

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

**APPLICATION OF RIDGE RUNNER
RESOURCES OPERATING, LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 21635

**RIDGE RUNNER RESOURCES OPERATING, LLC'S
HEARING EXHIBITS**

Compulsory Pooling Checklist

Exhibit A	Self-Affirmed Statement of Bob Shelton
A-1	Application
A-2	C-102
A-3	Plat of Tracts, Tract Ownership, and Pooled Parties
A-4	Unit Recapitulation
A-5	Well Proposal Letter
A-6	Summary of Communications
A-7	Exhibit A to Joint Operating Agreement
A-8	Proposed Notice of Hearing
A-9	Hearing Notice Letter and Return Receipts
A-10	Affidavit of Publication
A-11	Authorization for Expenditures
Exhibit B	Self-Affirmed Statement of Michael Burke
B-1	General Location and Cross Section Map
B-2	Type Log

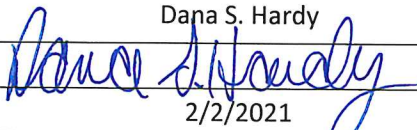
B-3	Gun Barrel Schematic
B-4	Structure Map
B-5	Gross Interval Isopach Map
B-6	Cross Section

COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

Case: 21635	APPLICANT'S RESPONSE
Date: 2/2/21	
Applicant	Ridge Runner Resources Operating, LLC
Designated Operator & OGRID (affiliation if applicable)	Ridge Runner Resources Operating, LLC, OGRID 373013
Applicant's Counsel:	Dana S. Hardy
Case Title:	APPLICATION OF RIDGE RUNNER RESOURCES OPERATING, LLC FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO
Entries of Appearance/Intervenors:	None
Well Family	Zeus
Formation/Pool	
Formation Name(s) or Vertical Extent:	Bone Spring Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Bone Spring formation
Pool Name and Pool Code:	Pearl Bone Spring South Pool, Code 49685
Well Location Setback Rules:	Standard
Spacing Unit Size:	40 acres
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	320 acres
Building Blocks:	40 acre
Orientation:	North-South
Description: TRS/County	W/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East, Lea County
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	No
Proximity Defining Well: if yes, description	N/A
Applicant's Ownership in Each Tract	Exhibit A-3
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	

Well #1	Zeus 2-11 Fed Com #1H (API unassigned) SHL: 108' FNL and 330' FWL of Section 2-T20S-R35E BHL: 100' FSL and 330' FWL of Section 11-T20S-R35E
Horizontal Well First and Last Take Points	FTP: 675' FNL & 330' FWL of Section 2-T20S-R35E LTP: 100' FSL & 330' FWL of Section 11-T20S-R35E
Completion Target (Formation, TVD and MD)	Bone Spring Formation, 19,544' TMD 9,430'
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	\$8000.00, Exhibit A
Production Supervision/Month \$	\$800, Exhibit A
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	Cost plus 200%, Exhibit A
Notice of Hearing	
Proposed Notice of Hearing	Exhibit A-8
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit A-9
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit A-10
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	Exhibit A-3
Tract List (including lease numbers and owners)	Exhibit A-3
Pooled Parties (including ownership type)	Exhibit A-3
Unlocatable Parties to be Pooled	Exhibit A-3
Ownership Depth Severance (including percentage above & below)	None, Exhibit A
Joinder	
Sample Copy of Proposal Letter	Exhibit A-5
List of Interest Owners (ie Exhibit A of JOA)	Exhibits A-3, A-7

Chronology of Contact with Non-Joined Working Interests	Exhibit A-6
Overhead Rates In Proposal Letter	\$800/\$8,000, Exhibit A-5
Cost Estimate to Drill and Complete	Exhibit A-11
Cost Estimate to Equip Well	Exhibit A-11
Cost Estimate for Production Facilities	Exhibit A-11
Geology	
Summary (including special considerations)	Exhibit B
Spacing Unit Schematic	Exhibit B-1
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-3
Well Orientation (with rationale)	Exhibit B
Target Formation	Bone Spring, Exhibit B
HSU Cross Section	Exhibit B-6
Depth Severance Discussion	None, Exhibit A
Forms, Figures and Tables	
C-102	Exhibit A-2
Tracts	Exhibit A-3
Summary of Interests, Unit Recapitulation (Tracts)	Exhibits A-3, A-4
General Location Map (including basin)	Exhibit B-1
Well Bore Location Map	Exhibits B-1, B-3
Structure Contour Map - Subsea Depth	Exhibit B-4
Cross Section Location Map (including wells)	Exhibit B-1
Cross Section (including Landing Zone)	Exhibit B-6
Additional Information	
Special Provisions/Stipulations	None
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative):	Dana S. Hardy
Signed Name (Attorney or Party Representative):	
Date:	2/2/2021

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

**APPLICATION OF RIDGE RUNNER
RESOURCES OPERATING, LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 21635

**SELF-AFFIRMED STATEMENT
OF BOB SHELTON**

1. I am over 18 years of age and am competent to provide this Self-Affirmed Statement. I have personal knowledge of the matters addressed herein.

2. I am the Vice President of Land at Ridge Runner Resources Operating, LLC ("Ridge Runner"). I have had direct involvement with Ridge Runner's development of the 320-acre, more or less, standard horizontal spacing unit ("HSU") that is the subject of Ridge Runner's application in this case. A copy of the application is attached as Exhibit A-1.

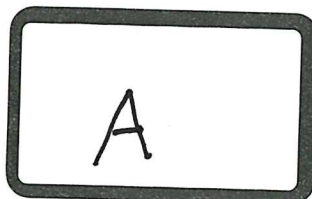
3. I have previously testified before the Division, and my qualifications as an expert in petroleum land matters were accepted.

A. Proposed Wells and HSU

4. The proposed HSU is comprised of the W/2W/2 of Sections 2 and 11, Township 20 South, Range 35 East in Lea County.

5. Ridge Runner seeks to pool all uncommitted interests in the Bone Spring formation underlying the HSU.

6. The horizontal spacing unit will be dedicated to Ridge Runner's proposed Zeus 2-11 Fed Com #1H well, which will be drilled from a surface location approximately 108' FNL and 330' FWL in Section 2 to a bottom hole location approximately 100' FSL & 330' FWL in Section



11. The first take point is 675' FNL and 330' FWL in Section 2, and the last take point is 100' FSL and 330' FWL in Section 11. The TMD is 19,544' and the TVD is 9,430'.

7. The proposed well will be drilled from North to South, and the completed interval of the well will be orthodox.

8. The proposed well is located in the Pearl Bone Spring South Pool, Code 49685. The primary product in the pool is oil. With respect to well setback requirements, this pool is subject to the statewide horizontal well rules set out in NMAC 19.15.16.15. Spacing in this pool is based on quarter-quarter sections, and the HSU is constructed based on quarter-quarter sections.

9. The C-102 for the proposed well is attached as Exhibit A-2.

B. Ownership Determination

10. A plat of the tracts included in the HSU is attached as Exhibit A-3. Exhibit A-3 identifies the ownership interests in each tract, provides the applicable lease numbers, and identifies the pooled parties and unlocatable interests.

11. A recapitulation is attached as Exhibit A-4.

12. There is no depth severance in the Bone Spring formation in the proposed HSU.

13. Ridge Runner has the right to pool any overriding royalty owners in the HSU.

C. Joinder

14. I sent well proposal letters to the uncommitted interests at their addresses of record on October 15, 2020 and subsequently had follow-up communication with them. A sample of my well proposal letter is attached as Exhibit A-5. A summary of my follow-up contacts with the uncommitted interests is attached as Exhibit A-6.

15. A list of interest owners (Exhibit A to Joint Operating Agreement) is attached as Exhibit A-7.

16. Ridge Runner's working interest in the proposed spacing unit will be 50%. There are no other working interests committed to the proposed wells.

17. In my opinion, Ridge Runner has made a good faith effort to obtain the voluntary joinder of uncommitted interests in the proposed wells.

D. Notice of Hearing

18. Ridge Runner's proposed notice of hearing is attached as Exhibit A-8.

19. Notice of Ridge Runner's application and the Division hearing was provided to the uncommitted interests by certified mail more than 20 days prior to the hearing date. A sample of the notice letter and the associated green cards are attached as Exhibit A-9.

