

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**APPLICATION OF RIDGE RUNNER  
RESOURCES OPERATING, LLC,  
TO POOL ADDITIONAL INTERESTS  
UNDER ORDER NO. R-21610,  
LEA COUNTY, NEW MEXICO**

**CASE NO. 23561  
ORDER NO. R-21610**

**EXHIBIT INDEX**

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A-2	Order No. R-21610
A-3	Plat of Tracts, Ownership Interests, Pooled Party
A-4	Sample Well Proposal Letter and AFEs
A-5	Chronology of Contact
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**SELF-AFFIRMED STATEMENT  
OF EMERALD MCGINNIS**

1. I am a Landman with Ridge Runner Resources Operating, LLC (“Ridge Runner”). I am over 18 years of age, have personal knowledge of the matters addressed herein, and am competent to provide this Self-Affirmed Statement. I have previously testified before the New Mexico Oil Conservation Division (“Division”), and my credentials as an expert in petroleum land matters were accepted and made a matter of record.

2. I am familiar with the land matters involved in this case. Copies of the application and proposed hearing notice are attached as **Exhibit A-1**.

3. None of the parties proposed to be pooled in this case indicated opposition to this matter proceeding by affidavit, therefore I do not expect any opposition at hearing.

4. On February 23, 2021, the Division entered Order No. R-21610 (“Order”) in Case No. 21636, which pooled uncommitted interests in the Bone Spring formation underlying a standard horizontal spacing unit comprised of the E/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East, Lea County, New Mexico (“Unit”). The Order further dedicated the Unit to the Zeus 2-11 Fed Com #2H well (“Well”) and designated Applicant as operator of the Unit and Well.

5. A copy of the Order is attached as **Exhibit A-2**.

**Ridge Runner Resources Operating, LLC  
Case No. 23561  
Exhibit A**

6. Since the Order was entered, Ridge Runner has identified an additional uncommitted interest in the Unit that has not been pooled under the terms of the Order.

7. **Exhibit A-3** provides a plat of the tracts included in the Unit, identifies the interests in each tract, and identifies the additional uncommitted interest to be pooled under the terms of the Order, which is highlighted in yellow. The additional interest owner to be pooled is locatable.

8. **Exhibit A-4** is a sample well proposal letter and AFEs that I sent to the additional party to be pooled under the terms of the Order.

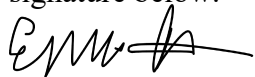
9. In my opinion, Ridge Runner made a good-faith effort to reach voluntary joinder as indicated by the chronology of contact described in **Exhibit A-5**.

10. Ridge Runner requests the additional uncommitted interest be pooled under the terms of the Order.

11. In my opinion, the granting of Ridge Runner's application would serve the interests of conservation and prevention of waste.

12. The attached exhibits were either prepared by me or under my supervision or were compiled from company business records.

13. I understand this Self-Affirmed Statement will be used as written testimony in this case. I affirm that my testimony above is true and correct and it made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date next to my signature below.



Emerald McGinnis

5/23/2323  
Date

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**APPLICATION OF RIDGE RUNNER  
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TO POOL ADDITIONAL INTERESTS  
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**CASE NO. 23561  
ORDER NO. R-21610**

**APPLICATION**

Pursuant to NMSA § 70-2-17, Ridge Runner Resources Operating, LLC (“Applicant”) (OGRID No. 373013) files this application with the Oil Conservation Division (“Division”) for the limited purpose of pooling additional uncommitted mineral interests under the terms of Division Order No. R-21610. Applicant states the following in support of its application.

1. On February 23, 2021, the Division entered Order No. R-21610 (“Order”) in Case No. 21636, which pooled uncommitted interests in the Bone Spring formation underlying a standard horizontal spacing unit comprised of the E/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East, Lea County (“Unit”). The Order further dedicated the Unit to the Zeus 2-11 Fed Com #2H (“Well”) and designated Applicant as operator of the Unit and Well.

2. Since the Order was entered, Applicant has identified additional interests in the Unit that have not been pooled under the terms of the Order.

3. Applicant has undertaken diligent, good-faith efforts to obtain voluntary agreements from the additional interest owners but has been unable to obtain voluntary agreements from the owners.

4. In order to allow Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the additional interests should be pooled into the Unit pursuant to the terms of the Order.

**Ridge Runner Resources Operating, LLC  
Case No. 23561  
Exhibit A-1**

WHEREFORE, Applicant requests this application be set for hearing before an Examiner of the Division on June 1, 2023, and, after notice and hearing, the Division pool the additional uncommitted interests into the Unit pursuant to the terms of Division Order No. R-21610.

