

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING MARCH 21, 2024**

**CASE No. 24214**

*ANCHORAGE FEDERAL COM #1H WELL*

*EDDY COUNTY, NEW MEXICO*



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

**APPLICATION OF CHASE OIL  
CORPORATION FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 24214**


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**COMPULSORY POOLING APPLICATION CHECKLIST****ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS**

<b>Case: 24214</b>	<b>APPLICANT'S RESPONSE</b>
<b>Date</b>	<b>March 21, 2024</b>
Applicant	Chase Oil Corporation (OGRID No. 53773)
Designated Operator & OGRID (affiliation if applicable)	Mack Energy Corporation (OGRID No. 13837)
Applicant's Counsel:	Holland & Hart LLP
Case Title:	APPLICATION OF CHASE OIL CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.
Entries of Appearance/Intervenors:	N/A
Well Family	Anchorage
<b>Formation/Pool</b>	
Formation Name(s) or Vertical Extent:	San Andres
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	N/A
Pool Name and Pool Code:	WC 16S27E32; San Andres [98371]
Well Location Setback Rules:	Statewide oil rules
<b>Spacing Unit</b>	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	160
Building Blocks:	40 acres
Orientation:	South-North
Description: TRS/County	W/2 W/2 of Section 29, Township 16 South, Range 27 East, NMPM, Eddy County, New Mexico
Standard Horizontal Well Spacing Unit (Y/N), If No, describe and is approval of non-standard unit requested in this application?	Yes
<b>Other Situations</b>	
Depth Severance: Y/N. If yes, description	No <b>BEFORE THE OIL CONSERVATION DIVISION</b> <b>Santa Fe, New Mexico</b>
Proximity Tracts: If yes, description	No <b>Exhibit No. A</b>
Proximity Defining Well: if yes, description	N/A <b>Submitted by: Mack Energy Corporation</b> <b>Hearing Date: March 21, 2024</b>
Applicant's Ownership in Each Tract	<b>Exhibit C-2</b> <b>Case No. 24214</b>
<b>Well(s)</b>	
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: <i>Received by OCD: 3/19/2024 10:09:55 AM</i>	<u>Anchorage Federal Com #1H well</u> SHL: 180' FNL, 330' FWL (Unit D) of Section 32 BHL: 1' FNL, 330' FWL (Unit D) of Section 29 Target: San Andres Orientation: South-North Completion: Standard
Horizontal Well First and Last Take Points	Exhibit C-1
Completion Target (Formation, TVD and MD)	Exhibit C-3
<b>AFE Capex and Operating Costs</b>	
Drilling Supervision/Month \$	\$8,000
Production Supervision/Month \$	\$800
Justification for Supervision Costs	Exhibit C
Requested Risk Charge	200%
<b>Notice of Hearing</b>	
Proposed Notice of Hearing	Exhibit B
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit E
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit F
<b>Ownership Determination</b>	
Land Ownership Schematic of the Spacing Unit	Exhibit C-2
Tract List (including lease numbers and owners)	Exhibit C-2
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 C-2
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above & below)	N/A
<b>Joinder</b>	
Sample Copy of Proposal Letter	Exhibit C-3
List of Interest Owners (ie Exhibit A of JOA)	Exhibit C-2
Chronology of Contact with Non-Joined Working Interests	Exhibit C-4
Overhead Rates In Proposal Letter	Exhibit C-3
Cost Estimate to Drill and Complete	Exhibit C-3
Cost Estimate to Equip Well	Exhibit C-3
Cost Estimate for Production Facilities	Exhibit C-3
<b>Geology</b>	
Summary (including special considerations)	Exhibit D
Spacing Unit Schematic	Exhibit D-1
Gunbarrel/Lateral Trajectory Schematic	N/A

Well Orientation (with rationale)	Exhibit D
Target Formation	Exhibit D, D-3
HSU Cross Section	Exhibit D-3
Depth Severance Discussion	N/A
<b>Forms, Figures and Tables</b>	
C-102	Exhibit C-1
Tracts	Exhibit C-2
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit C-2
General Location Map (including basin)	Exhibit D-1
Well Bore Location Map	Exhibit D-1
Structure Contour Map - Subsea Depth	Exhibit D-2
Cross Section Location Map (including wells)	Exhibit D-2
Cross Section (including Landing Zone)	Exhibit D-3
<b>Additional Information</b>	
Special Provisions/Stipulations	N/A
<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):	Paula M. Vance
<b>Signed Name</b> (Attorney or Party Representative):	
<b>Date:</b>	3/16/2024

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

**APPLICATION OF CHASE OIL  
CORPORATION FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 24214**

**APPLICATION**

Chase Oil Corporation ("Chase" or "Applicant") (OGRID No. 53773), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all uncommitted mineral owners in the San Andres formation underlying a standard 160-acre, more or less, horizontal well spacing unit comprised of the W/2 W/2 of Section 29, Township 16 South, Range 27 East, NMPM, Eddy County, New Mexico. In support of its application, Chase states:

1. Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Applicant seeks to designate Mack Energy Corporation as the operator of the proposed horizontal spacing unit.
3. Applicant seeks to initially dedicate the above-referenced horizontal spacing unit to the proposed **Anchorage Federal Com #1H** well, to be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 32, with a first take point in the SW/4 SW/4 (Unit M) of Section 29 and a last take point in the NW/4 NW/4 (Unit D) of Section 29.
4. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all interest owners in the subject spacing unit.

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. B  
Submitted by: Mack Energy Corporation  
Hearing Date: March 21, 2024  
Case No. 24214**


5. The pooling of uncommitted mineral owners will allow Applicant to obtain a just and fair share of the oil and gas underlying the subject lands, avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 7, 2024, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted mineral owners in the horizontal spacing unit;
- B. Designating Mack Energy Corporation as operator of this spacing unit and the horizontal well to be drilled thereon;
- C. Authorizing Applicant to recover its costs of drilling, completing, and equipping the well;
- D. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- E. Imposing a 200% charge 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,

HOLLAND & HART LLP

By:   
\_\_\_\_\_  
Michael H. Feldewert  
Adam G. Rankin  
Paula M. Vance  
Post Office Box 2208  
Santa Fe, NM 87504  
505-988-4421  
505-983-6043 Facsimile  
mfeldewert@hollandhart.com  
agrarkin@hollandhart.com  
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**ATTORNEYS FOR CHASE OIL COMPANY &  
MACK ENERGY CORPORATION**



CASE \_\_\_\_\_: **Application of Chase Oil Corporation for Compulsory Pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all uncommitted mineral owners in the San Andres formation underlying a standard 160-acre, more or less, horizontal well spacing unit comprised of the W/2 W/2 of Section 29, Township 16 South, Range 27 East, NMPM, Eddy County, New Mexico. Said unit will be initially dedicated to the proposed **Anchorage Federal Com #1H** well, to be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 32, with a first take point in the SW/4 SW/4 (Unit M) of Section 29 and a last take point in the NW/4 NW/4 (Unit D) of Section 29. Also, to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, actual operating costs and charges for supervision, designation of Mack Energy Corporation as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 6 miles northeast of Artesia, New Mexico.

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

**APPLICATION OF CHASE OIL  
CORPORATION FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 24214**

**SELF-AFFIRMED STATEMENT OF DERIK SMITH**

1. My name is Derik Smith. I work for Mack Energy Corporation ("Mack") as a Landman. Mack is the contract operator for Chase Oil Corporation ("Chase"), which is a working interest owner in the proposed horizontal spacing unit in this case. However, Chase is not an operator of oil and gas wells or other oil and gas facilities in New Mexico. Therefore, Chase has contracted with Mack to propose wells, operate wells, operate Chase's working interests, and generally act on behalf of Chase to manage its leasehold interests in New Mexico.

