

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

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

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505WELL API NO.
30-015-31530

5. Indicate Type of Lease

STATE ☒ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name
ENRON STATE

8. Well Number #1

9. OGRID Number 281994

10. Pool name or Wildcat

ARTESIA, GORIBTO-YESO
96830

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 C : 530 feet from the NORTH line and 1650 feet from the WEST lineSection 32 Township 17-S Range 28-E NMPM Eddy County11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3678' 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 ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐OTHER: Revise Commingled Production Allocations ☒OTHER: Redeliver Commingled Well ☒

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 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

On 11/11/11, a payadd workover was performed on the lower (Yeso) interval of this commingled oil well.

This commingled oil well (DHC-3689A) was re-delivered on 12/18/12. Its IP Test was conducted on 12/19/12 for 34 BOPD & 48 MCF/D. Before the payadd workover, the commingled well tested for 1.2 BOPD & 29 MCF/D. Therefore, we would like to revise the well's production allocations as of 12/18/12: (See the attached calculations).

	<u>Upper Zone (SA)</u>	<u>Lower Zone (Yeso)</u>
OIL:	2%	98%
GAS:	44%	56%

RECEIVED

MAR -1 2012

NMOCD ARTESIA

Spud Date: 5/2/01

Drilling Rig Release Date: 5/16/01

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 2/22/12Type or print name Mike Pippin E-mail address: mike@pippinllc.com PHONE: 505-327-4573
For State Use OnlyAPPROVED BY: *T. C. Ingrid* TITLE *Geologist* DATE *3/5/2012*

Conditions of Approval (if any):

LRE OPERATING, LLC
ENRON STATE #1
Artesia; Glorieta-Yeso & Artesia, Queen-Grayburg-San Andres
C Section 32 T17S R28E
2/22/2012
API#: 30-015-31530

Commingle Allocation Calculations

During August 2011, this commingled oil well averaged **1.2 BOPD & 29 MCF/D**. On 11/11/11, a payadd workover was completed in the lower zone (Yeso) and again commingled with the existing upper zone (San Andres) as per DHC-3689A.

Following the payadd workover in the Yeso an IP Test was conducted on this commingled well on 12/19/11 for **34 BOPD & 48 MCF/D**. Therefore, the well's allocation should be revised from the former (DHC-3689A) allocation of:

<u>ZONE</u>	<u>OIL</u>	<u>GAS</u>
Artesia, Glorieta-Yeso (96830)	56%	27%
Artesia, Qn-Gbg-SA (3230)	44%	73%

Therefore, using these old allocations, before the payadd workover, the split was:

<u>ZONE</u>	<u>OIL (BOPD)</u>	<u>GAS (MCF/D)</u>
Artesia, Glorieta-Yeso (96830)	0.67	7.8
Artesia, Qn-Gbg-SA (3230)	<u>0.53</u>	<u>21.2</u>

The average oil production for the lower zone should now be: $34 - 0.53 = \mathbf{33.47 \text{ BOPD}}$

The average gas production for the lower zone should now be: $48 - 21.2 = \mathbf{26.8 \text{ MCF/D}}$

The average oil production for the upper zone should still be: **0.53 BOPD**

The average gas production for the upper zone should still be: **21.2 MCF/D**

RECOMMENDED NEW OIL ALLOCATION

$$\% \text{ Lower Zone} = \frac{33.47}{34} = \mathbf{98\%}$$

$$\% \text{ Upper Zone} = \frac{0.53}{34} = \mathbf{2\%}$$

RECOMMENDED NEW GAS ALLOCATION

$$\% \text{ Lower Zone} = \frac{26.8}{48} = \mathbf{56\%}$$

$$\% \text{ Upper Zone} = \frac{21.2}{48} = \mathbf{44\%}$$