Respectfully submitted,

HINKLE SHANOR LLP

/s/ Dana S. Hardy

Dana S. Hardy

Jaclyn M. McLean

Yarithza Peña

P.O. Box 2068

Santa Fe, NM 87504-2068

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*Counsel for Ridge Runner Resources Operating,  
LLC*

**Application of Ridge Runner Resources Operating, LLC To Pool Additional Interests Under Order No. R-21610, Lea County, New Mexico.** Applicant seeks an order pooling additional uncommitted interests under the terms of Division Order No. R-21610. Order No R-21610 (“Order”) pooled uncommitted interests in the Bone Spring formation underlying a standard horizontal spacing unit comprised of the E/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East, Lea County, New Mexico (“Unit”). The Order further dedicated the Unit to the Zeus 2-11 Fed Com #2H well (“Well”) and designated Applicant as operator of the Unit and Well. Since the Order was entered, Applicant has identified additional interests in the Unit that should be pooled under the terms of the Order. The Well is located approximately 16 miles Southwest of Hobbs, New Mexico.

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF APPLICATION FOR  
COMPULSORY POOLING SUBMITTED BY  
RIDGE RUNNER RESOURCES OPERATING, LLC**

**CASE NO. 21636  
ORDER NO. R-21610**

**ORDER**

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on February 18, 2021, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

**FINDINGS OF FACT**

1. Ridge Runner Resources Operating, LLC (“Operator”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
2. Operator will dedicate the well(s) described in Exhibit A (“Well(s)”) to the Unit.
3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

**CONCLUSIONS OF LAW**

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
7. Operator is the owner of an oil and gas working interest within the Unit.
8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.

**Ridge Runner Resources Operating, LLC  
Case No. 23561  
Exhibit A-2**

10. Operator has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) in the Unit described in Exhibit A.
11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

### **ORDER**

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
17. Operator is designated as operator of the Unit and the Well(s).
18. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
19. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
20. This Order shall terminate automatically if Operator fails to comply with Paragraph 19 unless Operator obtains an extension by amending this Order for good cause shown.
21. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
22. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
23. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the

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ORDER NO. R-21610

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election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

24. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
25. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
26. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
27. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
28. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
29. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share

of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.

30. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 29 to each Pooled Working Interest that paid its share of the Estimated Well Costs.
31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**



**ADRIENNE SANDOVAL  
DIRECTOR**

AES/jag

**Date:** 2/23/2021

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## Exhibit A

<b>COMPULSORY POOLING APPLICATION CHECKLIST</b>	
<b>ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS</b>	
<b>Case:</b> 21636	<b>APPLICANT'S RESPONSE</b>
<b>Date:</b> 2/2/21	
Applicant	Ridge Runner Resources Operating, LLC
Designated Operator & OGRID (affiliation if applicable)	Ridge Runner Resources Operating, LLC, OGRID 373013
Applicant's Counsel:	Dana S. Hardy
Case Title:	APPLICATION OF RIDGE RUNNER RESOURCES OPERATING, LLC FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO
Entries of Appearance/Intervenors:	None
Well Family	Zeus
<b>Formation/Pool</b>	
Formation Name(s) or Vertical Extent:	Bone Spring Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Bone Spring formation
Pool Name and Pool Code:	Pearl Bone Spring South Pool, Code 49685
Well Location Setback Rules:	Standard
Spacing Unit Size:	40 acres
<b>Spacing Unit</b>	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	320 acres
Building Blocks:	40 acre
Orientation:	North-South
Description: TRS/County	E/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East, Lea County
Standard Horizontal Well Spacing Unit (Y/N), if No, describe	Yes
<b>Other Situations</b>	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	N/A
Applicant's Ownership in Each Tract	Exhibit A-3
<b>Well(s)</b>	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	

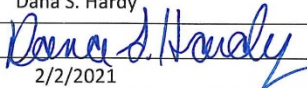
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Well #1	Zeus 2-11 Fed Com #2H (API unassigned) SHL: 108' FNL and 2310' FWL of Section 2-T20S-R35E BHL: 100' FSL and 2310' FWL of Section 11-T20S-R35E
Horizontal Well First and Last Take Points	FTP: 675' FNL & 2310' FWL of Section 2-T20S-R35E LTP: 100' FSL & 2310' FWL of Section 11-T20S-R35E
Completion Target (Formation, TVD and MD)	Bone Spring Formation, 19,544' TMD 9,430'
<b>AFE Capex and Operating Costs</b>	
Drilling Supervision/Month \$	\$8000.00, Exhibit A
Production Supervision/Month \$	\$800, Exhibit A
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	Cost plus 200%, Exhibit A
<b>Notice of Hearing</b>	
Proposed Notice of Hearing	Exhibit A-8
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit A-9
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit A-10
<b>Ownership Determination</b>	
Land Ownership Schematic of the Spacing Unit	Exhibit A-3
Tract List (including lease numbers and owners)	Exhibit A-3
Pooled Parties (including ownership type)	Exhibit A-3
Unlocatable Parties to be Pooled	Exhibit A-3
Ownership Depth Severance (including percentage above & below)	None, Exhibit A
<b>Joinder</b>	
Sample Copy of Proposal Letter	Exhibit A-5
List of Interest Owners (ie Exhibit A of JOA)	Exhibits A-3, A-7