2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My credentials as a petroleum landman have been accepted by the Division and made a matter of record.

3. I am familiar with the application filed by Chase in this case and the subject lands involved.

4. None of the uncommitted parties in this case have indicated opposition to proceeding by self-affirmed statement and, therefore, I do not expect any opposition at the hearing.

5. In Case No. 24214, Chase seeks an order pooling all uncommitted mineral owners in a 160-acre, more or less, horizontal well spacing unit in the San Andres formation comprised of the W/2 W/2 of Section 29, Township 16 South, Range 27 East, NMPM, Eddy County, New Mexico.

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. C  
Submitted by: Mack Energy Corporation  
Hearing Date: March 21, 2024  
Case No. 24214**

6. Chase proposes to dedicate the above-referenced spacing unit to the proposed initial **Anchorage Federal Com #1H** well, to be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 32, with a first take point in the SW/4 SW/4 (Unit M) of Section 29 and a last take point in the NW/4 NW/4 (Unit D) of Section 29. The completed interval for the well will comply with statewide setbacks for oil wells.

7. **Mack Exhibit C-1** contains the C-102 for the proposed well. This form demonstrates that the completed interval for the well will comply with statewide setbacks for oil wells. The exhibit shows that this well will be assigned to the WC 16S27E32; San Andres [98371] pool.

8. **Mack Exhibit C-2** identifies ownership interests by tract and on a unit basis within the proposed spacing unit and also includes a breakdown of ownership interests. Chase seeks to pool the interest owners identified in the exhibit.

9. **Mack Exhibit C-3** contains a sample of the well proposal letter and AFEs sent to owners with a working interest. The costs reflected in the AFEs are consistent with what Chase and other operators have incurred for drilling similar horizontal wells in the area in this formation.

10. Chase requests that the overhead and administrative costs for drilling and producing the proposed well be set at \$8,000 per month while drilling and \$800 per month while producing. These costs are consistent with what other operators are charging in this area for similar wells.

11. **Mack Exhibit C-4** contains a general summary of the contacts with the uncommitted interest owners. As indicated in the exhibit, Chase has made a good faith effort to locate and has had communications with all of the parties that it seeks to pool in this case in an

effort to reach voluntary joinder. In my opinion, Chase has undertaken good faith efforts to reach an agreement with the uncommitted interest owners.

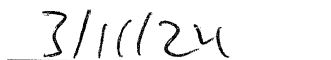
12. Chase has provided the law firm of Holland & Hart LLP with the names and addresses of the parties that Chase seeks to pool and instructed that they be notified of this hearing. Chase has conducted a diligent search of all public records in the county where the property is located, reviewed telephone directories, and conducted computer searches to locate contact information for each interest owner.

13. **Mack Exhibits C-1 through C-4** were either prepared by me or compiled under my direction and supervision.

14. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.



Derik Smith



Date

Santa Fe, New Mexico

Exhibit No. C-1

Submitted by: Mack Energy Corporation

Hearing Date: March 21, 2024

Case No. 24214

Form C-102

Revised August 1, 2011

Submit one copy to appropriate

District Office

☐ AMENDED REPORT

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) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

## WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number	<sup>2</sup> Pool Code	<sup>3</sup> Pool Name
	98371	WC 16S27E32; San Andres
<sup>4</sup> Property Code	<sup>5</sup> Property Name	<sup>6</sup> Well Number
	ANCHORAGE FEDERAL COM	1H
<sup>7</sup> OGRID No.	<sup>8</sup> Operator Name	<sup>9</sup> Elevation
13837	MACK ENERGY CORPORATION	3436.2

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	32	16 S	27 E		180	NORTH	330	WEST	EDDY

<sup>11</sup> Bottom 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
D	29	16 S	27 E		1	NORTH	330	WEST	EDDY

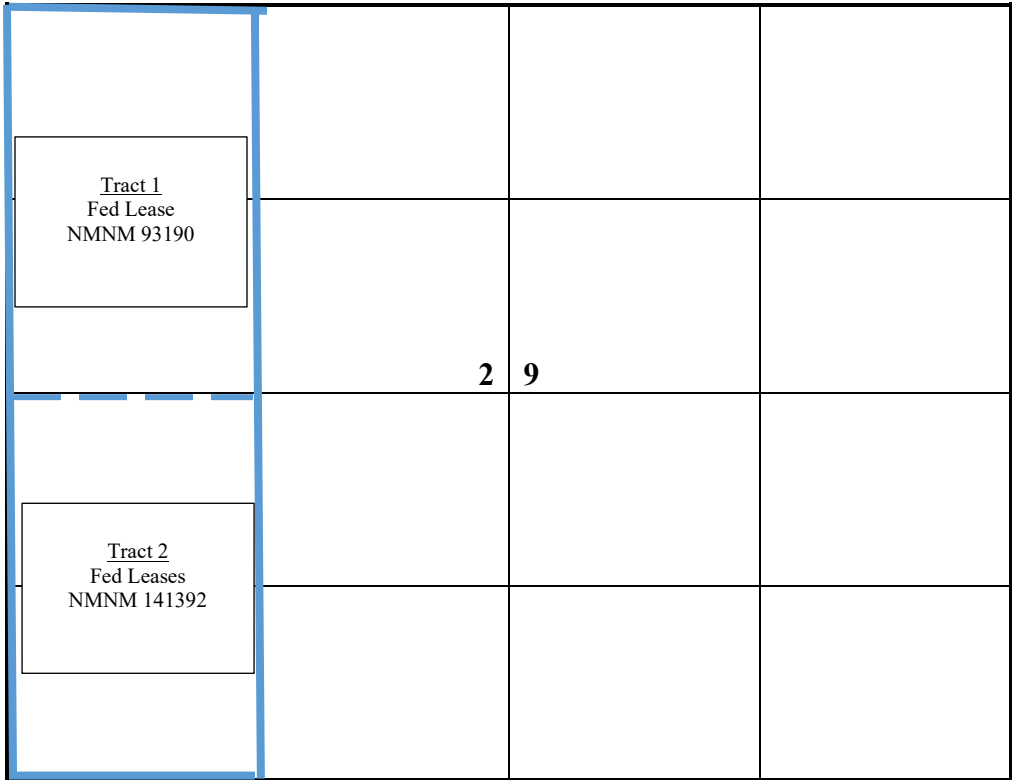
<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.

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.

	<p><b>17 OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>E-mail Address _____</p>
	<p><b>18 SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>JUNE 20, 2023</p> <p>Date of Survey _____</p>
	<p>Signature and Seal of Professional Surveyor: </p> <p>Certificate Number: 12797</p>
	<p>Surveyor No. 9457A</p>

Plat of Unitized Area covering the  
W2W2 of Section 29, Township 16 South, Range 27 East, NMPM  
Eddy County, New Mexico

