

LRE OPERATING, LLC
Mike Pippin
3104 N. Sullivan Avenue
Farmington, NM 87401
505-327-4573 (phone) mike@pippinllc.com

December 15, 2011

NMOCD
Attention: Will Jones
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: C-107A TO COMMINGLE TWO POOLS
WYLIE #2 – API#: 30-015-34111
Unit Letter "A" Section 28 T17S R28E
Eddy County, New Mexico

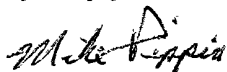
Dear Mr. Jones:

The referenced oil well has produced since July 2006 from the Artesia, Glorieta-Yeso (96830). LRE Operating would like to open an upper pool, the Red Lake, Queen-Grayburg-San Andres (51300) and commingle the two pools. A sundry notice has been submitted to the Artesia District OCD office to open the upper interval.

LRE Operating is requesting approval to commingle the two pools upon completion of rig operations. The allocation will be calculated by subtracting the current (Yeso) production of 5.8 BOPD and 18 MCF/D from the total well production after two months of commingled production. We plan to submit these calculations and the resulting allocation to the district office after the well has been on line for about two months.

Please contact me at 505-327-4573 should you have any questions.

Very truly yours,



Mike Pippin

Petroleum Engineer

District I
1625 N. French Drive, Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1060 Rio Brazos Road, Uruu, 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-107A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr
Santa Fe, New Mexico 87505

APPLICATION TYPE
☒ Single Well
Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

LRE OPERATING, LLC
Operator

c/o Mike Pippin LLC (agent), 3104 N. Sullivan, Farmington, NM 87401
Address

WYLIE #2

A SEC. 28 T17S R28E

Eddy

Lease

Well No

Unit Letter-Section-Township-Range

County

OGRID No. 281994 Property Code 309866 API No. 30-015-34111 Lease Type ☐ Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	RED LAKE; Queen-Grayburg-San Andres		ARTESIA; Clorieta-Yeso
Pool Code	51300		96830
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	~2805'-3240'		3341'-3499'
Method of Production (Flowing or Artificial Lift)	Plan to Pump		Pumping
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	690 psi		851 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	34.8		38.32
Producing, Shut-In or New Zone	Prospective		Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: RATES	Date: Rates	Date: October 2011 Rates: 5.8 BOPD 18 MCF/D 65 BWPD
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas %	Oil Gas %	Oil Gas

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?

Yes ☒ No ☐

If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes ☐ No ☐

Are all produced fluids from all commingled zones compatible with each other?

Yes ☒ No ☐

Will commingling decrease the value of production?

Yes ☐ No ☒

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application?

Yes ☒ No ☐

NMOCD Reference Case No. applicable to this well: _____

Attachments

C-102 for each zone to be commingled showing its spacing unit and acreage dedication.

Production curve for each zone for at least one year. (If not available, attach explanation.)

For zones with no production history, estimated production rates and supporting data

Data to support allocation method or formula

Notification list of working, royalty and overriding royalty interests for uncommon interest cases

Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required.

List of other orders approving downhole commingling within the proposed Pre-Approved Pools

List of all operators within the proposed Pre-Approved Pools

Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application

Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Mike Pippin TITLE Petroleum Engineer - Agent DATE December 15, 2011

TYPE OR PRINT NAME Mike Pippin TELEPHONE NO (505) 327-4573

E-MAIL ADDRESS mike@pippinllc.com

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT**WELL LOCATION AND ACREAGE DEDICATION PLAT**

¹ API Number 30-015-34111	² Pool Code 96830	³ Pool Name Artesia, Glorieta-Yeso
⁴ Property Code 309866	⁵ Property Name WYLIE	⁶ Well Number 2
⁷ OGRID No. 281994	⁸ Operator Name LRE OPERATING, LLC	⁹ Elevation 3641' GL

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	28	17-S	28-E		990'	NORTH	990'	EAST	EDDY

