

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF FAE II OPERATING, LLC
FOR STATUTORY UNITIZATION,
LEA COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

FAE II Operating, LLC ("FAE" or "Applicant") submits its Application for Statutory Unitization pursuant to the Statutory Unitization Act, NMSA 1978, Sections 70-7-1 to - 21 (the "Act") and the rules of the Oil Conservation Division.

1. Applicant (OGRID No. 329326) is engaged in the business of producing and selling oil and gas as defined in the Act.

2. Applicant's address is 11757 Katy Freeway, Suite 725, Houston, Texas 77079, (832) 706-0041.

3. Applicant is a working interest owner in the proposed North Jal Unit (the "Unit Area"), which comprises approximately 7,859.35 acres of the following federal, state, and fee lands located in Lea County, New Mexico:

Township 24 South, Range 36 East, N.M.P.M.

Section 25: S/2
Section 26: E2SE
Section 35: E2NE
Section 36: ALL

Township 24 South, Range 37 East, N.M.P.M.

Section 19: E/2
Section 20: SW/4, SWNW

Section 29: W/2
Section 30: NE/4, S/2
Section 31: ALL
Section 32: ALL

Township 25 South, Range 36 East, N.M.P.M.

Section 1: All

Township 25 South, Range 37 East, N.M.P.M.

Section 4: W/2, W2E2, SESE
Section 5: ALL
Section 6: ALL
Section 7: NW/4, E2NE, NWNE
Section 8: E/2, NW/4
Section 9: ALL
Section 17: E/2

4. The "Unitized Formation" is defined as: "That interval underlying the Unit Area, the vertical limits of which extended from an upper limit described as the top of the Yates Formation to a lower limit at the base of the Queen Formation; the geologic markers having been previously found to occur at 2,879 feet and 3,691 feet, respectively, in Skelly Oil Company's Sherrill No. 7 well (later renamed the Langlie Jal Unit #017) API #30-025-11301, located 1,980 feet FSL and 1,930 feet FEL of Section 31, T-24-S, R-37-E, Lea County, New Mexico) as recorded on the Frontier Perforators, Inc., Gamma Ray-Neutron log run on September 1, 1957 and measured from a Kelly Bushing elevation of 3,241 feet above sea level".

5. The Yates-Seven Rivers-Queen reservoir underlying the Unit Area has been reasonably defined by development.

6. Applicant proposes to institute an enhanced oil recovery project (secondary and tertiary recovery) in the Unit Area.

7. The plan of unitization for the Unit Area is embodied in the Unit Agreement, which is attached as Exhibit 1. The plan of unitization is fair, reasonable, and equitable, and the participation formula contained therein allocates the produced and saved hydrocarbons to the separately owned tracts in the Unit Area on a fair, reasonable, and equitable basis.

8. The operating plan for the Unit Area, establishing the manner in which the Unit Area will be supervised and managed, and costs allocated and paid, is contained in the Unit Operating Agreement, attached as Exhibit 2.

9. Applicant also requests that the Langlie-Jal Unit, which appears to have been approved by Division Order No. R-4036, be terminated pursuant to the Bureau of Land Management's agreement to dissolve the Langlie-Jal Unit and incorporate the area into the North Jal Unit.

10. The unitized management, operation, and further development of the Yates-Seven Rivers-Queen reservoir underlying the Unit Area is reasonably necessary to effectively conduct secondary and tertiary recovery operations and to substantially increase the ultimate recovery of oil and gas from the reservoir.

11. The enhanced oil recovery project, as applied to the Yates-Seven Rivers-Queen reservoir underlying the Unit Area, is feasible, will prevent waste, will protect correlative rights, and will result, with reasonable probability, in the increased recovery of substantially more oil and gas from the Yates-Seven Rivers-Queen reservoir than would otherwise be recovered.

12. The estimated additional costs of conducting unitized operations will not exceed the estimated value of the additional oil and gas recovered thereby, plus a reasonable profit.

13. Unitization and approval of the enhanced oil recovery project will benefit the working interest owners and royalty owners in the Yates-Seven Rivers-Queen reservoir underlying the Unit Area.

14. Applicant has made a good faith effort to secure the voluntary unitization of interest owners in the Unit Area.

15. The Bureau of Land Management and New Mexico State Land Office are expected to issue preliminary approval of the unit agreement prior to the hearing.

16. Applicant requests that it be named operator of the Unit Area.

17. Approval of this application will prevent waste and protect correlative rights.

WHEREFORE, applicant requests that this application be set for hearing on January 4, 2024, after notice and hearing, the Division enter its order approving statutory unitization of the Unit Area and designating FAE as operator of the Unit Area.

Respectfully submitted,

PADILLA LAW FIRM, P.A.

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