

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

**APPLICATION OF MR NM OPERATING,
LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 23722

EXHIBIT INDEX

Compulsory Pooling Checklist

Exhibit A	Self-Affirmed Statement of Blake Simmons
A-1	Application & Proposed Notice of Hearing
A-2	C-102
A-3	Plat of Tracts, Tract Ownership, Applicable Lease Numbers, Pooled Parties, Unit Recapitulation
A-4	Sample Well Proposal Letter and AFE
A-5	Chronology of Contact
Exhibit B	Self-Affirmed Statement of Mary Grace Moran
B-1	Location Map
B-2	Abo Subsea Structure Map
B-3	Structural Cross-Section
B-4	Gun Barrel Diagram
Exhibit C	Self-Affirmed Statement of Dana S. Hardy
C-1	Sample Notice Letter to All Interested Parties
C-2	Chart of Notice to All Interested Parties
C-3	Copies of Certified Mail Receipts and Returns
C-4	Affidavit of Publication from August 18, 2023

COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

Case: 23722	APPLICANT'S RESPONSE
Date	September 7, 2023
Applicant	MR NM Operating, LLC
Designated Operator & OGRID (affiliation if applicable)	OGRID No. 330506
Applicant's Counsel:	Hinkle Shanor LLP
Case Title:	Application of MR NM Operating, LLC for Compulsory Pooling, Eddy County, New Mexico.
Entries of Appearance/Intervenors:	None
Well Family	Clydesdale Federal Com
Formation/Pool	
Formation Name(s) or Vertical Extent:	Abo
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Abo
Pool Name and Pool Code:	WC 015 G-5 1627S35M; Abo (Code 98312)
Well Location Setback Rules:	Statewide
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	160-acres
Building Blocks:	quarter-quarter
Orientation:	East/West
Description: TRS/County	S/2 N/2 of Section 34, Township 16 South, Range 27 East, Eddy County, New Mexico.
Standard Horizontal Well Spacing Unit (Y/N), If No, describe <u>and is approval of non-standard unit requested in this application?</u>	Yes
Other Situations	
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
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	Add wells as needed
Well #1	Clydesdale Federal Com 1H (API # ---) SHL: 2563' FSL & 781' FWL (Unit L), Section 35, T16S, R27E BHL: 2315' FNL & 100' FWL (Unit E), Section 34, T16S, R27E Completion Target: Abo (Approx. 11,625' TVD)
Horizontal Well First and Last Take Points	Exhibit A-2
Completion Target (Formation, TVD and MD)	Exhibit A-4
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	\$8,000.00

Production Supervision/Month \$	\$800.00
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	200%
Notice of Hearing	
Proposed Notice of Hearing	Exhibit A-1
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit C-1, Exhibit C-2, Exhibit C-3
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit C-4
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	Exhibit A-3
Tract List (including lease numbers and owners)	Exhibit A-3
If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements.	N/A
Pooled Parties (including ownership type)	Exhibit A-3
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above & below)	N/A
Joinder	
Sample Copy of Proposal Letter	Exhibit A-4
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-3
Chronology of Contact with Non-Joined Working Interests	Exhibit A-5
Overhead Rates In Proposal Letter	Exhibit A-4
Cost Estimate to Drill and Complete	Exhibit A-4
Cost Estimate to Equip Well	Exhibit A-4
Cost Estimate for Production Facilities	Exhibit A-4
Geology	
Summary (including special considerations)	Exhibit B
Spacing Unit Schematic	Exhibit B-1
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-4
Well Orientation (with rationale)	Exhibit B
Target Formation	Exhibit B
HSU Cross Section	Exhibit B-3
Depth Severance Discussion	N/A
Forms, Figures and Tables	
C-102	Exhibit A-2
Tracts	Exhibit A-3
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit A-3
General Location Map (including basin)	Exhibit B-1
Well Bore Location Map	Exhibit B-1
Structure Contour Map - Subsea Depth	Exhibit B-2
Cross Section Location Map (including wells)	Exhibit B-3
Cross Section (including Landing Zone)	Exhibit B-3

Additional Information	
Special Provisions/Stipulations	N/A
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative):	Dana S. Hardy
Signed Name (Attorney or Party Representative):	/s/ Dana S. Hardy
Date:	9/4/2023

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

**APPLICATION OF MR NM OPERATING,
LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 23722

**SELF-AFFIRMED STATEMENT
OF BLAKE SIMMONS**

1. I am a Land Manager with MR NM Operating, LLC ("MR NM"). 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 the above-referenced case. Copies of MR NM's 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. MR NM applies for an order pooling all uncommitted interests in the Abo formation underlying a 160-acre, more or less, standard horizontal spacing unit comprised of the S/2 N/2 of Section 34, Township 16 South, Range 27 East, Eddy County, New Mexico ("Unit").

5. The Unit will be dedicated to the proposed **Clydesdale Federal Com 1H** well ("Well"), which will be completed in the WC 015 G-5 1627S35M; ABO Pool (Code 98312). The Well will be drilled from a surface hole location in the NW/4 SW/4 (Unit L) of Section 35 to a bottom hole location in the SW/4 NW/4 (Unit E) of Section 34.

6. The completed interval of the Well will be orthodox.

7. **Exhibit A-2** contains the C-102 for the Well.

Exhibit A (Case No. 23722)

MR NM Operating, LLC

8. **Exhibit A-3** contains a plat that identifies ownership by tract in the Unit. This exhibit also includes any applicable lease numbers, a unit recapitulation, and the interests MR NM seeks to pool highlighted in yellow.

9. MR NM has conducted a diligent search of all county public records, including phone directories and computer databases, to locate the interest owners it seeks to pool. There are no unlocatable interests.

