

DATE IN

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TYPE

APP NO.

6HOWE-200814-C-107B

ABOVE THIS LINE FOR DIVISION USE ONLY

CTB-966

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] [329326] FAE II Operating LLC

[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.

Chris Kellogg

Print or Type Name

Signature

VP Finance & Accounting

Title

8-14-2020

Date

Chris@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 DepartmentForm C-107-B
Revised August 1, 2011**OIL CONSERVATION DIVISION**1220 S. St Francis Drive
Santa Fe, New Mexico 87505Submit 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, LLCOPERATOR 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 ☐ FederalIs 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

(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: 83810 RHODES; YATES-SEVEN RIVERS (GAS)(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: 8/14/2020TYPE OR PRINT NAME Marshall Bates TELEPHONE NO.: (713) 253-2885E-MAIL ADDRESS: Marshall@FAEnergyus.com

faeIIoperating

August 14, 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 Rhodes Gas Pool for the Rhodes State Com #3, #4, #5, #18, #19, #20, and State A Com #1 wells at the Rhodes State Com #5 and Rhodes State Com #20 Tank Batteries located in Sec. 16, T-26S, R-37E, Lea County, New Mexico

Dear Mr. McClure:

FAE II Operating LLC, OGRID: 329326, requests administrative approval for surface commingling of gas production for its Rhodes State Com and State A Com wells located in Section 16, T-26S, R-37E as shown on the map in Exhibit A. The multiple leases are also identified by outline and legend. The project is split into a Northern Half and Southern Half. On the Northern side of the Section, each of the Rhodes State Com #3, #5, and #18 wells will connect via 2" gas flowline and tie in to the sales meter at the Rhodes State Com #5 CTB. On the Southern side of the Section, each of the Rhodes State Com #4, #19, #20, and State A Com #1 wells will connect via 2" gas flowline and tie in to the sales meter at the Rhodes State Com #20 CTB. Exhibit B offers further detail on the relevant leases and wells.

Pursuant to paragraph (3) of Subsection C of 19.15.12.10 NMAC, FAE II Operating LLC requests to estimate production on each of these wells as an alternative to individual well measurement, seeing as none have averaged over 15 Mcf/d in the past year as shown in Exhibit C. Should this aspect of our proposal be approved, we would not need to install any orifice (allocation) meter for the purposes of measuring gas production. Total production for the wells will be measured by the lease custody transfer meters on the Rhodes State Com #5 and Rhodes State Com #20.

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

This proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production. If there are further questions concerning this application, please feel free to contact the undersigned by email at kevin@faenergyus.com or by telephone at (832) 220-9188.

Very truly yours,



FAE II Operating, LLC

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Exhibit A – Lease Boundaries Map