20. Notice of Ridge Runner's application and the Division hearing was published more than ten business days prior to the hearing date. The affidavit of publication is attached as Exhibit A-10.

E. Drilling and Operating Costs

21. The AFEs for the proposed wells are attached as Exhibit A-11. The estimated cost of the wells is fair and reasonable and is comparable to the cost of other wells of similar depth and length drilled in Lea County.

22. Ridge Runner requests overhead and administrative rates of \$8,000 per month while the wells are being drilled and \$800 per month while the wells are producing. These rates are fair and are comparable to the rates charged by Ridge Runner and by other operators in the vicinity. They are also the rates set forth in the Joint Operating Agreement for the HSU. Ridge Runner further requests that the rates be adjusted periodically in accordance with the COPAS Accounting Procedure.

23. Ridge Runner requests that it be designated the operator of the wells.

24. Ridge Runner also requests that a 200% risk charge be assessed against the uncommitted interests if they are non-consenting working interest owners.

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

26. In my opinion, the granting of Ridge Runner's application would prevent the drilling of unnecessary wells, protect correlative rights, and prevent waste.

27. I understand that this Self-Affirmed Statement will be used as written testimony in this case. I affirm that my testimony in paragraphs 1 through 26 above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date handwritten next to my signature below.

Bob Shelton
Bob Shelton

1/27/21
Date

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

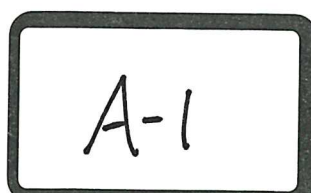
**APPLICATION OF RIDGE RUNNER
RESOURCES OPERATING, LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 21635

APPLICATION

Pursuant to NMSA § 70-2-17, Ridge Runner Resources Operating, LLC ("Ridge Runner") applies for an order pooling all uncommitted mineral interests in the Bone Spring formation in a 320-acre, more or less, standard horizontal spacing unit comprised of the W/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East in Lea County, New Mexico. In support of its application, Ridge Runner states the following.

1. Ridge Runner (OGRID No. 373013) is a working interest owner in the horizontal spacing unit and has the right to drill thereon.
2. The horizontal spacing unit will be dedicated to Ridge Runner's proposed Zeus 2-11 Fed Com #1H well, which will be drilled from a surface location approximately 100' FNL and 330' FWL in Section 2 to a bottom hole location approximately 100' FSL & 330' FWL in Section 11.
3. The completed interval of the well will be orthodox.
4. Ridge Runner has undertaken diligent, good-faith efforts to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well but has been unable to obtain voluntary agreements from all of the mineral interest owners.
5. The pooling of uncommitted mineral interests will avoid the drilling of unnecessary well, prevent waste, and protect correlative rights.



6. In order to allow Ridge Runner to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interests in the horizontal spacing unit should be pooled.

WHEREFORE, Ridge Runner requests that this application be set for hearing on February 4, 2021 and that, after notice and hearing, the Division enter an order:

A. Pooling all uncommitted mineral interests in the Bone Spring formation underlying the W/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East in Lea County;

B. Designating Ridge Runner as operator of the Zeus 2-11 Fed Com #1H well;

C. Authorizing Ridge Runner to recover its costs of drilling, equipping, and completing the well and allocating the costs among the well's working interest owners;

D. Approving the actual operating charges and costs of supervision during drilling and after completion, together with a provision for adjusting the rates pursuant to the COPAS accounting procedure; and

E. Imposing a 200% penalty for the risk assumed by Ridge Runner in drilling and completing the well against any mineral interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HINKLE SHANOR LLP

/s/ Dana S. Hardy

Dana S. Hardy

P.O. Box 2068

Santa Fe, NM 87504-2068

Phone: (505) 982-4554

Facsimile: (505) 982-8623

dhardy@hinklelawfirm.com

Counsel for Ridge Runner Resources Operating, LLC

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

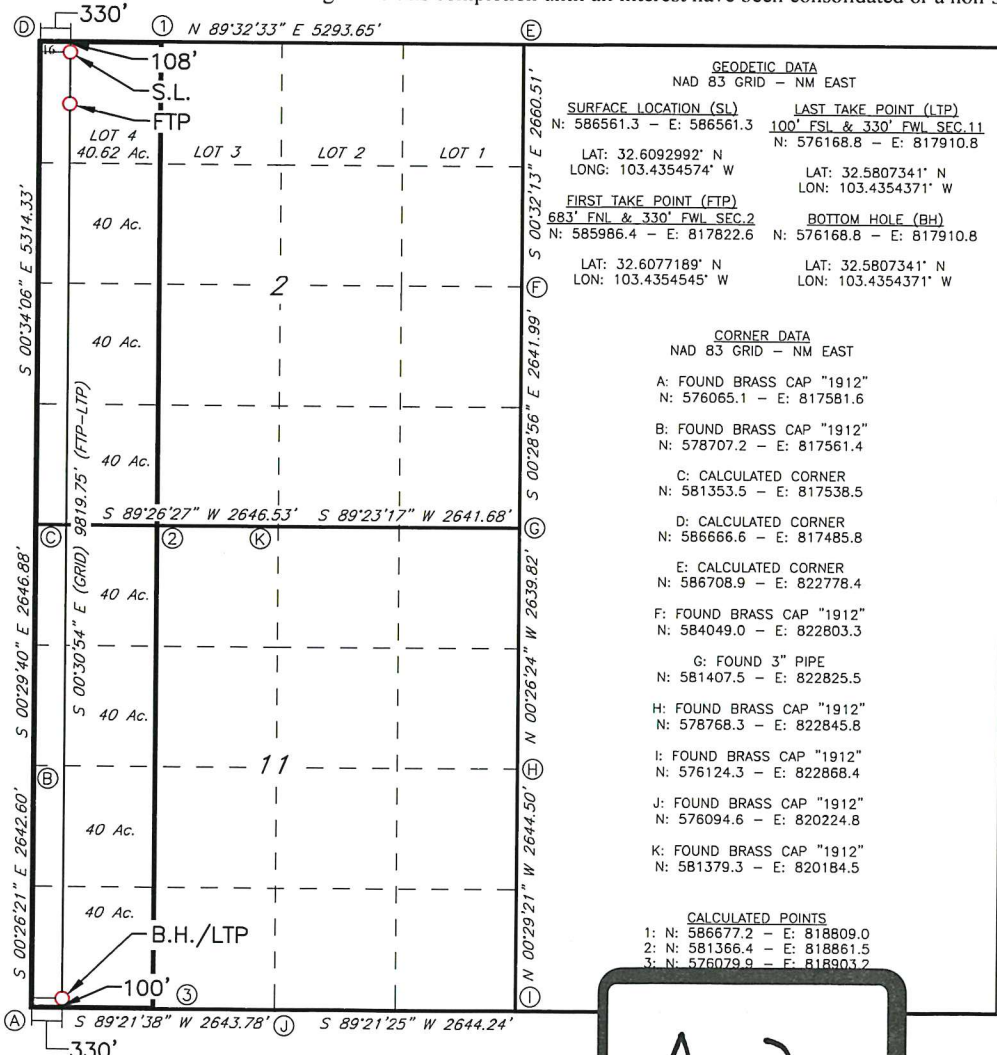
Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code 49685		³ Pool Name Pearl Bone Spring South	
⁴ Property Code		⁵ Property Name ZEUS 2/11 FED COM			
⁷ OGRID NO.		⁸ Operator Name RIDGE RUNNER RESOURCES OPERATING, LLC			
		⁹ Elevation 3682'			
¹⁰ Surface Location					
UL or lot no. 4	Section 2	Township 20S	Range 35E	Lot Idn	Feet from the 108
				North/South line NORTH	Feet From the 330
				East/West line WEST	County LEA
¹¹ Bottom Hole Location If Different From Surface					
UL or lot no. M	Section 11	Township 20S	Range 35E	Lot Idn	Feet from the 100
				North/South line SOUTH	Feet from the 330
				East/West line WEST	County LEA
¹² Dedicated Acres		¹³ Joint or Infill		¹⁴ Consolidation Code	
				¹⁵ Order No.	

