

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

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-015-40339
5. Indicate Type of Lease STATE [X] FEE []
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name ENRON STATE
8. Well Number #18
9. OGRID Number 281994
10. Pool name or Wildcat Artesia, Glorieta-Yeso (96830) Artesia, Queen-Gravburg-San Andres (3230)
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3700' GL

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 [X] 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 D : 990 feet from the North line and 330 feet from the West line Section 32 Township 17-S Range 28-E NMPM Eddy County

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 [X]
OTHER: []

SUBSEQUENT REPORT OF:
REMEDIAL WORK [] ALTERING CASING []
COMMENCE DRILLING OPNS. [] P AND A []
CASING/CEMENT JOB []
OTHER: 1st Deliver DHC & Pool Allocations [X]

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 oil well was 1st Delivered DHC on 9/6/15 as per State order DHC-4741. Using the lower zone (Yeso) test from 2/4/15 of 12 BOPD, 76 MCF/D, & 84 BWPD & the upper zone (San Andres) test from 4/29/15 of 38 BOPD, 130 MCF/D, & 406 BWPD, the following pool allocations were calculated. See the attached calculations.

NM OIL CONSERVATION
ARTESIA DISTRICT
OCT 09 2015

RECEIVED

Spud Date: 1/11/14 Drilling Rig Release Date: 1/16/14

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 10/7/15
Type or print name Mike Pippin E-mail address: mike@pippinllc.com PHONE: 505-327-4573

For State Use Only

APPROVED BY: [Signature] TITLE Dist PE Spewison DATE 10/15/2015
Conditions of Approval (if any):

LRE OPERATING, LLC
ENRON STATE #18
 Artesia; Glorieta-Yeso & Artesia, Queen-Grayburg-San Andres
 D Section 32 T17S R28E
 10/7/2015
 API#: 30-015-40339

Commingle Allocation Calculations

On February 4, 2014, the Yeso (lower zone) was completed as a new well. On 2/4/15, the Yeso tested for 12 BOPD, 76 MCF/D, & 84 BWPD. The well was recompleted into the San Andres on 4/3/15 & tested on 4/29/15 for 38 BOPD, 130 MCF/D, & 406 BWPD. A CBP segregating the two intervals was drilled out & the well DHC on 9/2/15 as per State order DHC-4741.

	Upper Zone (SA)	+	Lower Zone (YESO)	=	Total
Total Oil (bbls/d)	38	+	12	=	50
Total Gas (mcf/d)	130	+	76	=	206
Total Water (bbls)	406		84	=	490

OIL

Upper Zone (SA) = 38 BOPD
 Total oil = 50 BOPD
 % Upper Zone = $\frac{38}{50} = \underline{76\%}$

Lower Zone (Yeso) = 12 BOPD
 % Lower Zone = $\frac{12}{50} = \underline{24\%}$

GAS

Upper Zone (SA) = 130 MCF/D
 Total gas = 206 MCF/D
 % Upper Zone = $\frac{130}{206} = \underline{63\%}$

Lower Zone (Yeso) = 76 MCF/D
 % Lower Zone = $\frac{76}{206} = \underline{37\%}$

WATER

Upper Zone (SA) = 406 BWPD
 Total gas = 490 BWPD
 % Upper Zone = $\frac{406}{490} = \underline{83\%}$

Lower Zone (Yeso) = 84 BWPD
 % Lower Zone = $\frac{84}{490} = \underline{17\%}$