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Chronology of Contact with Non-Joined Working Interests	Exhibit A-6
Overhead Rates In Proposal Letter	\$800/\$8,000, Exhibit A-5
Cost Estimate to Drill and Complete	Exhibit A-11
Cost Estimate to Equip Well	Exhibit A-11
Cost Estimate for Production Facilities	Exhibit A-11
<b>Geology</b>	
Summary (including special considerations)	Exhibit B
Spacing Unit Schematic	Exhibit B-1
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-3
Well Orientation (with rationale)	Exhibit B
Target Formation	Bone Spring, Exhibit B
HSU Cross Section	Exhibit B-6
Depth Severance Discussion	None, Exhibit A
<b>Forms, Figures and Tables</b>	
C-102	Exhibit A-2
Tracts	Exhibit A-3
Summary of Interests, Unit Recapitulation (Tracts)	Exhibits A-3, A-4
General Location Map (including basin)	Exhibit B-1
Well Bore Location Map	Exhibits B-1, B-3
Structure Contour Map - Subsea Depth	Exhibit B-4
Cross Section Location Map (including wells)	Exhibit B-1
Cross Section (including Landing Zone)	Exhibit B-6
<b>Additional Information</b>	
Special Provisions/Stipulations	None
<b>CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.</b>	
<b>Printed Name</b> (Attorney or Party Representative):	Dana S. Hardy
<b>Signed Name</b> (Attorney or Party Representative):	
<b>Date:</b>	2/2/2021

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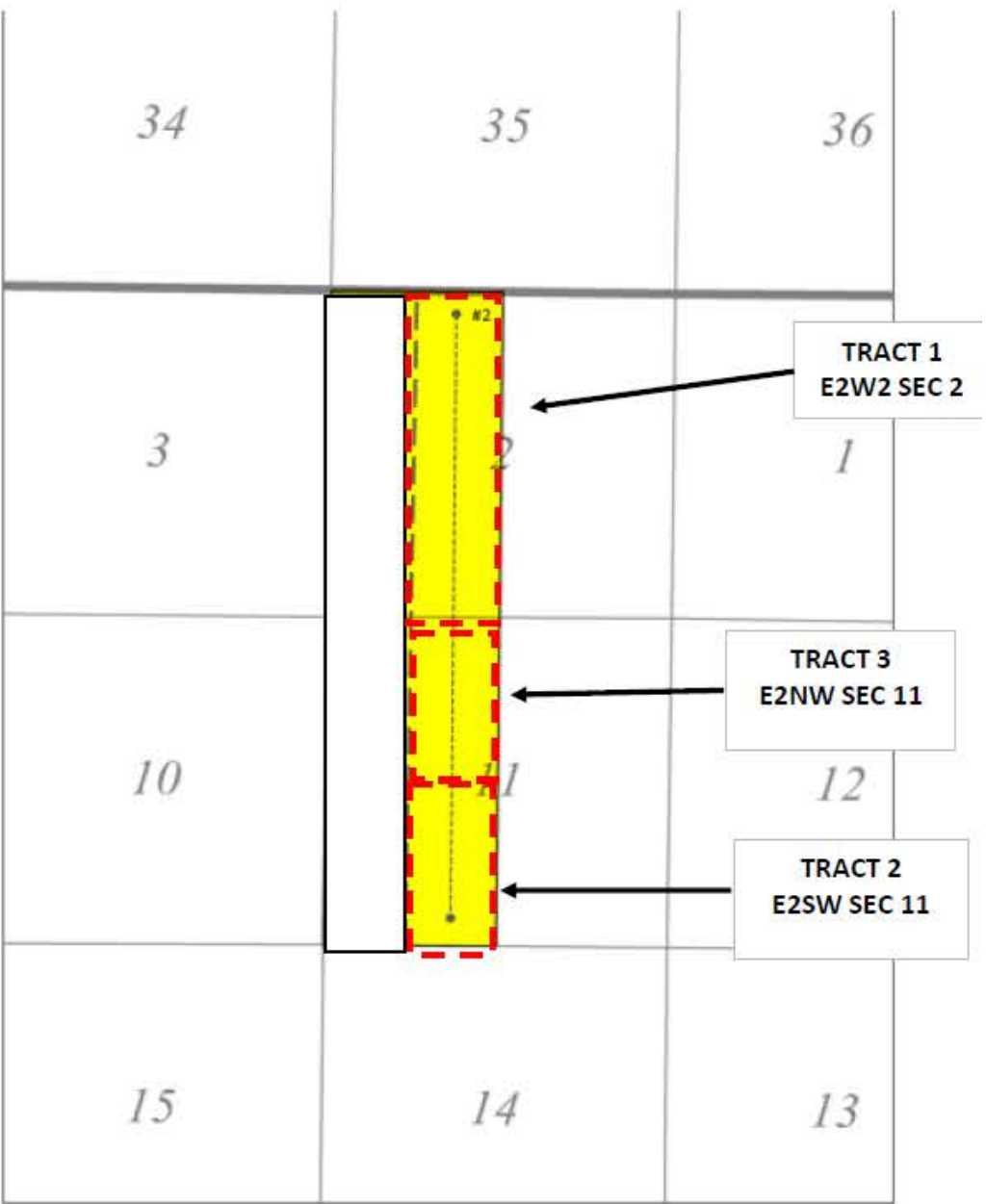
# R-21610

