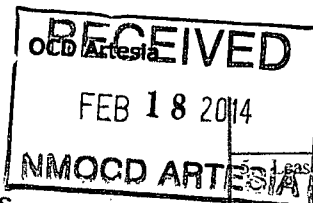


UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.



FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

Serial No.

NMNM 048344

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

LRE OPERATING, LLC.

3a. Address c/o Mike Pippin LLC

3104 N. Sullivan, Farmington, NM 87401

3b. Phone No. (include area code)

505-327-4573

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

1090' FSL & 1550' FWL Unit N
Sec. 29, T17S, R28E

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

WILLIAMS A FEDERAL #8

3

30-015-36513

10. Field and Pool, or Exploratory Area

Artesia, Glorieta-Yeso (96830) DHC
Red Lake, Queen-Grayburg-San Andres (51300)

AND

Eddy County, New Mexico

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 DHC Application
	<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 Operations (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 recompleat 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 recompleat 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.)

DHC

LRE requests administrative approval to downhole commingle the existing (SI) Artesia, Glorieta-Yeso (96830) and the existing, producing Red Lake, Queen-Grayburg-San Andres (51300). The well was originally completed in the Yeso on 4/1/09 with a recompleat into the San Andres on 6/25/13. Both intervals have common ownership (Category #1), we have not experienced any significant cross flows, & all the fluids are compatible. Downhole commingling will improve recovery of liquids & gas, eliminate redundant surface equipment, which reduces the environmental impact, & maximize productivity. Notice has been filed concurrently on form C-107A with the State.

LRE plans to commingle by removing the CBP @ 3150' which is set above the Yeso perms. LRE is requesting approval to commingle the two pools Cupon completion of rig operations. The production allocation was calculated using the Yeso test before the recompleat workover of 10 BOPD & 36 MCF/D on 6/9/13 and the San Andres production test after the recompleat of 75 BOPD & 160 MCF/D, which was taken on 7/12/13. Therefore, the upper zone allocation calculates to be: oil - 88% & gas - 82% with the lower zone, oil - 12% & gas - 18%. See the attached C-107A, WBD & other supporting data, which has been filed with the State.

SUBJECT TO LIKE
APPROVAL BY STATE

Accepted for rec...

NMOC D 18

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

Name (Printed/Typed)

Mike Pippin

Title

Petroleum Engineer (Agent)

Signature

Mike Pippin

Date

September 10, 2013

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Title

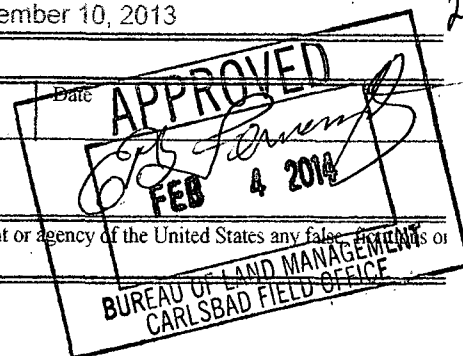
Date

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

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

SUBJECT TO LIKE
APPROVAL BY STATE



District I
10225 N. French Drive, Hobbs, NM 88240

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

District III
1000 Rio Pecos Road, Aztec, 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

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

Lease **WILLIAMS A FEDERAL #8** Well No. **N SEC. 29 T17S R28E** Eddy
Unit Letter-Section-Township-Range County

OGRID No. **281994** Property Code **309877** API No. **30-015-36513** 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)	2000'-3030'		3371'-3510'
Method of Production (Flowing or Artificial Lift)	Pumping		Plan to Pump
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	Producing		SI Below CBP
Date and Oil/Gas/Water Rates of Last Production (Note: For new zones with no production history, applicants shall be required to attach production estimates and supporting data.)	Date: 7/12/13 RATES: 75 BOPD 160 MCF/D	Date: Rates:	Date: 6/9/13 Rates: 10 BOPD 36 MCF/D
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 88% 82%	Oil Gas % %	Oil Gas 12% 18%

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 September 10, 2013

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

E-MAIL ADDRESS mike@pippinllc.com

DOWNHOLE COMMINGLING WORKSHEET

Operator: LRE OPERATING, LLC	
Lease/Well Name/API#/Location:	NMNM-048344, WILLIAMS A FEDERAL #8, 30-015-36513, N SEC 29 T17S R28E
Date:	2/3/2014

