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Form 3160-5 November 1994)	UNITED STATES			ENFD		FORM APPROVED DMB No. 1004-0135	
DI	UNITED STATES EPARTMENT OF THE IN UREAU OF LAND MANA	NTERIOR GEMENT	HEU		f. Lease Seria	Expires July 31, 1996	
SUNDR	UREAU OF LAND MANA Y NOTICES AND REPOR	RTS ON W	ELLSMAY	12 2014		NM-048344	
Do not use th	is form for proposals	to drill o	reenter	ARTES	6 If Indian, A	Allottee or Tribe Name	
abandoned wei	is form for proposals a II. Use Form 3160-3 (API	D) for suc	nproposa	NS!		2444	NT-
	PLICATE – Other instr	•			7. If Unit of C	CA/Agreement, Name and/	or No.
					4		
Type of Well	Other				8. Well Name	e and No.	
2. Name of Operator					`	IAMS A FEDERAL	#6
LRE OPERATING, LLC					3		
Address C/O Mike Pippin			one No. <i>(incl</i> i 17-4573	ude area code)	10 Field and I	30-015-34200 Pool, or Exploratory Area	
3104 N. Sullivan, Farming	<u>101, NW 07401</u>	1000-02	.1-4010		-	ieen-Grayburg-San Andr	es (51300)
4. Location of Well (Footage, Se	c., T., R., M., or Survey Descrip	otion)				rieta-Yeso (96830)	
2310' FSL & 790' FWL Ur	iit L				AND ·		
Sec. 29, T17S, R28E					Eddy Coun	ity, New Mexico	
12. CHECK APPROPRIATE E	BOX(ES) TO INDICATE NA	ATURE OF	NOTICE, F	REPORT, OR OT	THER DATA	*****	·
TYPE OF SUBMISSION	TYPE OF ACTION						
X Notice of Intent	Acidize	Deer	nen	Production	(Start/Resume)	Water Shut-Off	
	Alter Casing		ture Treat	Reclamation	n	Well Integrity	
Subsequent Report	Casing Repair		Construction and Abando		e ly Abandon	Other DHC Appli	cation
Final Abandonment Notice							
3. Describe Proposed or Completed Op- if the proposal is to deepen direction Attach the Bond under which the w	nally or recomplete horizontally, give ork will be performed or provide the	letails, including e subsurface lo e Bond Na or	cations and me n file with BL	asured and true vertion M/BIA. Required sul	posed work and a al depths of all p osequent reports sha	ertinent markers and zones. Il be filed within 30 days	
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## LRE OPERATING, LLC WILLIAMS A FEDERAL #6 Artesia; Glorieta-Yeso & Red Lake, Queen-Grayburg-San Andres L Section 29 T17S R28E 2/25/2014 API#: 30-015-34200

# **Commingle Allocation Calculations**

On 12/7/05, the Yeso (lower zone) was completed as a new well. On 1/18/14, the well was recompleted into the San Andres (upper zone) with the lower zone shut-in below a CBP @ 3190'. The last Yeso production test on 9/25/13 before the recompletion was 4 BOPD, 40 MCF/D, & 5 BWPD. The San Andres alone after the recompletion last tested 2/5/14 for 35 BOPD, 30 MCF/D, & 240 BWPD.

	Upper Zone (SA)	+	Lower Zone (	YESO)	Total
Total Oil (bbls/d)	35	+	4	=	39
Total Gas (mcf/d)	30	+	40	=	70
Total Water (bbls)	240		5	=	245

## OIL

Upper Zone (SA) = 35 BOPD Total oil = 39 BOPD % Upper Zone = <u>35</u> = <u>90%</u> <u>39</u> Lower Zone (Yeso) = 4 BOPD

% Lower Zone =  $\frac{4}{39} = \frac{10\%}{39}$ 

## <u>GAS</u>

Upper Zone (SA) = 30 mcf/dTotal gas = 70 mcf/d% Upper Zone = 30 = 43%70 Lower Zone (Yeso) = 40 mcf/d

