

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING MAY 14, 2020**

**CASE No. 21256  
ORDER No. R-21088**

*CORRAL CANYON 8-32 FED WELLS*

*EDDY COUNTY, NEW MEXICO*



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

**APPLICATIONS OF XTO ENERGY INC.  
TO POOL AN ADDITIONAL INTEREST  
OWNER UNDER THE TERMS OF  
ORDER R-21088, EDDY COUNT, NEW MEXICO.**

**CASE NO. 21256  
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**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**APPLICATION OF XTO ENERGY INC.  
TO POOL AN ADDITIONAL INTEREST  
OWNER UNDER THE TERMS OF  
ORDER R-21088, EDDY COUNTY,  
NEW MEXICO.**

**CASE NO. 21256  
ORDER NO. R-21088  
(Re-opened)**

**APPLICATION**

XTO Energy Inc. (“XTO” or “Applicant”) (OGRID No. 5380), through its undersigned attorneys, hereby files this application with the Oil Conservation Division to pool additional mineral interest owners under the terms of Order No. R-21088. In support of its application, XTO states:

1. Division Order No. R-21088, entered on February 12, 2020, in Case No. 20826, created a 1280-acre, more or less, standard horizontal spacing unit comprised of the S/2 of Section 32, Township 24 South, Range 29 East, all of Section 5, and the N/2 of Section 8, Township 25 South, Range 29 East, NMPM, Eddy County, New Mexico (the “Unit”), and designated Applicant as the operator of the Unit. Order No. R-21088 further pooled the uncommitted interests in the Wolfcamp formation (Purple Sage; Wolfcamp Pool (Pool Code 98220)) in the Unit, and dedicated the Unit to the following initial wells:

- The **Corral Canyon 8-32 Fed #161H well**, the **Corral Canyon 8-32 Fed #121H well**, the **Corral Canyon 8-32 Fed #102H well**, the **Corral Canyon 8-32 Fed #162H well**, the **Corral Canyon 8-32 Fed #122H well** to be drilled from common surface hole locations in NW/4 SW/4 (Unit L) of Section 8, to bottom hole locations in the NW/4 SW/4 (Unit L) Section 32.
- The **Corral Canyon 8-32 Fed #163H well**, the **Corral Canyon 8-32 Fed #103H well**, the **Corral Canyon 8-32 Fed #124H well**, the **Corral**

**Canyon 8-32 Fed #104H well, the Corral Canyon 8-32 Fed #164H well** to be drilled from common surface hole locations in NE/4 SW/4 (Unit K) of Section 8, to bottom hole locations in the NE/4 SW/4 (Unit K) Section 32.

- The **Corral Canyon 8-32 Fed #125H well, the Corral Canyon 8-32 Fed #165H well, the Corral Canyon 8-32 Fed #105H well, the Corral Canyon 8-32 Fed #126H well, the Corral Canyon 8-32 Fed #166H well** to be drilled from common surface hole locations in NW/4 SE/4 (Unit J) of Section 8, to bottom hole locations in the NW/4 SE/4 (Unit J) Section 32.
- The **Corral Canyon 8-32 Fed #167H well, the Corral Canyon 8-32 Fed #127H well, the Corral Canyon 8-32 Fed #108H well, the Corral Canyon 8-32 Fed #168H well, the Corral Canyon 8-32 Fed #107H well** to be drilled from common surface hole locations in NE/4 NE/4 (Unit A) of Section 8, to bottom hole locations in the NE/4 SE/4 (Unit I) Section 32.

2. Since the entry of Order No. R-21088, Applicant has determined that there are additional mineral interest owners in the Unit who were not provided notice of the November 14, 2019, compulsory pooling hearing in Case No. 20826, and as a result, whose interests were not pooled by the terms of Order No. R-21088.

3. The pooling of the additional mineral interest owners under the terms of Order No. R-21088 will prevent waste, will protect correlative rights, and will promote administrative efficiency.


4. In order to permit Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the additional mineral interest owners should be pooled in the Unit pursuant to the terms of Order No. R-21088.

5. In order to provide proper notice to these additional mineral owners and to bring their interests under the terms of Order No. R-21088, Applicant requests that this case called for hearing at the next available examiner docket.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 14, 2020, and after notice and hearing as required by law, the Division pool the additional mineral interest owners pursuant to the terms of Order No. R-21088.

