

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



WELCH RL STATE #5 -- 30-015-37314

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] *30-015-37314*
- [A] Location - Spacing Unit - Simultaneous Dedication *LRE operating LLC*
- NSL NSP SD
- Check One Only for [B] or [C] *Welch RL State, S*
- [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 _____

RECEIVED OGD
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- [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.

<u>Mike Pippin</u>	<u><i>Mike Pippin</i></u>	<u>Petroleum Engineer</u>	<u>July 19, 2013</u>
Print or Type Name	Signature	Title	Date

mike@pippinllc.com
e-mail Address

LRE OPERATING, LLC
Mike Pippin
3104 N. Sullivan Avenue
Farmington, NM 87401
505-327-4573 (phone) mike@pippinllc.com

July 19, 2013

NMOCD
c/o Phil Goetze
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: C-107A TO COMMINGLE TWO POOLS
WELCH RL STATE #5– API#: 30-015-37314
Unit Letter "F" Section 28 T17S R28E
Eddy County, New Mexico

Dear Mr. Goetze,

The referenced oil well was completed on December 11, 2009 in the Artesia, Glorieta-Yeso (96830). On 3/12/13, the well was recompleted into the Red Lake, San Andres (97253) with the lower zone shut-in below a CBP. LRE would like to commingle these two pools by drilling out the CBPs, which currently segregate the two pools. Interests in these two pools are identical. A copy of this application has been submitted to the Commissioner of Public Lands.

The Yeso production test on 9/6/12 before the recompletion was 4 BOPD & 10 MCF/D. The latest test on the San Andres alone after the recompletion was on 6/20/13 for 15 BOPD and 31 MCF/D. We therefore recommend an allocation for the San Andres (upper zone) of 79% for oil and 76% for gas. For the Yeso (lower zone), we recommend 21% for oil and 24% for gas. See the attached calculations.

Please contact me at 505-327-4573 should you have any questions.

Very truly yours,



Mike Pippin

Petroleum Engineer

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

District II
1301 W. Grand Avenue, 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 June 10, 2003

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

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

WELCH RL STATE #5 F SEC. 28 T17S R28E Eddy
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 281994 Property Code 309873 API No. 30-015-37314 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	RED LAKE; -San Andres		ARTESIA: Glorieta-Yeso
Pool Code	97253		96830
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2030'-3010'		3416'-3510'
Method of Production (Flowing or Artificial Lift)	Pumping		Plan to Pump
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone.)	690 psi		851 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	34.8		38.32
Producing, Shut-In or New Zone	Producing		SI Below CBP
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 6/20/13 RATES: 15 BOPD 31 MCF/D	Date: Rates:	Date: 9/6/12 Rates: 4 BOPD 10 MCF/D
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil 79% Gas 76%	Oil % Gas %	Oil 21% Gas 24%

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 Mike Pippin TITLE Petroleum Engineer - Agent DATE July 19, 2013

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

E-MAIL ADDRESS mike@pippinllc.com

LRE OPERATING, LLC
 WELCH RL STATE #5
 Artesia; Glorieta-Yeso & Red Lake, San Andres
 F Section 28 T17S R28E
 7/18/2013
 API#: 30-015-37314

Commingle Allocation Calculations

On 12/11/09, the Yeso (lower zone) was completed as a new well. On 3/12/13, the well was recompleted into the San Andres (upper zone) with the lower zone shut-in below a CBP. The Yeso production test on 9/6/12 before the recompletion was 4 BOPD & 10 MCF/D. The latest test on the San Andres alone after the recompletion was on 6/20/13 for 15 BOPD & 31 MCF/D.

	Upper Zone (SA)	+	Lower Zone (YESO)	=	Total
Total Oil (bbls/d)	15	+	4	=	19
Total Gas (mcf/d)	31	+	10	=	41

OIL

Upper Zone (SA) = 15 BOPD
 Total oil = 19 BOPD
 % Upper Zone = $\frac{15}{19} = \underline{79\%}$

Lower Zone (Yeso) = 4 BOPD
 % Lower Zone = $\frac{4}{19} = \underline{21\%}$

GAS

Upper Zone (SA) = 31 mcf/d
 Total gas = 41 mcf/d
 % Upper Zone = $\frac{31}{41} = \underline{76\%}$