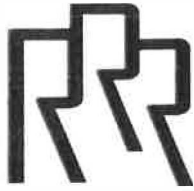
## Zeus Well(s) E2W2 Section 2 and E2W2 Section 11, T-20-S, R-35-E, Lea County - 320 unit acres, more or less

TRACT NO.	LEGAL	GROSS UNIT ACRES	TRACT INTEREST	UNIT INTEREST	STATUS	OWNER
1	E2W2 Section 2	160.00	1.000000	0.50000000	Committed	Ridge Runner Resources Operating, LLC
TRACT 1 TOTALS:		160.00	1.000000	0.50000000		
2	E2SW Section 11	80.00	0.703125	0.17578125	Committed	Ridge Runner Resources Operating, LLC
2	E2SW Section 11	80.00	0.250000	0.06250000	Committed	Nortex Corporation
2	E2SW Section 11	80.00	0.046875	0.01171875	Uncommitted	Derrel C. Melton
TRACT 2 TOTALS:		80.00	1.000000	0.25000000		
3	E2NW Section 11	80.00	0.703125	0.17578125	Committed	Ridge Runner Resources Operating, LLC
3	E2NW Section 11	80.00	0.250000	0.06250000	Committed	Nortex Corporation
3	E2NW Section 11	80.00	0.046875	0.01171875	Uncommitted	Derrel C. Melton
TRACT 3 TOTALS:		80.00	1.000000	0.25000000		

UNIT TOTALS: 320.00 1.00000000

ADDITIONAL UNCOMMITTED INTEREST TO BE POOLED HIGHLIGHTED IN YELLOW





3R Operating, LLC

4000 N. Big Spring Street  
Suite 210  
Midland, TX 79705

copy

March 16, 2023

Derrel C. Melton  
3205 Hampshire Court  
Frisco, Texas 75034

Via: Certified Mail Return Receipt Requested

Re: Well Proposal  
Zeus 2-11 Federal Com #2H  
E2W2 of Section 2 and the E2W2 of Section 11  
T-20-S, R-35-E, Lea County, New Mexico

Dear Mr. Melton:

A recent inspection of public records indicates that you are an owner of interest in the above referenced lands. 3R Operating, LLC., ("Operator") hereby proposes to you as an owner of interest the opportunity to participate with our working interest share in the drilling of a horizontal well (the "Proposed Well") listed below:

**Well Name:** Zeus 2-11 Federal Com #2H

**Surface hole location:** 100 feet from the North line & 2,310 feet from the West line of Section 2, T-20-S, R-35-E, Lea Co., New Mexico

**Bottom hole location:** 100 feet from the South line & 2,310 feet from the West line of Section 11, T-20-S, R-35-E, Lea Co., New Mexico

**Total Measured Depth:** Approximately 20,000 feet

**Total Vertical Depth:** 9,430 feet

**Estimated Total Well Cost:** \$8,741,627.00

Enclosed you will find a cost estimate for the Proposed Well. If you would like to participate as a working interest owner in drilling of the Proposed Well please indicate below by signing in the space provided and emailing a signed copy of this letter to the attention of Emerald McGinnis at [emcginnis@3ROperating.com](mailto:emcginnis@3ROperating.com). Once received I will send a Joint Operating Agreement to your attention for review and execution.