10. **Exhibit A-4** contains a sample well proposal letter and the AFE sent to the working interest owners for the Well. The estimated costs reflected on the AFE are fair and reasonable and comparable to the cost of other wells of similar depth and length drilled in the subject formation in the area.

11. In my opinion, MR NM made a good-faith effort to reach voluntary joinder of uncommitted interests in the Well as indicated by the chronology of contact described in **Exhibit A-5**.

12. MR NM requests overhead and administrative rates of \$8,000.00 per month while the Well is being drilled and \$800.00 per month while the Well is producing. These rates are fair and are comparable to the rates charged by MR NM and other operators in the vicinity.

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

14. In my opinion, the granting of MR NM's application would serve the interests of conservation, the protection of correlative rights, and the prevention of waste.

15. 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 is 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.


Blake Simmons

8/28/23
Date

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

**APPLICATION OF MR NM OPERATING,
LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 23722

APPLICATION

Pursuant to NMSA 1978, § 70-2-17, MR NM Operating, LLC (OGRID No. 330506) ("MR NM" or "Applicant") applies for an order pooling all uncommitted interests in the Abo formation underlying a 160-acre, more or less, standard horizontal spacing unit comprised of the S/2 N/2 of Section 34, Township 16 South, Range 27 East, Eddy County, New Mexico ("Unit"). In support of this application, MR NM states the following.

1. Applicant is a working interest owner in the Unit and has the right to drill wells thereon.
2. Applicant seeks to dedicate the Unit to the proposed **Clydesdale Federal Com #1H** well ("Well"), to be drilled from a surface hole location in the NW/4 SW/4 (Unit L) of Section 35 to a bottom hole location in the SW/4 NW/4 (Unit E) of Section 34.
3. The completed interval of the Well will be orthodox.
4. Applicant has undertaken diligent, good-faith efforts to obtain voluntary agreements from all interest owners to participate in the drilling of the Well but has been unable to obtain voluntary agreements from all interest owners.
5. The pooling of uncommitted interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

6. In order to allow Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in the Unit should be pooled and Applicant should be designated as the operator of the Well and Unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 7, 2023, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the Unit;
- B. Approving the Well in the Unit;
- C. Designating Applicant as operator of the Unit and the Well to be drilled thereon;
- D. Authorizing Applicant to recover its costs of drilling, equipping and completing the Well;
- E. Approving the actual operating charged and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% penalty for the risk assumed by Applicant in drilling and completing the Well against any working interest owner who does not voluntarily participate in the drilling of the Well.

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

Phone: (505) 982-4554

dhardy@hinklelawfirm.com
jmclean@hinklelawfirm.com
ypena@hinklelawfirm.com
Counsel for MR NM Operating, LLC

Application of MR NM Operating, LLC for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all uncommitted interests in the Abo formation underlying a 160-acre, more or less, standard horizontal spacing unit comprised of the S/2 N/2 of Section 34, Township 16 South, Range 27 East, Eddy County, New Mexico ("Unit"). The Unit will be dedicated to the **Clydesdale Federal Com #1H** well ("Well"), to be drilled from a surface hole location in the NW/4 SW/4 (Unit L) of Section 35 to a bottom hole location in the SW/4 NW/4 (Unit E) of Section 34. The completed interval of the Well will be orthodox. Also to be considered will be the cost of drilling and completing the Well and the allocation of the cost, the designation of Applicant as operator of the Well, and a 200% charge for the risk involved in drilling and completing the Well. The Well is located approximately 8.2 miles east of Artesia, New Mexico.

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 746-3460 Fax: (505) 746-3462

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 August 1, 2011

Submit one copy to appropriate

District Office☐ **AMENDED REPORT**

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015- 53740	² Pool Code 98312	³ Pool Name WC 015 G-5 1627S35M; ABO
⁴ Property Code 333955	⁵ Property Name CLYDESDALE FED COM	
⁷ OGRID No. 330506	⁸ Operator Name MR NM OPERATING LLC.	⁶ Well Number 1H ⁹ Elevation 3422'

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
L	35	16-S	27-E	-	2563'	SOUTH	781'	WEST	EDDY

¹¹Bottom 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
E	34	16-S	27-E	-	2315'	NORTH	100'	WEST	EDDY

¹² Dedicated Acres 160.00	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.