Respectfully submitted,

HOLLAND & HART LLP

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**ATTORNEYS FOR XTO ENERGY INC.**

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

**APPLICATION OF XTO ENERGY INC.  
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**CASE NO. 21256  
ORDER NO. R-21088**

**AFFIDAVIT OF KENNETH HILGER  
IN SUPPORT OF CASE NO. 21256**

I, Kenneth Hilger, of lawful age and being first duly sworn, declares as follows:

1. My name is Kenneth Hilger. I am employed by XTO Energy Inc. ("XTO") as a Senior Land Advisor and I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters.
2. I am familiar with the application filed by XTO in this case and I am familiar with the status of the lands in the subject area.
3. I do not expect the interest owner that we seek to pool to oppose this matter or the presentation of these cases by affidavit.
4. Division Order No. R-21088, entered on February 12, 2020, in Case No. 20826, created a 1280-acre, more or less, standard horizontal spacing unit comprised of the S/2 of Section 32, Township 24 South, Range 29 East, all of Section 5, and the N/2 of Section 8, Township 25 South, Range 29 East, NMPM, Eddy County, New Mexico (the "Unit"), and designated Applicant as the operator of the Unit.

5. Order No. R-21088 further pooled the uncommitted interests in the Wolfcamp formation (Purple Sage; Wolfcamp Pool (Pool Code 98220)) in the Unit, and dedicated the Unit to the following initial wells:

- The Corral Canyon 8-32 Fed #161H well, the Corral Canyon 8-32 Fed #121H well, the Corral Canyon 8-32 Fed #102H well, the Corral Canyon 8-32 Fed #162H well, the Corral Canyon 8-32 Fed #122H well to be drilled from common surface hole locations in NW/4 SW/4 (Unit L) of Section 8, to bottom hole locations in the NW/4 SW/4 (Unit L) Section 32.
- The Corral Canyon 8-32 Fed #163H well, the Corral Canyon 8-32 Fed #103H well, the Corral Canyon 8-32 Fed #124H well, the Corral Canyon 8-32 Fed #104H well, the Corral Canyon 8-32 Fed #164H well to be drilled from common surface hole locations in NE/4 SW/4 (Unit K) of Section 8, to bottom hole locations in the NE/4 SW/4 (Unit K) Section 32.
- The Corral Canyon 8-32 Fed #125H well, the Corral Canyon 8-32 Fed #165H well, the Corral Canyon 8-32 Fed #105H well, the Corral Canyon 8-32 Fed #126H well, the Corral Canyon 8-32 Fed #166H well to be drilled from common surface hole locations in NW/4 SE/4 (Unit J) of Section 8, to bottom hole locations in the NW/4 SE/4 (Unit J) Section 32.

6. A true and correct copy of Division Order No. R-21088 is attached hereto as **Exhibit A-1.**

7. Since entry of Order No. R-21088, XTO has determined that there is an additional working interest owner in the Unit, PXP Producing Company, LLC, who was not provided notice of the November 14, 2019, compulsory pooling hearing in Case No. 20826, and as a result, whose interest was not pooled by the terms of Order No. R-21088.

8. PXP Producing Company, LLC owns a 50% working interest in a 40-acre tract located within the approved spacing unit in the NE/4 NE/4 of Section 8, Township 25 South, Range 29 East. On a Unit-wide basis, its working interest accounts for 1.5625% of the working interest across the spacing unit.

9. After contacting PXP Producing Company, LLC, and reviewing XTO's offer to participate in the Unit's wells or to assign its working interest to XTO reserving an override, the company's land manager, Keith McFarland, informed me that it is not willing to participate in XTO's wells in the Unit and will only agree to sell 100% of its interest to XTO. Because XTO is unwilling to purchase PXP Producing Company, LLC's interests, the parties were unable to reach voluntary agreement. I informed PXP Producing Company, LLC's land manager, Keith McFarland, that without voluntary agreement XTO intends to force pool their interest at hearing before the Division. A copy of the summary of my attempts to reach voluntary agreement with PXP Producing Company, LLC and our communications is attached as Exhibit A-2.

10. Because I provided PXP Producing Company, LLC a copy of the hearing notice and application by email, Mr. McFarland agreed to waive formal notice of this hearing and the application by certified mail, return-receipt requested on behalf of PXP Producing Company, LLC. A copy of the notice letter and application I sent to PXP Producing Company, LLC is attached as Exhibit A-3. A copy of PXP Producing Company, LLC's agreement to waive the notice requirement is attached as Exhibit A-4.