Unit Name: Anchorage Federal Com #1H



Section 29  
T16S-R27E

Anchorage Fed Com #1H  
Ownership Schedule

Name	Interest Type	Working Interest	Net Revenue
<b>Tract 1 - W2NW4 Section 29, T16S-R27E - 80 acres</b>			
Chase Oil Corporation	Working Interest	0.33333360	0.25666689
Murchison Oil & Gas LLC	Working Interest	0.33333300	0.26666639
Chi Energy Inc.	Working Interest	0.03333350	0.02666680
MR NM Operating LLC	Working Interest	0.29999990	0.23999990
Silverback O-1, LLC	Overriding Royalty Interest	0.00000000	0.00999998
Broken Arrow Royalties LLC	Overriding Royalty Interest	0.00000000	0.07500004
United States of America	Mineral Owner	0.00000000	0.12500000
Total:		1.00000000	1.00000000
<b>Tract 2 - W2SW4 Section 29, T16S-R27E - 80 acres</b>			
Chase Oil Corporation	Working Interest	0.85000000	0.68000000
RDC Minerals LLC	Working Interest	0.05000000	0.04000000
Ventana Minerals LLC	Working Interest	0.05000000	0.04000000
DiaKan Minerals LLC	Working Interest	0.05000000	0.04000000
Broken Arrow Royalties LLC	Overriding Royalty Interest	0.00000000	0.07500000
United States of America	Mineral Owner	0.00000000	0.12500000
Total:		1.00000000	1.00000000
<b>Recapitulation</b>			
Chase Oil Corporation	Working Interest	0.59166680	0.46833344
RDC Minerals LLC	Working Interest	0.02500000	0.02000000
Ventana Minerals LLC	Working Interest	0.02500000	0.02000000
DiaKan Minerals LLC	Working Interest	0.02500000	0.02000000
Murchison Oil & Gas LLC	Working Interest	0.16666650	0.13333319
Chi Energy Inc.	Working Interest	0.01666675	0.01333340
MR NM Operating LLC	Working Interest	0.14999995	0.11999995
Silverback O-1, LLC	Overriding Royalty Interest	0.00000000	0.00500000
Broken Arrow Royalties LLC	Overriding Royalty Interest	0.00000000	0.07500002
United States of America	Mineral Owner	0.00000000	0.12500000
Total:		1.00000000	1.00000000

<b>KEY</b>	
	Indicates the parties to be pooled





P.O. Box 960  
Artesia, NM 88211-0960  
Office (575) 748-1288  
Fax (575) 748-7374

January 3, 2024

Via Certified Mail

MR NM Operating LLC  
5950 Berkshire Lane, Suite 1000  
Dallas, TX 75225

RE: Horizontal Well Proposal – Anchorage Federal Com #1H (API# 30-015-XXXXX)  
SHL: 180' FNL & 330' FWL, Section 32, Township 16 South, Range 27 East  
BHL: 1' FNL & 330' FWL, Section 29, Township 16 South, Range 27 East  
Eddy County, New Mexico

Dear Working Interest Owner:

Mack Energy Corporation, as Operator, proposes to drill and complete the referenced horizontal well in the W2W2 Section 29-T16S-R27E, at an approximate total vertical depth of 1,905' and a total measured depth of 6,994' in the San Andres Formation.

Prior to drilling, Mack will propose a new and superseding Joint Operating Agreement, being a 1989 AAPL Form 610 Operating Agreement with Horizontal Modifications and containing the following material provisions:

- Effective Date March 1, 2024
- Contract Area: W2 of Section 29-T16S-R27E, limited from Surface to Base of San Andres
- 100%/300%/300% non-consent penalties
- \$8,000/\$800 drilling/producing COPAS overhead rate
- Mack Energy Corporation as named Operator

Please provide your election on the following page within thirty (30) days. If you elect to participate, please return a signed AFE, your election page, and the signatory pages of the enclosed Communitization Agreement in triplicate to the undersigned's attention at the letterhead address.

If you do not wish to make an election in this well, but would like to divest of your interest, please contact me at the email or phone number below.

Should you have questions of a technical nature, please contact Cole Ponce by email at [ColePonce@mec.com](mailto:ColePonce@mec.com) or by calling (575) 748-1288 (ext. 2006). I can be reached at [deriks@mec.com](mailto:deriks@mec.com) or by calling (575) 748-1288 (ext. 2150).

Sincerely,

**Mack Energy Corporation**

A handwritten signature in black ink, appearing to read "Derik Smith", written over a horizontal line.

Derik Smith  
Landman

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. C-3  
Submitted by: Mack Energy Corporation  
Hearing Date: March 21, 2024  
Case No. 24214



Horizontal Well Proposal  
Anchorage Federal Com #1H (API# 30-015-XXXXX)  
W2W2 Section 29-T16S-R27E  
Eddy County, New Mexico  
January 3, 2024

\_\_\_\_\_ Elect to participate in the drilling and completion of the Anchorage Federal Com #1H.

\_\_\_\_\_ Elect to go non-consent in the drilling and completion of the Anchorage Federal Com #1H.

Agreed to and accepted this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

Company: \_\_\_\_\_

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

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Company Name	MACK ENERGY CORPORATION
Type	AUTHORIZATION FOR EXPENDITURE
Well Name	Anchorage Federal Com #1H
Depth	Landing Point MD 2,337.50' TVD 1,905.01' MDTD 6,993.50'- TVD 1,905.01'
Footage	SHL 180 FNL & 330 FWL Sec 32
	BHL 1 FNL & 330 FWL Sec 29
Sec, T, Range, County, State	Sec 32- T16S- R27E , Eddy, New Mexico

Well Information		Size
Footage Rate		
Daywork Rate	\$18,000/day	8 days
Surface Casing Set	418'	9 5/8"-36#
Intermediate Casing Set		
Intermediate Casing Set		
Production Casing Set	6,994'	7"-26#-P-1
Liner Casing Set		
Production Tubing	1900'	3 1/2" J-55
Updated 11/29/2023		

**Summary**

MIRURT. Nipple up BOPE and test. Drill out cement plugs to KOP 1,100'. Begin 8 degree/ 100' build rate to 55 degrees MD 1,787.50' TVD 1,686.67'. Hold 55 degrees until MD 1,987.50' begin 10 degree/ 100' build rate. Landing point 90 degrees MD 2,337.50' TVD 1,905.01'. Hold 90 degrees to TD MD 6,993.50' TVD 1,905.01'. NOTE: Added \$1,475,175.00 to Daywork cost for Building location, Drilling, Logging and P&A theTop Hole. Will construct TB on location and run 4.5 miles of line to DCP. Completion consist of 26 Stage Plug and Perf, Fresh Water Crosslink frac job using roughly 1000 LB/Ft of proppant and 19 BBL/Ft

MACK ENERGY CORPORATION

AUTHORIZATION FOR EXPENDITURE

Anchorage Federal Com #1H

Landing Point MD 2,337.50' TVD 1,905.01' MDTD 6,993.50'- TVD 1,905.01'

SHL 180 FNL & 330 FWL Sec 32

BHL 1 FNL & 330 FWL Sec 29

Sec 32- T16S- R27E , Eddy, New Mexico

Code	Drilling Intangible	Dry Hole Without Pipe	Completed Well	Actual Cost
502-015	Adminstrative Overhead Drilling	\$3,200.00	\$0.00	\$3,200.00
502-020	Location, Roads, Pits, & Damages	\$30,000.00	\$0.00	\$30,000.00
502-100	Footage	\$0.00	\$0.00	\$0.00
502-110	Daywork                    8 days        \$18,000/day	\$1,723,597.00	\$0.00	\$1,723,597.00
502-114	Rental Equipment Surface	\$127,262.00	\$0.00	\$127,262.00
502-115	Rental Equipment SubSurface	\$46,500.00	\$0.00	\$46,500.00
502-116	Bits	\$25,400.00	\$0.00	\$25,400.00
502-120	Water-Drilling	\$88,000.00	\$0.00	\$88,000.00
502-125	Mud Materials	\$28,000.00	\$0.00	\$28,000.00
502-200	Cement-- Surface and Intermediate	\$0.00	\$0.00	\$0.00
502-201	Cement-- Production	\$0.00	\$61,547.20	\$61,547.20
502-204	Fuel & Power	\$36,400.00	\$0.00	\$36,400.00
502-205	Supplies & Misc.	\$2,000.00	\$0.00	\$2,000.00
502-500	Testing, Coring, & Mud Logging	\$0.00	\$0.00	\$0.00
502-600	Open Hole Logs/Wireline	\$0.00	\$0.00	\$0.00
502-650	Directional Drillers	\$68,800.00	\$0.00	\$68,800.00
502-681	Supervision	\$35,000.00	\$0.00	\$35,000.00
502-682	Trailer Rentals & Other Camp Equip.	\$18,000.00	\$0.00	\$18,000.00
175-600	Land, Legal, Regulatory, Permits	\$18,050.00	\$0.00	\$18,050.00
	Miscellaneous and Contingency	\$222,895.90	\$0.00	\$222,895.90