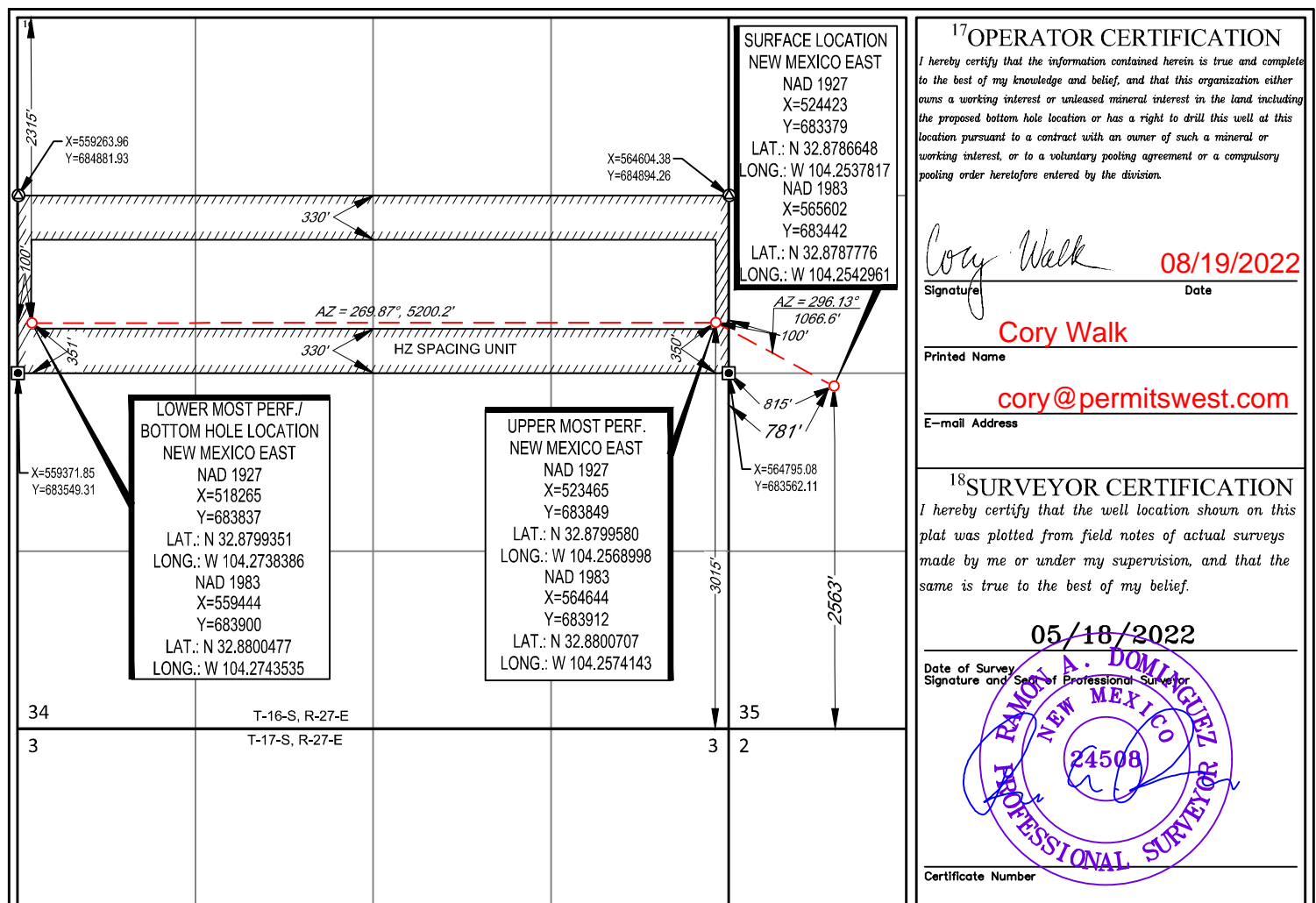


Exhibit A-3

Clydesdale Fed Com #1H - S/2 N/2 of Section 34, T16S, R27E

Clydesdale Fed Com #1H

Section 34		
Tract 3 NMNM 101583 40 ac.	Tract 2 NMNM 141394 40 ac.	Tract 1 ST NM VA-1588-02 80 ac.

Tract 1 - ST NM VA-1588-02 (S/2 NE/4)

	Owner Name	Tract Working Interest	Status
	MR NM Operating LLC	0.90000000	Committed
	Oxy Y-1 Company	0.10000000	Uncommitted
	Total:	1.00000000	

Tract 2 - NMNM 141394 (SE/4 NW/4)

	Owner Name	Tract Working Interest	Status
	MR NM Operating LLC	1.00000000	Committed
	Total:	1.00000000	

Tract 3 - NMNM 101583 (SW/4 NW/4)

	Owner Name	Tract Working Interest	Status
	MR NM Operating LLC	0.80000000	Committed
	Oxy Y-1 Company	0.20000000	Uncommitted
	Total:	1.00000000	

Recapitulation

	Owner Name	Working Interest	Status
	MR NM Operating LLC	0.90000000	Committed
	Oxy Y-1 Company	0.10000000	Uncommitted
	Total:	1.00000000	

**MR NM OPERATING LLC
5950 Berkshire | Suite 1000
Dallas, Texas 75225
(469) 899-8600**

June 23, 2023

Oxy Y-1 Company
Attn: Alissa Payne
5 Greenway Plaza
Suite 110
Houston, TX 77046

Re: Well Proposal and Adoption of Operating Agreement
Clydesdale Federal Com #1H
Township 16 South, Range 27 East, NMPM
Section 34: S/2 N/2
Eddy County, New Mexico

Dear Working Interest Owner:

MR NM Operating LLC ("MR NM") hereby proposes to drill the Clydesdale Federal Com #1H well located 2563' FSL and 781' FWL of Section 34, to test the Abo formation utilizing a 160 acre Horizontal Spacing Unit covering the S/2 N/2 of Section 34, Township 16 South, Range 27 East, NMPM. A copy of MR NM's AFE cost estimates is attached.

Currently, the NW/4 of Section 34 is subject to the Yates Master Operating Agreement, dated January 1, 1987 ("Yates JOA"). The NE/4 of Section 34 is subject to the Bleu Pearl BAF State Com #1 Joint Operating Agreement, dated April 5, 2002 ("BPJOA"). In order to consolidate all interests and to facilitate further development, MR NM further proposes the above-referenced operation under the terms of a modified 1989 Horizontal AAPL Form 610 Joint Operating Agreement ("JOA") with the following basic terms:

- 0 Contract Area:
- 0 Section 34: N/2, Township 16S, Range 27E
- 0 Limited to the Abo Formation
- 0 MR NM Operating, LLC named as Operator
- 0 July 1, 2023 Effective Date
- 0 100%/300%/300% non-consent penalties
- 0 \$8,000.00/\$800.00 drilling and producing overhead rates

Page 2 of 3

This proposed JOA shall replace and supersede the Yates JOA and BPJOAs as to the captioned lands and depths above. All other interests contained in and governed by existing operating agreements shall remain intact.

Please note that MR NM has engaged counsel to render full drilling and division order title opinion, and your interest reflected below may be subject to change pending final title clearance.

Please indicate your election in the operation and return a signed copy within thirty (30) days of receipt of this notice to my attention at the address below. If Oxy Y-1 Company is interested in selling its interest in the Contract Area, please contact the undersigned at your earliest convenience.