11. In addition, Exhibit A-5 is an Affidavit of Publication reflecting that XTO caused notice of this hearing to be published at least ten (10) business days before this hearing in the newspaper of general circulation in Eddy County, identifying PXP Producing Company, LLC as a party subject to this pooling proceeding.

12. Exhibits A-1 through A-5 were either prepared by me or compiled under my direction and supervision.



FURTHER AFFIANT SAYETH NOT.

  
KENNETH HILGER

STATE OF Texas )  
COUNTY OF Harris )

SUBSCRIBED and SWORN to before me this 11<sup>th</sup> day of May, 2020 by  
Kenneth Hilger.

  
NOTARY PUBLIC

My Commission Expires:

August 2, 2022



13.

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

**IN THE MATTER OF APPLICATION FOR  
COMPULSORY POOLING SUBMITTED BY  
XTO ENERGY INC.**

**CASE NO. 20826  
ORDER NO. R-21088**

**ORDER**

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on November 14, 2019, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

**FINDINGS OF FACT**

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

### **CONCLUSIONS OF LAW**

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
7. Operator is the owner of an oil and gas working interest within the Unit.
8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
10. Operator has the right to drill the Well(s) to a common source of supply at the described depth(s) and location(s) in the Unit.
11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

### **ORDER**

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
17. Operator is designated as operator of the Unit and the Well(s).
18. If the Surface Location or Bottom Hole Location of a well is changed from the location described in Exhibit A, Operator shall submit an amended Exhibit A, which the Division shall append to this Order.
19. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location before commencing production of the well.
20. The Operator shall commence drilling the initial well within one (1) year after the date of this Order; and (b) for an infill well, no later than thirty (30) days after completion of the well.

21. Operator shall comply with the infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC.
22. This Order shall terminate automatically if Operator fails to comply with Paragraphs 20 or 21.
23. Operator shall submit to OCD and each owner of a working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs") no later than: (a) for an initial well, no later than thirty (30) days after the date of this Order; (b) for an infill well proposed by Operator, no later than (30) days after the later of the initial notice period pursuant to 19.15.13.10(B) NMAC or the extension granted by the OCD Director pursuant 19.15.13.10(D) NMAC; or (c) for an infill well proposed by an owner of a Pooled Working Interest, no later than thirty (30) days after expiration of the last action required by 19.15.13.11 NMAC.
24. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
25. No later than within one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
26. No later than sixty (60) days after the later of the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

27. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
28. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
29. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
30. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and

abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.

35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

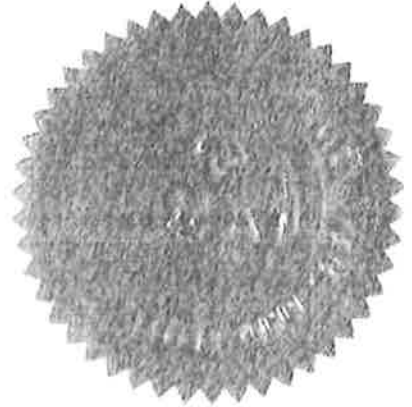
**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**



**ADRIENNE SANDOVAL  
DIRECTOR**

AS/kms

**Date: February 12, 2020**



**Exhibit "A"**  
**Case No. 20826**

Applicant: XTO Energy Inc.  
Operator: XTO Energy Inc. (OGRID 5380)

Spacing Unit: Horizontal Gas  
Building Blocks: Quarter Section Equivalents  
Spacing Unit Size: 1280 acres (more or less)  
Orientation of Unit: North/South

Spacing Unit Description:  
S/2 of Section 32, Township 24 South, Range 29 East, all of Section 5, and the N/2 of Section 8, Township 25 South, Range 29 East, NMPM, Eddy County, New Mexico.

Pooling this Vertical Extent: Wolfcamp Formation  
Depth Severance? (Yes/No): No

Pool: Purple Sage; Wolfcamp Gas (Pool code 98220)  
Pool Spacing Unit Size: Quarter Sections  
Governing Well Setbacks: Special Rules for the Purple Sage Gas Pool Apply  
Pool Rules: Purple Sage and Horizontal Well Rules

Proximity Tracts: Yes  
Proximity Defining Well: Well No. 104H is to be drilled closer than 330 feet from the Proximity Tracts and therefore defines the Horizontal Spacing Unit.

Monthly charge for supervision: While drilling: N/A While producing: N/A  
As the charge for risk, N/A percent of reasonable well costs.