% Lower Zone =  $\frac{40}{70}$  =  $\frac{57\%}{70}$ 

### <u>WATER</u>

Upper Zone (SA) = 240 BWPD Total gas = 245 BWPD % Upper Zone = <u>240</u> = <u>98%</u> 245 Lower Zone (Yeso) = 5 BWPD

% Lower Zone =  $5_{245}$  =  $\frac{2\%}{245}$ 

### DOWNHOLE COMMINGLING WORKSHEET

Operator: LRE OPERATING, LLC NMNM-048344, WILLIAMS A FEDERAL #6, 30-015-34200, L SEC 29 T17S R28E Lease/Well Name/API#/Location: 2/25/2014

Date:

Estimated Combined Data Bottom Formation Upper Formation Production Data Pool Name: Artesia, G-Y Red Lake, Q-G-SA (See attached Pool Code: 96830 51300 weighted average State Form C-102 w/dedicated Acres Yes Yes calculations) provided: 40 acres 40 acres San Andres Formation Name: Yeso Top & Bottom of Pay Section 3215'-3484' 1780'-3134' Perfed (Perfed or OH interval): Perfed Plan to Pump Method of Production: Pumping 690 psi Bottom Hole Pressure: 851 psi Reservoir Drive Mechanism: Solution gas drive Solution gas drive 34.1 / 1197\* Oil Gravity &/or BTU: 38.7 / 1251 34.6 / 1228 1.2293\* Average Sulfur Content (Wt%): 0.5477 1.1594 Oil Sample Analysis Provided: Yes\* Yes Gas Analysis Provided: Yes Yes\* Produce Water Analysis Provided: Yes\* Yes 3500 ppm\* H2S Present: 22,000 ppm 14,071 ppm Producing, Shut-in or New Zone: SI Pumping 2/5/2014 9/25/2013 **Estimated Rates:** Date & Oil/Gas/Water rates of Last 4 BOPD 35 BOPD 45 BOPD Production (new zones or no production 40 MCF/D 30 MCF/D 80 MCF/D history Operator shall attach production 5 BWPD 240 BWPD 250 BWPD estimate & supporting data):" Average decline % (provide back up data): OIL = 9.51%\* OIL = 9.76%\* OIL = 8.59%\* GAS - 1.57%\* GAS = 5.89%\* GAS = 1.91%\* Fixed Allocation %: OIL = 10% OIL = 90% GAS = 43% (See attached calculations) GAS = 57% WTR = 2% WTR = 98%

Remarks: \*See attached back-up data & "Williams A & B Field Study of Yeso & San Andres". The State DHC order is DHC-4644.

### **Operator Signature:**

Date: 2/25/2014

Attached Supporting Documents

State Form C-102 w/dedicated Acres Provided

Oil Sample Analysis Provided (Must be Current)

Gas Analysis provided (Must be Current)

Produce Water Analysis provided (Must be Current)

Any additional supporting data (i.e. offset well production & decline curves etc.)

\* FROM WILLIAMS A & B FIELD STUDY

## LRE OPERATING, LLC WILLIAMS A FEDERAL #6 Artesia; Glorieta-Yeso & Red Lake, Queen-Grayburg-San Andres L Section 29 T17S R28E 2/25/2014 – Mike Pippin API#: 30-015-34200

# WEIGHTED AVERAGES

### OIL GRAVITY:

Bottom zone (Yeso) = 4 BOPD, 38.7 Upper zone (SA) = 35 BOPD, 34.1 (4x38.7) + (35x34.1) = 154.8 + 1193.5 = 1348 1348 / (4 + 35) = **34.6 GRAVITY OIL** 