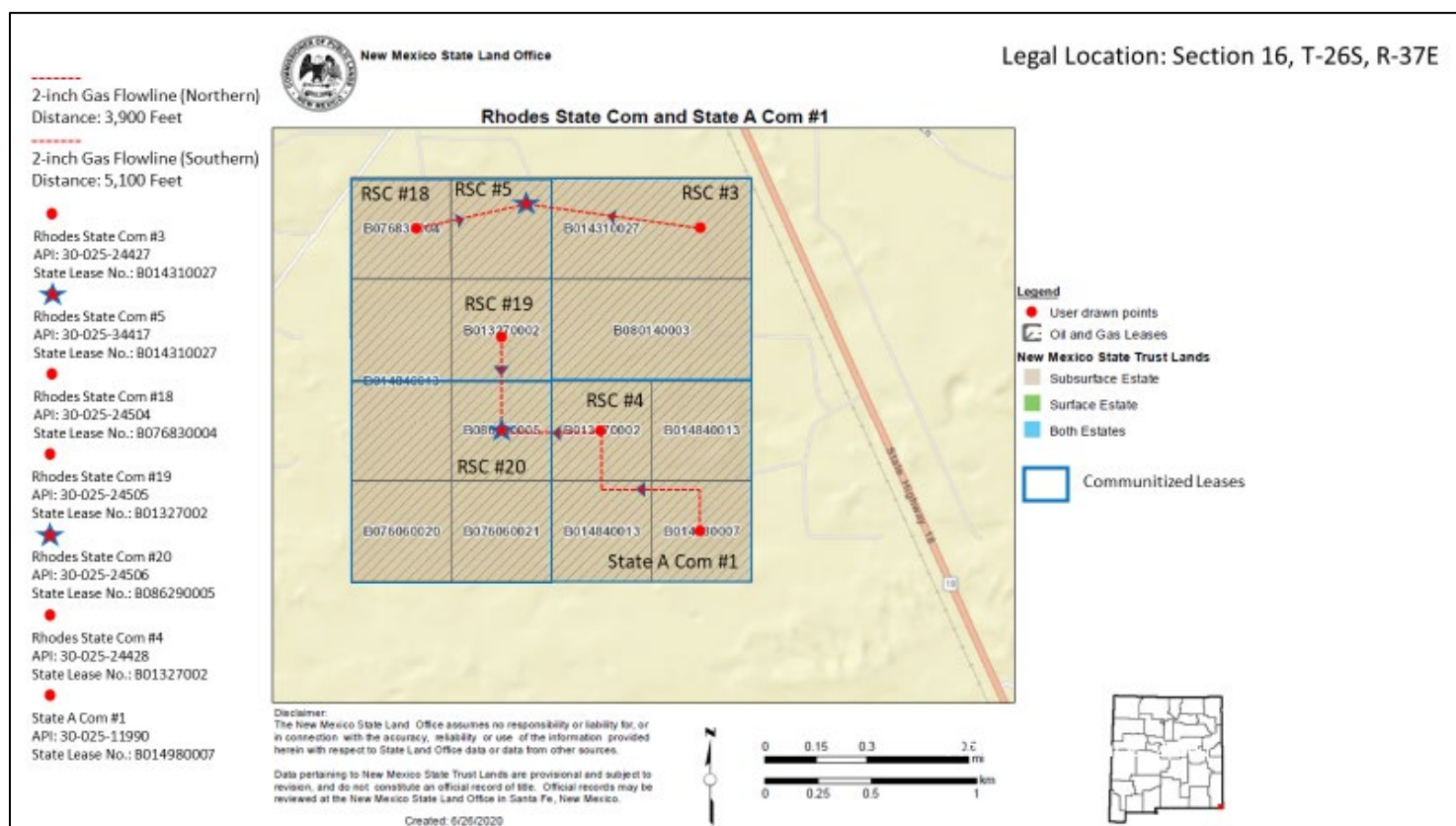


Exhibit B – Lease and Well Information

Well Name	Lease No.	API #	Pool ID
Rhodes State Com #3	B014310027	30-025-24427	83810 RHODES; YATES-SEVEN RIVERS (GAS)
Rhodes State Com #4	B01327002	30-025-24428	83810 RHODES; YATES-SEVEN RIVERS (GAS)
Rhodes State Com #5	B014310027	30-025-34417	83810 RHODES; YATES-SEVEN RIVERS (GAS)
Rhodes State Com #18	B076830004	30-025-24504	83810 RHODES; YATES-SEVEN RIVERS (GAS)
Rhodes State Com #19	B013270002	30-025-24505	83810 RHODES; YATES-SEVEN RIVERS (GAS)
Rhodes State Com #20	B086290005	30-025-24506	83810 RHODES; YATES-SEVEN RIVERS (GAS)
State A Com #1	B014980007	30-025-11990	83810 RHODES; YATES-SEVEN RIVERS (GAS)

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Exhibit C – 2019 Monthly Gas Production by Well (Mcf)

Month	Rhodes State Com #3	Rhodes State Com #4	Rhodes State Com #5	Rhodes State Com #18	Rhodes State Com #19	Rhodes State Com #20	State A Com #1
January	150	227	435	127	240	94	121
February	136	201	394	115	217	87	115
March	102	195	371	115	204	90	115
April	47	188	376	116	208	92	118
May	75	201	415	119	235	96	118
June	70	172	384	110	221	90	111
July	61	191	396	118	229	94	124
August	87	193	404	118	232	104	113
September	68	179	378	110	217	100	97
October	70	184	392	113	225	101	94
November	86	181	393	112	209	96	85
December	60	204	380	125	236	75	82
Total	1,012	2,316	4,718	1,398	2,673	1,119	1,293
Average (Mcf/d)	2.77	6.35	12.93	3.83	7.32	3.07	3.54