No allowable will be assigned to this completion until all interest have been consolidated or a non-standard unit has been approved by the division.



17 OPERATOR CERTIFICATION	
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.	
Signature	Date
Printed Name	
E-mail Address	
18 SURVEYOR CERTIFICATION	
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.	
01-20-2021	
Date of Survey	
Signature and Seal of Professional Surveyor	
19680	
Certificate Number	

Job No: LS21010001

A-2

W/2 Section 2 Lease SLO
Number VC-0428

W/2W/2 Section 2 lease
BLM NMNM 25369

E/2W/2 Section 2 lease
BLM NMNM38470

Unlocated Parties

*denotes pooled parties

A-3

Zeus 0211 Fed Com Wells
W/2 of Section 2 and W/2 of Section 11-T20S-R35E
Lea County, New Mexico



Township 20 South
Range 35 East

Case No. 21635

W/2W/2 of Section 2 and 11-T20S-R35E, Lea County, New Mexico
Well DOI Zeus 0211 Fed Com #1H

Ridge Runner Resources Operating, LLC. 50%
American Standard Energy Corp* 25%
Geronimo Holdings* 18.75%
Total E&F, US, Inc.* 6.25%

Tract Ownership

1. W/2 Section 2 T20S-R35E
Lea County, New Mexico 100%
Ridge Runner Resources Operating, LLC
2. W/2 SW/4 Section 11 T20S-R35E
Lea County, New Mexico 100%
American Standard Energy Corp*
3. W/2NW/4 Section 11 T20S, R35E
Geronimo Holdings* 75%
Total E&P USA, Inc.* 25%

Case No. 21636

E/2W/2 of Section 2 and 11-T20S-R35E, Lea County, New Mexico
Well DOI Zeus 0211 Fed Com #2H

Ridge Runner Resources Operating LLC 50%
Nortex Corporation* 12.50%
Emark Gas Corporation, L.P. 4.6875%
American Standard Energy Corp.* 14.0625%
Derrell Melton* 2.3438%
James Adams, Trustee* 2.3438%
Blue Ruby Operating, LLC* 14.0625%

Tract Ownership

1. E/2SW/4 Section 11 T20S, R35E
American Standard Energy Corp* 56.25%
Nortex Corporation* 25.00%
Emark Gas Gathering, LP 9.375%
Derrell Melton* 4.6875%
James Melton Trustee* 4.6875%
2. E/2NW/4 Section 11 T20S, R35E
Blue Ruby Operating, LLC* 56.25%
Nortex Corporation* 25.00%
Emark Gas Gathering, LP. 9.375%
Derrell Melton* 4.6875%
James Adams Trustee* 4.6875%

Threshold Prospect - Zeus wells W/2W/2 Section 2 and W/2W/2 Section 11, T-20-S, R-35-E, Lea County - 320 unit acres

<u>Tract</u>	<u>Gross acres</u>	<u>Net Unit acres</u>	<u>Tract Interest</u>	<u>Company</u>	<u>Company Unit Interest</u>
W/2W/2 Section 2	160	160/320	1.000000	Ridge Runner Resources Operating, LLC	0.500000
W/2SW/4 Section 11	80	80/320	1.000000	American Standard Energy Corporation	0.250000
W/2NW/4 Section 11	80	80/320	0.750000 0.250000	Geronimo Holdings Total E&P USA, Inc.	0.187500 <u>0.062500</u>

A-4

Robert (Bob) Shelton
Vice President Land
BShelton@3roperating.com
Cell 432.528.6134



1004 N. Big Spring Street
Suite 325
Midland, TX 79701
(432) 684-7877

October 1, 2020

Enmark Gas Gathering, LP
17430 Campbell Rd., Suite 230
Dallas, Texas 75252

Re: Zeus 2-11 Federal Com #1H and #2H,
W/2 of Section 2 and the W/2 of
Section 11, T-20-S, R-35-E, Lea
County, New Mexico
Threshold Prospect

Via: Certified Mail Return Receipt Requested

Dear Enmark Gas Gathering, LP,

Ridge Runner Resources Operating, LLC, "RRR" hereby proposes the Zeus 2-11 Federal Com #1H and #2H wells to be drilled at a SHL in the W/2 of Section 2 and a BHL in the W/2 of Section 11, T-20-S, R-35-E, Lea County New Mexico.

The Zeus 2-11 Federal Com #1H well will be drilled from a SHL 100' FNL and 330' FWL of Section 2 to a BHL of 100' FSL and 330' FWL of Section 11.

The Zeus 2-11 Federal Com #2H well will be drilled from a SHL of 100' FNL and 2,310' FWL of section 2 and a BHL of 100' FSL and 2,310' FWL of Section 11.

Both wells will test the 1st Bone Spring Formation at an approximate depth of 9,430'. Estimated total well cost is \$8,741,627.00, please see the attached AFE's.

Attached hereto, please find RRR's proposed Operating Agreement covering the captioned acreage, as the Contract Area.

As a leasehold owner, Enmark Gas Gathering, LP, "Enmark", has the right to participate for its share of working interest in the 2 wells. In the event that Enmark elects not to participate for its WI share, RRR is agreeable to making a mutually agreeable acreage trade or for the acquisition of Enmark's interest under other mutually agreeable terms. In the event that Enmark elects not to participate and RRR is unable to make a satisfactory trade arrangement, RRR will file for a compulsory pooling with the New Mexico Oil Conservation Division.

A-5

Enmark Gas Gathering, LP
October 1, 2020
Page 2

If Enmark desires to participate in the two (2) proposed wells, please execute and return copies of the 2 AFE's and the executed signature pages to the Operating Agreement.

Thank you for considering RRR's proposal. We look forward to your response.

Yours truly,

Bob Shelton
Vice President Land

Zeus 2-11 Fed Com 1H

Date of Contact	From	To	Regarding
10/2/2020	RRR	American Standard Energy	Original JOA Mailed to Parties
10/2/2020	RRR	APCOT Finadel (Total E&P)	Original JOA Mailed to Parties
10/15/2020	RRR	Geronimo Holding	Original JOA Mailed to Parties
10/19/2020	RRR	American Standard Energy	Amended Exhibit A Letter Sent
12/29/2020	RRR	Total E&P USA, Inc.	Sent Original JOA to New Address
1/5/2021	RRR	Total E&P USA, Inc.	Sent Corrected/Updated JOA & Exhibit A
1/5/2021	RRR	American Standard Energy	Sent Corrected/Updated JOA & Exhibit A
1/5/2021	RRR	Geronimo Holding	Sent Corrected/Updated JOA & Exhibit A
1/7/2021	Bob Shelton	Patti Pullen - Geronimo Holding	Exchanged offer
1/8/2021	Bob Shelton	Total E&P	Attempted phone contact with Total E&P
1/14/2021	Daniel Barker - Blue Ruby Operating	Bob Shelton	Forwarded info to Steve Person with American Standard Energy. BRO thinks that American Standard was deeded all of XOG and Geronimo's interest.
1/20/2021	Alex Willis - Total E&P	Bob Shelton	Total received the revised JOA for Zeus wells, but did not receive the original.
1/20/2021	Cydnee Phipps	Alex Willis - Total E&P	Resent JOA, AFE's & Well Proposal Letter.
2/1/2021	Bob Shelton	Steve Person - American Standard Energy	Called and made an offer
2/2/2021	Alex Willis - Total E&P	Bob Shelton	Following up on terms for acquiring Total's interest
2/8/2021	Bob Shelton	Alex Willis - Total E&P	Called - left message to return call
2/9/2020	Bob Shelton	Steve Person - American Standard Energy	Follow up on offer made
2/9/2021	Bob Shelton	Alex Willis - Total E&P	Called and asked to respond via email so we could make an offer

A-6

Exhibit "A"

Attached to and made a part of that certain Operating Agreement dated October 1, 2020, by and between Ridge Runner Resources Operating, LLC, as Operator and COG Operating, LLC, et al, as Non-Operators.

