

District I - (575) 393-6161
1625 N. French Dr., Hobbs, NM 88240
District II - (575) 748-1283
811 S. First St., Artesia, NM 88210
District III - (505) 334-6178
1000 Rio Brazos Rd., Aztec, NM 87410
District IV - (505) 476-3460
1220 S. St. Francis Dr., Santa Fe, NM 87505

WELL API NO.
30-015-36977

5. Indicate Type of Lease
STATE ☒ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name
STALEY STATE

8. Well Number #8

9. OGRID Number 281994

10. Pool name or Wildcat
Red Lake, Glorieta-Yeso NE (96836)
Red Lake, Queen-Grayburg-San Andres (51300)

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☒ Gas Well ☐ Other ☐

2. Name of Operator
LRE OPERATING, LLC

3. Address of Operator
c/o Mike Pippin LLC, 3104 N. Sullivan, Farmington, NM 87401

4. Well Location
Unit Letter J : 1980 feet from the South line and 2310 feet from the East line
Section 30 Township 17-S Range 28-E NMPM Eddy County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3601' GL

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐
DOWNHOLE COMMINGLE ☐
CLOSED-LOOP SYSTEM ☒
OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐
OTHER: Commingled 1st Delivery & Pool Allocations ☒

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work).
SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

This well was originally completed in the Yeso on 7/7/09 (3226'-4619'). On 11/5/13, this well was recompleted from the Yeso to the San Andres (1738'-3024') & downhole commingled with the Yeso as per order DHC-4609M. Before the recompletion, on July 16, 2013, the lower zone (Yeso) tested for **17 BOPD, 80 MCF/D**. Following the workover the two commingled intervals 1st Delivered gas on 11/7/13 & oil on 11/10/13 & IP Tested on 11/23/13 for **70 BOPD, 160 MCF/D**. The pool allocations are as follows:

	Upper Zone (San Andres)	Lower Zone (Yeso)
OIL:	76%	24%
GAS:	50%	50%

See the attached calculations.

Spud Date: 5/26/09 Drilling Rig Release Date: 6/9/09

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 11/25/13
Type or print name Mike Pippin E-mail address: mike@pippinllc.com PHONE: 505-327-4573

For State Use Only

APPROVED BY SR Dade TITLE DIST H Supervisor DATE 12/4/2013
Conditions of Approval (if any):

tubing depth ?

LRE OPERATING, LLC
STALEY STATE #8
Red Lake; Glorieta-Yeso NE & Red Lake, Queen, Grayburg, San Andres
J Section 30 T17S R28E
11/25/2013 – Mike Pippin
API#: 30-015-36977

Commingle Allocation Calculations

This well was originally completed in the Yeso on 7/7/09. On 11/5/13, this well was recompleted from the Yeso to the San Andres (1738'-3024') & downhole commingled with the Yeso as per order DHC-4609M. Before the recompletion, on July 16, 2013, the lower zone (Yeso) tested for 17 BOPD, 80 MCF/D from Yeso perms 3226'-4619'.

Following the workover the two commingled intervals tested on 11/23/13 for 70 BOPD, 160 MCF/D.

Therefore, the oil from the upper zone (San Andres) should be: $70 - 17 = \underline{53 \text{ BOPD}}$.
The gas from the upper zone (San Andres) should be $160 - 80 = \underline{80 \text{ MCF/D}}$.

RECOMMENDED NEW OIL ALLOCATION

$$\% \text{ Lower Zone} = \frac{17}{70} = \underline{24\%}$$

$$\% \text{ Upper Zone} = \frac{53}{70} = \underline{76\%}$$

RECOMMENDED NEW GAS ALLOCATION

$$\% \text{ Lower Zone} = \frac{80}{160} = \underline{50\%}$$

$$\% \text{ Upper Zone} = \frac{80}{160} = \underline{50\%}$$