If you would do not want to participate, please advise and Operator would like to negotiate and acquire an assignment of your interest under mutually agreeable terms. If 3R Operating is unable to reach a voluntary agreement for the development of the Proposed Wells, 3R Operating will file an application with the New Mexico Oil Conversation Division for a pooling order.

Thank you for your consideration, and feel free to call me at (432) 349-5471, or email me should you have any questions or concerns.

Regards,

A handwritten signature in black ink, appearing to read 'EMERALD MCGINNIS', written over a horizontal line.

Emerald McGinnis, CPL

**Ridge Runner Resources  
Operating, LLC Case No. 23561  
Exhibit A-4**



Derrel C. Melton

March 16, 2023

Page 2

The undersigned hereby agrees to participate as a working interest owner in drilling of the Proposed Well. This agreement is subject to the execution of a mutually agreeable Joint Operating Agreement.

Derrel C. Melton

\_\_\_\_\_

Date: \_\_\_\_\_

Project: Laguna Valley - Threshold prospect

Field: Pearl; Bone Spring, South

Well: Zeus 2-11 Fed Com #2H

Location: SHL 100' FNL & 2310' FWL of Section 2-T205-R35E  
BHL 100' FSL & 2310' FWL of Section 11-T205-R35E  
Lea Co., NM

Authority For Expenditure (AFE)

TD (MD): 19,544 ft MD

TVD: 9,430 ft

Drilled Lateral Length: 10,360 ft VS

Completed Lateral Length: 9,785 ft

Target: 1st Bone Spring

AFE #

Surface location is approximate and may be moved to find a suitable legal location free of terrain/obstacles/habitat/cultural or other surface use constraints.

Prognosis: New drill horizontal 1st Bone Spring well. Closed loop. Completion: 9787' perf interval x 2500 lb/ft (24.5 MM lb), 2500 gal/ft (583k bbl), 60 bpm. 151' stages = 65 stages, plug & perf frac. Rigless prep w/ acid crew. CT drill-out. Flow up tubing and packer, then gas lift.							
	Code	Drilling Intangibles	Code	Completion Intangibles	Code	Production Intangibles	Total Cost
Permits/ Well Signs	149	15,000					15,000
Damages/ Right of Way	179	30,000	379				30,000
Title & Abstracts, Drilling Title Opinion	142	10,000					10,000
Survey and Stake Location	181	5,000	381				5,000
Locations and Roads, Frac Pit.	143	100,000	343	100,000			200,000
Pit Lining Closed loop drilling (no reserve pit), frac pit.	143		335	10,000			10,000
Conductor (drilled & set)	121	20,000					20,000
Mobilization / Demobilization 4 days pre-spud (\$80k) + trucks & cranes (\$100k)	167	180,000	387				180,000
Drilling (Day Work) 22 days spud - RR \$16,000 per day	104	352,000	304				352,000
Bits	115	75,000	315	3,000			78,000
Downhole drilling tools & stabilization, survey tool	128	50,000					50,000
Mud Logging 12 days \$2,000 per day	147	24,000					24,000
Open Hole Surveys/ Gyro	148						0
Water well, pump & line	190	5,000		10,000			15,000
Water/Brine/Mud Hauling	189	10,000	389	20,000			30,000
Fresh Water \$ 2.50 10,000 bbl drilling 699,071 bbl compl'n (20% excess)	190	25,000		1,747,678			1,772,678
Brine Water	118	10,000	318				10,000
Fuel \$ 2.00 1,400 gal/day	108	61,600	308				61,600
Mud & Chemicals Oil based mud in lateral, 9.0 ppg.	146	200,000	346	25,000			225,000
Tubular Inspection DP: Cat IV on 1 strings. Casing: clean, drift, visual 3 strings.	139	30,000	339				30,000
Drill string rental	128						0
Casing Crew & LD Machine, CRT	117	25,000	317				25,000
Welding	191	1,500	391				1,500
Cementing	118	200,000	318				200,000
Directional Drilling 16 days spud - RR \$13,000 per day	127	208,000					208,000
Wellsite Supervisor	108	55,000	308	40,000			95,000
Open Hole Logs	144						0
Solids Control Equipment \$3,000 per day	172	66,000					66,000
Cuttings Haul-off & Disposal	141	150,000					150,000
Surface Rental Equipment \$4,000 /d Drilling. Frac stack, light towers, generators, housing.	132	88,000	332	280,000			368,000
BOP Rental, stripper head	160		360				0
Pulling Unit 5 days, 4000/d			354	20,000	354	12,000	32,000
Acidizing Acid crew to prep toe.			310	20,000			20,000
Frac Frac: see Prognosis above.			334	2,000,000			2,000,000
Water Transfer			386	30,000			30,000
Completion Tools 64 frac plugs			321	96,000			96,000
Cased Hole Wireline & Perforating 65 stage (6 guns per stage), 10k lube.			344	475,000			475,000
Coiled Tubing + Tools, Nitrogen			319	225,000			225,000
Flowback & Well Testing			333	120,000			120,000
Trucking	187	30,000	387	30,000			60,000
Environmental, Pit Closure			348	25,000			25,000
Materials & Supplies	176	5,000	376				5,000
Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction	169	10,000	369	10,000	369	40,000	60,000
Contingencies		0		0		0	0
TOTAL INTANGIBLES		2,041,100		5,286,678		52,000	7,379,778