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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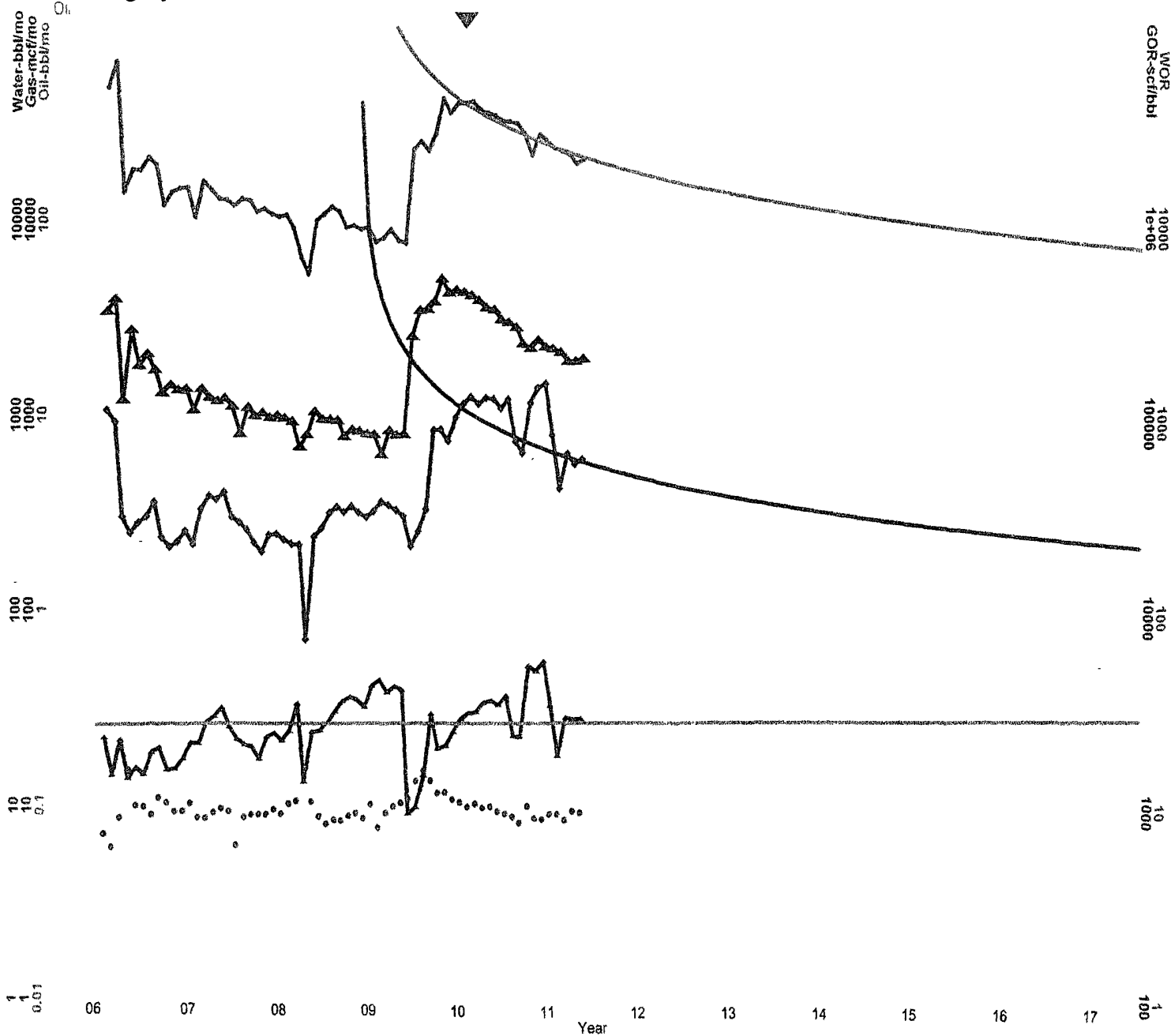
No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