Lower Zone (Yeso) = 10 mcf/d
 % Lower Zone = $\frac{10}{41} = \underline{24\%}$

WELCH RL STATE #5

Current 7/19/13

Artesia; Glorieta-Yeso

Red Lake; San Andres

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

Spud: 11/11/09

12-1/4" hole

Yeso Completed: 12/11/09

San Andres Completed: 3/12/13

API#: 30-015-37314

Queen @ 1210'

Grayburg @ 1630'

San Andres @ 1918'

Glorieta @ 3315'

Yeso @ 3409'

7-7/8" hole

PBTD 3564'

TD 3625'

8-5/8" 24# Csg @ 390'
Cmt w/375 sx
Circ 125 sx cmt to Surface

2-7/8" tubing @ 3270'

Red Lake; San Andres Perfs:
2030'-3010'

3/8/13: Identified csg leak in
between 3050'-3364'.

3/7/13: Set 5-1/2" CBP @ 3330'.
Would not PT.

3/7/13: Set 5-1/2" CBP @ 3370'.
Would not PT.

Artesia; Glorieta-Yeso Perfs:
3416'-3510'

5-1/2" 17# Csg @ 3612'
Cmt with 750 sx
Circ 128 sx cmt to Surface

LRE OPERATING, LLC
Mike Pippin
3104 N. Sullivan Avenue
Farmington, NM 87401
505-327-4573 (phone) mike@pippinllc.com

July 19, 2013

New Mexico Commissioner of Public Lands
Attention: Pete Martinez
310 Old Santa Fe Trail
PO Box 1148
Santa Fe, NM 87504-1148

RE: Notification of Downhole Commingling
WELCH RL STATE #5 – API#: 30-015-37314
Unit Letter "F" Section 28 T17S R28E
Eddy County, New Mexico

Dear Mr. Martinez:

Lime Rock would like to commingle the existing, producing Red Lake, San Andres interval with the existing Artesia, Glorieta-Yeso interval, which is currently shut-in below a composite bridge plug. The designated acreage for the proposed commingle will be the southeast quarter of the northwest quarter of section 28.

This letter is to notify you that we have submitted the necessary application and supporting data to the New Mexico Oil Conservation Division. A check for \$30 is enclosed with this notification along with a copy of the State application.

Please contact me at 505-327-4573 should you have any questions.

Very truly yours,



Mike Pippin
Petroleum Engineer

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 June 19, 2008

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

WELL API NO. 30-015-37314
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name WELCH RL STATE
8. Well Number #5
9. OGRID Number 281994
10. Pool name or Wildcat: Red Lake, San Andres (97253) Artesia, Glorieta-Yeso (96830)

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other

2. Name of Operator
LRE OPERATING, LLC.

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

4. Well Location
 Unit Letter F : 1650 feet from the NORTH line and 2310 feet from the WEST line
 Section 28 Township 17-S Range 28-E NMPM Eddy County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3626' GL

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

NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPL <input type="checkbox"/> DOWNHOLE COMMINGLE <input checked="" type="checkbox"/>		SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> P AND A <input type="checkbox"/> CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: <u>Commingle Two Existing Intervals</u> <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

LRE would like to commingle the two existing intervals in this oil well by drilling out the two CBPs @ 3330' & 3370'. After the well is cleaned out to PBSD, land 2-7/8" 6.5# J-55 tbg @ ~3520'. Run pump & rods. Any flow-back will be a closed loop system. This work will not commence until the C-107A commingle application in the Santa Fe OCD office has been approved.