Data	Bottom Formation	Upper Formation	Estimated Combined Production Data
Pool Name:	Artesia, G-Y	Red Lake, Q-G-SA	(See attached weighted average calculations)
Pool Code:	96830	51300	
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):	3371'-3510' Perfed	2000'-3030' Perfed	
Method of Production:	Plan to Pump	Pumping	
Bottom Hole Pressure:	851 psi	690 psi	
Reservoir Drive Mechanism:	Solution gas drive	Solution gas drive	
Oil Gravity &/or BTU:	35.8 / 1295*	34.6 / 1240	34.7 / 1250
Average Sulfur Content (Wt%):	1.003*	1.3099	1.274
Oil Sample Analysis Provided:	Yes*	Yes	
Gas Analysis Provided:	Yes*	Yes	
Produce Water Analysis Provided:	Yes*	Yes	
H2S Present:	9500 ppm*	4000 ppm	5010
Producing, Shut-in or New Zone:	SI	Pumping	
Date & Oil/Gas/Water rates of Last Production (new zones or no production history Operator shall attach production estimate & supporting data):	6/9/2013 10 BOPD 36 MCF/D 23 BWPD	7/12/2013 75 BOPD 160 MCF/D 180 BWPD	Estimated Rates: 90 BOPD 220 MCF/D 220 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 = 12% GAS = 18% WTR = 11%	OIL = 88% GAS = 82% WTR = 89%	

Remarks: *See attached back-up data & "Williams A & B Field Study of Yeso & San Andres". The State DHC order is DHC-4643.	
Operator Signature:	
Date:	2/3/2014

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 #8
Artesia; Glorieta-Yeso & Red Lake, Queen-Grayburg-San Andres
N Section 29 T17S R28E
2/3/2014 – Mike Pippin
API#: 30-015-36513

WEIGHTED AVERAGES

OIL GRAVITY:

Bottom zone (Yeso) = 10 BOPD, 35.8

Upper zone (SA) = 75 BOPD, 34.6

$$(10 \times 35.8) + (75 \times 34.6) = 358 + 2595 = 2953$$

$$2953 / (10 + 75) = \underline{\underline{34.7 \text{ GRAVITY OIL}}}$$

GAS BTU:

Bottom zone (Yeso) = 36 MCF/D, 1295 BTU

Upper zone (SA) = 160 MCF/D, 1240 BTU

$$(36 \times 1295) + (160 \times 1240) = 46,620 + 198,400 = 245,020$$

$$245,020 / (36 + 160) = \underline{\underline{1250 \text{ BTU GAS}}}$$

H2S in GAS:

Bottom zone (Yeso) = 36 MCF/D, 9,500 ppm

Upper zone (SA) = 160 MCF/D, 4000 ppm

$$(36 \times 9,500) + (160 \times 4000) = 342,000 + 640,000 = 982,000$$

$$982,000 / (36 + 160) = \underline{\underline{5010 \text{ ppm H2S}}}$$

Sulfur in Oil:

Bottom zone (Yeso) = 10 BOPD, 1.003

Upper zone (SA) = 75 BOPD, 1.3099

$$(10 \times 1.003) + (75 \times 1.3099) = 10.03 + 98.2425 = 108.2725$$

$$108.2725 / (10 + 75) = \underline{\underline{1.274 \text{ Wt\% Sulfur}}}$$

LRE OPERATING, LLC
 WILLIAMS A FEDERAL #8
 Artesia; Glorieta-Yeso & Red Lake, Queen-Grayburg-San Andres
 N Section 29 T17S R28E
 2/3/2014
 API#: 30-015-36513

Commingling Allocation Calculations

On 4/1/09, the Yeso (lower zone) was completed as a new well. On 6/25/13, the well was recompleted into the San Andres (upper zone) with the lower zone shut-in below a CBP @ 3150'. The Yeso production test on 6/9/13 before the recompletion was 10 BOPD, 36 MCF/D, & 23 BWPD. The test on the San Andres alone after the recompletion was on 7/12/13 for 75 BOPD, 160 MCF/D, & 180 BWPD.