## GAS BTU:

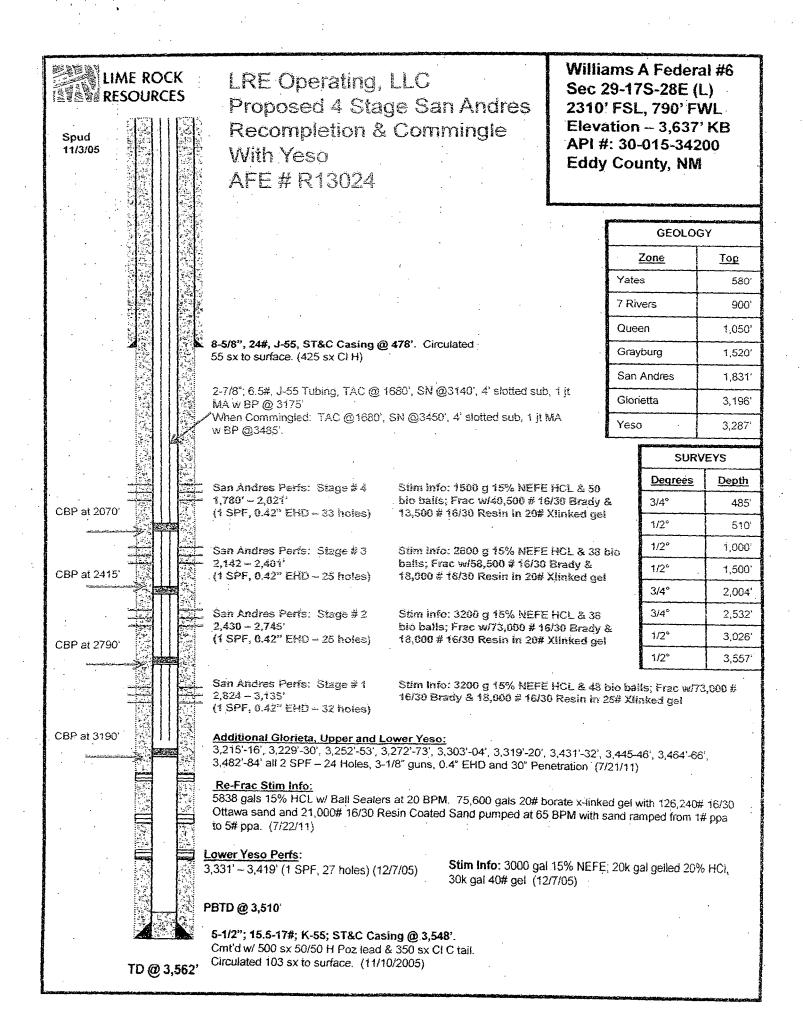
Bottom zone (Yeso) = 40 MCF/D, 1251 BTU Upper zone (SA) = 30 MCF/D, 1197 BTU (40x1251) + (30x1197) = 50,040 + 35,910 = 85,950 85,950 / (40 + 30) = **1228 BTU GAS** 