Prognosis: 3 string casing program: deep 13-3/8" surface, shallow 9-5/8" intermediate in Lamar Lm, KOP 8857' then 10"/100' BUR curve, 5-1/2" longstring. \$400k single well allocation for single well tank battery (scalable for additional wells).					Code	Drilling Tangibles	Code	Completion Tangibles	Code	Production Tangibles	Total Cost
Tubulars	Length	Size	Description	Price/ft FOB Loc							
Surface	1,900	13 3/8	54.5# J55 BT&C	\$41.00	204	77,900					77,900
1st Intermediate	5,900	9 5/8	40# HCK55 LT&C	\$40.00	206	236,000					236,000
2nd Intermediate					206						0
Production					408		408				0
Production	19,544	5 1/2	20# CY P110 Semiprem	\$21.00	408	410,424	408				410,424
Tubing	8,850	2 7/8	6.5# L80 EUE	\$6.50			412	57,525			57,525
Wellhead Equipment					293	20,000	493	10,000			30,000
Float Equipment & Centralizers, Wet Shoe.					233,210	35,000	410				35,000
Liner hanger, Packer, TAC, other Tools					254		454	20,000			20,000
Flowlines, Valves, Fittings							434,432	45,000			45,000
Tanks									480	65,000	65,000
Battery: Pumps 458/Meters 450/Controls/Valves/Connections 432/Vapor Rec 484									478	215,000	215,000
Separation Equipment									478	75,000	75,000
Gas Lift Valves and surface equipment							439	40,000			40,000
Compressors/Dehydrators			High pressure gas available.						438		0
Gas Meter Run							450	15,000			15,000
Downhole Pumping Equipment & Rods							462,470				0
Pumping Unit, base and prime mover							465				0
Electrical Installation									428	40,000	40,000
Contingencies						0		0		0	0
TOTAL TANGIBLES						779,324		187,525		395,000	1,361,849
TOTAL WELL COST						Drilling 2,820,424		Completion 5,474,203		Production 447,000	Total 8,741,627

Prepared By: Kelvin Fisher Date: 9/15/2020 Drill & Complete 8,294,627

Approval:  Date: 9/15/2020

Kevin Fisher, C.O.O.

Partner Approval Amount:

Joint Owner:

Working Interest: Joint Owner Approval:

By: \_\_\_\_\_ Date: \_\_\_\_\_

By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Joint Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

7022 2410 0002 5244 0102

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<input type="checkbox"/> Adult Signature Required	\$0.00
<input type="checkbox"/> Adult Signature Restricted Delivery	\$0.00
Postage	\$1.50
Total Postage and Fees	\$9.00
<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; padding: 5px; margin-right: 10px;"> <p>Sent To</p> <p>Deer C. Melton</p> <p>3205 Hampshire Ct.</p> <p>Frisco, TX 75034</p> </div> <div style="text-align: center;"> <p>0710 14</p> <p>Postmark Here</p> <p>03/16/2023</p> </div> </div>	
PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions	

**A-5  
R-21610**

**Zeus 2-11 Federal Com #2H**

**E2W2 Section 2 and E2W2 Section 11, T-20-S, R-35-E, Lea County - 320 unit acres, more or less  
Chronology of Contact**