MR NM looks forward to working with you on this matter and may file for compulsory pooling in the near future to pool any uncommitted working interest owners. Should you have questions, please feel free to give me a call at 214 354-5414 or by email at blake@mr-nm.com

Regards,

Blake Simmons

Blake Simmons

Enclosures

Page 3 of 3

RE: Clydesdale Federal Com #1H – Drill and Complete
API #30-015-53740
Township 16 South – Range 27 East
Section: 34 S/2 N/2
Eddy County, New Mexico

Clydesdale Federal Com #1H – Election

_____ OXY Y-1 Company hereby **elects to participate** in the proposed operation, with its approximate 10.00000000% WI

_____ OXY Y-1 Company hereby **elects NOT to participate** in the proposed operation, with its approximate 10.00000000% WI

By: _____

Name: _____

Title: _____

Date: _____

MR NM Operating LLC					
Cost Estimate & Authority for Expenditure					
Well Name:	Clydesdale Fed Com		County, State:	Well Location	
Well Number:	1H		Eddy, NM	S 35 T 16S R 27E	
Prospect/Field:	Formation:		Proposed TD:		
	Abo		11,625	AFE Number:	
Project Description:					
Drill and complete new Abo horizontal					
INTANGIBLE ITEMS		DRILLING	COMPLETION	FACILITIES	TOTAL
Surface Damage / ROW		0	0		0
Roads / Location		125,000	5,000	6,563	136,563
Location Restoration		0	0		0
Mobilization / Demobilization		141,000	0		141,000
Drilling Contract - Coil Unit - Workover Rig		294,000	124,500		418,500
Disposal - Solids & Fluids		85,563	150,000		235,563
Fuel & Power		89,600	275,000	4,000	368,600
Water		22,627	328,125		350,752
Fluid / Mud & Additives		34,875	0		34,875
Bits & BHA		47,000	87,500		134,500
Directional Equipment / Services		210,000	0		210,000
Surface Rental Equipment		89,417	70,109	0	159,526
Cased Hole Logs		0	0		0
Open Hole Logs		0			0
Solids Control Equipment		52,000	0		52,000
Primary Cementing		87,125	0		87,125
Remedial Cementing		0			0
Inspection Services		0	0	0	0
Transportation		32,000	6,000	25,000	63,000
Supervision		49,500	38,350	15,000	102,850
Insurance		9,881	0	0	9,881
Overhead		3,000	6,000	10,000	19,000
BOPs			0		0
Subsurface Equipment Rental		37,500	0		37,500
Stimulation / Frac		0	1,423,000		1,423,000
Wireline / Perf		0	190,625		190,625
Miscellaneous / Contingency		0	0	0	0
Legal / Title		100,000	0	0	100,000
Contract Labor		31,500	10,000	100,000	141,500
Permit / License / Etc.		17,500	0	0	17,500
Well Testing / Flowback		0	50,000		50,000
Water Transfer		0	57,625		57,625
Pumps / Pit / Swivel		0	0		0
Acid & Frac Tanks		0	0		0
Casing Crew		65,000	0		65,000
Core Evaluation		0			0
Coring		0			0
Mud Logging		0			0
Total Intangible Costs		1,624,087	2,821,834	160,563	4,606,484
TANGIBLE ITEMS		DRILLING	COMPLETION	FACILITIES	0
Surface Casing		75,000	0	0	75,000
Intermediate Casing		0	0	0	0
Compressor		0	0	0	0
Production Liner		0	0	0	0
Production Casing		503,250	0	0	503,250
Production Tubing		0	75,400	0	75,400
Packers		0	0	0	0
Artificial Lift		0	0	25,000	25,000
Rod String		0	0	0	0
Pump		0	0	0	0
Pumping Unit		0	0	0	0
Wellhead		30,000	0	30,000	60,000
Electrical		0	0	100,000	100,000
Tank Battery		0	0	175,000	175,000
Heater		0	0	25,000	25,000
Separator		0	0	75,000	75,000
Meter		0	0	38,500	38,500
Flowline		0	0	32,500	32,500
Fittings		0	0	175,000	175,000
Valves		0	0	0	0
Pipeline		0	0	0	0
Total Tangible Costs		608,250	75,400	727,500	1,411,150
Total Cost for AFE		2,232,337	2,897,234	888,063	6,017,634

MR NM Operating LLC
 Prepared By:
 Approved By:
 Name
 Title
 Date

Working Interest Owner Approval
 Company:
 Approved By:
 Name:
 Title:
 Date:

Chronology of Contact with Non-Op Working Interests Owners (MR NM Operating LLC – 90.00% WI)

Oxy Y-1 Company – 10.00% WI

- 6/22/23 – Travel to Houston to meet Oxy Y-1 land staff, discuss drilling plans and possible purchase interest prior to sending well proposal.
- 6/23/23 – Emailed well proposal docs including letter, AFE and JOA.
- 6/30/23 – Emailed further project details and full JOA, COPAS and all other exhibits.
- 7/10/23 – Emailed Communitization Agreements for partner execution with further discussion of purchase in lieu of participation.
- 7/12/23 – Telephone conversation regarding potential JOA amendments and purchase offer.
- 7/19/23 – Further telephone conversations regarding JOA issues and purchase offer terms.
- 7/27/23 – Follow up phone conversations about purchase offer and execution of documents.
- 8/2/23 – Key purchase conditions discussed and clarification of offer terms relayed to land staff.
- 8/9/23 – Telephone conversation to inquire about status of Oxy purchase offer review.
- 8/15/23 – Offers sent along with proposals for additional wells
- 8/23/23 – Followed up on offer to purchase

**STATE OF NEW MEXICO
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**APPLICATION OF MR NM OPERATING,
LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 23722

**SELF-AFFIRMED STATEMENT
OF MARY GRACE MORAN**

1. I am a geologist with MR NM Operating, LLC ("MR NM"). 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 geology matters were accepted as a matter of record.

