Afternoon, Dean,

The CA has been emailed to ConocoPhillips for their signature. I wasn't sure to whom to send, so I asked Baylen for his recommendation. He recommended sending to Ocean Munds-Dry, their regulatory council. I am hopeful she will sign or pass me to the correct person within ConocoPhillips who can handle for us. I will keep you posted on our progress and will email you the fully executed CA as soon as I have available.

Thank you, Vanessa

Vanessa Peace/*Land Analyst*

forty acres energy

11757 Katy Freeway, Suite 725 | Houston, TX 77079

O 832.219.0809

E vpeace@faenergyus.com

From: McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>
Sent: Monday, December 12, 2022 2:44 PM
To: Colleen Bradley <colleen@faenergyus.com>
Cc: Vanessa Peace <vpeace@faenergyus.com>; Tyler Van Howe <tyler@faenergyus.com>
Subject: RE: [EXTERNAL] RE: surface commingling application PLC-832

Please provide a status update on the topic below.

Dean McClure
Petroleum Engineer, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department

(505) 469-8211

From: Colleen Bradley <colleen@faenergyus.com>
Sent: Tuesday, November 22, 2022 3:23 PM
To: McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>
Cc: Vanessa Peace <vpeace@faenergyus.com>; Tyler Van Howe <tyler@faenergyus.com>
Subject: RE: [EXTERNAL] RE: surface commingling application PLC-832

Thank you for your time this afternoon, Dean!

As discussed, Vanessa Peace and Tyler Howe are the primary contact(s) for surface commingling applications. Vanessa Peace is out of the office this week, which is why I reached out today.

I will reach out to Baylen Lamkin with the NMSLO to discuss filing a new CA. Thank you for holding on to our application in the interim.

Thank you,

Colleen Bradley | Landman
Forty Acres Energy, LLC
11757 Katy Freeway, Suite 725 | Houston, TX 77079
colleen@faenergyus.com
(806) 928-4068

From: McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>
Sent: Tuesday, November 22, 2022 11:49 AM
To: Colleen Bradley <colleen@faenergyus.com>; Tyler Van Howe <tyler@faenergyus.com>
Cc: Vanessa Peace <vpeace@faenergyus.com>
Subject: RE: [EXTERNAL] RE: surface commingling application PLC-832

Hello Colleen,

I've reached out to Baylen Lamkin with the NMSLO and he confirms that the CA in question has been terminated. It sounds like he had responded to Vanessa Peace yesterday regarding how to make it active again.

Hello Tyler,

In response to your email, for purposes of part 12 of the NMAC (commingling), the "lease" which is being authorized to be commingled is the CA. In circumstances in which approval of the proposed CA may be delayed, then the Division has approved orders with allocation stipulated to the leases which make up the proposed CA and the consideration that the order will self terminate should the CA be rejected or the configuration of it be altered from what was presented to the Division.

With consideration that Britney Storfa is no longer working for FAE, who or whom should I use as the primary contact(s) for surface commingling applications?

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

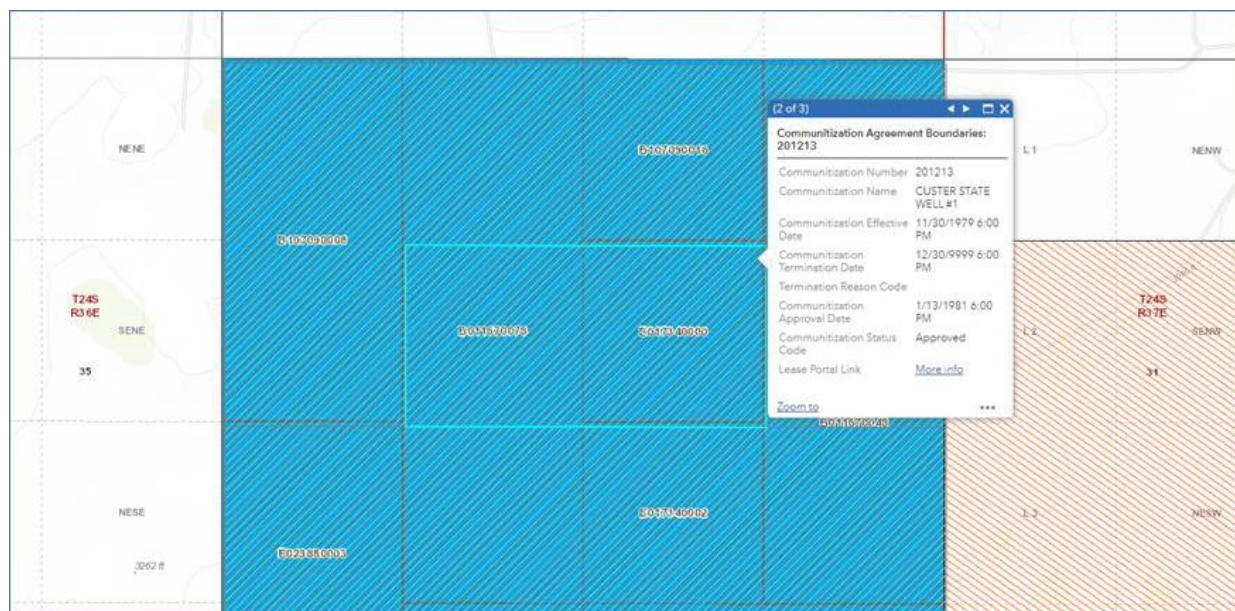
From: Colleen Bradley <colleen@faenergyus.com>
Sent: Tuesday, November 22, 2022 9:37 AM
To: McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>
Subject: [EXTERNAL] RE: surface commingling application PLC-832

CAUTION: This email originated outside of our organization. Exercise caution prior to clicking on links or opening attachments.