Date of Contact	Type	Participants	Subject
2/1/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	Email from EM to DCM requesting extension of expiring term assignment
2/2/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	Response from DCM and request for APD's
2/3/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	EM sends requested APD's to DCM
2/7/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	Email from EM proposing negotiated terms for a new term assignment, \$3500 per net acre, 1.5% proportionately reduced ORRI, and also provided ownership report
2/8/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM responds and states that he will review offer
2/14/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM thanks EM for info and says he will call later
2/14/2023	Call	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM calls EM
2/15/2023	SMS	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM texts EM screenshots of assignments in pooled lands
2/14/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM emails about missed call
2/21/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	EM emails DCM about title questions he had about his ownership. Provided BLM runsheet
2/21/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM responds to 2/21 email that he will review and respond same day
2/21/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM responds to 2/21 email that he will have to call the following day
2/22/2023	SMS	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	EM responds to missed call from DCM
2/23/2023	SMS	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	EM responds to missed call from DCM
2/27/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM emails to say that he will call today
2/28/2023	Phone Call	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	EM and DCM tentatively agree to a term assignment of the E2W2 of Sec 11
3/1/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	After phone call with DCM and EM where it appeared that a deal had been reached DCM emails EM with information to help draft a term assignment from DCM to Ridge Runner.
3/3/2023	SMS	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM texts EM screenshots of assignments in pooled lands
3/7/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	Pursuant to ongoing negotiations EM sends DCM email copy of letter agreement and term assignment with promise to pay \$22,500 to DCM once said docs are fully executed.
3/7/2023	SMS	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM texts and requests how proposed \$22,500 payment to DCM for term assignment was calculated. EM responds "7.5 Acres x \$3000", DCM responds that the offer was \$3500 per acre. EM responds that DCM is correct and apologizes for the error. DCM says "we need to come to an understanding on my exact interests" and requests a phone call. Efforts are made to schedule a time for a call



3/7/23 or 3/8/23	Phone Call	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM indicates that he will not sign or agree to the letter agreement or term assignment because he does not agree with the provision that states that any ORRI will be calculated taking into account proportionate reduction as to actual interest delivered and will be calculated as the difference between 25% and existing burdens of record. DCM will only agree to a guaranteed ORRI value. This is not possible because the pooled leases would then be burdened beyond economic thresholds.
3/8/2023	SMS	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM indicates via text that it is his desire to sell his interest but would like to discuss his interest and the assignment form before moving forward.
3/8/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	EM emails DCM and says that pursuant to a text received from DCM that day, RR will continue to agree to \$3500 per net acre with an ORRI retained by DCM equal to the difference between 25% and existing burdens of record. EM indicates that if this is not acceptable Ridge Runner will need to move forward with force pooling in order to move forward with drilling plans within a reasonable time period.
3/9/2023	SMS	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM says he is working on finding a day to come to Midland, TX to meet EM in person along with Ridge Runner Co-CEO, Scott H. Germann
3/15/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM sends copy of lease NMNM38470 copy to EM
3/16/2023	US MAIL	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	Ridge Runner mails via certified mail an election letter and well cost estimated to DCM.
3/20/2023	SMS	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	EM informs DCM that an election was mailed to him for the pooled well.
3/21/2023	SMS	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM acknowledges receipt of the election letter. Plans are finalized to meet in person.
3/21/2023	US MAIL	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM signs return receipt for election letter and well cost estimate sent by EM
3/22/2023	In-Person Meeting	Derrel C. Melton, Emerald McGinnis (Ridge Runner Landman), and Ridge Runner Co-CEO Scott H. Germann	Meeting is held to discuss how to move forward. During the meeting no agreement is reached and the impediments described in the preceding chronology persist. DCM and Ridge Runner acknowledge that this matter is likely to move towards a force pooling hearing for resolution.
3/24/2023	SMS	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM texts EM and thanks EM for the 3/22 meeting. DCM indicates that he is still working on a title gap in lands other than the pooled well lands. The pooled well is located in the E2W2, DCM has reiterated several times that he also owns in the W2W2 and would like to sell his interest in the W2W2 as well. Record title does not reflect this ownership and as such Ridge Runner has not been able to agree to a purchase in the W2W2 and has since February 2023 requested to focus solely on the subject pooled well in the E2W2.
3/29/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	EM emails DCM and indicates that Ridge Runner is still willing to move forward and pay DCM \$3500 per net acre for a term assignment of his interest. EM also mentions that an election letter to participate in the pooled well was sent via certified US mail to DCM in early March 2023.
3/30/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM indicates that he will call this day or the day after to discuss.
4/3/2023	Phone Call	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM and EM discuss DCM's ownership in the pooled lands. No agreement is reached regarding the requested term assignment.

4/7/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	EM emails DCM to indicate EM will be out for medical reasons for a while and includes contact info for Ridge Runner employees to contact in EM absence.
4/7/2023	Email	Derrel C. Melton and Emerald McGinnis (Ridge Runner Landman)	DCM acknowledges receipt of 4/7/23 email from EM.