2. I am familiar with the geological matters that pertain to the above-referenced case.

3. **Exhibit B-1** is a location map of the proposed horizontal spacing unit comprised of the S/2 N/2 of Section 34, Township 16 South, Range 27 East, Eddy County, New Mexico ("Unit").

4. **Exhibit B-2** is a structure map for the top of the Abo formation in subsea TVD with contour intervals of 25 ft. Map control points are shown in red. Approximate wellbore path for the proposed **Clydesdale Federal Com 1H** well is represented by an orange dashed line. The map demonstrates that the formation is gently dipping to the east to southeast in this area. I do not observe any faulting, pinch-outs, or geologic impediments to developing the targeted interval with horizontal wells. The map also identifies the location of a three well cross-section running from A-A', which penetrate each targeted interval and are in proximity to the proposed well. I used these well logs because they penetrate the targeted intervals, are of good quality, and are representative of the geology in the area.

Exhibit B (Case No. 23722)

MR NM Operating, LLC

5. **Exhibit B-3** is a structural cross-section using the representative wells identified on Exhibit B-2. It contains gamma ray and resistivity logs. The proposed landing zone for the well is labeled on the exhibit. This cross-section demonstrates the target interval is continuous across the Unit.

6. **Exhibit B-4** is a gun barrel, or cross-sectional view of the proposed development plan for this Unit. This shows vertical and horizontal spacing within the unit.

7. In my opinion, a laydown orientation for the proposed wells is appropriate to properly develop the subject acreage because of an established directional pattern and the known general orientation of maximum horizontal stress in this portion of the trend.

8. Based on my geologic study of the area, the targeted interval underlying the Unit is suitable for development by horizontal wells and the tracts comprising the Unit will contribute equally to the production of the well.

9. In my opinion, the granting of MR NM's application will serve the interests of conservation, the protection of correlative rights, and the prevention of waste.