**Proposed Wells:**

**Corral Canyon 8-32 Fed Well No. 161H, API No. 30-015-Pending**  
SHL: 2548 feet from the South line and 1008 feet from the West line,  
(Unit L) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 330 feet from the West line,  
(Unit L) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 11000 feet TVD.  
Well Orientation: South to North  
Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 121H, API No. 30-015-Pending**  
SHL: 2548 feet from the South line and 1038 feet from the West line,  
(Unit L) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 330 feet from the West line,

(Unit L) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 10350 feet TVD.

Well Orientation: South to North

Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 102H, API No. 30-015-Pending**

SHL: 2548 feet from the South line and 1068 feet from the West line,  
(Unit L) of Section 8, Township 25 South, Range 29 East, NMPM.

BHL: 2440 feet from the South line and 330 feet from the West line,  
(Unit L) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 10150 feet TVD.

Well Orientation: South to North

Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 162H, API No. 30-015-Pending**

SHL: 2548 feet from the South line and 1128 feet from the West line,  
(Unit L) of Section 8, Township 25 South, Range 29 East, NMPM.

BHL: 2440 feet from the South line and 990 feet from the West line,  
(Unit L) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 11000 feet TVD.

Well Orientation: South to North

Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 122H, API No. 30-015-Pending**

SHL: 2548 feet from the South line and 1098 feet from the West line,  
(Unit L) of Section 8, Township 25 South, Range 29 East, NMPM.

BHL: 2440 feet from the South line and 1170 feet from the West line,  
(Unit L) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 10350 feet TVD.

Well Orientation: South to North

Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 163H, API No. 30-015-Pending**

SHL: 2437 feet from the South line and 1816 feet from the West line,  
(Unit K) of Section 8, Township 25 South, Range 29 East, NMPM.

BHL: 2440 feet from the South line and 1650 feet from the West line,  
(Unit K) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 11000 feet TVD.

Well Orientation: South to North

Completion Location expected to be: standard



**Corral Canyon 8-32 Fed Well No. 103H, API No. 30-015-Pending**

SHL: 2437 feet from the South line and 1846 feet from the West line,  
(Unit K) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 1590 feet from the West line,  
(Unit K) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 10150 feet TVD.

Well Orientation: South to North

Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 124H, API No. 30-015-Pending**

SHL: 2437 feet from the South line and 1876 feet from the West line,  
(Unit K) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 2010 feet from the West line,  
(Unit K) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 10350 feet TVD.

Well Orientation: South to North

Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 104H, API No. 30-015-Pending**

SHL: 2437 feet from the South line and 1906 feet from the West line,  
(Unit K) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 2430 feet from the West line,  
(Unit K) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 10150 feet TVD.

Well Orientation: South to North

Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 164H, API No. 30-015-Pending**

SHL: 2437 feet from the South line and 1936 feet from the West line,  
(Unit K) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 2310 feet from the West line,  
(Unit K) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 11000 feet TVD.

Well Orientation: South to North

Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 125H, API No. 30-015-Pending**

SHL: 2513 feet from the South line and 2153 feet from the East line,  
(Unit J) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 2430 feet from the East line,  
(Unit J) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 10350 feet TVD.

Well Orientation: South to North  
Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 165H, API No. 30-015-Pending**

SHL: 2512 feet from the South line and 2183 feet from the East line,  
(Unit J) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 2310 feet from the East line,  
(Unit J) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 10800 feet TVD.  
Well Orientation: South to North  
Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 105H, API No. 30-015-Pending**

SHL: 2513 feet from the South line and 2123 feet from the East line,  
(Unit J) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 2010 feet from the East line,  
(Unit J) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 9900 feet TVD.  
Well Orientation: South to North  
Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 126H, API No. 30-015-Pending**

SHL: 2514 feet from the South line and 2093 feet from the East line,  
(Unit J) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 1590 feet from the East line,  
(Unit J) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 10350 feet TVD.  
Well Orientation: South to North  
Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 166H, API No. 30-015-Pending**

SHL: 2514 feet from the South line and 2063 feet from the East line,  
(Unit J) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 1650 feet from the East line,  
(Unit J) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 10800 feet TVD.  
Well Orientation: South to North  
Completion Location expected to be: standard.

**Corral Canyon 8-32 Fed Well No. 167H, API No. 30-015-Pending**

SHL: 170 feet from the North line and 780 feet from the East line,  
(Unit A) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 990 feet from the East line,

(Unit I) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 9900 feet TVD.

Well Orientation: South to North

Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 127H, API No. 30-015-Pending**

SHL: 170 feet from the North line and 720 feet from the East line,  
(Unit A) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 750 feet from the East line,  
(Unit I) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 18300 feet TVD.