Code	Total Drilling Intangibles	\$2,473,104.90	\$61,547.20	\$2,534,652.10
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Completion Intangibles

502-015	Adminstrative Overhead Completion	\$0.00	\$2,600.00	\$2,600.00
502-021	Battery Construction-Dirt Work,Etc	\$0.00	\$10,000.00	\$10,000.00
502-103	Completion Unit	\$0.00	\$131,380.00	\$131,380.00
502-210	Fuel,Water,Power	\$0.00	\$396,000.00	\$396,000.00
502-350	Completions Surface Rentals	\$0.00	\$307,338.00	\$307,338.00
502-360	Completions SubSurface Rentals	\$0.00	\$114,991.00	\$114,991.00
502-601	Perforating and Logging	\$0.00	\$126,500.00	\$126,500.00
502-610	Frac and/or Acid Treatment	\$0.00	\$1,275,758.00	\$1,275,758.00
502-680	Professional Services	\$0.00	\$41,000.00	\$41,000.00
502-700	Miscellaneous Services	\$0.00	\$5,000.00	\$5,000.00
	Contingency	\$0.00	\$240,796.70	\$240,796.70

Code	Total Completion Intangibles	\$0.00	\$2,651,363.70	\$2,651,363.70
	Total Intangibles	\$2,473,104.90	\$2,712,910.90	\$5,186,015.80

Drilling and Completion Tangibles

170-105	Surface Casing            418'	9 5/8"-36#-J-55 ST&C (Casing in Place)	\$0.00	\$0.00	\$0.00
170-110	Intermediate Casing            0	0	\$0.00	\$0.00	\$0.00
170-115	Production Casing            6,994'	7"-26#-P-110 LT&C (0'-1,000') 7"-26#-P-110 BTC (1,000'-2,050') 5 1/2-17#-P-110 BTC (2,050'-6,994')	\$0.00	\$313,901.68	\$313,901.68
170-115	Production Liner            0	0	\$0.00	\$0.00	\$0.00
170-120	Production Tubing            1900'	3 1/2" J-55 9.3# EUE	\$0.00	\$31,748.76	\$31,748.76
170-125	Wellhead Equipment-- Long String		\$0.00	\$20,000.00	\$20,000.00
170-126	Wellhead Equipment-- Surface & Intermediate		\$12,000.00	\$0.00	\$12,000.00
170-130	Floating Equipment-- Long String		\$0.00	\$54,100.00	\$54,100.00
170-131	Floating Equipment-- Surface & Intermediate		\$0.00	\$0.00	\$0.00
170-135	Rods		\$0.00	\$0.00	\$0.00
170-140	Subsurfaces Equipment		\$0.00	\$85,000.00	\$85,000.00
170-145	Linepipe		\$0.00	\$274,560.00	\$274,560.00
170-150	Tanks,Treater,Separators		\$0.00	\$350,761.00	\$350,761.00
170-155	Pumping Unit And Engine		\$0.00	\$0.00	\$0.00
170-160	Other Miscellaneous Equipment		\$0.00	\$100,000.00	\$100,000.00
	Contingency		\$1,200.00	\$123,007.14	\$124,207.14

Total Tangible	\$13,200.00	\$1,353,078.58	\$1,366,278.58
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TOTAL WELL COSTS	\$2,486,304.90	\$4,065,989.48	\$6,552,294.38
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Drilling Prepared By: Jim Krogman                    11/30/2023

Total Contingency:            \$587,899.74

Total w/o Contingency:            \$5,964,394.64

Interest Owner: MR NM Operating LLC

Interest: 14.999995%

Approved By: \_\_\_\_\_

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

1st Contact

MR NM Operating LLC	Sent Proposal Certified Mail - 12/4/2023
Muchison Oil & Gas LLC	Sent Proposal Certified Mail - 12/4/2023
Chi Energy Inc	Sent Proposal Certified Mail - 12/4/2023
Silverback O-1 LLC	Sent Comm. Agmt. Ratification - 1/4/2024

2nd Contact

MR NM Operating LLC	Sent Proposal Certified Mail - 1/4/2024
Muchison Oil & Gas LLC	Sent Proposal Certified Mail - 1/4/2024
Chi Energy Inc	Sent Proposal Certified Mail - 1/4/2024
Silverback O-1 LLC	Followup Email Correspondence - 1/15/2024

3rd Contact

MR NM Operating LLC	Requested offer; offer sent via email - 2/29/2024
Muchison Oil & Gas LLC	Will discuss possible divestiture after hearing via email- 2/5/2024
Chi Energy Inc	Sent back proposals via email - will participate - 2/5/2024
Silverback O-1 LLC	Ratified CA - 1/18/2024 (No longer need to pool)

4th Contact

MR NM Operating LLC	Sent finalized JOA for review/signature by email - 3/13/2024
Muchison Oil & Gas LLC	Sent finalized JOA for review/signature by email - 3/13/2024
Chi Energy Inc	Sent finalized JOA for review/signature by email - 3/13/2024



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

APPLICATION OF CHASE OIL  
CORPORATION FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

CASE NO. 24214

SELF-AFFIRMED STATEMENT OF CHARLES SADLER

1. My name is name Charles Sadler. I work for Mack Energy Corporation ("Mack") as a Geologist. Mack is the contract operator for Chase Oil Corporation ("Chase"), which is a working interest owner in the proposed horizontal spacing unit in this case. However, Chase is not an operator of oil and gas wells or other oil and gas facilities in New Mexico. Therefore, Chase has contracted with Mack to propose wells, operate wells, operate Chase's working interests, and generally act on behalf of Chase to manage its leasehold interests in New Mexico.

2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum geology matters and my credentials as an expert petroleum geologist have been accepted by the Division and been made a matter of record.

3. I am familiar with the application filed by Chase in this case, and I have conducted a geologic study of the San Andres formation underlying the subject acreage.

4. **Mack Exhibit D-1** is a zoomed-out project location map identifying the proposed horizontal well spacing unit in this case with a red box. Also included is a zoomed-in project locator map identifying Chase's proposed Anchorage well spacing unit, which is outlined in yellow.

5. On the right-hand side of **Mack Exhibit D-2** is a diagram of the spacing unit overlaying a structure map. The proposed spacing unit acreage is identified with a yellow outline. The subsea structure map was prepared from off the top of the San Andres Marker and its contour

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. D  
Submitted by: Mack Energy Corporation  
Hearing Date: March 21, 2024  
Case No. 24214

interval is 10 feet. The structure map shows that the San Andres formation gently dips to the southeast in this area. The structure appears consistent across the proposed spacing unit, and I do not observe any faulting, pinch outs, or other geologic impediments to drilling horizontal wells. To the left-hand side of the exhibit is a type log.

6. On the right-hand side of **Mack Exhibit D-3** is a cross-section map identifying the location of the three wells penetrating the targeted intervals that I used to construct a structural cross-section from A to A' across the acreage. I used these well logs because they penetrate the targeted intervals and are of good quality. In my opinion, these well logs are representative of the geology in the area. To the left-hand side of the exhibit is the cross-section information for the representative wells. It contains a gamma ray, resistivity, and porosity logs for each well. The cross-section demonstrates that the targeted interval is continuous across the proposed spacing unit. The target interval for the **Anchorage Federal Com #1H** well is within the San Andres formation and highlighted in blue.