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

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

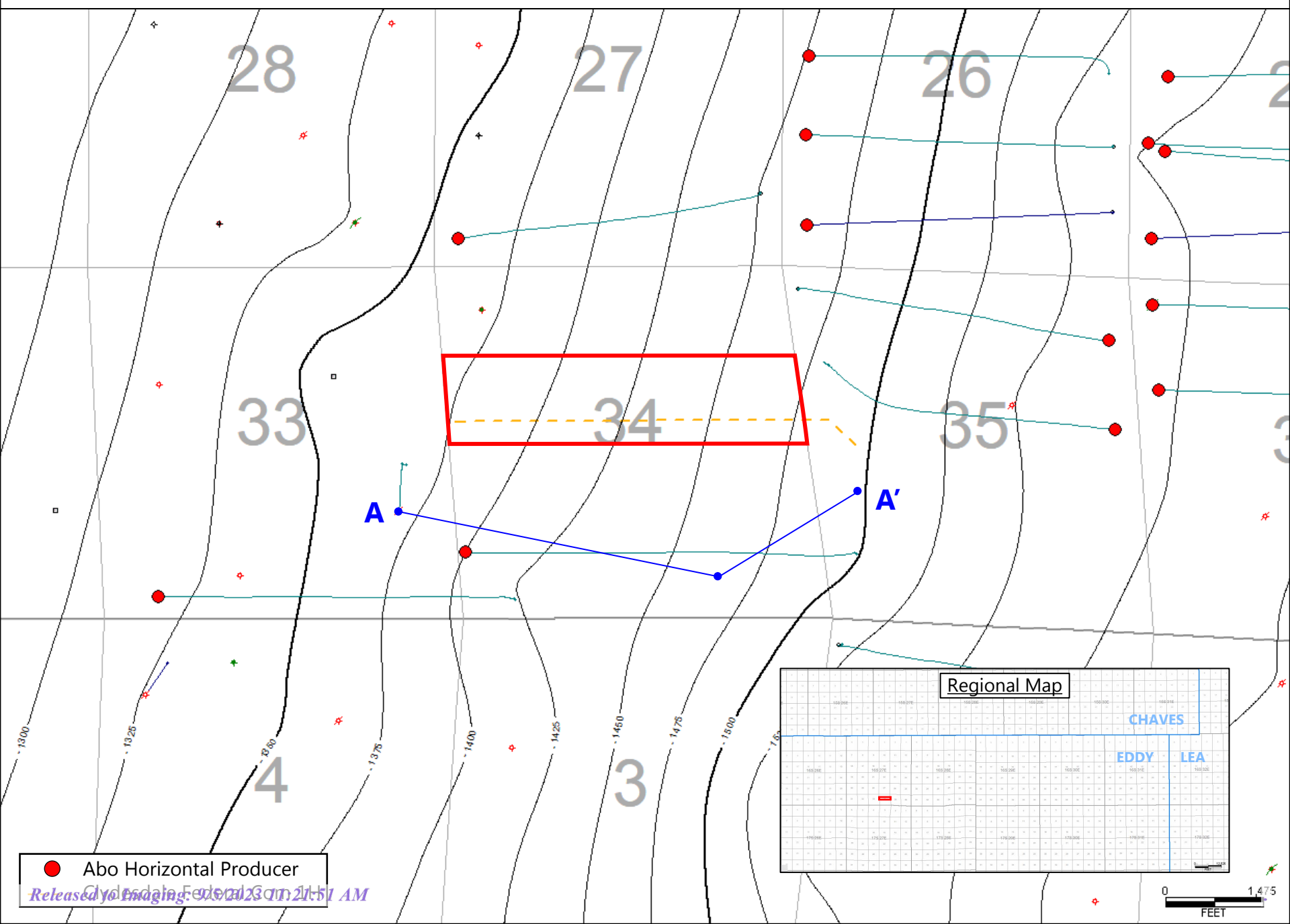

Mary Grace Moran

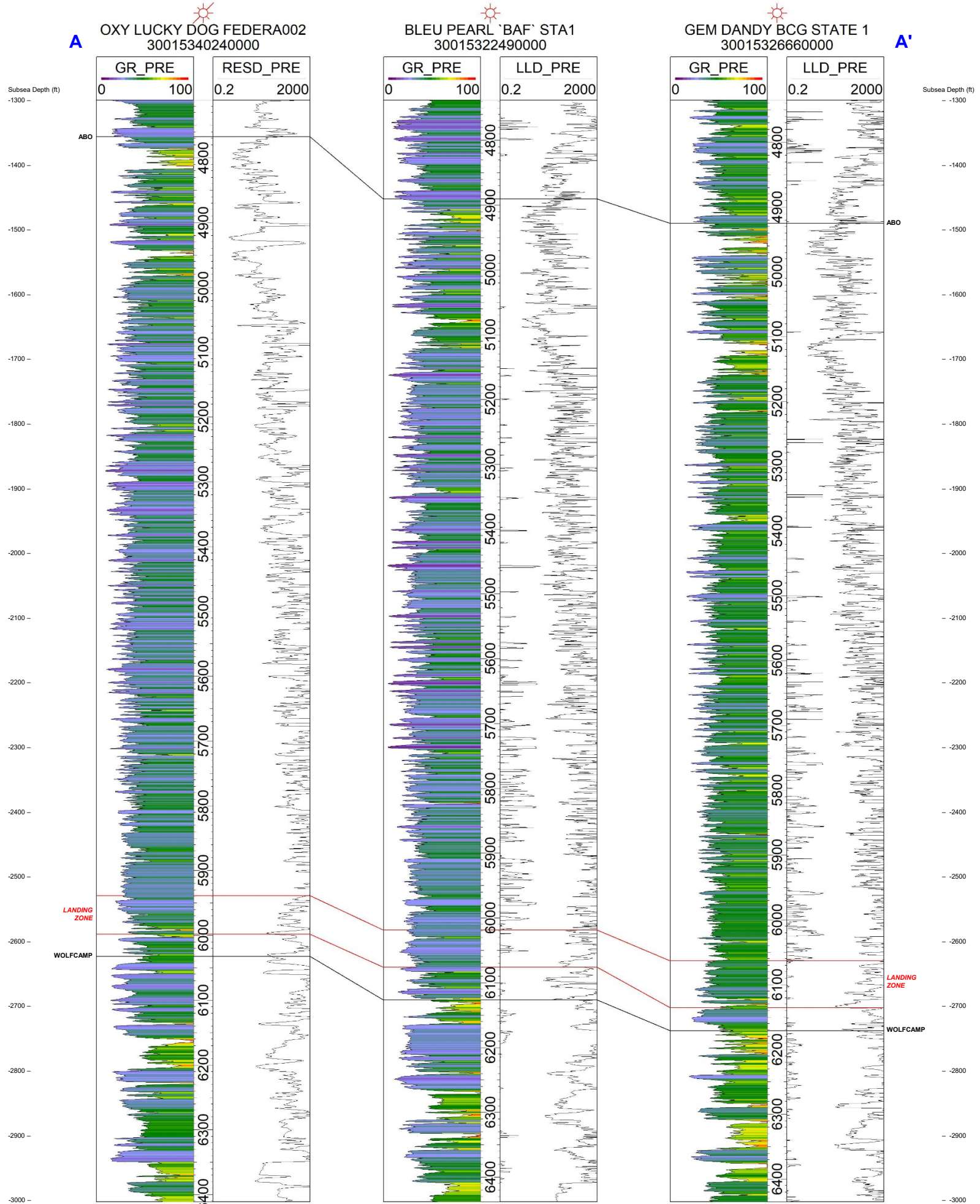
August 23, 2023

Date

District Office

AMENDED REPORT







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

**APPLICATION OF MR NM OPERATING,
LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 23722

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

1. I am attorney in fact and authorized representative of MR NM Operating, LLC the Applicant herein.

2. I am familiar with the Notice Letter attached as **Exhibit C-1** and caused the Notice Letter, along with the Application in this case, to be sent to the parties set out in the chart attached as **Exhibit C-2**.

3. Exhibit C-2 also provides the date each Notice Letter was sent and the date each return was received.

4. Copies of the certified mail green cards and white slips are attached as **Exhibit C-3** as supporting documentation for proof of mailing and the information provided on Exhibit C-2.

5. On August 18, 2023, I caused a notice to be published to all interested parties in the Carlsbad Current Argus. An Affidavit of Publication from the Legal Clerk of the Carlsbad Current Argus, along with a copy of the notice publication, is attached as **Exhibit C-4**.

6. 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

September 5, 2023
Date



hinklelawfirm.com

HINKLE SHANOR LLP

ATTORNEYS AT LAW

P.O. BOX 2068

SANTA FE, NEW MEXICO 87504

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

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

August 3, 2023

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO ALL PARTIES ENTITLED TO NOTICE

Re: Case No. 23722 – Application of MR NM Operating, LLC for Compulsory Pooling, Eddy County, New Mexico.

To whom it may concern:

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 **September 7, 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/OCD/OCDPermitting>) or via e-mail to 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 Blake Simmons, Land Manager for MR NM Operating, LLC, by phone at (214) 354-5414 if you have questions regarding this matter.

