

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

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**APPLICATION OF ONEENERGY PARTNERS
OPERATING, LLC FOR A NON-STANDARD SPACING
AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

Case No. 15758

**APPLICATION OF ONEENERGY PARTNERS
OPERATING, LLC FOR A NON-STANDARD SPACING
AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

Case No. 15759

MOTION TO STAY ORDER NOS. R-14523 AND R-14524

This motion is submitted by V-F Petroleum Inc., Fuel Products, Inc., Gahr Energy Company, Ameristate Partners LLC, Ameristate Energy LLC, HFLP E&P LLC, Thomas M. Beall, Jerry M. Gahr, Marcus Wayne Luna, Sandra K. Lawlis, Clifford N. Hair, and Mark K. Nearburg (collectively, "V-F") pursuant to NMAC 19.15.4.23.B..

I. FACTS.

A. Applications.

In Case No. 15758, OneEnergy Partners Operating, LLC ("OneEnergy") sought an order approving a 322.42-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the W/2W/2 of Section 1 and the W/2W/2 of Section 12, Township 22 South, Range 34 East, NMPM.

In Case No. 15759, OneEnergy sought an order approving a 322.49-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the E/2W/2 of Section 1 and the E/2W/2 of Section 12, Township 22 South, Range 34 East, NMPM.

OneEnergy further sought the pooling of all mineral interests in the Bone Spring formation underlying each proposed well unit. The applications were approved by Order Nos. R-

14523 and R-14524, and under those orders OneEnergy sent election letters to V-F (attached as Exhibit A).

V-F timely appealed the orders to the Commission.

B. Land Ownership.

OneEnergy owns or controls 100% of the working interest in the W/2 of Section 12. V-F owns 100% of the working interest in the W/2 of Section 1 (as well as the SE/4 of Section 12), which is subject to an operating agreement (“JOA”). V-F has plans to develop all of Section 1, as to both the Bone Spring and Wolfcamp formations, with one mile laterals, and has approved APDs for one mile laterals in the W/2 of Section 1.

II. ARGUMENT.

Basis of V-F’s opposition: Pooling of horizontal well units over one mile in length is common where there are uncommitted interests in stray quarter-quarter sections in the proposed well unit, or where a quarter-quarter section may be stranded without pooling. That is not the situation here. In these cases OneEnergy owns 100% of the W/2 of Section 12, while V-F owns 100% of the W/2 of Section 1 (the second mile of each proposed lateral). Normally, in a lateral longer than one mile there are interest owners in the extended portion of the lateral who have voluntarily committed their interests to the well. But here, OneEnergy has no interest owners in Section 1 committed to its wells. If OneEnergy prevails, V-F will be totally precluded from developing its acreage, even though it is covered by a JOA. V-F is ready, willing, and able to develop its acreage with In short, V-F simply requests that it be left alone to develop its acreage as it sees fit.

To grant OneEnergy's applications would set a dangerous precedent which will adversely affect operators from proceeding with development plans where they have a 100% drilling commitment for their wells.

Why a stay is required: NMSA 1978 §70-2-13 provides "any party of record adversely affected [by a decision of the Division] shall have the right to have the matter heard *de novo* before the Commission upon application filed with the Division within 30 days from the time any such decision is rendered." If a stay is not issued in these cases, OneEnergy will be able to drill its proposed wells before the Commission issues its decision. That would nullify V-F's absolute right to appeal the orders, and make any *de novo* hearing meaningless.

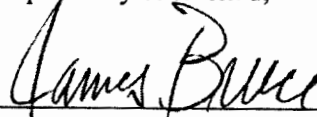
In addition, V-F would have to make its elections and pay their proportionate share of well costs upfront long before any decision is rendered by the Commission.

OneEnergy opposes this motion.

III. REQUEST.

To protect correlative rights and to prevent gross negative consequences to V-F, they request the Director to grant this Motion to Stay Division Order Nos.R-14523 and R-14524 until such time as the Commission has reviewed, deliberated, and issued its orders. V-F also requests that the election letters be stayed.

Respectfully submitted,



James Bruce
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Santa Fe, New Mexico 87504
(505) 982-2043

jamesbruc@aol.com

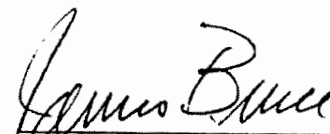
Attorney for V-F Petroleum Inc., Fuel
Products, Inc., Gahr Energy Company,
Ameristate Partners LLC, Ameristate
Energy LLC, HFLP E&P LLC, Thomas M.
Beall, Jerry M. Gahr, Marcus Wayne Luna,
Sandra K. Lawlis, Clifford N. Hair, and
Mark K. Nearburg

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following
counsel of record this 26th day of January, 2018 via e-mail:

Michael Feldewert
mfeldewert@hollandhart.com

Jordan L. Kessler
jlkessler@hollandhart.com


James Bruce



January 5, 2018

Rec'd 1/8/18 VFP

V-F Petroleum Inc.
500 West Texas Ave, Suite 230
Midland, Texas 79702

RE: Lobo Rojo B3 State Com 1H Well Proposal under Pooling Order No. R-14523
Township 22 South, Range 34 East, N.M.P.M., Lea County, New Mexico
SHL: 380' FSL & 685' FWL Section 12; BHL: 380' FNL & 940' FWL Section 1

Dear Pooled Working Interest Owner:


Pursuant to Pooling Order No. R-14523 ("Lobo Rojo 1H Pooling Order"), OneEnergy Partners Operating, LLC ("OEP"), as Operator, hereby proposes drilling and completing the Lobo Rojo B3 State Com 1H well (the "Well") to test the Bone Spring formation ("Operation"). The estimated costs associated with the Operation are \$9,776,875.00, as outlined in the enclosed Authority For Expenditure dated April 25, 2017 ("AFE"). OEP's records indicate V-F Petroleum Inc. owns a 0.01007613 working interest in the Well, and V-F Petroleum Inc.'s estimated costs associated with the Operation is approximately \$98,513.11.