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**APPLICATION OF RIDGE RUNNER  
RESOURCES OPERATING, LLC,  
TO POOL ADDITIONAL INTERESTS  
UNDER ORDER NO. R-21610,  
LEA COUNTY, NEW MEXICO**

**CASE NO. 23561  
ORDER NO. R-21610**

**SELF-AFFIRMED STATEMENT  
OF DANA S. HARDY**

1. I am attorney in fact and authorized representative of Ridge Runner Resources Operating, LLC, the Applicant herein.
2. I am familiar with the Notice Letter attached as **Exhibit B-1**
3. The above-referenced Application was provided, along with the Notice Letter, to Derrel C. Melton, on May 5, 2023.
4. **Exhibit B-2** provides a copy of the certified mail green card and white slip, along with the return we received on May 12, 2023.
5. I understand this Self-Affirmed Statement will be used as written testimony in the subject cases. I affirm that my testimony above is true and correct and it made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date handwritten next to my signature below.

/s/ Dana S. Hardy  
Dana S. Hardy

May 30, 2023  
Date

**Ridge Runner Resources Operating, LLC  
Case No. 23561  
Exhibit C**



hinklelawfirm.com

## HINKLE SHANOR LLP

ATTORNEYS AT LAW

P.O. BOX 2068

SANTA FE, NEW MEXICO 87504

505-982-4554 (FAX) 505-982-8623

May 5, 2023

WRITER:  
Dana S. Hardy, Partner  
dhardy@hinklelawfirm.com

Derrel C. Melton  
3205 Hampshire Court  
Frisco, Texas 75034

**VIA CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**Re: Case No. 23561 – Application of Ridge Runner Resources, LLC to Pool  
Additional Interests Under Order No. R-21610, Lea County, New Mexico.**

Dear Mr. Melton:

This letter is to advise you that the enclosed application was filed with the New Mexico Oil Conservation Division. The hearing will be conducted on **June 1, 2023**, beginning at 8:15 a.m.

Hearings are currently conducted remotely. To participate in the electronic hearing, see the instructions posted on the OCD Hearings website: <https://www.emnrd.nm.gov/oed/hearing-info/>. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Pursuant to Division Rule 19.15.4.13.B, a party who intends to present evidence at the hearing shall file a pre-hearing statement and serve copies on other parties, or the attorneys of parties who are represented by counsel, at least four business days in advance of a scheduled hearing, but in no event later than 5:00 p.m. Mountain Time, on the Thursday preceding the scheduled hearing date. The statement must be submitted through the OCD E-Permitting system (<https://wwwapps.emnrd.nm.gov/oed/oedpermitting/>) or via e-mail to [oed.hearings@emnrd.nm.gov](mailto:oed.hearings@emnrd.nm.gov) and should include: the names of the parties and their attorneys, a concise statement of the case, the names of all witnesses the party will call to testify at the hearing, the approximate time the party will need to present its case, and identification of any procedural matters that are to be resolved prior to the hearing.

Please contact Emerald McGinnis, CPL, of Ridge Runner Resources, LLC, at (432) 349-5471, if you have any questions.

Sincerely,

/s/ Dana S. Hardy

Dana S. Hardy

Enclosure

**Ridge Runner Resources Operating, LLC**  
**Case No. 23561**  
**Exhibit C-1**

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FAX (575) 623-9332

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 3205 Hampshire Court  
 Frisco, Texas 75034

23561 - 3R Zeus Re-Open

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

**SANTA FE NM 87605**  
**MAY 05 2023**  
 POSTMARK HERE

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<p>■ Complete items 1, 2, and 3.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p> <p>1. Article Addressed to:</p> <p>Derrel C. Melton            3205 Hampshire Court            Frisco, Texas 75034</p> <p>23561 - 3R Zeus Re-Open</p> <p>9590 9402 7635 2122 8884 88</p> <p>2. Article Number (Transfer from service label)            7020 0090 0000 0865 6182</p>		<p>A. Signature            X <i>Derrel C. Melton</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name)  <i>D. Melton</i></p> <p>C. Date of Delivery  <i>5/8/23</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No            If YES, enter delivery address below.</p> <p><b>RECEIVED</b>  <b>MAY 12 2023</b></p> <p>3. Service Type  <input type="checkbox"/> Adult Signature <input checked="" type="checkbox"/> Priority Mail Express®  <input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Registered Mail™  <input type="checkbox"/> Certified Mail® <input type="checkbox"/> Registered Mail Restricted Delivery  <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Signature Confirmation™  <input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Signature Confirmation Restricted Delivery  <input type="checkbox"/> Collect on Delivery Restricted Delivery  <input type="checkbox"/> Insured Mail  <input type="checkbox"/> Insured Mail Restricted Delivery (over \$500)</p>	

PS Form 3811, July 2020 PSN 7530-02-000-9053 Domestic Return Receipt

Ridge Runner Resources Operating, LLC  
 Case No. 23561  
 Exhibit C-2