Well Orientation: South to North

Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 108H, API No. 30-015-Pending**

SHL: 170 feet from the North line and 690 feet from the East line,  
(Unit A) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 330 feet from the East line,  
(Unit I) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 9900 feet TVD.

Well Orientation: South to North

Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 168H, API No. 30-015-Pending**

SHL: 170 feet from the North line and 660 feet from the East line,  
(Unit A) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 330 feet from the East line,  
(Unit I) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 10780 feet TVD.

Well Orientation: South to North

Completion Location expected to be: standard

**Corral Canyon 8-32 Fed Well No. 107H, API No. 30-015-Pending**

SHL: 170 feet from the North line and 750 feet from the East line,  
(Unit A) of Section 8, Township 25 South, Range 29 East, NMPM.  
BHL: 2440 feet from the South line and 1170 feet from the East line,  
(Unit I) of Section 32, Township 24 South, Range 29 East, NMPM.

Completion Target: Wolfcamp at approx 9900 feet TVD.

Well Orientation: South to North

Completion Location expected to be: standard

**CHRONOLOGY OF CONVERSATION  
SUPPORT OF 14 MAY 2020 POOLING APPLICATION  
ORDER NO. R-21088 (Re-opened)  
XTO ENERGY TO PXP PRODUCTION COMPANY, LLC  
8-32/5-32 PURPLE SAGE WOLFCAMP DRILLING PROGRAM  
1280 ACRE JOA SPACING UNIT  
SECTION 32: S/2; T24S-R29E  
SECTION 5: All, SECTION 8: N/2; T25S-R29E  
Eddy Co, NM**

**Conversation Participants:**

Keith McFarland, PXP Production Company, LLC

Ken Hilger, XTO Energy

**Target Acreage Description:**

Section 8: NE4NE4; T25S-R29E

**Gross Acres: 40**

**Working Interest: 50%**

**Pooled Interest Participation Factor: .015625 (1.5625%)**

**Phone Call – Early March**

Reached out to PXP to advise that XTO title confirmed they controlled a small WI in the JOA spacing unit set up for the drilling and development of the above referenced drilling program. After confirming the geographic area in question (they weren't exactly familiar with the interest) PXP recalled having an interest in this area, and likely in Section 8. I reconfirmed that PXP was referenced in XTO title for Section 8. After discussing options to participate, or assign their interest to XTO and reserve an override, PXP advised the only option they were willing to consider was selling 100% of their interest to XTO, no reservation. We concluded our conversation and I thanked him for his time. I advised I would approach XTO management with PXP's proposal to sell and be back in touch when I had an answer.

**12 MAR 2020 email update**

Advised PXP that XTO management was still evaluating a purchase offer as requested, and that I did not yet have an answer.

**17 MAR 2020 email update**

In an email I advised I had tried to call but had to leave a voice message. I was advising PXP that due to COVID 19 XTO was ordering a stay at home work policy in line with the State of Texas guidelines. Further,

I was scheduled to be out of the office until 27 MAR but upon my return I would plan to update PXP with XTO purchase response.

**On or about 2 APRIL 2020 phone call**

Called to discuss XTO's purchase review of PXP's proposal to sell; no answer (left message)

**On or about 7 APRIL 2020 phone call**

Was able to reach PXP to discuss XTO's position to purchase. I advised that due to industry's downturn, ExxonMobil senior management publically made a decision to decrease its Capital Expenditure budget by 30% due to the industry downturn, and as a result this was directly effecting XTO operations in New Mexico. As a result XTO was not then in a position to make an offer to acquire PXP's working interest. I made clear that if PXP reconsidered one of the other previously discussed options, XTO was in a position to negotiate an agreement; 1) accept its election to participate in the program, or 2) accept PXP's term assignment therein reserving an override. PXP indicated they understood XTO's position given industry events, and they would discuss reconsidering option1 or 2 in lieu of selling the interest. XTO advised that absent PXP taking a position to either participate, or assign their interest and reserve an override, it would be required to pool the PXP interest at a pooling hearing at the Commission. PXP said they understood, and indicated they would review both options and let me know if they had any interest in either option. I have not yet received their response.

**28 APR 2020 EMAIL**

XTO emailed a copy of the 14 MAY 2020 Pooling Hearing Application and cover letter to PXP as a convenience in the event their vacated offices made it difficult to locate the mailed copy (they too were working from home due to COVID 19).