1) Lands Subject to this agreement:

Contract Area One

The West Half of the West Half (W/2W/2) of Section 2 and the West Half of the West Half (W/2W/2) of Section 11, T-20-S, R-35-E, Lea County, New Mexico.

Contract Area Two

The East Half of the West Half (E/2W/2) of Section 2 and the East Half of the West Half (E/2W/2) of Section 11, T-20-S, R-35-E, Lea County, New Mexico.

2) Depth Restrictions and Exclusions:

This agreement is limited to the Bone Spring formation. The top of the Bone Spring formation being the stratigraphic equivalent of 7,822'. As found in the Threshold Development Co. State 2-M #1 well located in Section 2, T-20-S, R-35-E, Lea County, New Mexico, API Number 30-025-34807.

3) Addresses of Parties to this Agreement:

Operator: Ridge Runner Resources Operating, LLC
1004 North Big Spring Street, Suite 325
Midland, Texas 79701
Email: Bshelton@3roperating.com

Nortex Corporation
3009 Post Oak Blvd., Suite 1212
Houston, Texas 77056
Email:

Total E&P USA, Inc.
1201 Louisiana Street
Houston, Texas 77002
Email:

Enmark Gas Gathering, LP
14730 Campbell Road, Suite 230
Dallas, Texas 75252
Email:

Derrel C. Melton
3205 Hampshire Court
Frisco, Texas 75034
Email:

American Standard Energy Corporation
400 W Illinois Ave., Suite 950
Midland, Texas 79701
Email:

Blue Ruby Operating, LLC
7201 E County Rd 112
Midland, Texas 79701
Email:

James W. Adams, Trustee of the
Adams Family Living Trust
7740 El Pastel
Dallas, Texas 75248
Email:

Geronimo Holdings, LP
1801 West Texas Avenue
Midland, Texas 79701
Email:

4) Percentages of Parties to this Agreement: (Subject to pending Title Examination)

Contract Area One

Ridge Runner Resources Operating, LLC	0.500000
American Standard Energy Corporation	0.250000
Geronimo Holdings, LP	0.187500
Total E&P USA, Inc.	0.062500

A-7

Contract Area Two

Ridge Runner Resources Operating, LLC	0.500000
Nortex Corporation	0.125000
Enmark Gas Gathering, LP	0.046876
American Standard Energy Corporation	0.140625
Derrel C. Melton	0.023438
James W. Adams, Trustee of the Adams Family Trust	0.023438
Blue Ruby Operating, LLC	0.140625

5) Oil and Gas Leases Subject to this Agreement:**1 Lease for Oil and Gas**

Date:	August 1, 2018
Lease Number:	VC-0428-0000
Recording:	State of New Mexico Records
Lessor:	State of New Mexico
Lessee:	Ridge Runner Resources Operating, LLC
Description:	<u>Township-20-South, Range-35-East, N.M.P.M.</u> The S/2NW/4 and the SW/4 of Section 2

2 Lease for Oil and Gas

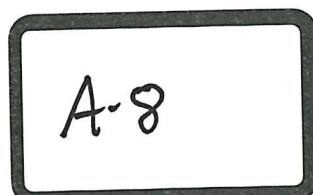
Date:	June 1, 1975
Lease Number:	NM-25369
Recording:	Federal Record
Lessor:	The United States of America
Lessee:	Weldon C. Abbott
Description:	<u>Township-20-South, Range-35-East, N.M.P.M.</u> Insofar as the W/2W/2 of Section 11

3 Lease for Oil and Gas

Date:	February 1, 1980
Lease Number:	NM-38470
Recording:	Federal Record
Lessor:	The United States of America
Lessee:	Amoco Production Company
Description:	<u>Township-20-South, Range-35-East, N.M.P.M.</u> The E/2W/2 of Section 11, containing 160 acres more or less

**6) Burdens on Production
Of Record**

Application of Ridge Runner Resources Operating, LLC for Compulsory Pooling, Lea County, New Mexico. Applicant applies for an order pooling all uncommitted mineral interests in the Bone Spring formation in a 320-acre, more or less, standard horizontal spacing unit comprised of the W/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East in Lea County. The horizontal spacing unit will be dedicated to applicant's proposed Zeus 2-11 Fed Com #1H well, which will be horizontally drilled from a surface location approximately 100' FNL and 330' FWL in Section 2 to a bottom hole location approximately 100' FSL and 330' FWL in Section 11. The completed interval of the well will be orthodox. Also to be considered will be the costs of drilling and completing the well and the allocation of the costs, the designation of Ridge Runner Resources Operating, LLC as the operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The proposed well is located approximately 16 miles Southwest of Hobbs, New Mexico.





HINKLE SHANOR LLP

ATTORNEYS AT LAW

PO BOX 2068

SANTA FE, NEW MEXICO 87504

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

WRITER:

Dana S. Hardy, Partner
dhardy@hinklelawfirm.com

January 7, 2021

VIA CERTIFIED MAIL

Geronimo Holdings
1801 West Texas Avenue
Midland, TX 79701

Re: Ridge Runner Resources Operating, LLC New Mexico Oil Conservation Division Application

Dear Sir/Madam:

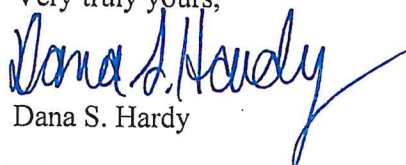
Enclosed is a copy of an application that Ridge Runner Resources Operating, LLC ("Ridge Runner") has filed with the New Mexico Oil Conservation Division ("the Division") (Case No. 21635). Ridge Runner seeks an order pooling all uncommitted mineral interests in the Bone Spring formation in a 320-acre, more or less, standard horizontal spacing unit comprised of the W/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East in Lea County, New Mexico.

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 February 4, 2021 beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the docket for the hearing date: <http://www.emnrd.state.nm.us/OCD/hearings.html>. You are not required to attend the hearing, but as an owner of an interest that may be affected by the application, you may appear at the hearing and present testimony. If you do not appear at that time and become a party of record, you will be precluded from contesting the matter at a later date.

A party appearing in a Division case is required by the Division's Rules to file a Pre-Hearing Statement, which in this matter must be filed no later than Thursday, January 28, 2021. The Pre-Hearing Statement must be filed with the Division and should include: the name of the party and the party's attorney; a concise statement of the case; the name(s) of the witness(es) the party will call to testify at the hearing; the approximate amount of time the party will need to present the party's case; and an identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to me.

Thank you for your attention to this matter.

Very truly yours,


Dana S. Hardy

Enclosure

PO BOX 10
ROSWELL, NEW MEXICO 86202
575-622-6510
(FAX) 575-623-9332

PO BOX 17
ARTESIA, NEW MEXICO 88210
575-622-6510
(FAX) 575-746-1111

PO BOX 2068
NEW MEXICO 87504
505-982-4554
505-982-8623

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

A-9

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City, State Houston, TX 77002

City, State

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Houston, TX 77002



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1-16-20

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PS Form 3811, July 2015 PSN 7530-02-000-9053

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Affidavit of Publication

Ad # 0004542619

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HINKLE SHANOR LLP
218 MONTEZUMA

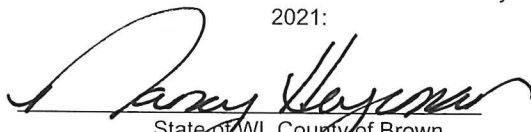
SANTA FE, NM 87501

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:

01/12/2021


Legal Clerk

Subscribed and sworn before me this January 12, 2021:


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

This is to notify all interested parties, including American Standard Energy Corporation, Geronimo Holdings, Total E&P USA, Inc., and their successors and assigns, that the New Mexico Oil Conservation Division will conduct a hearing on an application submitted by Ridge Runner Resources Operating, LLC (Case No. 21635). 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 February 4, 2021 beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the docket for the hearing date: <http://www.emnrd.state.nm.us/OCD/hearings.html>. Applicant applies for an order pooling all uncommitted mineral interests in the Bone Spring formation in a 320-acre, more or less, standard horizontal spacing unit comprised of the W/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East in Lea County. The horizontal spacing unit will be dedicated to applicant's proposed Zeus 2-11 Fed Com #1H well, which will be horizontally drilled from a surface location approximately 100' FNL and 330' FWL in Section 2 to a bottom hole location approximately 100' FSL and 330' FWL in Section 11. The completed interval of the well will be orthodox. Also to be considered will be the costs of drilling and completing the well and the allocation of the costs, the designation of Ridge Runner Resources Operating, LLC as the operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The proposed well is located approximately 16 miles Southwest of Hobbs, New Mexico. #4542619, Current Argus, January 12, 2021