### H2S in GAS:

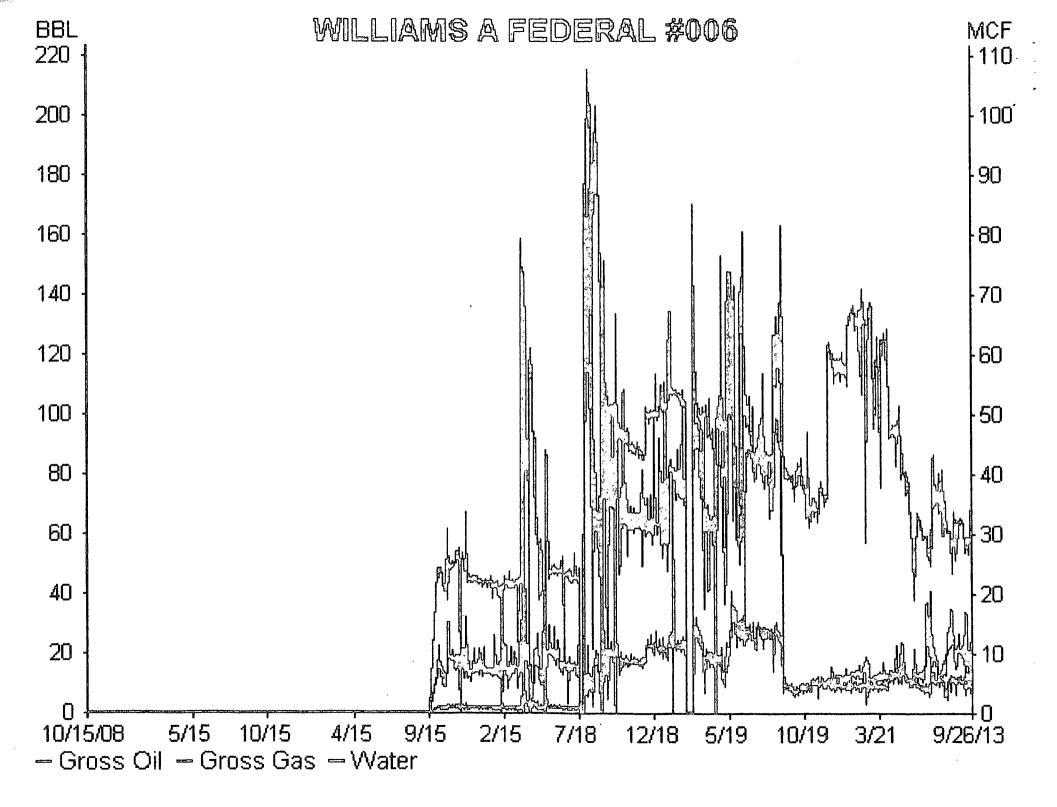
Bottom zone (Yeso) = 40 MCF/D, 22,000 ppm Upper zone (SA) = 30 MCF/D, 3500 ppm (40x22,000) + (30x3500) = 880,000 + 105,000 = 985,000 985,000 / (40 + 30) = **14,071 ppm H2S** 

#### Sulfur in Oil:

Bottom zone (Yeso) = 4 BOPD, 0.5477 Upper zone (SA) = 35 BOPD, 1.2293 (4x0.5477) + (35x1.2293) = 2.1908 + 43.0255 = 45.2163 45.2163 / (4+ 35) = <u>1.1594 Wt% Sulfur</u>



