

DATE IN 8/31/20	SUSPENSE	ENGINEER DM	LOGGED IN	TYPE PLC	APP NO. pDM2024739009
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IBM2F-200831-C-107B PLC-703

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

FAE II Operating LLC [329326]

- 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.

Chris Kellogg
 Print or Type Name

Chris Kellogg
 Signature

VP Finance & Accounting 8-24-2020
 Title 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 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	Price (\$/Mcf)	Calculated Value of Commingled Production	Volumes
37240 Langlie Mattix;	1.53	1.53	1.32	\$1,295.00	981
7 RVRS - Q - Grayburg					
83810 RHODES;	1.14	1.53	1.32	\$0.00	0
YATES - SEVEN RIVERS (GAS)					

(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) Estimation method

(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) Estimation method

(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: 8/24/2020
TYPE OR PRINT NAME Marshall Bates TELEPHONE NO.: (713) 253-2885
E-MAIL ADDRESS: Marshall@FAEnergyus.com

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August 20, 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 Farnsworth C #2 Well at the existing Farnsworth Compression System CRP located in Unit F, Sec. 4, 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 from the Rhodes Gas Pool for its Farnsworth C #2 well located in Section 4, T-26S, R-37E as shown on the map in Exhibit A. The existing Farnsworth Compression System is comprised of the Farnsworth 4 #2, #3, and #10; and the Rhodes Federal Unit #45 and #47 wells. The lease is also 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. A new gas flowline will be laid from the Farnsworth C #2 and tied in to the suction side of the compressor at the Farnsworth CRP, which is the sales point of the Farnsworth Compression System.

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 F. 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 meter on the Adele Sowell #1.

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 C have been notified of this application by certified mail. Copies of the certified mail receipts are attached as Exhibit G.