Ad # 0004542619
PO #: 4542619
of Affidavits 1

This is not an invoice

NANCY HEYRMAN
Notary Public
State of Wisconsin

A-10

Authority for Expenditure (AFE)

Project: Laguna Valley - Threshold Prospect
Field: Pearl; Bone Spring, South
Well: Zeus 2-11 Fed Com #1H
Location: SHL 108' FNL & 330' FWL of Section 2-T20S-R35E
 BHL 100' FSL & 330' FWL of Section 11-T20S-R35E
 Lea Co., NM

AFE #
TD (MD): 19,544 ft MD
TVD: 9,430 ft
Drilled Lateral Length: 10,360 ft VS
Completed Lateral Length: 9,785 ft
Target: 1st Bone Spring

Surface location is approximate and may be moved to find a suitable legal location free of terrain/obstacles/habitat/cultural or other surface constraints.

Prognosis: New drill horizontal 1st Bone Spring well. Closed loop. Completion: 9,787' perf interval x 2,500 lb/ft (24.5 MM lb), 2,500 gal/ft (583k bbl), 60 bpm. 151' stages = 65 stages, plug & perf frac. Rigless prep w/ acid crew. CT drill-out. Flow up tubing and packer, then gas lift.	Code	Drilling Intangibles	Code	Completion Intangibles	Code	Production Intangibles	Total Cost
Permits/Well Signs	149	15,000					15,000
Damages/Right of Way	179	30,000	379				30,000
Title & Abstracts, Drilling Title Opinion	142	10,000					10,000
Survey and Stake Location	181	5,000	381				5,000
Locations and Roads, Frac Pit	143	100,000	343	100,000			200,000
Pit Lining Closed Loop Drilling (no reserve pit), frac pit	143		335	10,000			10,000
Conductor (drilled & set)	121	20,000					20,000
Mobilization/Demobilization 4 days pre-spud (\$80k) + trucks & cranes (\$100k)	167	180,000	367				180,000
Drilling (Day Work) 22 days spud - RR \$16,000 per day	104	352,000	304				352,000
Bits	115	75,000	315	3,000			78,000
Downhole Drilling Tools & Stabilization, Survey Tool	128	50,000					50,000
Mud Logging 12 days \$2,000 per day	147	24,000					24,000
Open Hole Surveys/Gyro	148						-
Water Well, Pump & Line	190	5,000		10,000			15,000
Water/Brine/Mud Hauling	189	10,000	389	20,000			30,000
Fresh Water \$2.50 10,000 bbl drilling 699,071 bbl compl'n (20% excess)	190	25,000		1,747,678			1,772,678
Brine Water	116	10,000	316				10,000
Fuel \$2.00 1,400 gal/day	108	61,600	308				61,600
Mud & Chemicals Oil based mud in lateral, 9.0 ppg	146	200,000	346	25,000			225,000
Tubular Inspection DP: Cat IV on 1 strings. Casing: Clean, drift, visual 3 strings	139	30,000	339				30,000
Drill String Rental	128						-
Casing Crew & LD Machine, CRT	117	25,000	317				25,000
Welding	191	1,500	391				1,500
Cementing	118	200,000	318				200,000
Directional Drilling 16 days spud - RR \$13,000 per day	127	208,000					208,000
Wellsite Supervisor	106	55,000	306	40,000			95,000
Open Hole Logs	144						-
Solids Control Equipment \$3,000 per day	172	66,000					66,000
Cuttings Haul-Off & Disposal	141	150,000					150,000
Surface Rental Equipment \$4,000/d Drilling. Frac stack, light towers, generators, housing.	132	88,000	332	280,000			368,000
BOP Rental, Stripper Head	160		360				-
Pulling Unit 5 days, 4,000/d			354	20,000	354	12,000	32,000
Acidizing Acid Crew to prep toe.			310	20,000			20,000
Frac Frac: See Prognosis above			334	2,000,000			2,000,000
Water Transfer			386	30,000			30,000
Completion Tools 64 frac plugs			321	96,000			96,000
Cased Hole Wireline & Perforating 65 stage (6 guns per stage), 10k lube			344	475,000			475,000
Coiled Tubing + Tools, Nitrogen			319	225,000			225,000
Flowback & Well Testing			333	120,000			120,000
Trucking	187	30,000	387	30,000			60,000
Environmental, Pit Closure			348	25,000			25,000
Materials & Supplies	176	5,000	376				5,000
Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction	169	10,000	369	10,000	369	40,000	60,000
Contingencies							-
TOTAL INTANGIBLES		2,041,100		5,286,678		52,000	7,379,778

Prognosis: 3 string casing program: deep 13-3/8" surface, shallow 9-5/8" intermediate in Lamar Lm, KOP 8,857' then 10"/100' BUR curve, 5-1/2" longstring. \$400k single well allocation for single well tank battery (scaleable for additional wells).	Code	Drilling Tangibles	Code	Completion Tangibles	Code	Production Tangibles	Total Cost
Tubulars Length Size Description Price/ft FOB Loc							
Surface 1,900 13 3/8 54.5# J55 BT&C \$41.00	204	77,900					77,900
1st Intermediate 5,900 9 5/8 40# HCK55 LT&C \$40.00	206	236,000					236,000
2nd Intermediate	206						-
Production	408		408				-
Production 19,544 5 1/2 20# CY P110 Semiprem \$21.00	408	410,424	408				410,424
Tubing 8,850 2 7/8 6.5# L80 EUE \$6.50			412	57,525			57,525
Wellhead Equipment	293	20,000	493	10,000			30,000
Float Equipment & Centralizers, Wet Shoe	#####	35,000	410				35,000
Liner Hanger, Packer, TAC, Other Tools	254		454	20,000			20,000
Flowlines, Valves, Fittings			####	45,000			45,000
Tanks					480	65,000	65,000
Battery: Pumps 458/Meters 450/Controls/Valves/Connections 432/Vapor Rec 484					478	215,000	215,000
Separation Equipment					478	75,000	75,000
Gas Lift Valves and Surface Equipment			439	40,000			40,000
Compressors/Dehydrators High pressure gas available					438		-

A-11

Gas Meter Run			450	15,000			15,000
Downhole Pumping Equipment & Rods			#####				-
Pumping Unit, Base and Prime Mover			465				-
Electrical Installation					428	40,000	40,000
Contingencies							
TOTAL TANGIBLES			779,324	187,525		395,000	1,361,849
TOTAL WELL COST			Drilling	Completion		Production	Total
			2,820,424	5,474,203		447,000	8,741,627

Prepared By: Kelvin Fisher

Date: 9/15/2020

Drill & Complete 8,294,627

Approval:

Kelvin Fisher, COO

Date: 9/15/2020

Partner Approval

Joint Owner:

Amount:

Working Interest:

Joint Owner Approval:

By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

By:

Date:

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

**APPLICATION OF RIDGE RUNNER
RESOURCES OPERATING, LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 21635

**APPLICATION OF RIDGE RUNNER
RESOURCES OPERATING, LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 21636

**SELF-AFFIRMED STATEMENT OF
MICHAEL BURKE**

1. I am over 18 years of age and am competent to provide this Self-Affirmed Statement. I have personal knowledge of the matters addressed herein.
2. I am a geologist at Ridge Runner Resources Operating, LLC ("Ridge Runner"). I am familiar with the geological matters that pertain to Ridge Runner's application.
3. I have previously testified before the New Mexico Oil Conservation Division as an expert in geology, and my qualifications were accepted.
4. A general location map of the proposed horizontal spacing units ("HSU") is attached as Exhibit B-1. The map depicts both vertical & horizontal wells that have been completed in or permitted to the Bone Spring formation. They are marked with a brown dot at the bottom hole location. The horizontal wells vary in length from 1 mile to 2 miles. The map also shows a line of cross section for the proposed Zeus 2-11 Fed Com #1H and #2H wells.

