

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

**APPLICATION OF STRATA PRODUCTION CO.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Case No. _____

APPLICATION

Strata Production Company, OGRID No. 21712 (“Strata”), through its undersigned counsel Montgomery & Andrews, P.A. (Sharon T. Shaheen and Ricardo S. Gonzales), hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all mineral interests in the Delaware formation (Forty Niner Ridge; Delaware [24750]) in a standard 200-acre, more or less, horizontal spacing and proration unit (“HSU”) comprised of the SE/4 SE/4 of Section 22, Township 23 South, Range 30 East and the S/2 S/2 of Section 23, Township 23 South, Range 30 East in Eddy County, New Mexico. In support of its application, Strata states as follows:

1. Strata is a working interest owner in the proposed HSU and has the right to drill thereon.
2. Strata proposes to drill the following 1.25-mile well in the proposed HSU: **FNRU Fed Com 22 23 PPI 16H** well, to be horizontally drilled from an approximate surface hole location 330’ FSL and 660’ FEL of Section 22, T23S-R30E, to an approximate bottom hole location 330’ FSL and 100’ FEL of Section 23, T23S-R30E (“FNRU 22 23 PPI 16H”);
3. The SE/4 SE/4 of Section 22 is included in the Fortyniner Ridge Unit. The surface hole of the proposed well is located within the Fortyniner Ridge Unit due to limited availability of

surface locations. The well is located in a potash area. A subsurface pipeline located along the western boundary of Section 23 further limits surface availability.

4. Strata will allocate production to interests in the SE/4 SE/4 of Section 22 in accordance with the Fortyniner Ridge Unit's unitized tract interest.

5. The first and last take points for the proposed well will meet the setback requirements set forth in the statewide rules for horizontal oil wells. The completed lateral for the proposed well complies with the standard setback.

6. Strata has in good faith sought and been unable to obtain voluntary agreement for the development of these lands from all of the mineral interest owners in the HSU.

7. Approval of the HSU and the pooling of all mineral interest owners in the Middle Brushy Canyon formation underlying the HSU will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

8. In order to permit Strata to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this HSU should be pooled and Strata should be designated the operator of the HSU. The only uncommitted interest in this HSU is owned by OXY USA Inc., and OXY USA Inc. is therefore the only interest owner to be pooled in this proceeding.

WHEREFORE, Strata requests that this application be set for hearing before an examiner of the Oil Conservation Division on January 6, 2022, and that, after notice and hearing as required by law, the Division enter an order:

- A. Creating a standard 200-acre, more or less, HSU comprised of the SE/4 SE/4 of Section 22, Township 23 South, Range 30 East and the S/2 S/2 of Section 23, Township 23 South, Range 30 East in Eddy County, New Mexico;
- B. Pooling all mineral interests in the Delaware formation underlying the HSU;

- C. Allowing the drilling of the following 1.25-mile well in the proposed HSU: FNRU 22 23 PPI 16H;
- D. Designating Strata as operator of the HSU and the well to be drilled thereon;
- E. Authorizing Strata to recover its costs of drilling, equipping and completing the well;
- F. Approving the operating charges and costs of supervision while drilling of \$8,000/month and, after completion, \$800/month, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- G. Imposing a 200% penalty for the risk assumed by Strata in drilling and completing the well against any interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

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