7. In my opinion, standup orientation of the proposed well is the appropriate orientation for horizontal well development in this area because it is more near perpendicular to the maximum horizontal stress of the area.

8. Based on my geologic study, the San Andres formation underlying the subject area is suitable for development by horizontal wells and the acreage comprising the proposed spacing unit will contribute more-or-less equally to the production from the wellbore. I have not identified any geologic impediments to drilling horizontal wells in the area of the spacing unit proposed.


9. In my opinion, horizontal drilling will be the most efficient method to develop this acreage, to prevent the drilling of unnecessary wells, and to result in the greatest ultimate recovery, and that approving Chase's application will be in the best interest of conservation, the prevention of waste, and protection of correlative rights.

10. **Mack Exhibits D-1 through D-3** were either prepared by me or compiled under my direction and supervision.

11. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.



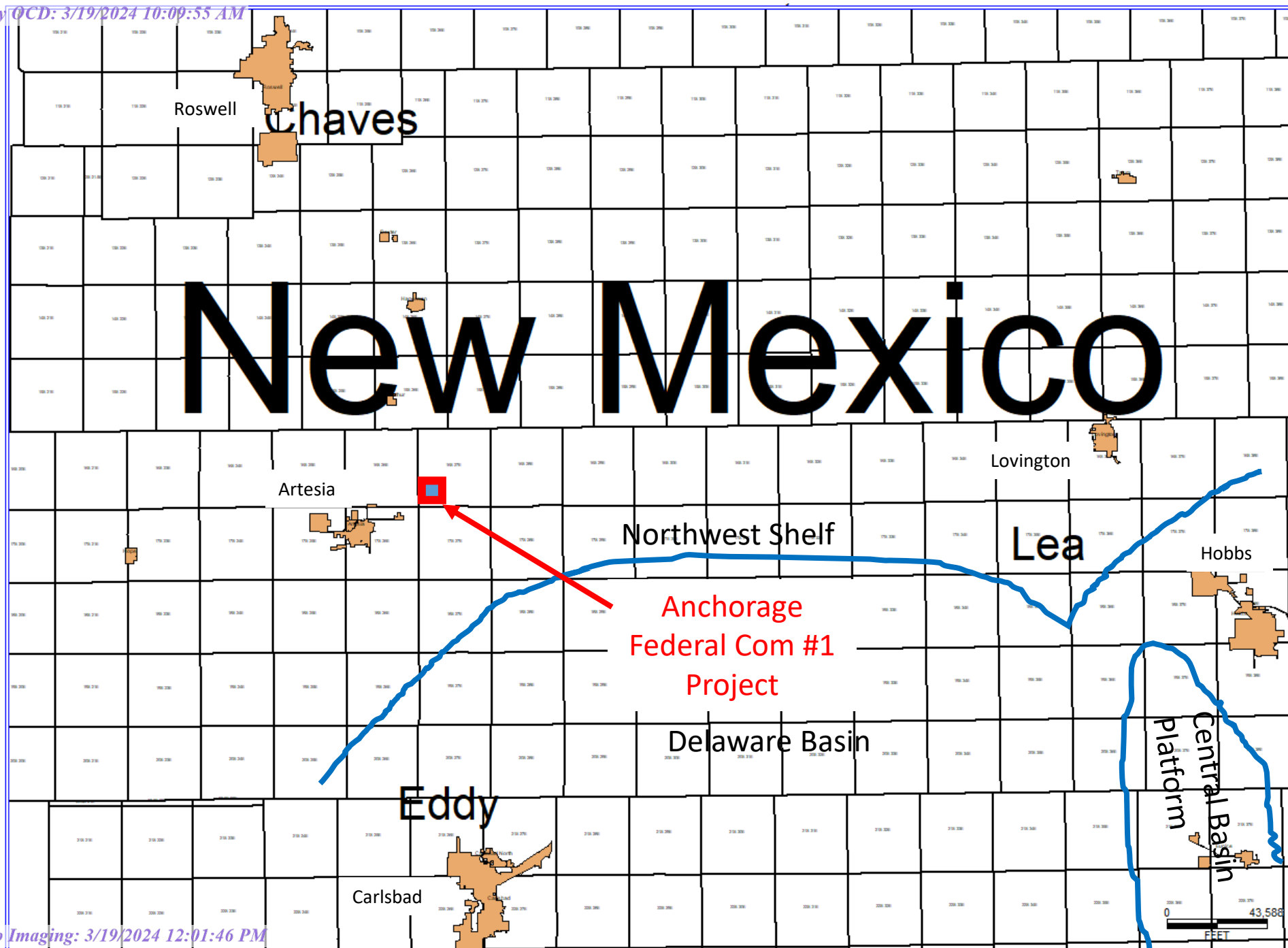
Charles Sadler



Date



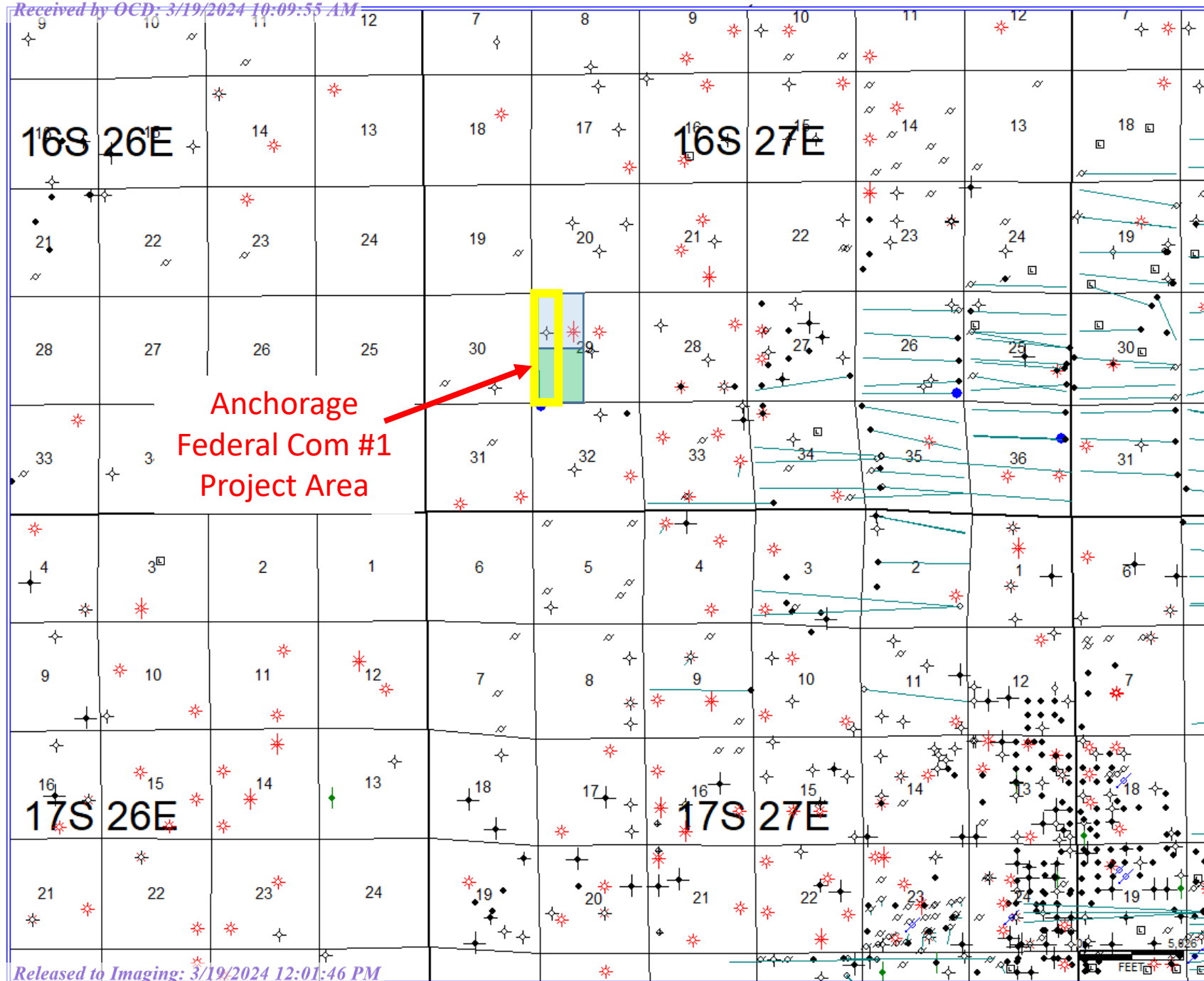
Mack Energy Corporation  
Anchorage Federal Com #1  
Location Map






BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. D-1  
Submitted by: Mack Energy Corporation  
Hearing Date: March 21, 2024  
Case No. 24214



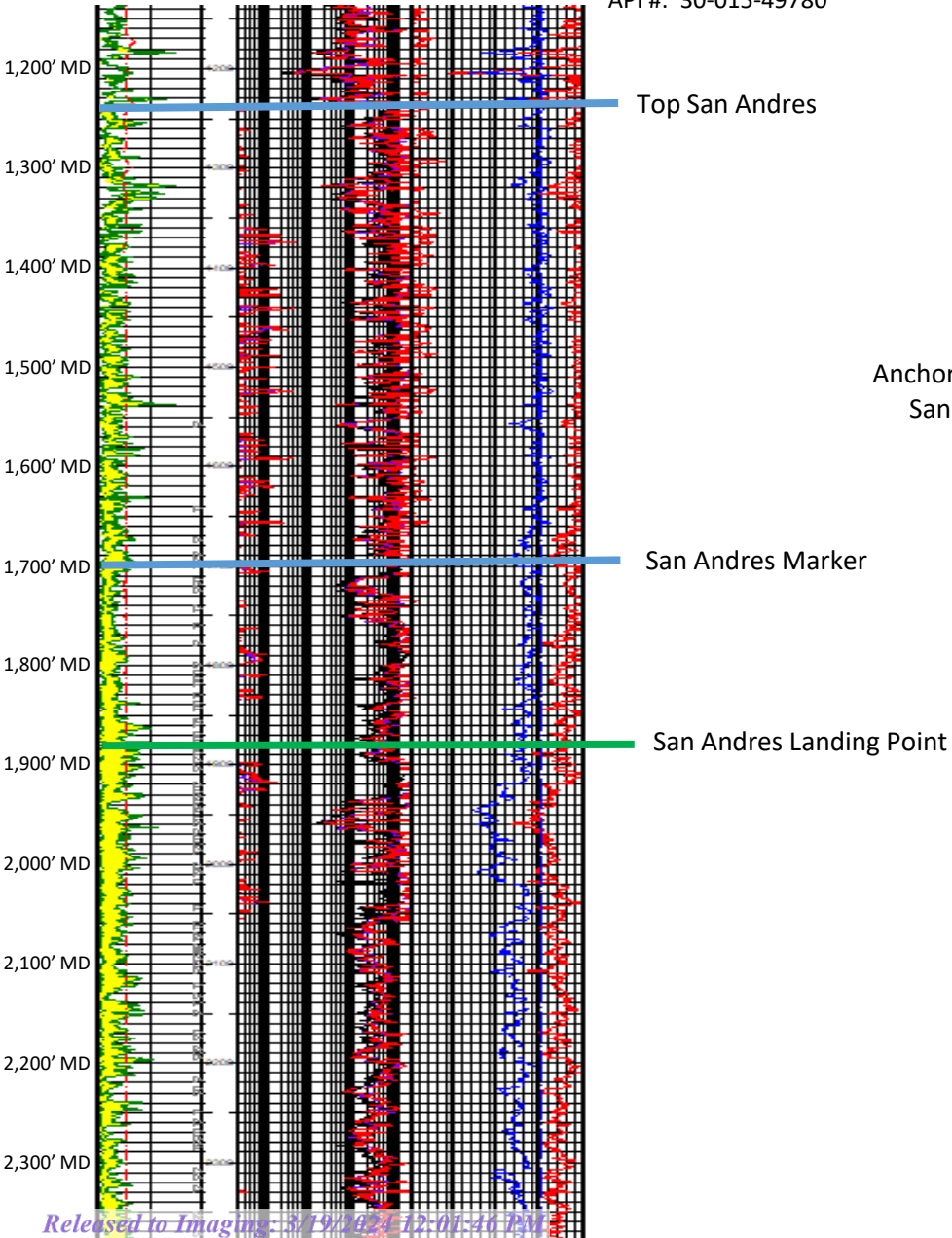
# Mack Energy Corporation Acreage Position



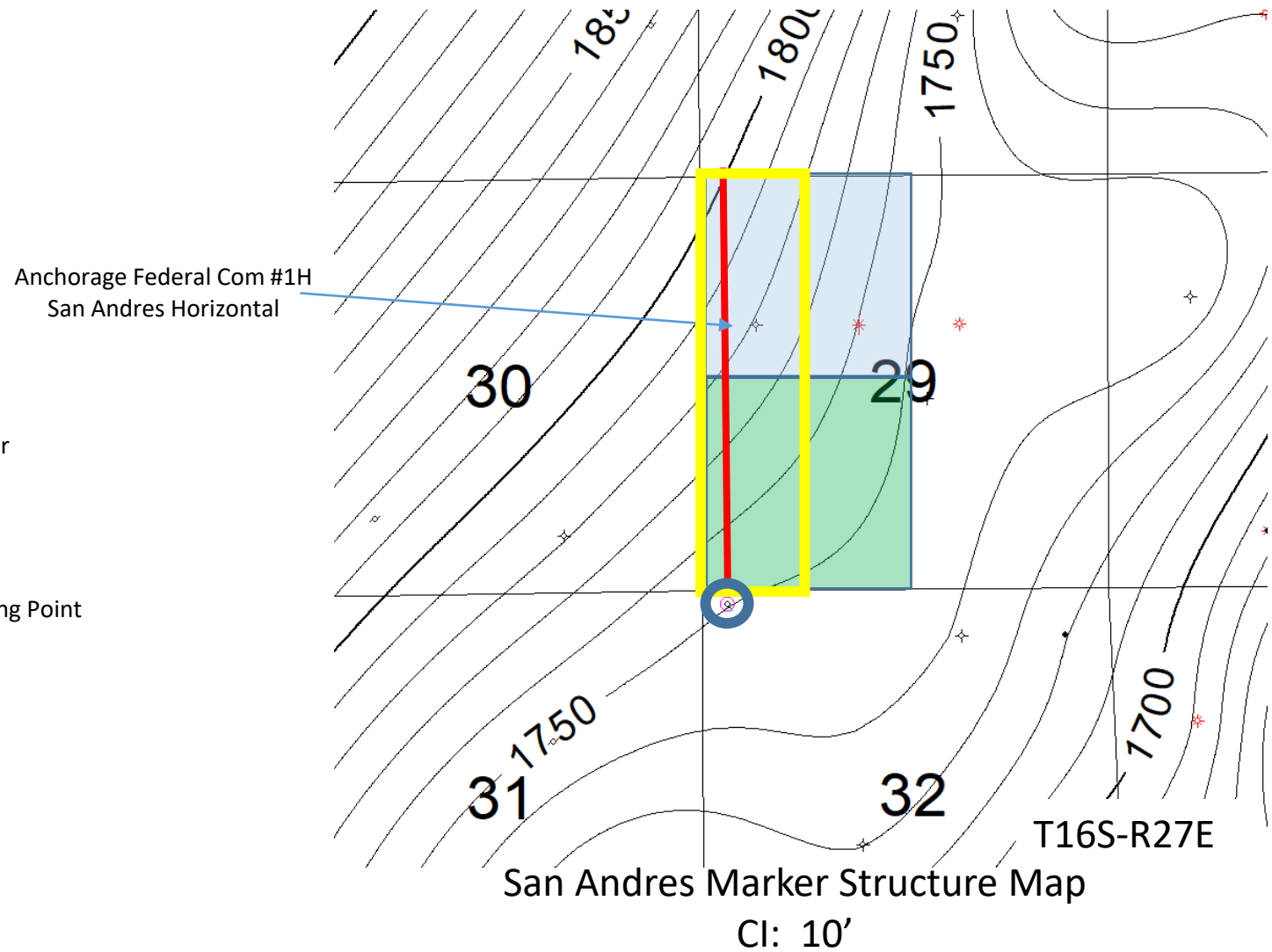
-  Lease Number: NMNM-93190
-  Lease Number: NMNM141392
-  Anchorage #1H Project Area  
160 Acre Proration Unit