Case Nos. 21635 & 21636

Ridge Runner Resources

Exhibit B

5. Attached as Exhibit B-2 is a type log, which consists of the well logs of a well drilled within the paths of the proposed laterals that shows the formation tops, the significant producing zones, and the target depths of the lateral wellbores.

6. A gun barrel diagram is attached as Exhibit B-3.

7. A structure map of the Bone Spring formation is attached as Exhibit B-4. The map shows that in this vicinity the subsurface is uniformly underlain by this formation at a depth of ~9300' – ~10,400' MD (H = ~1100'). The formation consists of alternating and continuous beds of sandstone, shale, & limestone, all of which have value as reservoirs and source rocks for oil and gas accumulations. The structural dip is to the west at ~100' per mile (~1 degree). There are no significant structural or stratigraphic interruptions (faults, truncation, etc.). The various individual stratigraphic zones do exhibit local thickness and reservoir quality variations.

8. Attached as Exhibit B-5 is a gross interval isopach map of the Bone Spring formation, which contains the target zones for the proposed wells. It shows that the Bone Spring formation across the HSU is continuous.

9. Attached as Exhibit B-6 is a north to south cross section. The well logs on the cross section provide a representative sample of the Bone Spring formation in this area. The target zone(s) for the proposed wells are continuous across the HSU.

10. A north to south well orientation is preferred in this area based on horizontal stress.

11. The wells' producing intervals will be orthodox.

12. Based on the information discussed above, I am able to conclude that:

(a) the HSUs are justified from a geologic standpoint;

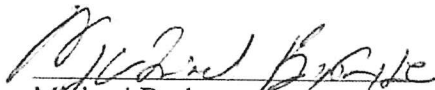
(b) there is no faulting or other geologic impediment that could adversely affect the drilling of the proposed wells; and

(c) each quarter-quarter section in the HSUs will contribute more or less equally to production.

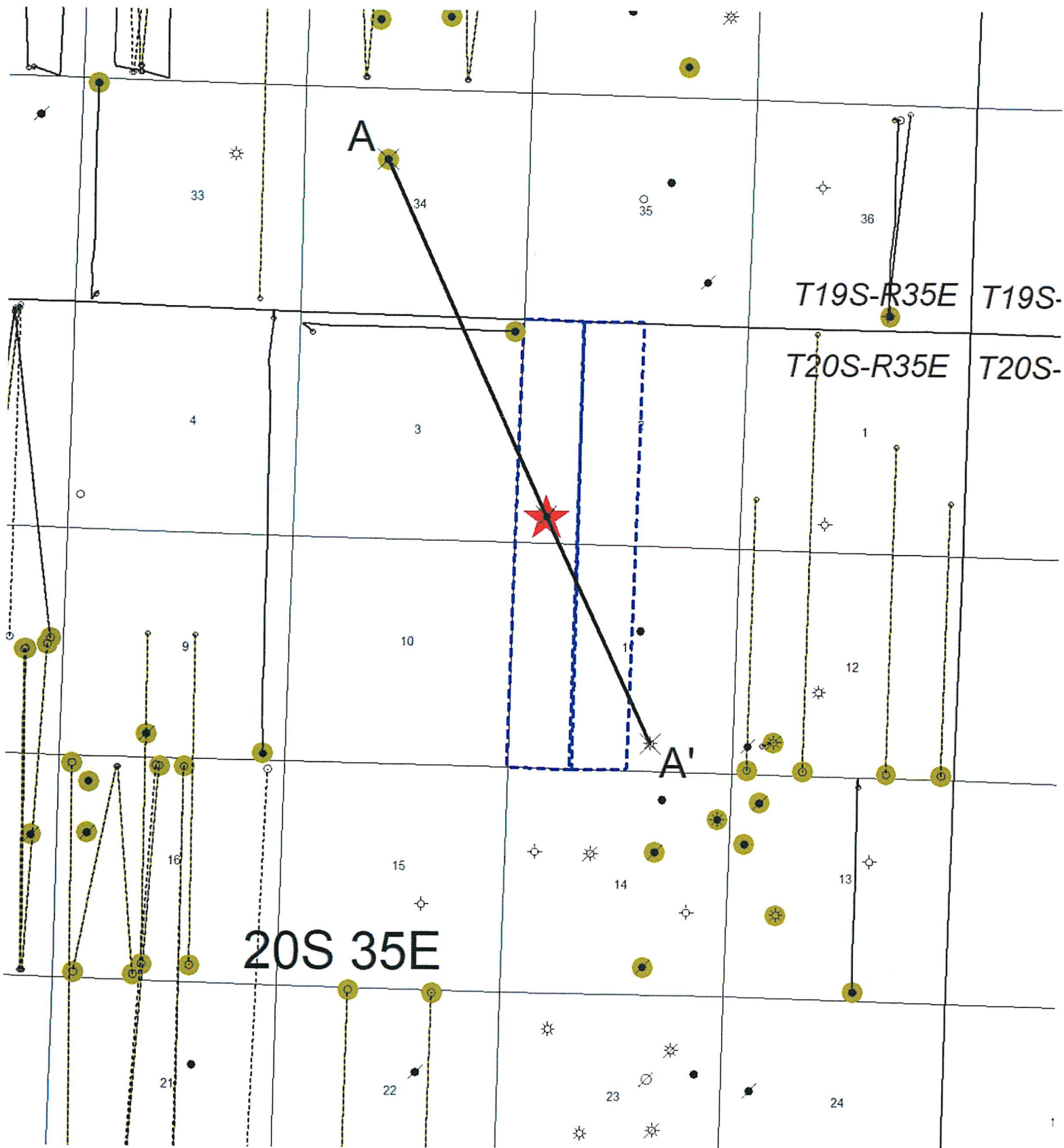
13. In my opinion, the granting of Ridge Runner's application will prevent the drilling of unnecessary wells, protect correlative rights, and prevent waste.

14. Exhibits B-1 through B-6 were either prepared by me or compiled from company records.

15. I understand that this Self-Affirmed Statement will be used as written testimony in this case. I affirm that my testimony in paragraphs 1 through 14 above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date handwritten next to my signature below.



Michael Burke

1-27-2021
Date



Case Nos. 21635 & 21636
Ridge Runner Resources
Exhibit B-1

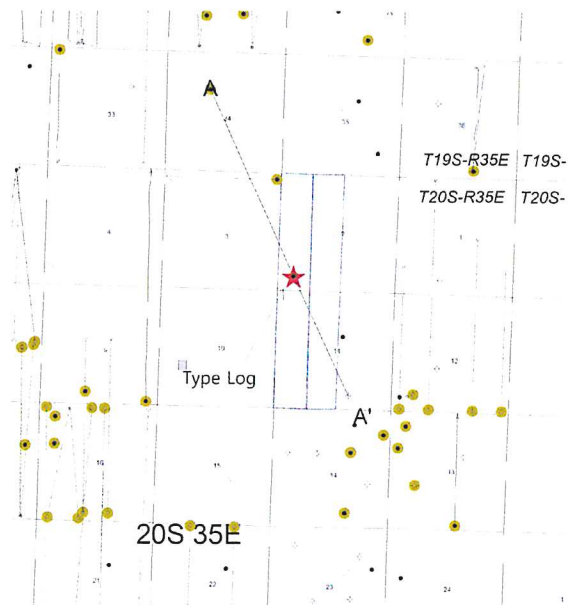
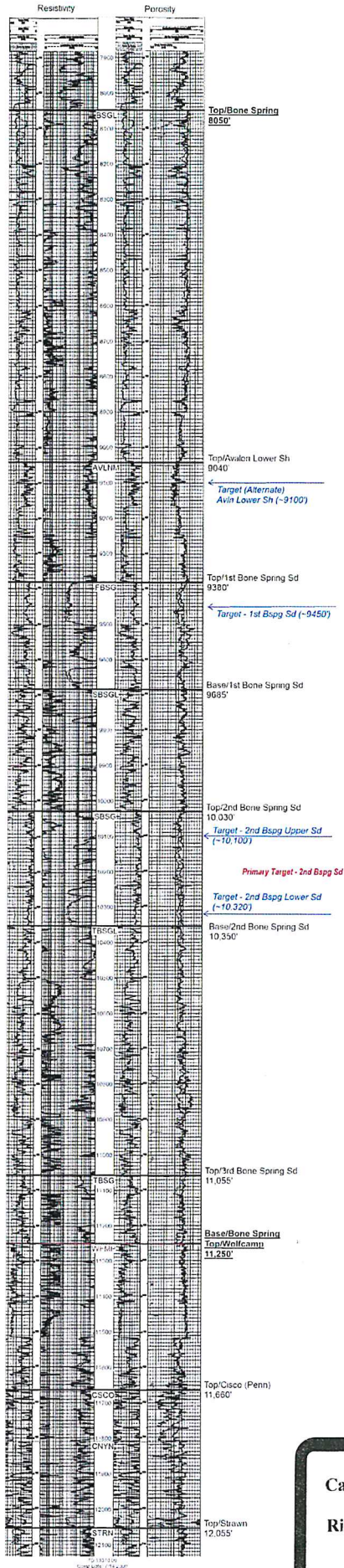




