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WRITER:

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November 17, 2017

VIA HAND DELIVERY

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

Case 15904

Re: Continental Resources, Inc. Application

Dear Florene:

Enclosed please find: (i) for filing, the original and one (1) copy of an application by Continental Resources, Inc. for approval of a 320-acre, non-standard oil spacing and proration unit to be dedicated to the Reed State 24-25-1HB well and compulsory pooling; and (ii) a proposed hearing notice. I will email the proposed hearing notice to you in Word format.

As stated in the application, Continental Resources requests that the application be placed on the Division's December 21, 2017 hearing docket.

Thank you for your assistance.

Very truly yours,

Gary W. Larson

GWL:jwl
Enclosures

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

**APPLICATION OF CONTINENTAL
RESOURCES, INC. FOR A NON-STANDARD
SPACING AND PRORATION UNIT
AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 1590 P

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APPLICATION

Pursuant to NMSA § 70-2-17, Continental Resources, Inc. ("Continental") applies for an order (i) approving a 320-acre, more or less, non-standard spacing and proration unit comprised of E/2 E/2 of Section 24 and the E/2 E/2 of Section 25, Township 15 South, Range 35 East, Lea County, New Mexico, and (ii) pooling all uncommitted mineral interests in the Wolfcamp formation. In support of its Application, Continental states:

1. Continental (OGRID No. 372548) is a working interest owner in the E/2 E/2 of Section 24 and the E/2 E/2 of Section 25 and has the right to drill a well thereon.
2. Continental proposes to dedicate the above-referenced non-standard spacing and proration unit as the project area for its Reed State 24-25-1HB well, which will be horizontally drilled from a surface location in Unit A of Section 24 to a bottom hole location in Unit P of Section 25, Township 15 South, Range 35 East.
3. The completed interval for the Reed State 24-25-1HB well will remain within the 330-foot standard offset required by 19.15.15.9(A) NMAC.
4. Continental 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 Continental 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 Continental should be designated the operator of the proposed horizontal well and project area.

WHEREFORE, Continental requests that this application be set for hearing on December 21, 2017 and that, after notice and hearing, the Division enter an order:

A. Approving a 320-acre, more or less, non-standard spacing and proration unit (project area) in the Wolfcamp formation in the E/2 E/2 of Section 24 and the E/2 E/2 of Section 25, Township 15 South, Range 35 East, in Lea County;

B. Pooling all uncommitted mineral interests in the proposed project area;

C. Designating Continental as the operator of the project area and the Reed State 24-25-1HB well;

D. Authorizing Continental to recover its costs of drilling, equipping, and completing the well;

E. Considering the cost of drilling and completing the Reed State 24-25-1HB 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 Continental in drilling and completing the Reed State 24-25-1HB well against any mineral interest owner who does not voluntarily participate in the drilling of the well.

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

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