

**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-703**

**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. Applicant proposed using estimation to allocate gas production to the wells identified in Exhibit B if they produce less than fifteen thousand (15,000) cubic feet per day.
4. 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.
5. 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.
6. Applicant provided notice of the Application to the Bureau of Land Management (“BLM”) or New Mexico State Land Office (“NMSLO”), as applicable.
7. 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**

8. 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.

9. 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.
10. 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.
11. 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.
12. Applicant's proposal to use estimation to allocate gas production to the wells identified in Exhibit B if they produce less than fifteen thousand (15,000) cubic feet per day, as modified herein, complies with 19.15.12.10.C.(3) NMAC.
13. 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.
14. 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 described in Exhibit A.

2. The allocation of gas production to each well identified in Exhibit B shall be determined by an estimate based upon that well's production history. No later than sixty (60) days after a change in condition of operation for any well which may increase production to greater than or equal to fifteen (15) thousand cubic feet in a day, Applicant shall conduct a test to determine the new production for that well and submit a Form C-103 to OCD which shall include the parameters and results of the test. If the results of the test indicate that production increased to greater than or equal to fifteen thousand (15,000) cubic feet in a day, Applicant shall submit a new surface commingling application to OCD. If Applicant fails to submit a Form C-103 or a new surface commingling application as specified above, or if OCD denies the new surface commingling application, this Order shall terminate on the date of such action.
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**



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**ADRIENNE E. SANDOVAL  
DIRECTOR**

**DATE:** 5/09/2022

State of New Mexico  
Energy, Minerals and Natural Resources Department

**Exhibit A**

Order: **PLC-703**  
Operator: **FAE II Operating, LLC (329326)**  
Central Tank Battery: **Farnsworth Compression System CRP**  
Central Tank Battery Location: **UL C F, Section 4, Township 26 South, Range 37 East**  
Gas Title Transfer Meter Location: **UL C F, Section 4, Township 26 South, Range 37 East**

**Pools**

| Pool Name                                | Pool Code    |
|--|--------------|
| <b>LANGLIE MATTIX; 7 RVRS-Q-GRAYBURG</b> | <b>37240</b> |
| <b>RHODES; YATES-SEVEN RIVERS (GAS)</b>  | <b>83810</b> |

**Leases as defined in 19.15.12.7(C) NMAC**

| Lease               | UL or Q/Q                | S-T-R            |
|---------------------|--------------------------|------------------|
| <b>NMLC 0054668</b> | <b>All</b>               | <b>4-26S-37E</b> |
| <b>NMNM 071022X</b> | <b>D E J K L M N O P</b> | <b>4-26S-37E</b> |

**Wells**

| Well API            | Well Name                      | UL or Q/Q            | S-T-R            | Pool         |
|---------------------|--------------------------------|----------------------|------------------|--------------|
| <b>30-025-11945</b> | <b>Farnsworth 4 #2</b>         | <b>A</b>             | <b>4-26S-37E</b> | <b>37240</b> |
| <b>30-025-11946</b> | <b>Farnsworth 4 #3</b>         | <b>H</b>             | <b>4-26S-37E</b> | <b>37240</b> |
| <b>30-025-11947</b> | <b>Farnsworth 4 #10</b>        | <b>I</b>             | <b>4-26S-37E</b> | <b>37240</b> |
| <b>30-025-11953</b> | <b>Farnsworth C #2</b>         | <b>A B C F G H I</b> | <b>4-26S-37E</b> | <b>83810</b> |
| <b>30-025-11937</b> | <b>Rhodes Federal Unit #45</b> | <b>D</b>             | <b>4-26S-37E</b> | <b>83810</b> |
| <b>30-025-20011</b> | <b>Rhodes Federal Unit #47</b> | <b>J O P</b>         | <b>4-26S-37E</b> | <b>83810</b> |

State of New Mexico  
Energy, Minerals and Natural Resources Department

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**Exhibit B**

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Order: **PLC-703**

Operator: **F AE II Operating, LLC (329326)**

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**Wells**

| <b>Well API</b> | <b>Well Name</b>        | <b>Recent Avg Prod</b> | <b>Prior Year Avg Prod</b> |
|-----------------|-------------------------|------------------------|----------------------------|
| 30-025-11945    | Farnsworth 4 #2         | 15.05                  | 11.89                      |
| 30-025-11946    | Farnsworth 4 #3         | 10.93                  | 10.96                      |
| 30-025-11947    | Farnsworth 4 #10        | 2.86                   | 2.14                       |
| 30-025-11953    | Farnsworth C #2         | 0.00                   | 0.58                       |
| 30-025-11937    | Rhodes Federal Unit #45 | 2.38                   | 6.85                       |
| 30-025-20011    | Rhodes Federal Unit #47 | 2.04                   | 2.40                       |