Sincerely,

/s/ Dana S. Hardy

Dana S. Hardy

Enclosure

PO BOX 10
ROSWELL, NEW MEXICO 88202
(575) 622-6510
FAX (575) 623-9332

7601 JEFFERSON ST NE · SUITE 180
ALBUQUERQUE, NEW MEXICO 87109
505-858-8320
(FAX) 505-858-8321

PO BOX 2068
SANTA FE, NEW MEXICO 87504
(505) 982-4554
FAX (505) 982-8623

Exhibit C-1 (Case No. 23722)**MR NM Operating, LLC**

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

**APPLICATION OF MR NM OPERATING,
LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 23722

NOTICE LETTER CHART

PARTY	NOTICE LETTER SENT	RETURN RECEIVED
801, LLC P.O Box 900 Artesia, NM 88211-0900	08/03/23	08/17/23
Abo Petroleum, LLC P.O Box 900 Artesia, NM 88211-0900	08/03/23	08/17/23
Overton Energy Investments VI, LLC 12335 Kingsride Ln. #336 Houston, TX 77024-4116	08/03/23	08/23/23 Return to sender.
Oxy Y-1 Company 5 Greenway Plaza, Suite 110 Houston, TX 77046	08/03/23	08/21/23
Silverback O-1, LLC 19707 IH 10 West, Suite 201 San Antonio, TX 78257	08/03/23	08/10/23

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OFFICIAL USE

Certified Mail Fee \$
 Extra Services & Fees (check box, add fee as appropriate)
☐ Return Receipt (hardcopy) \$
☐ Return Receipt (electronic) \$
☐ Certified Mail Restricted Delivery \$
☐ Adult Signature Required \$
☐ Adult Signature Restricted Delivery \$

Postage \$
 Total Postage and Fees \$

Postmark Here

801, LLC
 P.O. Box 900
 Artesia, NM 88211-0900
 23722 - MR NM Clydesdale

PS Form 3800, January 2023 PSN 7530-02-000-9047 See Reverse for Instructions

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>801, LLC P.O. Box 900 Artesia, NM 88211-0900 23722 - MR NM Clydesdale</p> <p>2. Article Number (Transfer from service label) 9589 0710 5270 0104 1988 91</p>	<p>A. Signature X </p> <p>B. Received by (Printed Name) C. Date of Delivery 8-15-23</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>RECEIVED AUG 17 2023</p> <p>3. Service Type <input type="checkbox"/> Adult Signature <input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Certified Mail® <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Collect on Delivery Restricted Delivery <input type="checkbox"/> Insured Mail <input type="checkbox"/> Insured Mail Restricted Delivery (over \$500)</p> <p>Hinkle Shanor LLP Santa Fe NM 87507</p> <p>Priority Mail Express® Registered Mail™ Registered Mail Restricted Delivery Signature Confirmation™ Signature Confirmation Restricted Delivery</p>

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

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Certified Mail Fee \$
Extra Services & Fees (check box, add fee as appropriate)
☐ Return Receipt (hardcopy) \$
☐ Return Receipt (electronic) \$
☐ Certified Mail Restricted Delivery \$
☐ Adult Signature Required \$
☐ Adult Signature Restricted Delivery \$
 Postage \$
 Total Postage and Fees \$
 Sent to
 Abo Petroleum, LLC
 P.O. Box 900
 Artesia, NM 88211-0900
 23722 - MR NM Clydesdale

PS Form 3800, January 2023 PSN 7530-02-000-9047 See Reverse for Instructions

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>Abo Petroleum, LLC P.O. Box 900 Artesia, NM 88211-0900 23722 - MR NM Clydesdale</p> <p>9590 9402 7635 2122 6638 01</p> <p>2. Article Number (Transfer from service label) 9589 0710 5270 0104 1989 07</p>		<p>A. Signature [Signature]</p> <p>B. Received by (Printed Name) [Signature]</p> <p>C. Date of Delivery 8-15-23</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>RECEIVED AUG 17 2023</p>	
<p>3. Service Type Hinkle Shanor LLC Santa Fe NM 87505</p> <p><input type="checkbox"/> Adult Signature <input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Certified Mail® <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Collect on Delivery Restricted Delivery <input type="checkbox"/> Insured Mail <input type="checkbox"/> Insured Mail Restricted Delivery (over \$500)</p>		<p><input type="checkbox"/> Priority Mail Express® <input type="checkbox"/> Registered Mail™ <input type="checkbox"/> Registered Mail Restricted Delivery <input type="checkbox"/> Signature Confirmation™ <input type="checkbox"/> Signature Confirmation Restricted Delivery</p>	
PS Form 3811, July 2020 PSN 7530-02-000-9053		Domestic Return Receipt	

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Official Post Office
 AUG 21 2023
 Santa Fe NM 87501-9998

Certified Mail Fee \$
 Extra Services & Fees (check box, add fee as appropriate)
☐ Return Receipt (hardcopy) \$
☐ Return Receipt (electronic) \$
☐ Certified Mail Restricted Delivery \$
☐ Adult Signature Required \$
☐ Adult Signature Restricted Delivery \$
 Postage \$
 Total Postage and Fees \$
 \$

Oxy Y-1 Company
 5 Greenway Plaza, Suite 110
 Houston, TX 77046
 23722 - MR NM Clydesdale

PS Form 3800, January 2023 PSN 7530-02-000-9047 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature X  <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) </p> <p>C. Date of Delivery 8/7/23</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>RECEIVED AUG 21 2023</p>
<p>1. Article Addressed to:</p> <p>Oxy Y-1 Company 5 Greenway Plaza, Suite 110 Houston, TX 77046 23722 - MR NM Clydesdale</p> <p> 9590 9402 7635 2122 6637 88</p> <p>2. Article Number (Transfer from service label) 9589 0710 5270 0104 1989 21</p>	<p>3. Service Type</p> <p><input type="checkbox"/> Adult Signature <input 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"/> 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> <p>Hinkle Shaper LLC Santa Fe NM 87504</p>
PS Form 3811, July 2020 PSN 7530-02-000-9053	Domestic Return Receipt