Email response from PXP acknowledged receipt of both the mailed Pooling Application (28 APR) and my emailed copy of same. PXP indicated in their email it would not be calling into the hearing. PXP asked if XTO could provide a purchase offer of any value. PXP did not mention its position with regard to participation or an assignment. XTO responded in a morning email on 29 APR 2020 reminding PXP it currently has a zero dollar acquisition budget due to depressed market conditions.



**Michael H. Feldewert**  
**Phone** (505) 988-4421  
**Fax** (505) 983-6043  
mfeldewert@hollandhart.com

April 24, 2020

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

**TO: ALL POOLED PARTIES**

**Re: Application of XTO Energy Inc. to Pool an Additional Interest Owner Under  
the Terms of Order No. R-21088, Eddy County, New Mexico.  
Corral Canyon 8-32 Fed Wells**

Ladies & Gentlemen:

This letter is to advise you that XTO Energy Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on May 14, 2020 and the status of the hearing can be monitored through the Division's website at <http://www.emnrd.state.nm.us/ocd/>. **During the COVID-19 Public Health Emergency, state buildings are closed to the public and hearings will be conducted remotely. The hearing will be conducted on May 14, 2020 beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the OCD Hearings website: <http://www.emnrd.state.nm.us/OCD/announcements.html>.**

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 by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address 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.

If you have any questions about this matter please contact Kenneth G. Hilger, at (832) 625-4032 or [Kenneth\\_Hilger@xtoenergy.com](mailto:Kenneth_Hilger@xtoenergy.com).

Sincerely,

 for

Michael H. Feldewert  
**ATTORNEY FOR XTO ENERGY INC.**

**BEFORE THE OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico  
**Exhibit No. A3**  
Submitted by: **XTO Energy Inc.**  
Hearing Date: May 14, 2020  
Case No. 21256

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

**APPLICATION OF XTO ENERGY INC.  
TO POOL AN ADDITIONAL INTEREST  
OWNER UNDER THE TERMS OF  
ORDER R-21088, EDDY COUNTY,  
NEW MEXICO.**

**CASE NO. 21256  
ORDER NO. R-21088  
(Re-opened)**

**APPLICATION**

XTO Energy Inc. ("XTO" or "Applicant") (OGRID No. 5380), through its undersigned attorneys, hereby files this application with the Oil Conservation Division to pool additional mineral interest owners under the terms of Order No. R-21088. In support of its application, XTO states:

1. Division Order No. R-21088, entered on February 12, 2020, in Case No. 20826, created a 1280-acre, more or less, standard horizontal spacing unit comprised of the S/2 of Section 32, Township 24 South, Range 29 East, all of Section 5, and the N/2 of Section 8, Township 25 South, Range 29 East, NMPM, Eddy County, New Mexico (the "Unit"), and designated Applicant as the operator of the Unit. Order No. R-21088 further pooled the uncommitted interests in the Wolfcamp formation (Purple Sage; Wolfcamp Pool (Pool Code 98220)) in the Unit, and dedicated the Unit to the following initial wells:

- **The Corral Canyon 8-32 Fed #161H well, the Corral Canyon 8-32 Fed #121H well, the Corral Canyon 8-32 Fed #102H well, the Corral Canyon 8-32 Fed #162H well, the Corral Canyon 8-32 Fed #122H well to be drilled from common surface hole locations in NW/4 SW/4 (Unit L) of Section 8, to bottom hole locations in the NW/4 SW/4 (Unit L) Section 32.**
- **The Corral Canyon 8-32 Fed #163H well, the Corral Canyon 8-32 Fed #103H well, the Corral Canyon 8-32 Fed #124H well, the Corral**

**Canyon 8-32 Fed #104H well, the Corral Canyon 8-32 Fed #164H well to be drilled from common surface hole locations in NE/4 SW/4 (Unit K) of Section 8, to bottom hole locations in the NE/4 SW/4 (Unit K) Section 32.**

- **The Corral Canyon 8-32 Fed #125H well, the Corral Canyon 8-32 Fed #165H well, the Corral Canyon 8-32 Fed #105H well, the Corral Canyon 8-32 Fed #126H well, the Corral Canyon 8-32 Fed #166H well to be drilled from common surface hole locations in NW/4 SE/4 (Unit J) of Section 8, to bottom hole locations in the NW/4 SE/4 (Unit J) Section 32.**
- **The Corral Canyon 8-32 Fed #167H well, the Corral Canyon 8-32 Fed #127H well, the Corral Canyon 8-32 Fed #108H well, the Corral Canyon 8-32 Fed #168H well, the Corral Canyon 8-32 Fed #107H well to be drilled from common surface hole locations in NE/4 NE/4 (Unit A) of Section 8, to bottom hole locations in the NE/4 SE/4 (Unit I) Section 32.**

2. Since the entry of Order No. R-21088, Applicant has determined that there are additional mineral interest owners in the Unit who were not provided notice of the November 14, 2019, compulsory pooling hearing in Case No. 20826, and as a result, whose interests were not pooled by the terms of Order No. R-21088.