Spud Date: 11/11/09 Drilling Rig Release Date: 11/21/09

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

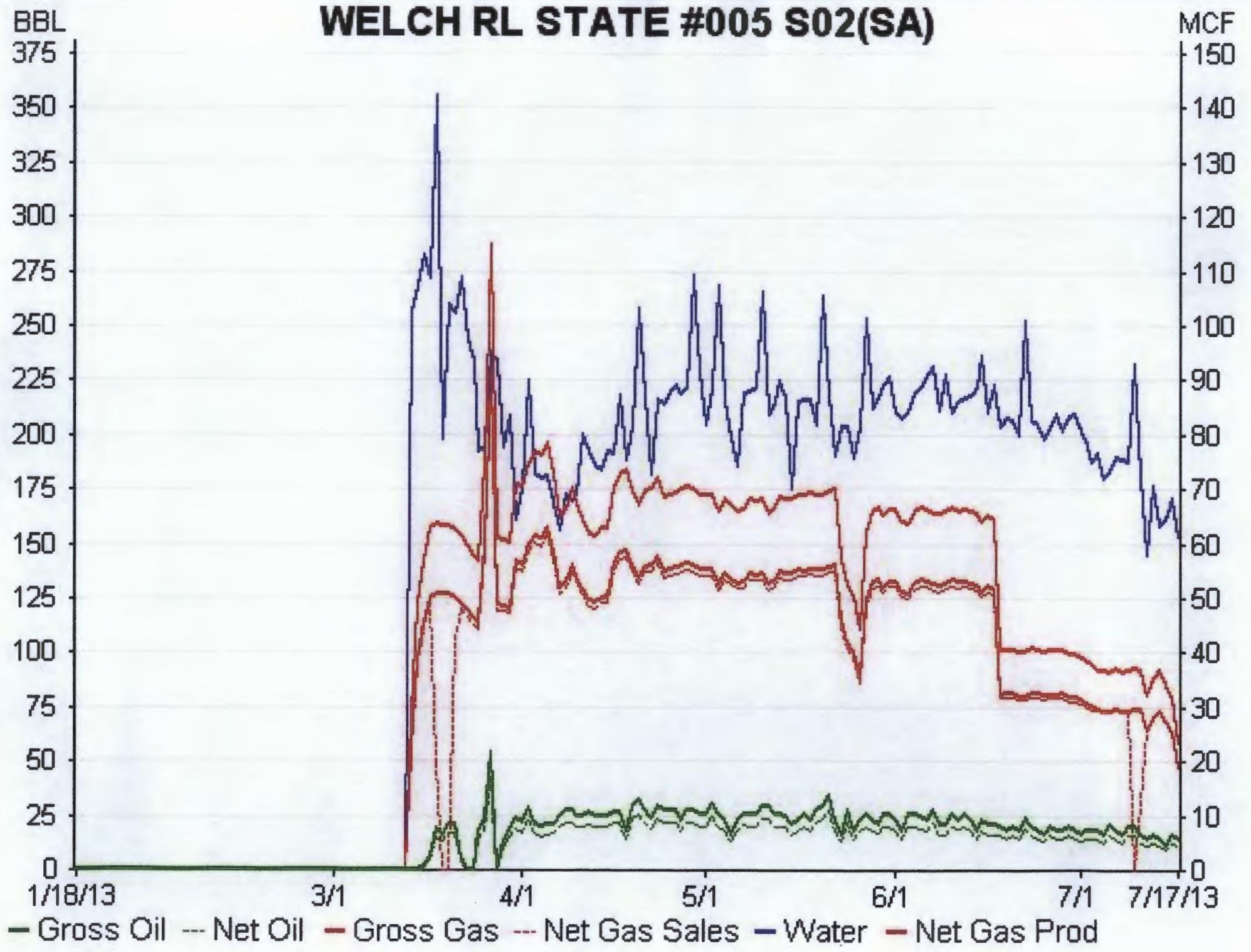
SIGNATURE *Mike Pippin* TITLE Petroleum Engineer - Agent DATE 7/19/13
 Type or print name Mike Pippin E-mail address: mike@pippinllc.com PHONE: 505-327-4573