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Certified Mail Fee \$
Extra Services & Fees (check box, add fee as appropriate)
☐ Return Receipt (hardcopy) \$
☐ Return Receipt (electronic) \$
☐ Certified Mail Restricted Delivery \$
☐ Adult Signature Required \$
☐ Adult Signature Restricted Delivery \$
 Postage \$
 Total Postage and Fees \$
 Sent To
 Silverback O-1, LLC
 19707 IH 10 West, Suite 201
 San Antonio, TX 78257
 23722 - MR NM Clydesdale

Postmark Here
AUG 03 2023
87501-9988

PS Form 3800, January 2023 PSN 7530-02-000-9047 See Reverse for Instructions

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>Silverback O-1, LLC 19707 IH 10 West, Suite 201 San Antonio, TX 78257 23722 - MR NM Clydesdale</p> <p>9590 9402 7635 2122 6637 71</p> <p>2. Article Number (Transfer from service label) 9589 0710 5270 0496 9566 59</p>	<p>A. Signature X  <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) C. Date of Delivery 8-7-23</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>RECEIVED AUG 10 2023</p> <p>3. Service Type <input type="checkbox"/> Adult Signature <input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Certified Mail® <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Collect on Delivery Restricted Delivery <input type="checkbox"/> Insured Mail <input type="checkbox"/> Insured Mail Restricted Delivery (over \$500)</p> <p>Hinkle Shanor LLC Santa Fe NM 87508</p> <p><input type="checkbox"/> Priority Mail Express® <input type="checkbox"/> Registered Mail™ <input type="checkbox"/> Registered Mail Restricted Delivery <input type="checkbox"/> Signature Confirmation™ <input type="checkbox"/> Signature Confirmation Restricted Delivery</p>

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

9589 0710 5270 0104 1989 14

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Certified Mail Fee \$

Extra Services & Fees (check box, add fee as appropriate)

☐ Return Receipt (hardcopy) \$

☐ Return Receipt (electronic) \$

☐ Certified Mail Restricted Delivery \$

☐ Adult Signature Required \$

☐ Adult Signature Restricted Delivery \$

Postage \$

Total Postage and Fees \$

Sent To

Overton Energy Investments VI, LLC
 12335 Kingside Ln. #336
 Houston, TX 77024-4116
 23722 - MR NM Clydesdale

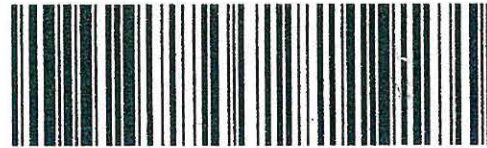
Postmark Here

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HINKLE SHANOR LLP
 ATTORNEYS AT LAW
 POST OFFICE BOX 2068
 SANTA FE, NEW MEXICO 87504

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 02 7H
 0006052409 AUG 03 2023

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AUG 23 2023

Hinkle Shanor LLP
 Santa Fe NM 87504

Overton Energy Investments VI, LLC
 12335 Kingside Ln.
 Houston, TX 7702

RETURN TO SENDER
 NOT DELIVERABLE AS ADDRESSED
 UNABLE TO FORWARD

9326010926425314

UTF

BC: 87504206868

*0968-00418-03-44

87504>2068
 7702434

Carlsbad Current Argus.

PART OF THE USA TODAY NETWORK

Affidavit of Publication

Ad # 0005790980

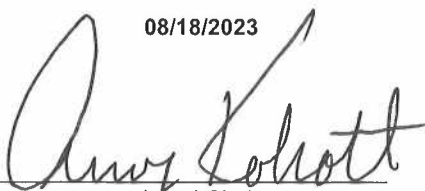
This is not an invoice

HINKLE SHANOR, LLP
POBOX 2068

SANTA FE, NM 87504

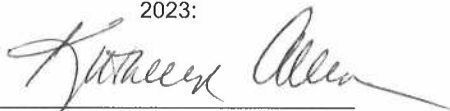
I, a legal clerk of the **Carlsbad Current Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof in editions dated as follows:

08/18/2023

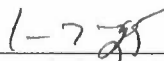


Legal Clerk

Subscribed and sworn before me this August 18,
2023:



State of WI, County of Brown
NOTARY PUBLIC



My commission expires

This is to notify all interested parties, including Oxy Y-1 Company; Abo Petroleum, LLC; 801, LLC; Overton Energy Investments VI, LLC; Silverback O-1, LLC; and their successors and assigns, that the New Mexico Oil Conservation Division will conduct a hearing on an application submitted by MR NM Operating, LLC (Case No. 23722). The hearing will be conducted remotely on September 7, 2023, beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the OCD Hearings website for that date: <https://www.emnr.dnm.gov/oed/hearing-info/>. Applicant applies an order pooling all uncommitted interests in the Abo formation underlying a 160-acre, more or less, standard horizontal spacing unit comprised of the S/2 N/2 of Section 34, Township 16 South, Range 27 East, Eddy County, New Mexico ("Unit"). The Unit will be dedicated to the Clydesdale Federal Com #1H well ("Well"), to be drilled from a surface hole location in the NW/4 SW/4 (Unit L) of Section 35 to a bottom hole location in the SW/4 NW/4 (Unit E) of Section 34. The completed interval of the Well will be orthodox. Also to be considered will be the cost of drilling and completing the Well and the allocation of the cost, the designation of Applicant as operator of the Well, and a 200% charge for the risk involved in drilling and completing the Well. The Well is located approximately 8.2 miles east of Artesia, New Mexico. #5790980 Current Argus, August 18, 2023

KATHLEEN ALLEN
Notary Public
State of Wisconsin

Ad # 0005790980
PO #: 23722
of Affidavits 1

This is not an invoice

Exhibit C-4 (Case No. 23722)

MR NM Operating, LLC