SUSPENSE DATE IN

ENGINEER

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TYPE CTB

APP NO. pDM2014859

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 |
|---|
| plication 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] |
| |

| Applica | [DHC-Down [PC-Poo | the continuity of the continui | | | | | |
|-----------------|---|--|--|--|--|--|--|
| [1] | TYPE OF APPLICATION - Check Those Which Apply for [A] [A] Location - Spacing Unit - Simultaneous Dedication [] NSL [] NSP [] SD | | | | | | |
| | Check [B] | One Only for [B] or [C] 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] | NOTIFICATI [A] | ION REQUIRED TO: - Check Those Which Apply, or □ Does Not Apply 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] | | CURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE ATION INDICATED ABOVE. | | | | | |
| | al is accurate ar | FION: I hereby certify that the information submitted with this application for administrative and complete to the best of my knowledge. I also understand that no action will be taken on this quired information and notifications are submitted to the Division. | | | | | |
| Hux Print or | Note: | Statement must be completed by an individual with managerial and/or supervisory capacity. Signature Title Date Luxley & facuergy us. com | | | | | |
| | | huxley@faenergyus.com | | | | | |

e-mail Address

<u>District I</u>
1625 N. French Drive, Hobbs, NM 88240
<u>District II</u>
811 S. First St., Artesia, NM 88210
<u>District III</u>
1000 Rio Brazos Road, Aztec, NM 87410
<u>District IV</u>
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.

| APPLICA | ATION FOR SURFACE (| COMMINGLING | (DIVERSE | OWNERSHIP) | | |
|---|--|--|--------------------|--|--|--|
| OPERATOR NAME: | FAE II Operating, LLC | | | | | |
| OPERATOR ADDRESS: | 11757 Katy Fwy, Ste. 1000, Ho | ouston, TX 77079 | | | | |
| APPLICATION TYPE: | | | | | | |
| ☐ Pool Commingling ☐ Lease | Commingling Pool and Lease Cor | mmingling | Storage and Measur | rement (Only if not Surface | Commingled) | |
| LEASE TYPE: | e 🛛 State 🔲 Fede | ral | | | | |
| | sting Order? Yes No If | | he appropriate (| Order No. | | |
| Have the Bureau of Land Ma | anagement (BLM) and State Land | | | | ingling | |
| ⊠Yes □No | | | | | | |
| | | OL COMMINGLIN ts with the following in | | | | |
| (1) Pool Names and Codes | Gravities / BTU of Non-Commingled Production | Calculated Gravities / BTU of Commingled Production | | Calculated Value of Commingled Production | Volumes | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | 1 | | |
| (2) Are any wells producing a | t top allowables? Yes No | | | | | |
| | en notified by certified mail of the pro | oposed commingling? | ☐Yes ☐No. | | | |
| (4) Measurement type: \[\sum \] | Metering Other (Specify) | □N 16 % " 1" | · | : | | |
| (5) Will commingling decreas | se the value of production? Yes | □No II yes , descri | be why commingi | ing should be approved | | |
| | | | | | | |
| | | SE COMMINGLINGS with the following in | | | | |
| (1) Pool Name and Code. 792 | 240 JALMAT; TAN-YATES-7 RVRS | HOME, MACHEL TO SERVICE PROCESSOR AND THE PROCES | * | AL SALES OF THE SA | CHARLANC, WINNESS THE PROPERTY OF THE PER | |
| | ne source of supply? \(\sqrt{Yes} \sqrt{N} | | | | | |
| (3) Has all interest owners been | n notified by certified mail of the prop | | ⊠Yes □N | lo | | |
| (4) Measurement type: M | etering | | | | | |
| | | | | | | |
| continue plantagia con l'incluyabent del del companya Alanda (Malani Alan Gustare) (1,5 4,4 a tradition) | | LEASE COMMIN | | | THE PARTY OF THE P | |
| | THE RESERVE OF THE PARTY OF THE | ts with the following in | nformation | and the second s | | |
| (1) Complete Sections A and | E | | | | | |
| | (D) OFF-LEASE ST | ORAGE and MEA | SUREMENT | | | |
| | Please attached she | ets 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 INFO | DRMATION (for all | annlication t | vnes) | W those on concentration of the con- | |
| | Please attach sheet | ts with the following in | nformation | урсэ | | |
| (1) A schematic diagram of fa | ncility, including legal location. | Commence de contra de la contra del la contra de la contra del | | AND THE RESERVE OF THE PROPERTY OF THE PROPERT | 3 Nov 3000 - 2 Oct 10 Va. 141. 149. 157. 157. 157. 157. 157. 157. 157. 157 | |
| (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 informa | tion above is true and complete to the | e best of my knowledge ar | nd belief. | | | |
| SIGNATURE: MBate | | ITLE: <u>Engineerin</u> | | DATE: 4/ | 28/2020 | |
| | Marshall Bates | - / | TEI | DATE: 4/ | 253 - 288 | |
| E-MAIL ADDRESS: Mar | shall@ FAEnergy us. | com | | | | |

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April 28, 2020

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 Gas Pool for the Maralo State #1 Well at the Holt Mexico Tank Battery located in Unit O, Sec. 36, T-23S, R-36E, Lea County, New Mexico

Dear Mr. McClure:

FAE II Operating LLC, OGRID: 329326, requests administrative approval for surface commingling and off-lease marketing of gas production from the Jalmat Gas Pool for its Maralo State #1 well located in Section 36, T-23S, R-36E as shown on the map in Exhibit A. The two separate leases are also identified by outline and legend. Exhibit B offers further detail on the relevant leases and wells.

