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

**APPLICATION OF PERCUSSION
PETROLEUM OPERATING, LLC FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.**

CASE NO. 20231

APPLICATION

Percussion Petroleum Operating, LLC ("Percussion") through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order pooling all uncommitted interests in the 320-acre spacing unit in the N. Seven Rivers Pool (97565) comprised of the E/2 of Section 23, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico. In support of its application, Percussion states:

1. Percussion Petroleum Operating, LLC (OGRID No. 371755) is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Percussion proposes to dedicate the above-referenced spacing unit, including the adjacent proximity tracts, to four proposed wells: the **Shelby 2H Well**, the **Shelby 3H Well**, the **Shelby 4H Well**, and the **Shelby 5H Well**. The **Shelby 2H Well** and the **Shelby 3H Well** will be horizontally drilled from a surface location in the SW/4SE/4 (Unit O) of Section 14 to a standard bottomhole location in the SW/4SE/4 (Unit L) of Section 23. The **Shelby 4H Well** and the **Shelby 5H Well** will be horizontally drilled from a surface location in the SE/4SE/4 (Unit P) of Section 14 to a standard bottomhole location in the SE/4SE/4 (Unit P) of Section 23.

3. Pursuant to NMAC 19.15.16.15(B)(1)(b), Percussion will incorporate the E/2 of Section 23 into its horizontal spacing unit. Incorporating the proximity tracts, the completed interval for each well is at an orthodox well location pursuant to the Statewide rules for oil wells.

3. Percussion has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

5. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

6. In order to permit Percussion to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this proposed unit should be pooled and Percussion Petroleum Operating, LLC should be designated the operator of the proposed horizontal wells and spacing unit.

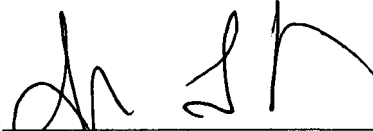
WHEREFORE, Percussion requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 24, 2019, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the spacing unit;
- B. Designating Percussion Petroleum Operating, LLC operator of the horizontal spacing unit and the horizontal wells to be drilled thereon;
- C. Authorizing Percussion to recover its costs of drilling, equipping and completing the well;
- D. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

- E. Imposing a 200% charge for the risk assumed by Percussion in drilling and completing each well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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**ATTORNEYS FOR PERCUSSION PETROLEUM
OPERATING, LLC**

CASE _____:

Application of Percussion Petroleum Operating, LLC for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks order pooling all uncommitted interests in the 320-acre spacing unit in the N. Seven Rivers Pool (97565) comprised of the E/2 of Section 23, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico. Percussion proposes to dedicate the above-referenced spacing unit, including the adjacent proximity tracts, to four proposed wells: the **Shelby 2H Well**, the **Shelby 3H Well**, the **Shelby 4H Well**, and the **Shelby 5H Well**. The **Shelby 2H Well** and the **Shelby 3H Well** will be horizontally drilled from a surface location in the SW/4SE/4 (Unit O) of Section 14 to a standard bottomhole location in the SW/4SE/4 (Unit L) of Section 23. The **Shelby 4H Well** and the **Shelby 5H Well** will be horizontally drilled from a surface location in the SE/4SE/4 (Unit P) of Section 14 to a standard bottomhole location in the SE/4SE/4 (Unit P) of Section 23. Incorporating the proximity tracts, both wells will be at a standard location. Also, to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Percussion Petroleum Operating, LLC as operator of the wells and a 200% charge for risk involved in drilling said well. Said area is located approximately 8.5 miles southwest of Atoka, New Mexico.