Anchorage State #1  
180' FNL & 330' FWL  
Section 32-T16S-R27E  
API #: 30-015-49780



## Type Log



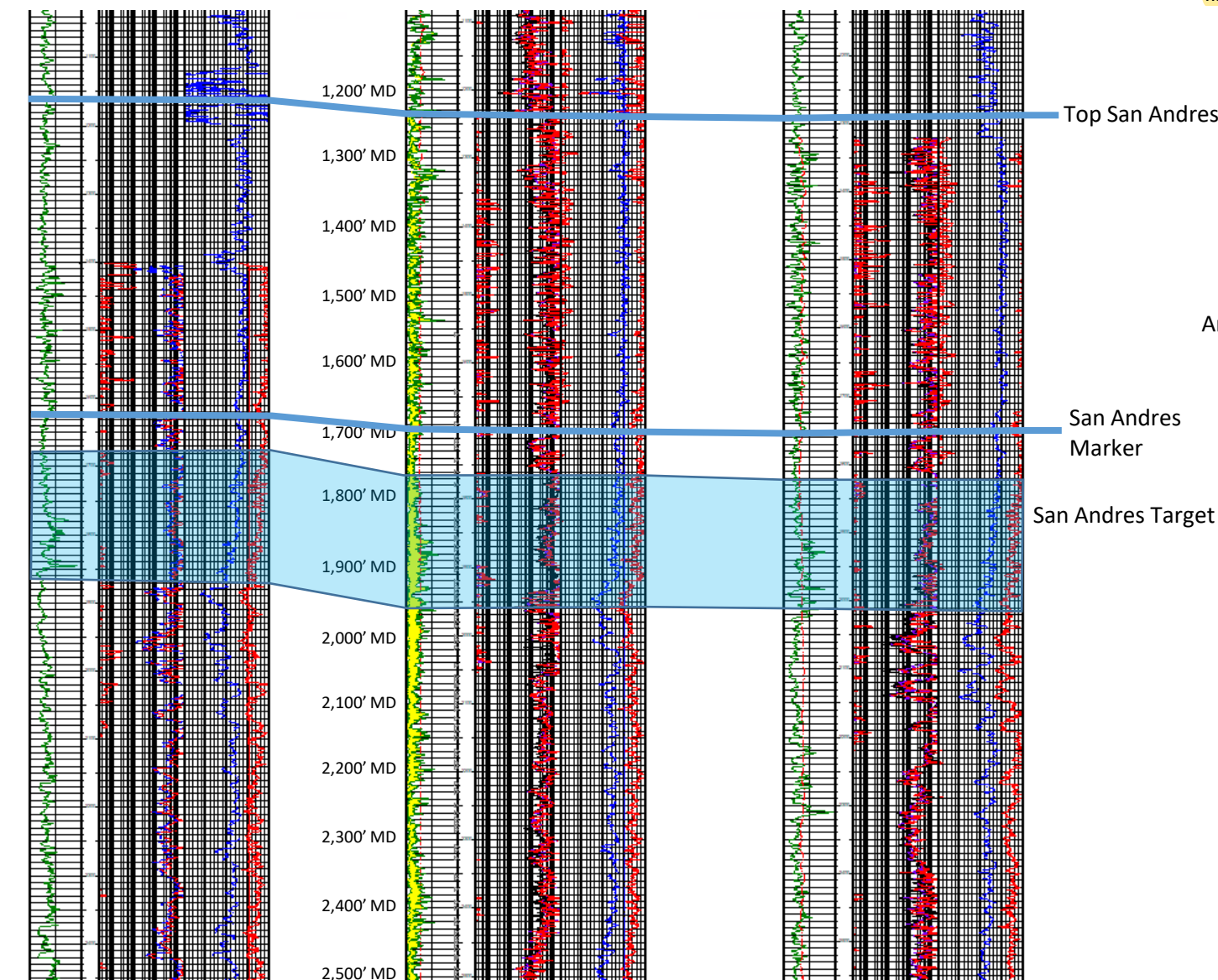
## Anchorage Project Area Type Log/Structure Map



 Project Area

 Lease Number: NMNM-93190  
 Lease Number: NMNM141392

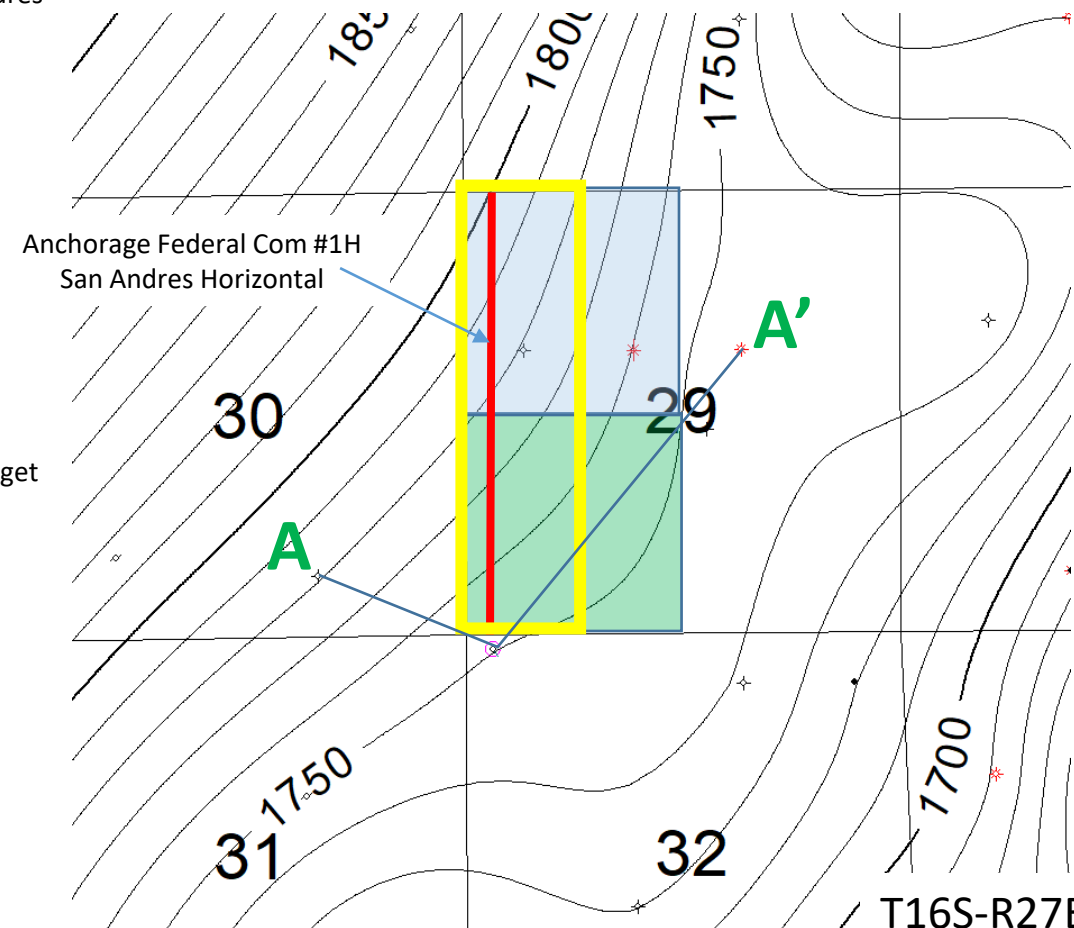
# Anchorage Project Structural Cross Section A-A'



