

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

**APPLICATION OF SEP PERMIAN LLC
TO AMEND ORDER R-20543 TO ADD
ADDITIONAL WELLS TO THE APPROVED
HORIZONTAL WELL SPACING UNIT,
EDDY COUNTY, NEW MEXICO**

**CASE NO. 21097
ORDER NO. R-20543-A**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on March 5, 2020, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. On May 17, 2020, OCD issued Order R-20543 to Percussion Petroleum Operating (“Percussion”) to pool the uncommitted oil and gas interests within the specified spacing unit (“Unit”).
2. Subsequent to the issuance of Order R-20543, SEP Permian, LLC (“Operator”) succeeded to the interest of Percussion in the Unit.
3. Subsequent to the issuance of Order R-20543, Operator decided to add the Shelby 23 No. 6H Well (“Well”) to the Unit as described in Exhibit A.
4. Operator provided evidence that it gave notice of the Application and the hearing to the previously pooled interest owners.
5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

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

10. Operator has the right to drill the Well to a common source of supply at the depth and location in the Unit described in Exhibit A.
11. This Order affords to each owner of an uncommitted interest the opportunity to produce its just and equitable share of the oil or gas in the pool.

ORDER

12. The Well will now be dedicated to the Unit established by Order R-20543.
13. If the location of the well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
14. The Operator shall commence drilling the Well within one year after the date of this Order, and complete the Well no later than one (1) year after the commencement of drilling the Well.
15. This Order shall terminate automatically if Operator fails to comply with Paragraph 14 unless Operator obtains an extension by an amendment of this Order for good cause shown.
16. Order R-20543 shall remain in full force and effect.
17. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**ADRIENNE SANDOVAL
DIRECTOR**

AES/jag


Date: 4/28/2020

Exhibit A

| COMPULSORY POOLING APPLICATION CHECKLIST (pdf) | |
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| ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS | |
| Case No. 21097 | APPLICANT'S RESPONSE |
| Date: March 5, 2020 | |
| Applicant | SEP PERMIAN, LLC |
| Designated Operator & OGRID (affiliation if applicable) | SEP PERMIAN, LLC (OGRID 338479) |
| Applicant's Counsel: | Holland & Hart LLP |
| Case Title: | APPLICATION OF SEP PERMIAN, LLC TO AMEND ORDER NO. R-20543 TO ADD AN ADDITIONAL WELL TO THE APPROVED HORIZONTAL WELL SPACING UNIT, EDDY COUNTY, NEW MEXICO. |
| Entries of Appearance/Intervenors: | None |
| Well Family | Shelby wells |
| Formation/Pool | |
| Formation Name(s) or Vertical Extent: | Yates Seven Rivers formation |
| Primary Product (Oil or Gas): | Oil |
| Pooling this vertical extent: | Yates Seven Rivers formation |
| Pool Name and Pool Code: | N. Seven Rivers; Glorieta-Yeso Pool (Pool Code 97565) |
| Well Location Setback Rules: | Statewide oil |
| Spacing Unit Size: | 320 acres |
| Spacing Unit | |
| Type (Horizontal/Vertical) | Horizontal |
| Size (Acres) | 320 acres, more or less |
| Building Blocks: | 40-acre |
| Orientation: | Standup |
| Description: TRS/County | E/2 of Section 23, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico |
| Standard Horizontal Well Spacing Unit (Y/N), if No, describe | Yes |
| Other Situations | |
| Depth Severance: Y/N. If yes, description | No |
| Proximity Tracts: If yes, description | None |
| Proximity Defining Well: if yes, description | N/A |
| Applicant's Ownership in Each Tract | Yes |
| Well(s) | |
| Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard) | |

BEFORE THE OIL CONSERVATION
 Santa Fe, New Mexico
Exhibit No. A
 Submitted by: **SEP Permian**
 Hearing Date: March 05,