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

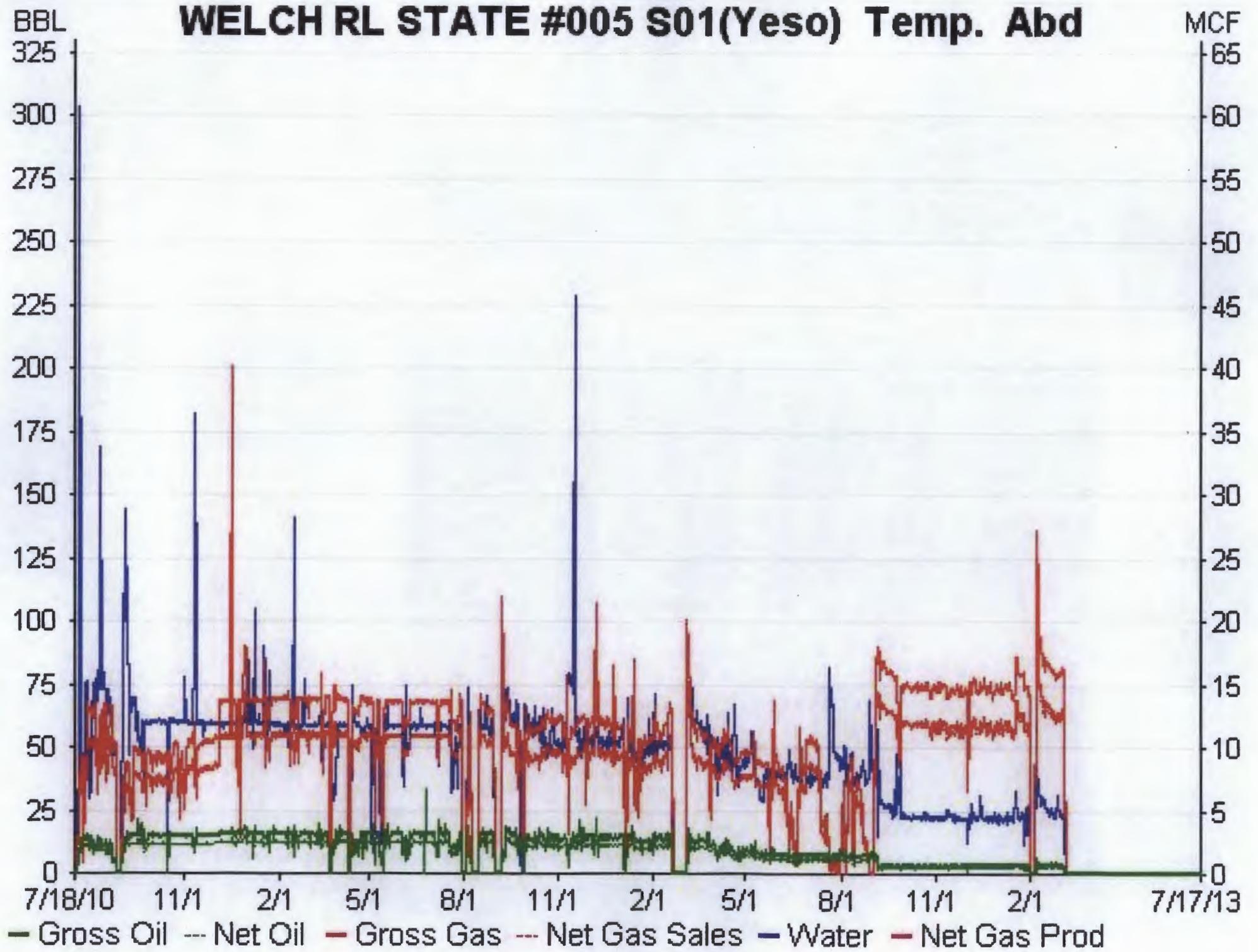
Conditions of Approval (if any): _____

WELCH RL STATE #005 S02(SA)



— Gross Oil -- Net Oil - Gross Gas - Net Gas Sales - Water - Net Gas Prod

WELCH RL STATE #005 S01(Yeso) Temp. Abd



— Gross Oil -- Net Oil - Gross Gas - Net Gas Sales - Water - Net Gas Prod

DISTRICT I
1625 N. FRANCES DR., BOHES, NM 88240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-015-37314	Pool Code 96830	Pool Name Artesia; Glorita-Yeso
Property Code 305450	Property Name WELCH RL STATE	Well Number 5
OGRID No. 255333	Operator Name LIME ROCK RESOURCES A, L.P.	Elevation 3626'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	28	17-S	28-E		1650	NORTH	2310	WEST	EDDY

Bottom Hole Location If Different From Surface

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

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p style="text-align: center;">GEODETTIC COORDINATES NAD 27 NME Y=657654.4 N X=546714.9 E LAT.=32.807888° N LONG.=104.181289° W</p>	<p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p><i>George R. Smith</i> 10/05/09 Signature Date George R. Smith, POA agent Printed Name</p>
	<p>SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p style="text-align: center;">RONALD J. EIDSON SEPTEMBER 14 2009</p> <p>Date Surveyed _____ LA Signature & Seal of Professional Surveyor <i>Ronald J. Eidson</i> 922-09 09-11-0843</p>
	<p>Certificate No. GARY EIDSON 12841 RONALD J. EIDSON 3239</p>