The attached battery diagrams, Exhibits C and D, are accurate schematics of the current facility and the proposed commingled facility, respectively. The Maralo State #1 will have a gas orifice (allocation) meter manufactured and assembled in accordance with American Gas Association specifications. The Holt Mexico State Com #1 gas production will be determined by subtracting the metered well from the total production measured at the lease custody transfer meter. A new gas flowline will be laid from the Maralo State #1 well to the Holt Mexico State Com #1 well and tied in on the suction side of the compressor.

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, royalty, and overriding 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 kevin@faenergyus.com or by telephone at (832) 220-9188.

Very truly yours,

FAE II Operating, LLC

Exhibit A - Lease Boundaries Map

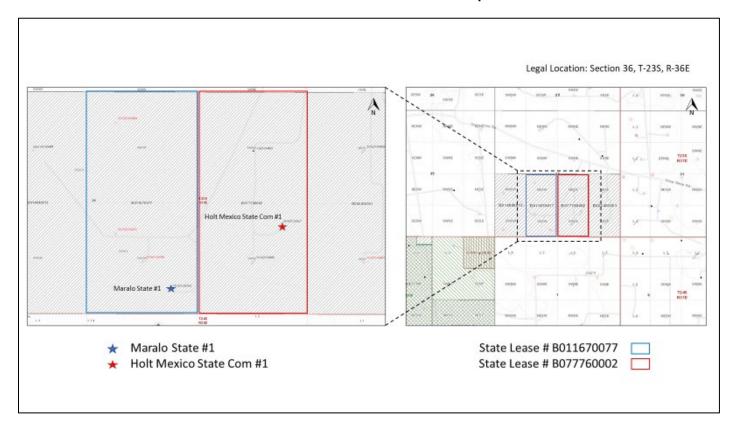


Exhibit B - Lease and Well Information

| Well Name | Lease No. | API# | Pool ID |
|--------------------------|------------|--------------|--------------------------------------|
| Holt Mexico State Com #1 | B077760002 | 30-025-29327 | 79240 JALMAT; TAN-YATES-7 RVRS (GAS) |
| Maralo State #1 | B011670077 | 30-025-26500 | 79240 JALMAT; TAN-YATES-7 RVRS (GAS) |