Riverside 30 Federal #1  
API # 30-015-31733

Anchorage State #1  
API # 30-015-49780

Lotsa Luck 29 Federal #3  
API # 30-015-33742



San Andres Marker Structure Map

CI: 10'

Lease Number: NMNM-93190  
Lease Number: NMNM141392

Project Area

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

**APPLICATION OF CHASE OIL  
CORPORATION FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 24214**

**SELF-AFFIRMED STATEMENT OF  
PAULA M. VANCE**

1. I am attorney in fact and authorized representative of Chase Oil Corporation (“Chase”), the Applicant herein. I have personal knowledge of the matter addressed herein and am competent to provide this self-affirmed statement.
2. The above-referenced application and notice of the hearing on this application was sent by certified mail to the locatable affected parties on the date set forth in the letter attached hereto.
3. The spreadsheet attached hereto contains the names of the parties to whom notice was provided.
4. The spreadsheet attached hereto contains the information provided by the United States Postal Service on the status of the delivery of this notice as of March 18, 2024.
5. I caused a notice to be published to all parties subject to this compulsory pooling proceeding. An affidavit of publication from the publication’s legal clerk with a copy of the notice publication is attached herein.
6. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. E  
Submitted by: Mack Energy Corporation  
Hearing Date: March 21, 2024  
Case No. 24214**



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Paula M. Vance

03/18/2024

---

Date



**Paula M. Vance**  
**Associate**  
**Phone** (505) 988-4421  
**Email** pmvance@hollandhart.com

March 1, 2024

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

**TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS**

**Re: Application of Chase Oil Corporation for Compulsory Pooling, Eddy County,  
New Mexico: Anchorage Federal Com #1H wells**

Ladies & Gentlemen:

This letter is to advise you that Chase Oil Corporation has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on March 21, 2024, and the status of the hearing can be monitored through the Division's website at <https://www.emnrd.nm.gov/ocd/>.

**It is anticipated that hearings will be held in a hybrid format with both in-person and virtual participation options. The meeting will be held in the Pecos Hall Hearing Room at the Wendall Chino Building, 1st Floor, 1220 South St. Francis Ave., Santa Fe, New Mexico. To participate virtually in the hearing, see the instructions posted on the OCD Hearings website: <https://www.emnrd.nm.gov/ocd/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. Parties appearing in cases are required to file a Pre-hearing Statement four business days in advance of a scheduled hearing that complies with the provisions of NMAC 19.15.4.13.B.

If you have any questions about this matter, please contact Derik Smith at (575) 748-1288 or [deriks@mec.com](mailto:deriks@mec.com).

Sincerely,

A handwritten signature in blue ink, appearing to read "Paula M. Vance".

Paula M. Vance  
**ATTORNEY FOR CHASE OIL COMPANY & MACK  
ENERGY CORPORATION**

T 505.988.4421 F 505.983.6043  
110 North Guadalupe, Suite 1, Santa Fe, NM 87501-1849  
Mail to: P.O. Box 2208, Santa Fe, NM 87504-2208  
[www.hollandhart.com](http://www.hollandhart.com)

Alaska  
Colorado  
Idaho

Montana  
Nevada  
New Mexico

Utah  
Washington, D.C.  
Wyoming

Mack -Anchorage Fed Com #1H - Case no. 24214  
Postal Delivery Report

9214 8901 9403 8350 9327 32	Murchison Oil & Gas LLC 7250 Dallas Parkway Suite 1400 Plano TX 75024	Delivered Signature Received
9214 8901 9403 8350 9327 49	Mr NM Operating Llc 5950 Berkshire Lane Suite 1000 Dallas TX 75225	Delivered Signature Received
9214 8901 9403 8350 9327 56	Chi Energy Inc PO BOX 1799 Midland TX 79702	In-Transit



# Carlsbad Current Argus.

PART OF THE USA TODAY NETWORK

## Affidavit of Publication

Ad # 0005881855

This is not an invoice

HOLLAND AND HART  
PO BOX 2208

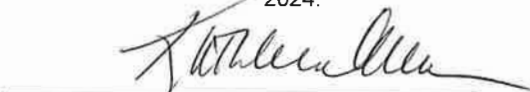
SANTA FE, NM 87504-2208

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:


02/25/2024

  
Legal Clerk

Subscribed and sworn before me this February 25, 2024:



State of WI, County of Brown  
NOTARY PUBLIC

  
My commission expires

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

The State of New Mexico, Energy Minerals and Natural Resources Department, Oil Conservation Division ("Division") hereby gives notice that the Division will hold public hearings before a hearing examiner on the following case. The hearings will be conducted in a hybrid fashion, both in-person at the Energy, Minerals, Natural Resources Department, Wendell Chino Building, Pecos Hall, 1220 South St. Francis Drive, 1st Floor, Santa Fe, NM 87505 and via the WebEx virtual meeting platform (sign-in information below) on Thursday, March 21, 2024, beginning at 8:15 a.m. To participate in the hearings, see the instructions posted below. The docket may be viewed at <https://www.emnrd.nm.gov/ocd/hearing-info/> or obtained from Sheila Apodaca, at Sheila.Apodaca@emnrd.nm.gov. Documents filed in these cases may be viewed at <https://ocdimage.emnrd.nm.gov/Imaging/Default.aspx>. If you are an individual with a disability who needs a reader, amplifier, qualified sign language interpreter, or other form of auxiliary aid or service to attend or participate in a hearing, contact Sheila.Apodaca@emnrd.nm.gov, or the New Mexico Relay Network at 1-800-659-1779, no later than March 10, 2024.

STATE OF NEW MEXICO TO:

All named parties and persons  
having any right, title, interest  
or claim in the following case  
and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: All affected interest owners, including: Murchison Oil & Gas LLC; MR NM Operating LLC, and Chi Energy Inc.

Case No. 24214: Application of Chase Oil Corporation for Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted mineral owners in the San Andres formation underlying a standard 160-acre, more or less, horizontal well spacing unit comprised of the W/2 W/2 of Section 29, Township 16 South, Range 27 East, NMPM, Eddy County, New Mexico. Said unit will be initially dedicated to the proposed **Anchor-age Federal Com #1H well**, to be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 32, with a first take point in the SW/4 SW/4 (Unit M) of Section 29 and a last take point in the NW/4 NW/4 (Unit D) of Section 29. Also, to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, actual operating costs and charges for supervision, designation of Mack Energy Corporation as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 6 miles northeast of Artesia, New Mexico.

#5881855, Current Argus, February 25, 2024

Ad # 0005881855

PO #: Anchorage Federal Com #1H well  
# of Affidavits 1

This is not an invoice

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. F  
Submitted by: Mack Energy Corporation  
Hearing Date: March 21, 2024  
Case No. 24214