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

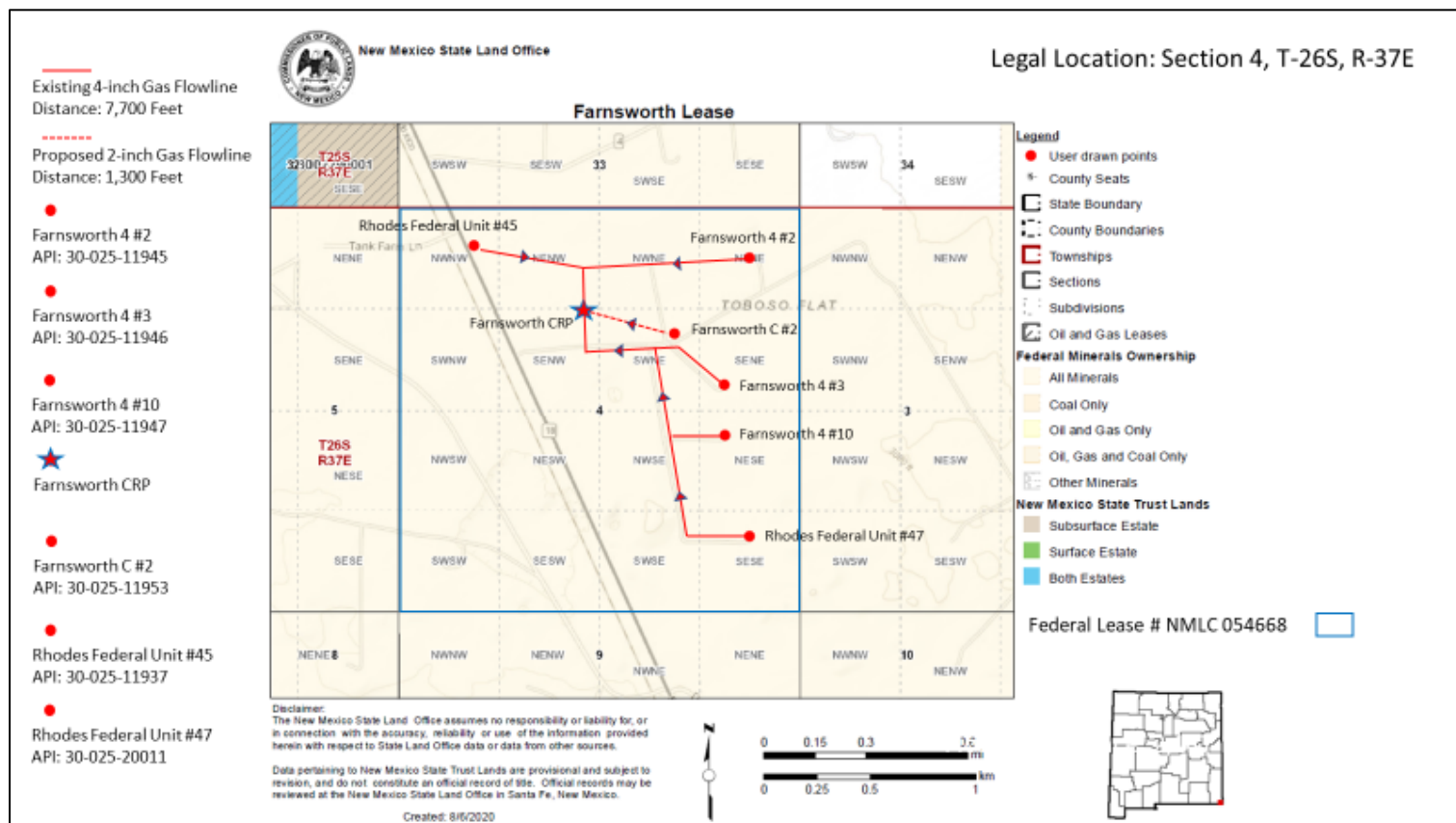
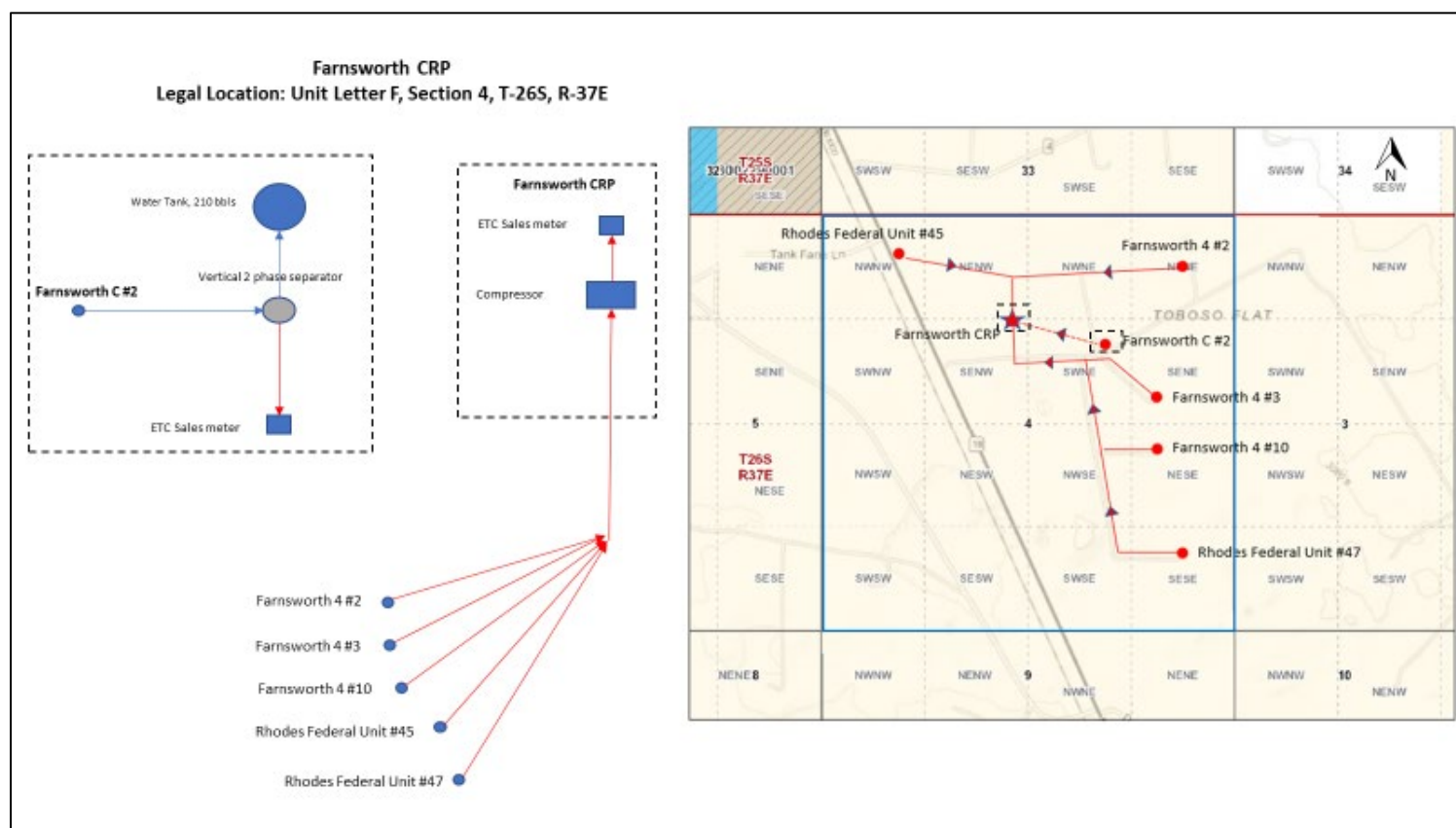