Hi, Dean!

I apologize for the delayed response, Britney Storfa is no longer with Forty Acres, I was forwarded your correspondence below regarding the Custer State #001 CA. On the NMSLO ArcGIS Web Lease Portal it shows that the said CA is still active. Please see screenshot below.

I may be misinterpreting your emails below, and I want to make sure I provide you with the information you need. Can you please let me know how I can solve this issue. If you are available for a brief phone call to discuss, please let me know.



Thank you,

Colleen Bradley | Landman
Forty Acres Energy, LLC
11757 Katy Freeway, Suite 725 | Houston, TX 77079
colleen@faenergyus.com
(806) 928-4068

From: Brittney Storfa <brittney@faenergyus.com>
Sent: Friday, November 18, 2022 1:47 PM
To: Vanessa Peace <vpeace@faenergyus.com>
Subject: FW: surface commingling application PLC-832

From: McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>
Sent: Friday, November 18, 2022 1:42 PM
To: Brittney Storfa <brittney@faenergyus.com>
Cc: Wrinkle, Justin, EMNRD <Justin.Wrinkle@emnrd.nm.gov>
Subject: RE: surface commingling application PLC-832

Ms. Storfa,

Please provide a status update regarding the request for additional information included in this email chain.

Please note that failure to take steps to address each of the topics addressed in this email within 10 business days of receipt of this email may result in the Division rejecting the application requiring the submittal of a new application by the applicant once the topics have been fully addressed.

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

From: McClure, Dean, EMNRD

Sent: Thursday, November 10, 2022 2:55 PM
To: Brittney Storfa <brittney@faenergyus.com>
Cc: Wrinkle, Justin, EMNRD <Justin.Wrinkle@emnrd.nm.gov>
Subject: surface commingling application PLC-832

Ms. Storfa,

I am reviewing surface commingling application PLC-832 which involves a commingling project that includes the Possh 4 Central Tank Battery and is operated by FAE II Operating, LLC (329326).

It appears that the CA for the Custer State #1 (30-025-26501) has been terminated by the NMSLO. Please provide the current status of this CA.

CA Tansill Yates 7 Rivers NMSLO (Terminated)	F G	36-24S-36E
----------------------------------------------	-----	------------

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 SURFACE COMMINGLING
SUBMITTED BY FAE II OPERATING, LLC**

ORDER NO. PLC-832

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) NMAC, 19.15.12.10.C.(4)(c) NMAC, and 19.15.12.10.C.(4)(e) NMAC, as applicable.

9. Applicant satisfied the notice requirements for the Application in accordance with 19.15.23.9.A.(5) NMAC and 19.15.23.9.A.(6) NMAC, as applicable.
10. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.10.B.(1) NMAC or 19.15.12.10.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) NMAC and 19.15.12.10.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 or gas title transfer meter described in Exhibit A.

2. Gas production for Custer State No. 1 (30-025-26501) and Langlie A State No. 3 (30-025-28067) shall be allocated using allocation meters for each.

The gas production allocated to Possh No. 4 (30-025-26536) shall be equal to the total commingled gas production minus the gas production allocated to Custer State No. 1 (30-025-26501) and Langlie A State No. 3 (30-025-28067).

3. Applicant shall measure and market the commingled gas at a well pad, 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**



**DYLAN M. FUGE
DIRECTOR (ACTING)**

DATE: 1/20/23

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: **PLC-832**

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

Central Tank Battery: **Possh 4 Central Tank Battery**

Central Tank Battery Location: **UL B, Section 36, Township 24 South, Range 36 East**

Gas Title Transfer Meter Location: **UL B, Section 36, Township 24 South, Range 36 East**

Pools

Pool Name	Pool Code
LANGLIE MATTIX; 7 RVRS-Q-GRAYBURG	37240
JALMAT; TAN-YATES-7 RVRS (GAS)	79240

Leases as defined in 19.15.12.7(C) NMAC

Lease	UL or Q/Q	S-T-R
B0 11670048	H I	36-24S-36E
B1 07090016	B	36-24S-36E
CA Tansill Yates 7 Rivers NMSLO	F G	36-24S-36E

Wells

Well API	Well Name	UL or Q/Q	S-T-R	Pool
30-025-26501	Custer State #1	F G	36-24S-36E	79240
30-025-28067	Langlie A State #3	H I	36-24S-36E	79240
30-025-26536	Possh #4	B	36-24S-36E	37240

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 54085

CONDITIONS

Operator: FAE II Operating LLC 11757 Katy Freeway, Suite 725 Houston, TX 77079	OGRID: 329326
	Action Number: 54085
	Action Type: [C-107] Surface Commingle or Off-Lease (C-107B)

CONDITIONS

Created By	Condition	Condition Date
dmcclure	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.	1/20/2023