28	990'	990'	0	990'	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the Division. Signature <u>Mike Pippin</u> Date 12/14/11 Printed Name <u>Mike Pippin</u>
	¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. 4/29/05 Date of Survey Signature and Seal of Professional Surveyor: Dan R. Reddy				
	5412 Certificate Number				

WYLIE 2

GLORIETTA YESO

Category: 1PDP



Oil-bbl/mo
 Qual= LRR10
 Ref= 7/2010
 Cum= 8223
 Rem= 26353
 EUR= 34576
 Yrs= 36.997
 Qref= 409.0
 De= 40 000000
 Dmin= 5.000
 b= 1.200000
 Qab= 15.0

Gas-mcf/mo
 Qual= LRR10
 Ref= 7/2010
 Cum= 18204
 Rem= 83176
 EUR= 101380
 Yrs= 36.997
 Qref= 1105.9
 De= 0.000000
 Dmin= 0.000
 b= 0.000000
 Qab= 0.0

Water-bbl/mo
 Ref= 7/2010
 Cum= 82742

GOR-scf/bbl
 Qual= LRR10
 Ref= 7/2010
 Cum= 0
 Rem= 0
 EUR= 0
 Yrs= 36.997
 Qref= 2703.8
 De= -1.064098
 Dmin= 0.000
 b= 0.000000
 Qab= 4000.0

WOR
 Ref= 7/2010
 Cum= 0

WYLIE #2

Current

ARTESIA; Glorieta-Yeso
RED LAKE; Queen-Grayburg-San Andres

(A) Section 28, T-17-S, R-28-E, Eddy County, NM

Today's Date: 12/14/11

Spud: 5/17/06

Completed: 7/2/06

Elevation: 3641' GL

API#: 30-015-34111

Queen @ 1210'

Grayburg @ 1654'

San Andres @ 1950'

Glorieta @ 3338'

Yeso @ 3418'

12-1/4" hole

8-5/8" 28# J-55 Csg @ 368'
Cmt w/325 sxs (Circ 85 sx cmt)

2-7/8" tubing @ 3403'

RED LAKE; Queen-Grayburg-San Andres
Proposed Perfs: ~2805'-3240'

Artesia; Glorieta-Yeso
Existing Perfs: 3341'-3499'

PBTD 3508'

7-7/8" hole

TD 3575'

5-1/2" 14&17# J-55 Csg @ 3571'
Cmt with 725 sx, Circ Cmt

LRE OPERATING, LLC
Mike Pippin
3104 N. Sullivan Avenue
Farmington, NM 87401
505-327-4573 (phone) mike@pippinllc.com

December 15, 2011

New Mexico Commissioner of Public Lands
Attention: Pete Martinez
310 Old Santa Fe Trail
PO Box 1148
Santa Fe, NM 87504-1148

RE: Notification of Downhole Commingling
WYLIE #2 – API#: 30-015-34111
Unit Letter "A" Section 28 T17S R28E
Eddy County, New Mexico

Dear Mr. Martinez:

LRE Operating would like to commingle the existing Artesia, Glorieta-Yeso interval with the proposed Red Lake, Queen-Grayburg-San Andres interval in the referenced well. The designated acreage for the proposed commingle will be the northeast quarter of the northeast quarter of section 28.

This letter is to notify you that we have submitted the necessary application and supporting data to the New Mexico Oil Conservation Division. A check for \$30 is enclosed with this notification along with a copy of the State application.

Please contact me at 505-327-4573 should you have any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mike Pippin", written in a cursive style.

Mike Pippin
Petroleum Engineer

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



WYLIE #2 30-015-34111

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.

Mike Pippin
 Print or Type Name

Mike Pippin
 Signature

Petroleum Engineer
 Title

December 14, 2011
 Date

mike@pippinllc.com
 e-mail Address