Exhibit B – Lease and Well Information

Well Name	Property No.	API #	Pool ID
Farnsworth 4 #2	NMLC 054668	30-025-11945	37240 LANGLIE MATTIX; 7 RVRS-Q-GRAYBURG
Farnsworth 4 #3	NMLC 054668	30-025-11946	37240 LANGLIE MATTIX; 7 RVRS-Q-GRAYBURG
Farnsworth 4 #10	NMLC 054668	30-025-11947	37240 LANGLIE MATTIX; 7 RVRS-Q-GRAYBURG
Farnsworth C #2	NMLC 054668	30-025-11953	83810 RHODES; YATES-SEVEN RIVERS (GAS)
Rhodes Federal Unit #45	NMLC 054668	30-025-11937	83810 RHODES; YATES-SEVEN RIVERS (GAS)
Rhodes Federal Unit #47	NMLC 054668	30-025-20011	83810 RHODES; YATES-SEVEN RIVERS (GAS)

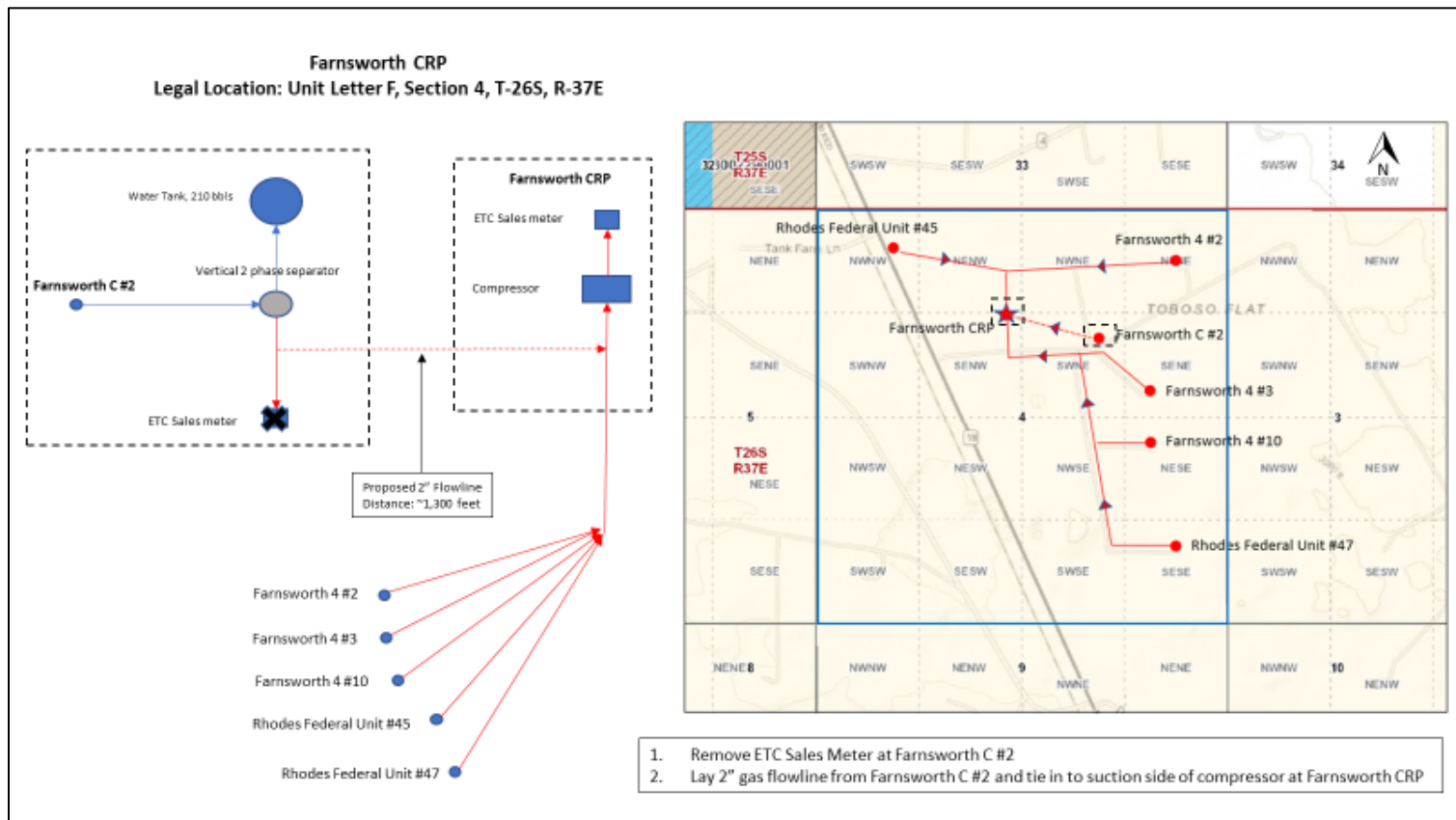
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Exhibit C – Current Facility Layout



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Exhibit D – Proposed Facility Layout



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Exhibit E – Ownership Information

Well Name	Ownership Type	Name	Address
Farnsworth 4 #2, #3, #10 Farnsworth C #2 Rhodes Federal Unit # 45, #47	Working	FAE II Operating LLC	11757 Katy Fwy Ste. 1000 Houston, TX 77079-1762
Farnsworth 4 #2, #3, #10 Farnsworth C #2 Rhodes Federal Unit # 45, #47	Royalty	Office of Natural Resources Revenue	PO Box 25627 Denver, CO 80225-0627
Farnsworth 4 #2, #3, #10 Farnsworth C #2 Rhodes Federal Unit # 45, #47	Overriding Royalty	The McDaniel Company	12900 Preston Road, Suite 415 Dallas, TX 75230
Farnsworth 4 #2, #3, #10 Farnsworth C #2 Rhodes Federal Unit # 45, #47	Overriding Royalty	Marjam Energy, LLC	10440 N. Central Express Way, Suite 1010 Dallas, TX 75231
Farnsworth 4 #2, #3, #10 Farnsworth C #2 Rhodes Federal Unit # 45, #47	Overriding Royalty	Milagro Resources, LP	415 West Wall Avenue, Suite 1118 Midland, TX 79701
Farnsworth 4 #2, #3, #10 Farnsworth C #2 Rhodes Federal Unit # 45, #47	Overriding Royalty	John F. Special	PO Box 369 Stillwater, OK 74079
Farnsworth 4 #2, #3, #10 Farnsworth C #2 Rhodes Federal Unit # 45, #47	Overriding Royalty	Larry Bond	3501 French Park Drive, Suite G Edmond, OK 73034
Farnsworth 4 #2, #3, #10 Farnsworth C #2 Rhodes Federal Unit # 45, #47	Overriding Royalty	Jimmie Eden Jr. Trust	PO Box 17 Stillwater, OK 74076
Farnsworth 4 #2, #3, #10 Farnsworth C #2 Rhodes Federal Unit # 45, #47	Overriding Royalty	Legat, LLC	6114 W. Canterbury Drive Stillwater, OK 74074
Farnsworth 4 #2, #3, #10 Rhodes Federal Unit # 45, #47	Overriding Royalty	Weslynn McCallister	8388 S. Tamiami Trail #229 Sarasota, FL 34238
Farnsworth 4 #2, #3, #10	Overriding Royalty	Etz Oil Properties LTD	PO Box 73406 Phoenix, AZ 85050
Farnsworth 4 #2, #3, #10	Overriding Royalty	George Etz Sr. Trust George H Etz II Trustee	1105 Xanthisma McAllen, TX 78504-3519