Bone Spring Well & X-Section Index Map
Zeus 2-11 Fed Com Area
Lea Co., New Mexico

Author: mburke	Bubbles: Brown Bone Spring Wells	Date: 1/26/2021
Wells: > 9000'	Scale: 1" = 3000'	C.I.: N/A

Image courtesy of Ridge Runner Resources, LLC
Type Log
Type Log



Case Nos. 21635 & 21636

Ridge Runner Resources

Exhibit B-2

Ridge Runner Resources, LLC

Bone Spring Well & X-Section Index Map
Zeus 2-11 Prec Com Area
Lea Co., New Mexico

Author Ridge Runner Resources, LLC	Scale 1" = 100'	Date 10/29/2011
Well 20S 35E	Scale 1" = 100'	GL 1A

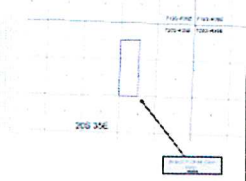
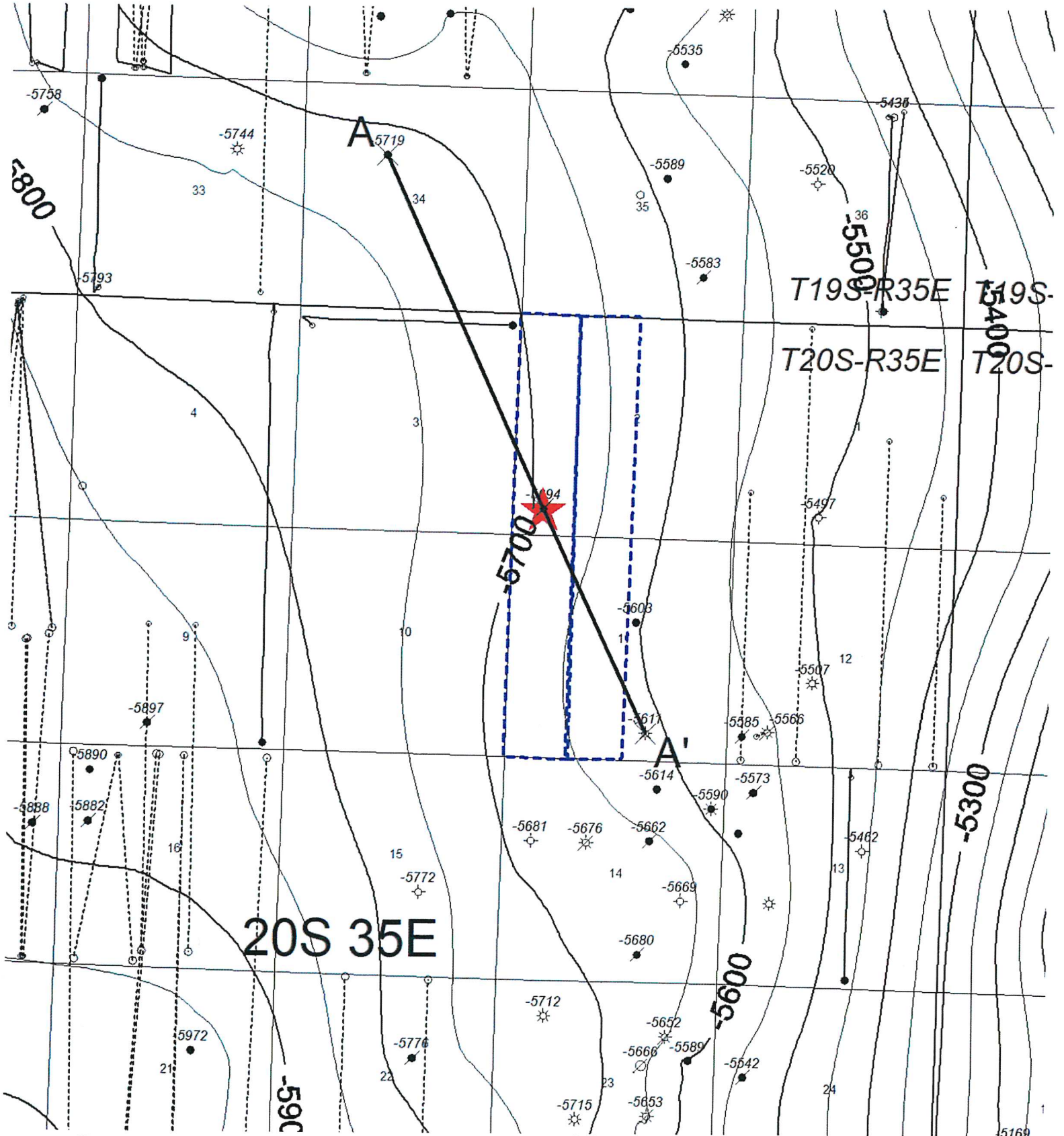
Sec. 2 & 11 / T19S / R 35E - Lea Co., New Mexico

Well Orientation & Spacing

Zeus 2-11 Fed Com #1H Zeus 2-11 Fed Com #2H					Distance from West Line	Depth	Zone
330	660	990	1320	1650 1980 2310 2640		8050'	Top Bone Spring
X		X				9040'	Top Avalon Sh Lower
X		X				9380'	Top 1st Bone Spring Sd
						9685'	Base 1st Bone Spring Sd
O		X				10,030'	Top 2nd Bone Spring Sd
						10,350'	Base 2nd Bone Spring Sd
						11,055'	Top 3rd Bone Spring Sd
						10,350'	Base 3rd Bone Spring Sd


		Section 2 E1/2				Section 11 E1/2			
		D	C	F	K	D	C	F	K
Proposed Location		◆	◆			◆	◆		
Future Location									

