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May 5, 2017

VIA HAND DELIVERY

Florene Davidson
Oil Conservation Division
1220 S St Francis Drive
Santa Fe, NM 87505

Case 15712

Re Special Energy Corporation Application

Dear Florene

Enclosed please find (1) for filing, the original and one (1) copy of an application by Special Energy Corporation for approval of a 160 acre, non standard oil spacing and proration unit to be dedicated to the Decker #1-H well, and (1) a proposed hearing notice I will email the proposed hearing notice to you in Word format

As stated in the application, Special Energy requests that the application be placed on the Division's June 8, 2017 hearing docket

Thank you for your assistance

Very truly yours,

Gary W Larson

GWL jwl
Enclosures

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

**APPLICATION OF SPECIAL ENERGY
CORPORATION FOR A NON-STANDARD
SPACING AND PRORATION UNIT
AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No 15712

APPLICATION

Pursuant to NMSA § 70-2-17, Special Energy Corporation (“Special Energy”) applies for an order (i) approving a 160-acre, non-standard spacing and proration unit in the W/2 W/2 of Section 20, Township 12 South, Range 38 East, Lea County, New Mexico, and (ii) pooling all uncommitted mineral interests in the San Andres formation. In support of its Application, Special Energy states

1 Special Energy (OGRID No 138008) is a working interest owner in the W/2 W/2 of Section 20 and has the right to drill a well thereon

2 Special Energy proposes to dedicate the above-referenced non standard spacing and proration unit as the project area for its Decker #1-H well, which will be horizontally drilled from a surface location in Unit M in Section 17 Township 12 South Range 38 East to a bottom hole location in Unit M of Section 20, Township 12 South, Range 38 East

3 The completed interval for the Decker #1-H well will remain within the 330-foot standard offset required by 19 15 15 9(A) NMAC

4 Special Energy has undertaken diligent, good-faith efforts to obtain voluntary agreements from all mineral interest owners in the proposed project area 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 those uncommitted mineral interests will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights

6 In order to allow Special Energy to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interest owners in the non-standard spacing and proration unit should be pooled and Special Energy should be designated the operator of the proposed horizontal well and the project area

WHEREFORE, Special Energy requests that this application be set for hearing on June 8, 2017 and that, after notice and hearing, the Division enter an order

A Approving a 160-acre non-standard spacing and proration unit (project area) in the San Andres formation in the W/2 W/2 of Section 20, Township 12 South, Range 38 East, in Lea County,

B Pooling all uncommitted mineral interests in the proposed project area,

C Designating Special Energy as the operator of the project area and the Decker #1-H well,

D Authorizing Special Energy to recover its costs of drilling equipping and completing the well

E Considering the cost of drilling and completing the Decker #1-H well and allocating the cost among the uncommitted mineral interest owners,

F 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

G Imposing a 200% penalty for the risk assumed by Special Energy in drilling and completing the Decker #1-H well against any mineral interest owner who does not voluntarily participate in the drilling of the well

HINKLE SHANOR LLP

A handwritten signature in black ink, appearing to read "Gary W. Larson", written over a horizontal line.

Gary W. Larson

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Counsel for Special Energy Corporation

PROPOSED NOTICE

Case No 15712 **Application of Special Energy Corporation for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico** Applicant seeks an order (i) creating a 160-acre, non-standard oil spacing and proration unit (project area) comprised of the W/2 W/2 of Section 20, Township 12 South, Range 38 East, NMPM, in Lea County, and (ii) pooling all mineral interests in the San Andres formation underlying this acreage. The project area is to be dedicated to applicant's Decker #1-H well, which will be horizontally drilled from a surface location in Unit M in Section 17, Township 12 South Range 38 East to a bottom hole location in Unit M of Section 20, Township 12 South, Range 38 East. The completed interval for the well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of Special Energy Corporation as the operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The proposed project area is located approximately 9 miles east of Tatum, New Mexico.