In the event you choose not to participate under the Lobo Rojo 1H Pooling Order, OEP is amenable to negotiating a mutually agreeable deal to acquire your interest in the Well. However, if a deal is not reached within thirty (30) days, pursuant to the Lobo Rojo 1H Pooling Order, you will remain a non-consenting working interest owner subject to the costs and penalties outlined in said order.

Alternatively, if you choose to participate under the Lobo Rojo 1H Pooling Order, please remit payment to OneEnergy Partners Operating, LLC for V-F Petroleum Inc.'s entire cost associated with the Operation along with a signed AFE and election within thirty (30) days of receipt of this letter.

Respectfully,

OneEnergy Partners Operating, LLC


Jeff Lierly, CPI
Vice President of Land
OneEnergy Partners, LLC
2929 Allen Parkway, Suite 200
Houston, Texas 77019
(713) 714-6485 – office
jlirly@oneenergypartners.com

Enclosures



Lobo Rojo B3 State Com 1H Pooling Order Well Proposal

_____ V-F Petroleum Inc. hereby elects to participate in the proposed Operation under the Lobo Rojo 1H Pooling Order by paying its proportionate share of the costs outlined on the Lobo Rojo B3 State Com 1H AFE

_____ V-F Petroleum Inc. hereby elects to go non-consent in the proposed Operation

_____ V-F Petroleum Inc. hereby desires to sell its interest in the Well

Working Interest Owner:

V-F Petroleum Inc.

By: _____

Title: _____

Date: _____



January 5, 2018

Rec'd 1/16/18

V-F Petroleum Inc.
500 West Texas Ave, Suite 230
Midland, Texas 79702

RE: Lobo Rojo B3 State Com 2H Well Proposal under Pooling Order No. R-14524
Township 22 South, Range 34 East, N.M.P.M., Lea County, New Mexico
SHL: 380' FSL & 2456' FWL Section 12; BHL: 380' FNL & 2260' FWL Section 1

Dear Pooled Working Interest Owner:

Pursuant to Pooling Order No. R-14524 ("Lobo Rojo 2H Pooling Order"), OneEnergy Partners Operating, LLC ("OEP"), as Operator, hereby proposes drilling and completing the Lobo Rojo B3 State Com 2H well (the "Well") to test the Bone Spring formation ("Operation"). The estimated costs associated with the Operation are \$9,776,875.00, as outlined in the enclosed Authority For Expenditure dated April 25, 2017 ("AFE"). OEP's records indicate V-F Petroleum Inc. owns a 0.01007613 working interest in the Well, and V-F Petroleum Inc.'s estimated costs associated with the Operation is approximately \$98,513.11.

In the event you choose not to participate under the Lobo Rojo 2H Pooling Order, OEP is amenable to negotiating a mutually agreeable deal to acquire your interest in the Well. However, if a deal is not reached within thirty (30) days, pursuant to the Lobo Rojo 2H Pooling Order, you will remain a non-consenting working interest owner subject to the costs and penalties outlined in said order.

Alternatively, if you choose to participate under the Lobo Rojo 2H Pooling Order, please remit payment to OneEnergy Partners Operating, LLC for V-F Petroleum Inc.'s entire cost associated with the Operation along with a signed AFE and election within thirty (30) days of receipt of this letter.

Respectfully,

OneEnergy Partners Operating, LLC

A handwritten signature in dark ink, appearing to read 'Jeff Lierly'.

Jeff Lierly, CPL
Vice President of Land
OneEnergy Partners, LLC
2929 Allen Parkway, Suite 200
Houston, Texas 77019
(713) 714-6485 - office
jlierly@oneenergypartners.com

Enclosures

Lobo Rojo B3 State Com 2H Pooling Order Well Proposal

_____ V-F Petroleum Inc. hereby elects to participate in the proposed Operation under the Lobo Rojo 2H Pooling Order by paying its proportionate share of the costs outlined on the Lobo Rojo B3 State Com 2H AFE

_____ V-F Petroleum Inc. hereby elects to go non-consent in the proposed Operation

_____ V-F Petroleum Inc. hereby desires to sell its interest in the Well

Working Interest Owner:

V-F Petroleum Inc.

By: _____

Title: _____

Date: _____

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Order Nos. 14523-A and No. R-14524-A

ORDER STAYING ORDER NOS. R-14523 AND R-14524

This matter having come before the Director upon the motion to stay the Division's orders in the above two cases, filed by appellants V-F Petroleum Inc. *et al.*, the Director FINDS THAT the motion is well taken and should be granted.

THEREFORE, Order Nos. 14523 and R-14524, and any actions authorized thereunder, are hereby stayed pending decisions by the Commission in these cases.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Director of the Division