3. The pooling of the additional mineral interest owners under the terms of Order No. R-21088 will prevent waste, will protect correlative rights, and will promote administrative efficiency.

4. In order to permit Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the additional mineral interest owners should be pooled in the Unit pursuant to the terms of Order No. R-21088.

5. In order to provide proper notice to these additional mineral owners and to bring their interests under the terms of Order No. R-21088, Applicant requests that this case called for hearing at the next available examiner docket.



WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 14, 2020, and after notice and hearing as required by law, the Division pool the additional mineral interest owners pursuant to the terms of Order No. R-21088.

Respectfully submitted,

HOLLAND & HART LLP

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

Michael H. Feldewert

Adam G. Rankin

Julia Broggi

Kaitlyn A. Luck

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

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[kaluck@hollandhart.com](mailto:kaluck@hollandhart.com)

**ATTORNEYS FOR XTO ENERGY INC.**

**Carla S. Garcia**

---

**From:** McFarland, Keith <kmcfarla@fmi.com>  
**Sent:** Friday, May 8, 2020 8:09 AM  
**To:** Hilger, Kenneth G  
**Subject:** RE: Request for Waiver of Formal Notice by Certified Mail, XTO Case No. 21256, Section 8: NENE, 25S-29E, Eddy Co, NM

**External Email - Think Before You Click**

We waive the formal notice.

Keith

Keith McFarland  
Manager Land  
**Freeport-McMoRan Oil & Gas LLC**  
**McMoRan Oil & Gas LLC**  
11450 Compaq Center West Drive, Suite 450  
Houston, TX 77070-1445  
713-579-6823  
[kmcfarla@fmi.com](mailto:kmcfarla@fmi.com)

**From:** Hilger, Kenneth G <Kenneth\_Hilger@xtoenergy.com>  
**Sent:** Thursday, May 7, 2020 3:23 PM  
**To:** McFarland, Keith <kmcfarla@fmi.com>  
**Subject:** [External] Request for Waiver of Formal Notice by Certified Mail, XTO Case No. 21256, Section 8: NENE, 25S-29E, Eddy Co, NM

Caution: External Email

Hi Keith,

Outside Counsel just advised me that due to a technical error in preparing the certified notice of hearing for XTO's captioned pooling case, what was provided to you was a copy of their cover letter without the Application (let me know if otherwise). This was the same Cover Letter and Application I emailed to you 28 APR 20 as a courtesy backup in case there were mail problems anywhere in the delivery chain.

Since I was able to provide you a copy of XTO's Notice Letter with the Application, and your acknowledgement of same also indicated not calling into the hearing, would you agree to waive the formal notice by certified mail, return receipt?

My understanding is your affirmative response to this email will suffice. Thanks in advance for your support.

...ken

Kenneth Hilger, CPL  
Senior Land Advisor – Delaware Basin/Permian

**BEFORE THE OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico  
**Exhibit No. A4**  
Submitted by: **XTO Energy Inc.**  
Hearing Date: May 14, 2020  
Case No. 21256

XTO Energy Inc  
Land Dept. Loc. 115  
22777 Springwoods Village Pkwy  
Spring, TX 77389-1425  
Phone: (832) 625-4032 – office  
(817) 888-0819 – cell

an **ExxonMobil** Subsidiary

# Carlsbad Current Argus.

PRINTED ON 100% RECYCLED PAPER

## Affidavit of Publication

Ad # 0004167185

This is not an invoice

HOLLAND & HART  
POBOX 2208

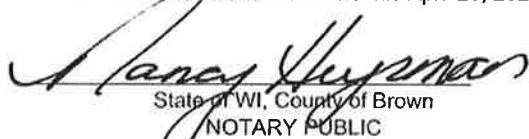
SANTA FE, NM 87504

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 on the date as follows, to wit:

04/28/2020

  
Legal Clerk

Subscribed and sworn before me this April 28, 2020:

  
State of WI, County of Brown  
NOTARY PUBLIC  
5.15.23  
My commission expires

NANCY HEYRMAN  
Notary Public  
State of Wisconsin

Ad # 0004167185  
PO #: Corral Canyon  
# of Affidavits 1

This is not an invoice

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. A5

Submitted by: XTO Energy Inc.