Case Nos. 21635 & 21636
 Ridge Runner Resources
 Exhibit B-3



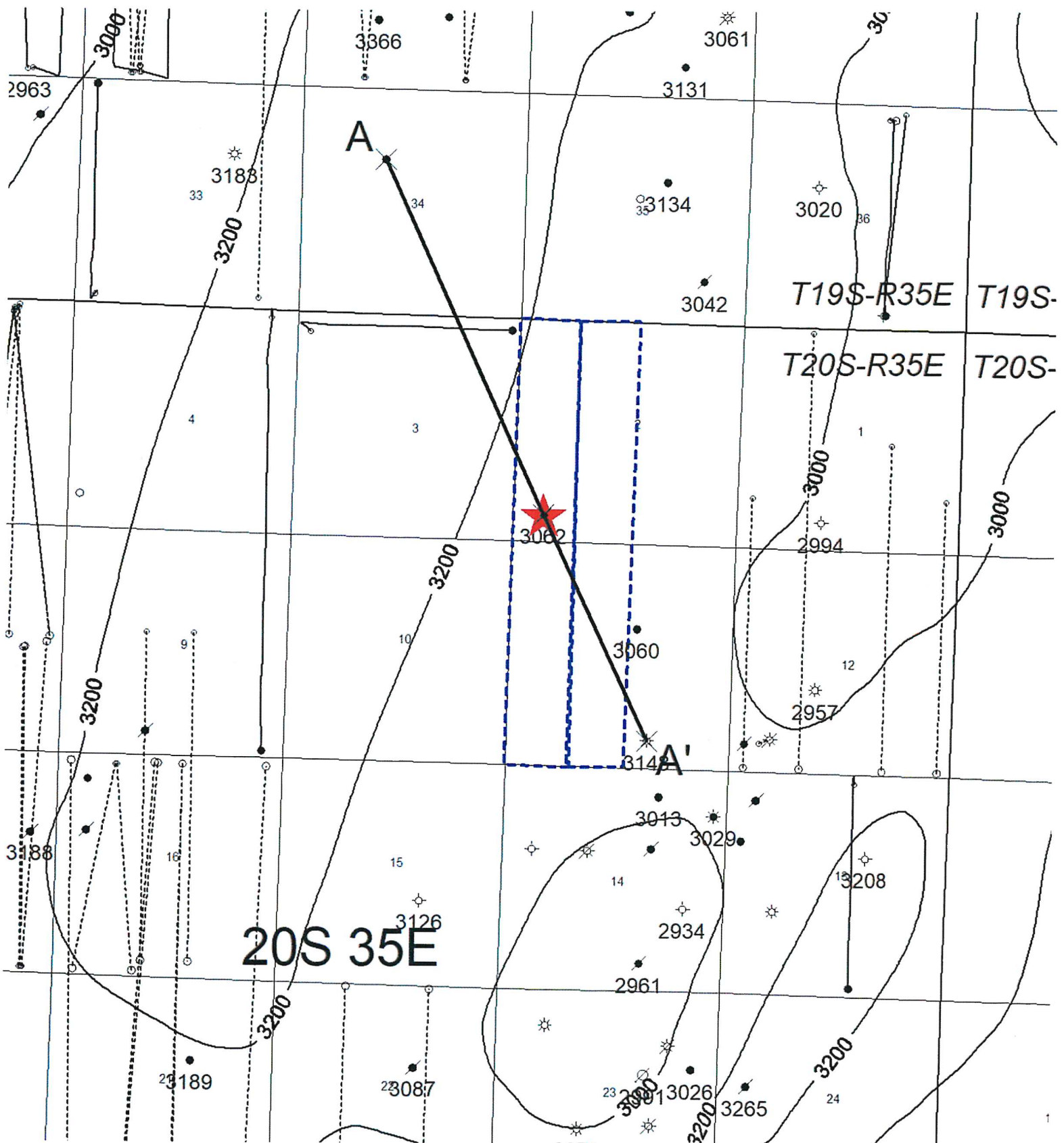
Case Nos. 21635 & 21636
 Ridge Runner Resources
 Exhibit B-4






1st Bone Spring Sand Structure Map
 Zeus 2-11 Fed Com Area
 Lea Co., New Mexico

Author: mburke	Bubbles: N/A	Date: 1/26/2021
Wells: > 9000'	Scale: 1" = 3000'	C.I.: 50'



Case Nos. 21635 & 21636
Ridge Runner Resources
Exhibit B-5



RIDGE RUNNER
RESOURCES

Bone Spring Gross Isopach Map
Zeus 2-11 Fed Com Area
Lea Co., New Mexico

Author: mburke	Bubbles: N/A	Date: 1/26/2021
Wells: > 9000'	Scale: 1" = 3000'	C.I.: 200'

Structural X-Section A - A' (North - South) - Datum: -5000'
Zeus 2-11 Fed Com #1H Area - Lea Co., NM

A

300253491100
DOMINION OIL & GAS
TORO 34 STATE 1
TWP. 19 S - Range 35 E - Sec. 34

9223 ft

300253480700
THRESHOLD DEV CO
STATE 24M 1
TWP. 20 S - Range 35 E - Sec. 2

5904 ft

300252802000
MARATHON OIL CO
JORDAN B 1
TWP. 20 S - Range 35 E - Sec. 11

A'

Resistivity

Porosity

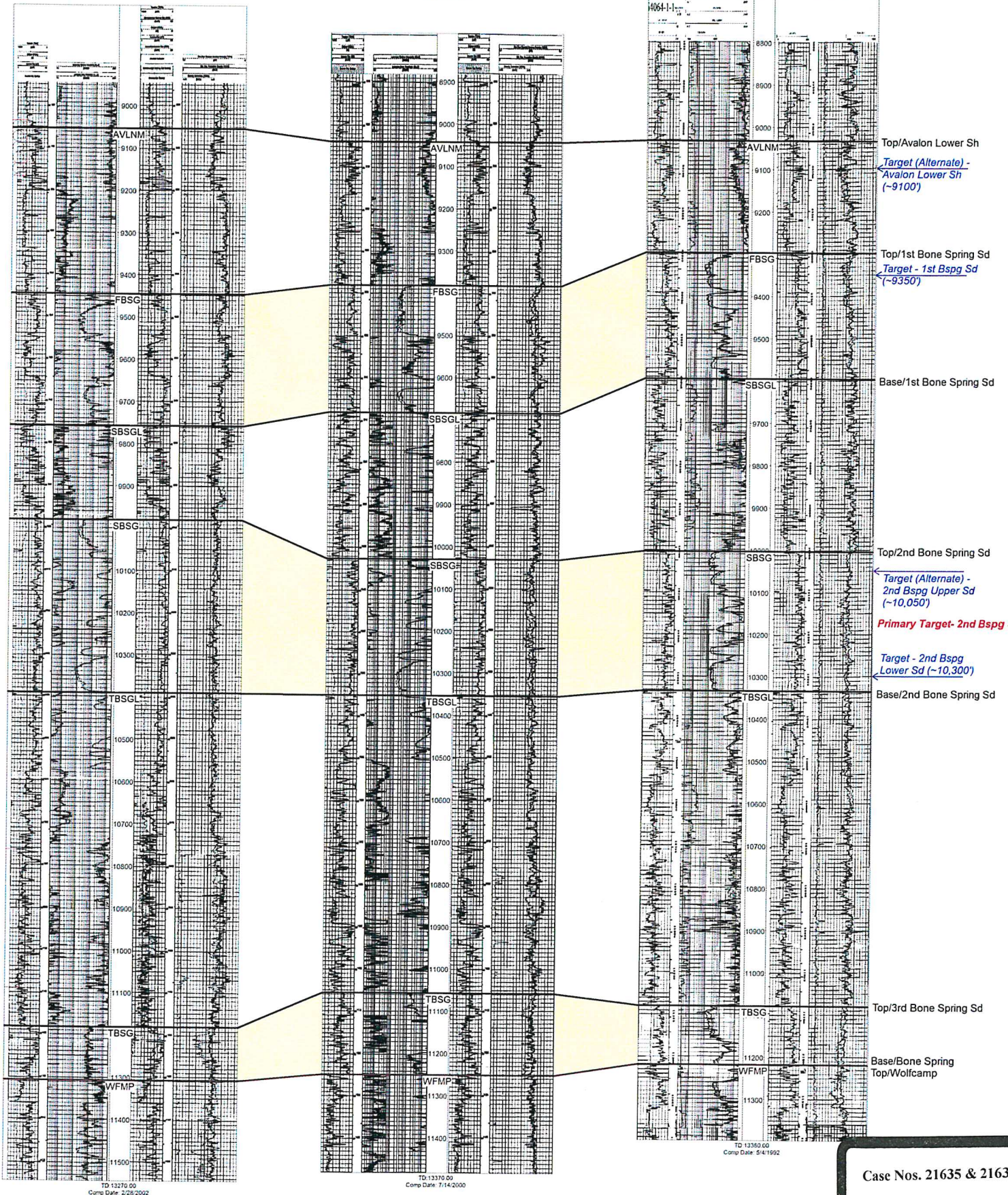
Resistivity

Porosity

Resistivity

Porosity

Type Log



Case Nos. 21635 & 21636

Ridge Runner Resources

Exhibit R.6