

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0135
Expires: July 31, 2010**SUNDRY NOTICES AND REPORTS ON WELLS**
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.*5. Lease Serial No.
NMLC046250B

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

SUBMIT IN TRIPLICATE - Other instructions on reverse side.1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other8. Well Name and No.
WILLIAMS B FEDERAL 122. Name of Operator
LRE OPERATING LLCContact: MIKE PIPPIN
E-Mail: mike@pippinllc.com9. API Well No.
30-015-42117-00-S13a. Address
1111 BAGBY, SUITE 4600
HOUSTON, TX 770023b. Phone No. (include area code)
Ph: 505-327-457310. Field and Pool, or Exploratory
ARTESIA

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Sec 29 T17S R28E SWNE 2310FNL 2460FEL
32.805883 N Lat, 104.196775 W Lon11. County or Parish, and State
EDDY COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Subsurface Commingling
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

THIS IS A REQUEST TO REMOVE THE CBP @ 3350' & DHC.

Following the recompletion to San Andres, LRE would like to drill the CBP @ ~3350' & DHC the Yeso with the San Andres. See NOI sundry ES295665.

LRE requests administrative approval to downhole commingle the existing Artesia, Glorieta-Yeso (96830) and the proposed Red Lake, Queen-Grayburg-San Andres (51300). Both intervals have common ownership, we have not experienced any significant cross flows, & all the fluids are compatible. Downhole commingling will maximize the ultimate recovery of oil & gas & eliminate redundant surface equipment. A DHC application has also been submitted to the State. See the attached DHC worksheet & supporting data. The "Williams A & B Field Study of the Yeso & San Andres" dated 11/23/2013 reviewed & approved by EGF on 1/27/2014 has been accepted by BLM CFO as justification for a downhole pool commingling project on the Williams A & B Federal leases.

NM OIL CONSERVATION
ARTESIA DISTRICT

JUL 10 2015

RECEIVED

Accepted for record
NMOCD 7/30/15

14. I hereby certify that the foregoing is true and correct.

Electronic Submission #295952 verified by the BLM Well Information System

For LRE OPERATING LLC, sent to the Carlsbad

Committed to AFMSS for processing by CATHY QUEEN on 06/22/2015 (15CQ0411SE)

Name (Printed/Typed) MIKE PIPPIN

Title PETROLEUM ENGINEER

Signature (Electronic Submission)

Date 03/24/2015

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By EDWARD FERNANDEZ

Title PETROLEUM ENGINEER

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office Carlsbad

APPROVED
JUL 7 2015
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE
Date 07/07/2015

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED **

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

Additional data for EC transaction #295952 that would not fit on the form

32. Additional remarks, continued

DOWNHOLE COMMINGLING WORKSHEET

Operator: LRE OPERATING, LLC
Lease/Well Name/API#/Location: NMLC046250B, WILLIAMS B FEDERAL #12, 30-015-42117, G SEC 29 T17S R28E
Date: 3/24/2015

Data	Bottom Formation	Upper Formation	Estimated Combined Production Data
Pool Name:	Artesia, GI-Yeso	Red Lake, Q-GYB-SA	
Pool Code:	96830	51300	(See attached weighted average calculations)
State Form C-102 w/dedicated Acres provided:	Yes 40 acres	Yes 40 acres	
Formation Name:	Yeso	San Andres	
Top & Bottom of Pay Section (Perfed or OH interval):	3398'-3524' Perfed	~2064'-3117' Perfed	
Method of Production:	Pumping	Plan to pump	
Bottom Hole Pressure:	851 psi	690 psi	
Reservoir Drive Mechanism:	Solution gas drive	Solution gas drive	
Oil Gravity &/or BTU:	35.8 / 1295*	34.1 / 1197*	34.9/1230
Average Sulfur Content (Wt%):	1.003*	1.2293*	1.1194
Oil Sample Analysis Provided:	Yes*	Yes*	
Gas Analysis Provided:	Yes*	Yes*	
Produce Water Analysis Provided:	Yes	Yes*	
H2S Present:	9,500 ppm*	3500 ppm*	5500
Producing, Shut-in or New Zone:	Pumping	Plan to pump	
Date & Oil/Gas/Water rates of Last Production (new zones or no production history Operator shall attach production estimate & supporting data):	3/8/2015 17 BOPD 40 MCF/D 20 BWPD	Ave. SA From Lease 18 BOPD 80 MCF/D 204 BWPD **	Estimated Rates: 40 BOPD 150 MCF/D 230 BWPD
Average decline % (provide back up data):	OIL = 9.76%* GAS = 1.57%*	OIL = 9.51%* GAS = 5.89%*	OIL = 8.59%* GAS = 1.91%*
Fixed Allocation %: (See attached calculations)	OIL = 49% GAS = 33% WTR = 9%	OIL = 51% GAS = 67% WTR = 91%	

Remarks: *See attached back-up data & "Williams A & B Field Study of Yeso & San Andres".
** As per EGF. Pool allocations will be fine tuned after SA test.
Operator Signature:
Date: 3/24/2015