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	Discourse 1	State of	New Mexico	Form C-107A	
	District I 1622 N. Frenzen Drive, Husbe, Net 552-55	Energy, Minerals and Na	atural Resources Department	Revised June 10, 2003	
	District II 1301 W. Brand Avenue, Arraile, NAR 582:0	Oil Conse	rvation Division	APPLICATION TYPE	· .
• • • • • • • • • • • • • • • • • • • •	District III - 1060 Kis Branis Rand, Alisa, Nat 87410		uth St. Francis Dr. New Mexico 87505	X Single Well Establish Pre-Approved Pools	· .
	District IV			EXISTING WELLBORE	
· ·	1220 St. St. Property Der, States For New \$7585	APPLICATION FOR DC	WNHOLE COMMINGLING	<u>YesNo</u>	· · ·
· · ·	LRE OPERATING, LLC		3104 N. Sullivan, Farmington, NM \$7401 Reess	·	•
·.	WILLIAMS A FEDERAL #6	L SEC. 29	1175 R28E	Eddy	
•	Lease		-Section-Township-Range	County	· .
•	OORID No. 281994 Property Cod	e <u>309877</u> API No. <u>30-015</u>	34200 Lease Type: X Feder	alStateFee	· .
······································	DATA ELEMENT	UPPER 20NE	INTERMEDIATE ZONE	LOWER ZONE	
•		RED LAKE; -Queen-		ARTESIA: Glorieta-Yeso	
· .	Pool Name	Crayburg-San Andres 51300			
	Pool Code			96830	
· · · ·	Top and Boitom of Pay Section	~1780'-3135'		3215'-3484'	
· · · ·	(Perforated or Open-Hole Interval)	Plan to Pump		Pumping	
	Method of Production (Flowing or Antificial Lift)				
	Bottomhole Pressure chiese Pressure data will not be required if the bottom	690 psi		851 psi	
	performing in the lower zone is within 150% of the depth of the top performing in the upper 2006)				
	Oil Gravity or Gas BTU (Degree API or Cas BTU)	34.8		38.32 .	
	Producing, Shut-In or	Prospective New Zone		Producing	
	New Zone Date and Oil/Gas/Water Rates of			1	
	Last Production. (Note: For new 200es with no production history,	Date:	Date:	Date: 9/25/13	
	applicant shall be required to attach production estimates and supporting data.)	RATES:	Rates:	Rates: 4 BOPD 40 MCF/D	
	Fixed Allocation Percentage	Ojl Gas	Oil Gas	Oil Gas	. •
	(Note: 11 allocation is based upon sceneting other inter current of past production, supporting data or				•
•	expensation will be required.)	<u> </u>	% %		
· · ·	Are all working, royalty and overriding	ADDITIC	DNAL DATA	Yes X No	
	If not, have all working, royalty and ov	erriding royalty interest owners be	en notified by centified mail?	YesNo	
	Are all produced fluids from all commi	ngled zones compatible with each	other?	Yes_XNo	
:	Will commingling decrease the value o	r production?		YesNo_X	
	If this well is on, or communitized with or the United States Bureau of Land M			Yes X No	
	NMOCD Reference Case No. applicab		- ••		
	Anachments:				
	C-102 for each zone to be comming Production curve for each zone for				
	For zones with no production histor Data to support allocation method of	ry, estimated production rates and or formula.	supporting data.		
	Notification list of working, royalty Any additional statements, data or				
	- · · · · · · · · · · · · · · · · · · ·			,	
	If application is		OVED POOLS the following additional information w	ill be required:	
	List of other orders approving downhol List of all operators within the propose	e commingling within the propos			
	Proof that all operators within the prop		ovided notice of this application.		
	Bonomhole pressure data. I hereby certify that the information	above is true and complete tr	the best of my knowledge and beli	ef.	•
	SIGNATURE Mala	$\Delta$ .	Petroleum Engineer - Agent D	· · · ·	
		Aike Pippin	TELEPHONE NO. (5		
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EXHIBIT #2

# Conditions of Approval, (Commingle SA & Yeso)

## LRE Operating, LLC Williams A – 06 API 3001534200, T17S-R28E, Sec 29 May 08, 2014

- The "Williams A & B Field Study of the Yeso & San Andres" dated 11/23/2013 reviewed and Approved by EGF on 01/27/2014 has been accepted by BLM CFO as justification for a downhole pool comingling project on the Williams A and Williams B federal leases. The Yeso is currently capable of production in paying quantities and is to be produced until that formation's economic limits are achieved. This being said, the combined formations should increase field production.
- 2. A new "Well Location and Acreage Dedication Plat" (NMOCD Form C-102) is required with the notice of intent package when opening another pay zone.
- 3. A subsequent sundry detailing work done and a completion report for the San Andres and Yeso formations is necessary.

4. Surface disturbance beyond the originally approved pad must have prior approval.

5. Closed loop system required.

- 6. All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of work over operations shall be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid shall be disposed of on the well location or surrounding area. Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.
- 7. Functional  $H_2S$  monitoring equipment shall be on location.
- 8. 2000 (2M) Blow Out Prevention Equipment to be used. All BOPE and workover procedures shall establish fail safe well control. Ram(s) for the work string(s) used is required equipment. Manual BOP closure system including a blind ram and pipe ram(s) designed to close on all (hand wheels) equipment shall be installed regardless of BOP design. Function test the installed BOPE to 500psig when well conditions allow. Related equipment, (choke manifolds, kill trucks, gas vent or flare lines, etc.) shall be employed when needed for reasonable well control requirements.

EF/PS

Access information for use of Form 3160-5 "Sundry Notices and Reports on Wells"

NM Fed Regs & Forms - http://www.blm.gov/nm/st/en/prog/energy/oil\_and\_gas.html

§ 43 CFR 3162.3-2 Subsequent Well Operations.

§ 43 CFR 3160.0-9 (c)(1) Information collection.

§ 3162.4-1 (c) Well records and reports.