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| Well #1 | <p>Shelby 23 Well No. 25, API No. 30-015-46624 SHL 1285 feet from the North line and 1981 feet from the East line, (Unit B) of Section 26, Township 19 South, Range 25 East, NMPM. BHL 50 feet from the North line and 2250 feet from the East line, (Unit B) of Section 23, Township 19 South, Range 25 East, NMPM.</p> <p>Completion Target: Yates Seven Rivers at approx 2680 feet TVD. Well Orientation: South to North Completion Location expected to be standard</p> |
| Well #2 | <p>Shelby 23 Well No. 36, API No. 30-015-46625 SHL 1235 feet from the North line and 1994 feet from the East line, (Unit B) of Section 26, Township 19 South, Range 25 East, NMPM. BHL 50 feet from the North line and 1875 feet from the East line, (Unit B) of Section 23, Township 19 South, Range 25 East, NMPM.</p> <p>Completion Target: Yates Seven Rivers at approx 2080 feet TVD. Well Orientation: South to North Completion Location expected to be standard</p> |
| Well #3 | <p>Shelby 23 Well No. 46, API No. 30-015-46626 SHL 858 feet from the North line and 738 feet from the East line, (Unit A) of Section 26, Township 19 South, Range 25 East, NMPM. BHL 50 feet from the North line and 1125 feet from the East line, (Unit A) of Section 23, Township 19 South, Range 25 East, NMPM.</p> <p>Completion Target: Yates Seven Rivers at approx 2875 feet TVD. Well Orientation: South to North Completion Location expected to be standard</p> |
| Well #4 | <p>Shelby 23 Well No. 56, API No. 30-015-46627 SHL 847 feet from the North line and 702 feet from the East line, (Unit A) of Section 26, Township 19 South, Range 25 East, NMPM. BHL 50 feet from the North line and 750 feet from the East line, (Unit A) of Section 23, Township 19 South, Range 25 East, NMPM.</p> <p>Completion Target: Yates Seven Rivers at approx 3200 feet TVD. Well Orientation: South to North Completion Location expected to be standard</p> |
| Well #5 | <p>Shelby 23 Well No. 66, API No. 30-015-46628 SHL 836 feet from the North line and 685 feet from the East line, (Unit A) of Section 26, Township 19 South, Range 25 East, NMPM. BHL 50 feet from the North line and 375 feet from the East line, (Unit A) of Section 23, Township 19 South, Range 25 East, NMPM.</p> <p>Completion Target: Yates Seven Rivers at approx 2725 feet TVD. Well Orientation: South to North Completion Location expected to be standard</p> |
| Horizontal Well First and Last Take Points | See Exhibit C-2 for the available well information. |
| Completion Target (Formation, TVD and MD) | See Exhibit C-4 for the well proposals of the wells. This data is also listed above with each well. |
| AFE Capex and Operating Costs | |
| Drilling Supervision/Month \$ | See Order No. R-20543 |
| Production Supervision/Month \$ | See Order No. R-20543 |
| Justification for Supervision Costs | See Order No. R-20543 |
| Requested Risk Charge | See Order No. R-20543 |
| Notice of Hearing | |
| Proposed Notice of Hearing | See Application |
| Proof of Mailed Notice of Hearing (20 days before hearing) | See Exhibit D-1 |
| Proof of Published Notice of Hearing (10 days before hearing) | See Exhibit D-2 |
| Ownership Determination | |
| Land Ownership Schematic of the Spacing Unit | Exhibit C-3 |
| Tract List (including lease numbers and owners) | Exhibit C-3 |
| Pooled Parties (including ownership type) | Exhibit C-3, D-1 |
| Unlocatable Parties to be Pooled | N/A |
| Ownership Depth Severance (including percentage above & below) | N/A |
| Joinder | |

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| Sample Copy of Proposal Letter | Exhibit C-4 |
| List of Interest Owners (ie Exhibit A of JOA) | Exhibit C-3, D-1 |
| Chronology of Contact with Non-Joined Working Interests | N/A (spacing unit already pooled under Order No. R-20543) |
| Overhead Rates In Proposal Letter | See Order No. R-20543 |
| Cost Estimate to Drill and Complete | Exhibit C-4 |
| Cost Estimate to Equip Well | Exhibit C-4 |
| Cost Estimate for Production Facilities | Exhibit C-4 |
| Geology | |
| Summary (including special considerations) | N/A (acreage already pooled under Order No. R-20543) |
| Spacing Unit Schematic | N/A (acreage already pooled under Order No. R-20543) |
| Gunbarrel/Lateral Trajectory Schematic | N/A (acreage already pooled under Order No. R-20543) |
| Well Orientation (with rationale) | N/A (acreage already pooled under Order No. R-20543) |
| Target Formation | N/A (acreage already pooled under Order No. R-20543) |
| HSU Cross Section | N/A (acreage already pooled under Order No. R-20543) |
| Depth Severance Discussion | N/A (acreage already pooled under Order No. R-20543) |
| Forms, Figures and Tables | |
| C-102 | Exhibit C-2 |
| Tracts | Exhibit C-3 |
| Summary of Interests, Unit Recapitulation (Tracts) | Exhibit C-3 |
| General Location Map (including basin) | N/A (acreage already pooled under Order No. R-20543) |
| Well Bore Location Map | N/A (acreage already pooled under Order No. R-20543) |
| Structure Contour Map - Subsea Depth | N/A (acreage already pooled under Order No. R-20543) |
| Cross Section Location Map (including wells) | N/A (acreage already pooled under Order No. R-20543) |
| Cross Section (including Landing Zone) | N/A (acreage already pooled under Order No. R-20543) |
| Additional Information | |
| CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate. | |
| Printed Name (Attorney or Party Representative): | Kaitlyn A. Luck |
| Signed Name (Attorney or Party Representative): |  |
| Date: | 4-Mar-20 |