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 B FEDERAL #12
 Artesia; Glorieta-Yeso & Red Lake, Queen-Grayburg-San Andres
 G Section 29 T17S R28E
 3/24/2015
 API#: 30-015-42117

Commingled Allocation Calculations

On April 11, 2014, the Yeso (lower zone) was completed as a new well. LRE has submitted an NOI sundry (E295665) to recomple this well to the San Andres (upper zone) and produced as a single SA well to obtain a test. Following the SA test, the well will be DHC. The last Yeso production test on 3/8/15 before the recomple was 17 BOPD, 40 MCF/D, & 20 BWPD. The average San Andres test on the lease is 18 BOPD, 80 MCF/D, & 204 BWPD. As per EGF, the pool allocations will be fine tuned after the SA test.

	Upper Zone (SA)	+	Lower Zone (YESO)	=	Total
Total Oil (bbls/d)	18	+	17	=	35
Total Gas (mcf/d)	80	+	40	=	120
Total Water (bbls)	204		20	=	224

OIL

Upper Zone (SA) = 18 BOPD

Lower Zone (Yeso) = 17 BOPD

Total oil = 35 BOPD

$$\% \text{ Upper Zone} = \frac{18}{35} = \underline{51\%}$$

$$\% \text{ Lower Zone} = \frac{17}{35} = \underline{49\%}$$

GAS

Upper Zone (SA) = 80 MCF/D

Lower Zone (Yeso) = 40 MCF/D

Total gas = 120 MCF/D

$$\% \text{ Upper Zone} = \frac{80}{120} = \underline{67\%}$$

$$\% \text{ Lower Zone} = \frac{40}{120} = \underline{33\%}$$

WATER

Upper Zone (SA) = 204 BWPD

Lower Zone (Yeso) = 20 BWPD

Total gas = 224 BWPD

$$\% \text{ Upper Zone} = \frac{204}{224} = \underline{91\%}$$

$$\% \text{ Lower Zone} = \frac{20}{224} = \underline{9\%}$$

LRE OPERATING, LLC
WILLIAMS B FEDERAL #12
Artesia; Glorieta-Yeso & Red Lake, Queen-Grayburg-San Andres
G Section 29 T17S R28E
3/24/2015 – Mike Pippin
API#: 30-015-42117

WEIGHTED AVERAGES

OIL GRAVITY:

Bottom zone (Yeso) = 17 BOPD, 35.8

Upper zone (SA) = 18 BOPD, 34.1

$$(17 \times 35.8) + (18 \times 34.1) = 308.6 + 613.8 = 1222.4$$

$$1222.4 / (17 + 18) = \underline{\mathbf{34.9 \text{ GRAVITY OIL}}}$$

GAS BTU:

Bottom zone (Yeso) = 40 MCF/D, 1295 BTU

Upper zone (SA) = 80 MCF/D, 1197 BTU

$$(40 \times 1295) + (80 \times 1197) = 51,800 + 95,760 = 147,560$$

$$147,560 / (40 + 80) = \underline{\mathbf{1230 \text{ BTU GAS}}}$$

H2S in GAS:

Bottom zone (Yeso) = 40 MCF/D, 9,500 ppm

Upper zone (SA) = 80 MCF/D, 3500 ppm

$$(40 \times 9,500) + (80 \times 3500) = 380,000 + 280,000 = 660,000$$

$$660,000 / (40 + 80) = \underline{\mathbf{5,500 \text{ ppm H2S}}}$$

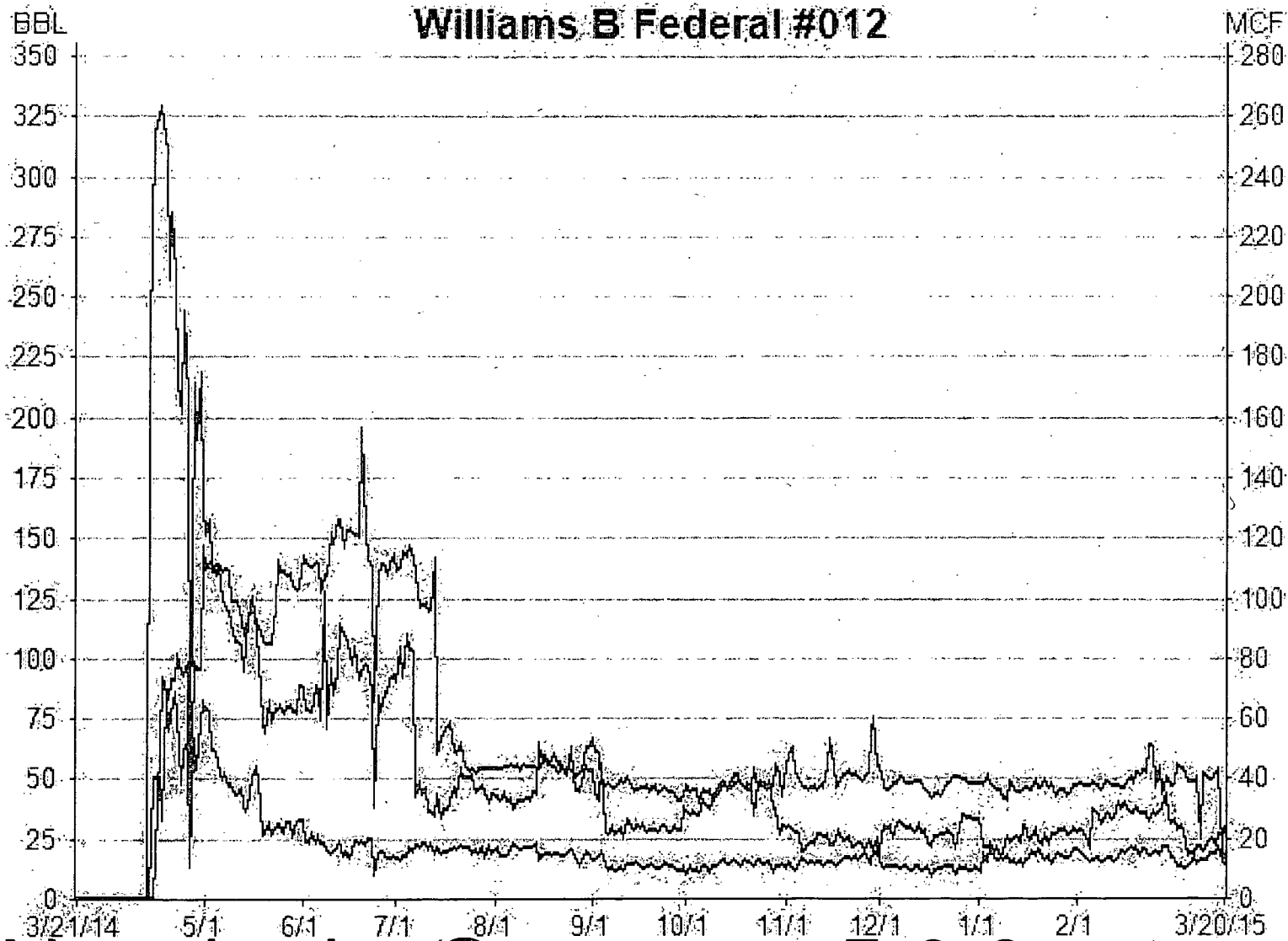
Sulfur in Oil:

Bottom zone (Yeso) = 17 BOPD, 1.003

Upper zone (SA) = 18 BOPD, 1.2293

$$(17 \times 1.003) + (18 \times 1.2293) = 17.051 + 22.1274 = 39.1784$$

$$39.1784 / (17 + 18) = \underline{\mathbf{1.1194 \text{ Wt\% Sulfur}}}$$



Neevia docConverter 5.0.0

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

AS DRILLED

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015-42117		² Pool Code 51300	³ Pool Name Red Lake, Queen-Grayburg-San Andres
⁴ Property Code 309867	⁵ Property Name WILLIAMS B FEDERAL		⁶ Well Number 12
⁷ OGRID No. 281994	⁸ Operator Name LRE OPERATING, LLC.		⁹ Elevation 3664' 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
G	29	17-S	28-E		2310	NORTH	2460	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
G	29	17-S	28-E		2277	NORTH	2264	EAST	EDDY

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.
2616.95'

				<p>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 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.</p> <p>3/20/15</p> <p>Signature _____ Date _____</p> <p>Mike Pippin Printed Name</p>	
				<p>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.</p> <p>8/19/12</p> <p>Date of Survey _____</p> <p>Signature and Seal of Professional Surveyor: Filmont F. Jaramillo</p> <p>12797</p> <p>Certificate Number</p>	

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1304 W. Grand Avenue, Artesia, NM 88210

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1000 Rio Hondo Road, Arco, 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 c/o Mike Pippin LLC (agent), 3104 N. Sullivan, Farmington, NM 87401
Operator Address

WILLIAMS B FEDERAL #12 **G SEC. 29 T17S R28E** **Eddy**
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 281994 Property Code 309867 API No. 30-015-42117 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Red Lake; Queen-Grayburg-San Andres		Artesia; Glorieta-Yeso
Pool Code	51300		96830
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	~2064'-3117'		3398'-3524'
Method of Production (Flowing or Artificial Lift)	Prospective		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)	741 PSI		851 PSI
Oil Gravity or Gas BTU (Degree API or Gas BTU)	34.8		38.32
Producing, Shut-In or New Zone	Proposed New Zone		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: March 8, 2015 Rates: 17 BOPD 40 MCF/D 20 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 _____ TITLE Petroleum Engineer - Agent DATE March 23, 2015

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

E-MAIL ADDRESS mike@pippinllc.com

Conditions of Approval, (Commingle SA & Yeso)

LRE Operating, LLC

Williams B - 12

API 3001542117, T17S-R28E, Sec 29

July 7, 2015

1. 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. (received)
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 H₂S 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.