Exhibit C - Current Facility Layout

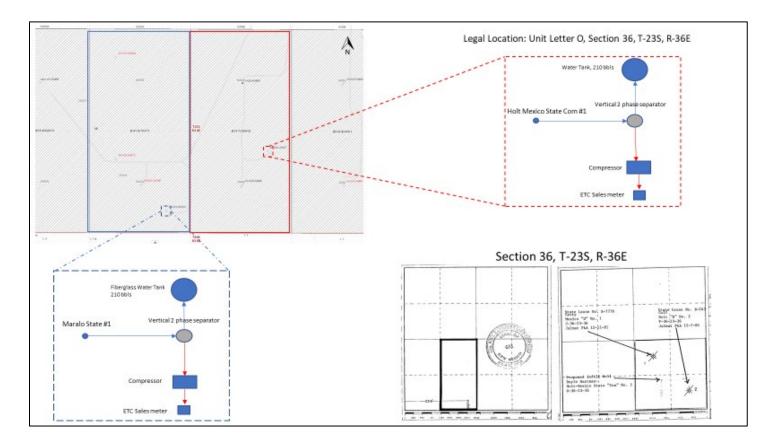


Exhibit D - Proposed Facility Layout

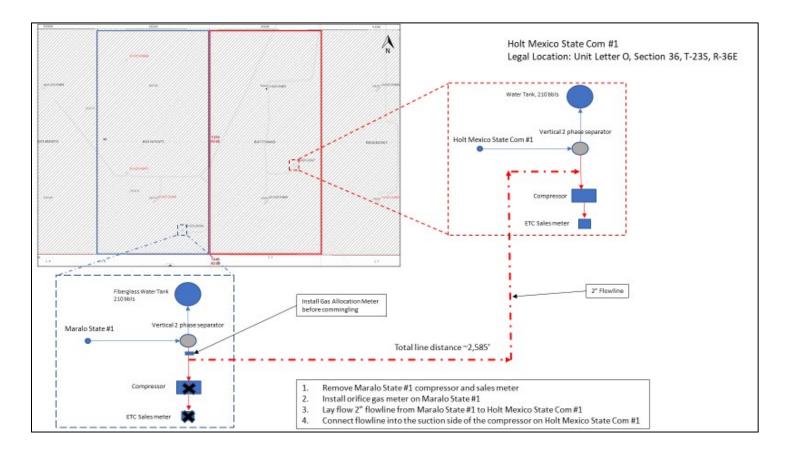
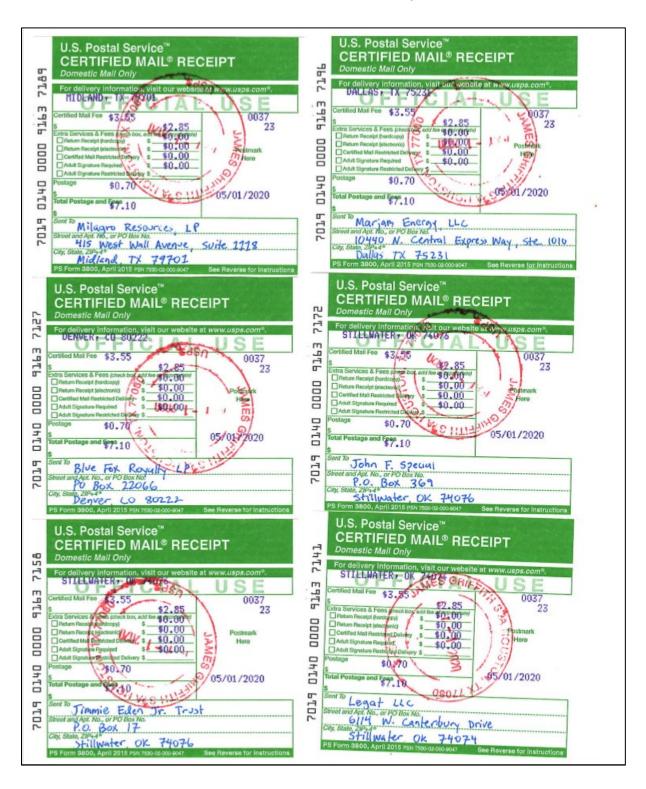


Exhibit E - Ownership Information

| Well Name | Ownership Type | Name | Address |
|--------------------------|-------------------|--|--|
| Holt Mexico State Com #1 | Royalty | State of New Mexico Taxation & Revenue Department | PO Box 2308 Santa Fe, NM 87504-2308 |
| Holt Mexico State Com #1 | Working | FAE II LLC | 11757 Katy Fwy, Ste. 1000 Houston, TX 77079 |
| Holt Mexico State Com #1 | Override | Jimmie Eden Jr. Trust | P.O. Box 17 Stillwater, OK 74076 |
| Holt Mexico State Com #1 | Override | John F. Special | P.O. Box 369 Stillwater, OK 74076 |
| Holt Mexico State Com #1 | Override | Marjam Energy, LLC | 10440 N. Central Express Way, Suite 1010 Dallas, TX 75231 |
| Holt Mexico State Com #1 | Override | Milagro Resources, LP | 415 West Wall Avenue, Suite 1118 Midland, TX 79701 |
| Holt Mexico State Com #1 | Override | Larry Bond | 3501 French Park Drive, Suite G Edmond, OK 73034 |
| Holt Mexico State Com #1 | Override | Legat LLC | 6114 W. Canterbury Drive Stillwater, OK 74074 |
| Holt Mexico State Com #1 | Override | The McDaniel Company | 12900 Preston Road, Suite 415 Dallas, TX 75231 |
| Maralo State #1 | Royalty | State of New Mexico Taxation & Revenue Department | PO Box 2308 Santa Fe, NM 87504-2308 |
| Maralo State #1 | Working | FAE II LLC | 11757 Katy Fwy, Ste. 1000 Houston, TX 77079 |
| Maralo State #1 | Working | Ellen Ann Berry | 6102 Rickerhill Austin, TX 78739 |
| Maralo State #1 | Working | Legacy Reserves Operating LP | PO Box 207418 Dallas, TX 75320-7418 |
| Maralo State #1 | Working | Stumprock LP | PO Box 1028 Manchaca, TX 78652 |
| Maralo State #1 | Override | Blue Fox Royalty LP | PO Box 22066 Denver, CO 80222 |
| Maralo State #1 | Override | Mark P Marshall Trust Mark P Marshall Trust #2164 | PO Box 840738 Dallas, TX 75284-0738 |
| Maralo State #1 | Override | Mary J Hickey | PO Box 98581 Lubbock, TX 79499-8581 |
| Maralo State #1 | Override | Scott M Brown | 680 Saddleridge Wimberly, TX 78676 |

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Exhibit F - Certified Mail Receipts



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