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

Month	Farnsworth 4 #2	Farnsworth 4 #3	Farnsworth 4 #10	Farnsworth C #2	Rhodes Federal Unit #45	Rhodes Federal Unit #47
January	202	176	126	61	453	125
February	186	164	118	39	420	117
March	171	149	107	11	382	106
April	193	169	122	1	433	121
May	446	416	2	23	102	51
June	458	426	2	25	104	52
July	512	477	2	7	117	59
August	539	502	3	34	123	62
September	424	395	2	11	97	48
October	469	436	2	0	107	53
November	446	396	0	0	72	36
December	294	294	294	0	90	45
Total	4,340	4,000	780	212	2,500	875
Average (Mcf/d)	11.89	10.95	2.14	0.58	6.85	2.40

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Exhibit G – Certified Mail Receipts

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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 \$	Postmark Here
Postage \$ Total Postage and Fees \$	
Sent To Street and Apt. No., or PO Box No. <u>John F. Special</u> <u>P.O. Box 369</u> <u>Stillwater, OK 74076</u> City, State, ZIP+4®	
PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions	

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

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Postage \$ Total Postage and Fees \$	
Sent To Street and Apt. No., or PO Box No. <u>Jimmie Eden Jr. Trust</u> <u>PO Box 17</u> <u>Stillwater, OK 74076</u> City, State, ZIP+4®	
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Postage \$ Total Postage and Fees \$	
Sent To Street and Apt. No., or PO Box No. <u>Leant LLC</u> <u>614 W. Canterbury Drive</u> <u>Stillwater, OK 74074</u> City, State, ZIP+4®	
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Sent To Street and Apt. No., or PO Box No. <u>ETZ Oil Properties, LTD</u> <u>PO Box 73406</u> <u>Phoenix, AZ 85050</u> City, State, ZIP+4®	
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Postage \$ Total Postage and Fees \$	
Sent To Street and Apt. No., or PO Box No. <u>George Etz Sr Trust</u> <u>1105 Xanthusm</u> <u>McAllen, TX 78504-3519</u> City, State, ZIP+4®	
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Sent To: Weslynn McCallister
 Street and Apt. No., or PO Box No. 8388 S. Tamiami Trail # 229
 City, State, ZIP+4® Sarasota, FL 34238

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Sent To: Office of Natural Resources Revenue
 Street and Apt. No., or PO Box No. PO Box 25627
 City, State, ZIP+4® Denver, CO 80225-0627

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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 75280

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Sent To: Mariam Energy, LLC
 Street and Apt. No., or PO Box No. 10440 N. Central Express Way Ste. 1016
 City, State, ZIP+4® Dallas, TX 75231

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 Total Postage and Fees \$

Sent To: Milagro Resources, LP
 Street and Apt. No., or PO Box No. 415 West Wall Avenue, Ste. 1118
 City, State, ZIP+4® Midland, TX 79701

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