	Upper Zone (SA)	+	Lower Zone (YESO)	=	Total
Total Oil (bbls/d)	75	+	10	=	85
Total Gas (mcf/d)	160	+	36	=	196
Total Water (bbls)	180		23	=	203

OIL

Upper Zone (SA) = 75 BOPD
 Total oil = 85 BOPD

$$\% \text{ Upper Zone} = \frac{75}{85} = \underline{88\%}$$

Lower Zone (Yeso) = 10 BOPD

$$\% \text{ Lower Zone} = \frac{10}{85} = \underline{12\%}$$

GAS

Upper Zone (SA) = 160 mcf/d
 Total gas = 196 mcf/d

$$\% \text{ Upper Zone} = \frac{160}{196} = \underline{82\%}$$

Lower Zone (Yeso) = 36 mcf/d

$$\% \text{ Lower Zone} = \frac{36}{196} = \underline{18\%}$$

WATER

Upper Zone (SA) = 180 mcf/d
 Total gas = 203 mcf/d

$$\% \text{ Upper Zone} = \frac{180}{203} = \underline{89\%}$$

Lower Zone (Yeso) = 23 mcf/d

$$\% \text{ Lower Zone} = \frac{23}{203} = \underline{11\%}$$

WILLIAMS A FEDERAL #8

Current

ARTESIA; Glorieta-Yeso
RED LAKE; Queen-Grayburg-San Andres
(N) Section 29, T-17-S, R-28-E, Eddy County, NM

Today's Date: 9/10/13
Spud: 1/8/09
Completed Yeso: 4/1/09
Completed SA: 6/25/13

Elevation: 3679' GL

API#: 30-015-36513

Queen @ 1147'

Grayburg @ 1562'

San Andres @ 1871'

Glorieta @ 3271'

Yeso @ 3364'

7-7/8" hole

TD 3603'

8-5/8" 24# Csg @ 420'
Cmt w/375 sx
Circ Cmt to Surface

2-7/8" tubing @ 3147'

Red Lake; Queen-Grayburg-San Andres
Existing Perfs: 2000'-3030'

CBP @ 3150'

Artesia; Glorieta-Yeso
Existing Perfs: 3371'-3510'

5-1/2" 17# Csg @ 3603'
Cmt with 800 sx
Circ Cmt to Surface

Mike Pippin

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 30-015-36513	² Pool Code 51300	³ Pool Name RED LAKE, Queen-Grayburg-San Andres
⁴ Property Code 309877	⁵ Property Name WILLIAMS A FEDERAL	⁶ Well Number 8
⁷ OGRID No. 281994	⁸ Operator Name LRE OPERATING, LLC.	⁹ Elevation 3679' GL

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot 1dn	Feet from the	North/South line	Feet from the	East/West line	County
N	29	17-S	28-E		1090	SOUTH	1550	WEST	EDDY

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot 1dn	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.

<div style="text-align: center; font-size: 2em;">29</div>					<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 undivided 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>Signature: <u>Mike Pippin</u> Date: <u>5/16/13</u></p> <p>Mike Pippin Printed Name</p>
1550'					<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>3/25/08</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor: Dan R. Reddy</p> <p>5412</p> <p>Certificate Number</p>

1825 N. Front St., Hobbs NM 88240

1801 E. Grand Avenue, Artesia, NM 88210

1000 Rio Pecos Rd., Arroyo, NM 87410

1280 S. St. Francis Dr., Santa Fe, NM 87605

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 License - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 APN Number	2 Post Code	3 pool Name
	916830	Artesian; GL-1/E
4 Property Code	5 Property Name	6 Well Number
305454	WILLIAMS A FEDERAL	8
7 OCRIID No.	8 Operator Name	9 Elevation
255.333	LIME ROCK RESOURCES A, L.P.	3679

¹⁰ Surface Location

U. S. or Lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	29	17-S	28-E		1090	SOUTH	1550	WEST	EDDY

Bottom Hole Location If Different From Surface

III. or lot no.	Section	Township	Range	Lot 1st	Feet from the	North/South line	Feet from the	East/West line	County
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12 Designated Areas 40	13 Joint or Infill	14 Consolidation Code	16 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.

LAT N32.80092
LON W104.20136

1550'

1090'

17 OPERATORS CERTIFICATION

I hereby certify that the information contained herein is true and correct to the best of my knowledge and belief, and that this organization either has a working interest or undivided cultural interest in the local distribution of the prepared culture, this document, or has a right to sell this work of the American government to a contract with an owner of such cultural or scientific interest, or a subsidiary selling agreement or a continuing selling order drawings entered by the district.

C. L. Walker 6/16/08

Signature: C. Tim Miller, VP-Operations Date:

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plot 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.

MARCH 25, 2008

Date of Survey _____

Signature and Seal of Principal Surveyor



Certificate Number:
DAN R. REDDY NM PR&PS #541