Hearing Date: May 14, 2020

Case No. 21256

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. During the COVID-19 Public Health Emergency, state buildings are closed to the public and Division hearings will be conducted remotely. The remote electronic public hearing will be conducted remotely. The hearing will be conducted on Thursday, May 14, 2020, beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted below. The docket may be viewed at <http://www.emnrd.state.nm.us/OCD/hearings.html> or obtained from Marlene Salvidrez, at [Marlene.Salvidrez@state.nm.us](mailto:Marlene.Salvidrez@state.nm.us). Documents filed in the case may be viewed at <http://ocdimage.emnrd.state.nm.us/imaging/CaseFileCriteria.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 Marlene Salvidrez at [Marlene.Salvidrez@state.nm.us](mailto:Marlene.Salvidrez@state.nm.us), or the New Mexico Relay Network at 1-800-659-1779, no later than Monday, May 4, 2020.

Persons may view and participate in the hearings through the following link and as indicated below:

Meeting number: 968 329 152  
Password: YQe6KZ8e3n6  
<https://nmemnrd.webex.com/nmemnrd/j.php?MTID=mb3ddb90721ccc17207709b8c71dc2ac1>

Join by video system  
Dial 968329152@nmemnrd.webex.com  
You can also dial 173.243.2.68 and enter your meeting number.

Join by phone  
+1-408-418-9388 United States Toll  
Access code: 968 329 152

**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 overriding royalty interest owners and pooled parties, including: PXP Producing Company, LLC, Attn: Keith McFarland.

Case No. 21256: Application of XTO Energy Inc. to Pool an Additional Interest Owner Under the Terms of Order No. R-21088, Eddy County, New Mexico. Applicant in the above-styled cause seeks to pool an additional interest owner under the terms of Order No. R-21088. The Unit is comprised of the S/2 of Section 32, Township 24 South, Range 29 East, all of Section 5, and the N/2 of Section 8, Township 25 South, Range 29 East, NMPM, Eddy County, New Mexico. Order No-21088 pooled the uncommitted interests in the Wolfcamp formation underlying a standard 1280-acre, more or less, horizontal spacing unit and dedicated the above-referenced horizontal spacing unit to the following initial wells:

- The Corral Canyon 8-32 Fed #161H well, the Corral Canyon 8-32 Fed #121H well, the Corral Canyon 8-32 Fed #102H well, the Corral Canyon 8-32 Fed #162H well, the Corral Canyon 8-32 Fed #122H well to be drilled from common surface hole locations in NW/4 SW/4 (Unit L) of Section 8, to bottom hole locations in the NW/4 SW/4 (Unit L) Section 32.
- The Corral Canyon 8-32 Fed #163H well, the Corral Canyon 8-32 Fed #103H well, the Corral Canyon 8-32 Fed #124H well, the Corral Canyon 8-32 Fed #104H well, the Corral Canyon 8-32 Fed #164H well to be drilled from common surface hole locations in NE/4 SW/4 (Unit K) of Section 8, to bottom hole locations in the NE/4 SW/4 (Unit K) Section 32.
- The Corral Canyon 8-32 Fed #125H well, the Corral Canyon 8-32 Fed #165H well, the Corral Canyon 8-32 Fed #105H well, the Corral Canyon 8-32 Fed #126H well, the Corral Canyon 8-32 Fed #166H well to be drilled from common surface hole locations in NW/4 SE/4 (Unit J) of Section 8, to bottom hole locations in the NW/4 SE/4 (Unit J) Section 32.
- The Corral Canyon 8-32 Fed #167H well, the Corral Canyon 8-32 Fed #127H well, the Corral Canyon 8-32 Fed #108H well, the Corral Canyon 8-32 Fed #168H well, the Corral Canyon 8-32 Fed #107H well to be drilled from common surface hole locations in NE/4 NE/4 (Unit A) of Section 8, to bottom hole locations in the NE/4 NE/4 (Unit A) Section 32.

with hole locations in the ME/4 SER4 (UNIT 1) SECTION 52.

Said area is located approximately 6 miles southeast of Malaga, New Mexico.  
#4167185, Current Argus, Apr. 28, 2020