APPLICATION OF COLGATE OPERATING, LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

CASE NO. 22797

EXHIBIT INDEX

Compulsory Pooling Checklist

Exhibit A	Self-Affirmed Statement of Travis Macha
A-1	Application & Proposed Notice of Hearing
A-2	C102s for Wells
A-3	Plat of Tracts, Ownership Interests, Uncommitted Interests to be Pooled
A-4	Sample Well Proposal Letter and AFEs
A-5	Chronology of Contact
Exhibit B	Self-Affirmed Statement of David DaGian
B-1	Regional Locator Map
B-2	Cross-Section Locator Map
B-3	Second Bone Spring – Structure Map
B-4	Structural Cross-Section
B-5	Stratigraphic Cross-Section
B-6	Gun Barrel Development Plan
Exhibit C	Affidavit of Dana S. Hardy
C-1	Sample Notice Letter to All Interested Parties
C-2	Chart of Notice to All Interested Parties and Certified Mail Receipts

C-3 Affidavit of Publication for May 12, 2022

COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS					
Case No.:	22797				
Hearing Date:	6/2/2022				
Applicant	Colgate Operating, LLC				
Designated Operator & OGRID	371449				
Applicant's Counsel	Hinkle Shanor LLP				
Case Title	Application of Colgate Operating, LLC for Compulsory Pooling, Eddy				
	County, New Mexico				
Entries of Appearance/Intervenors	MRC Permian Company; Sabinal Energy Operating, LLC				
Well Family	Bondi 24 Fed Com				
Formation/Pool					
Formation Name(s) or Vertical Extent	Bone Spring Formation				
Primary Product (Oil or Gas)	Oil				
Pooling this vertical extent	top of the Bone Spring Formation to base of Second Bone Spring				
	Formation				
Pool Name and Pool Code	Avalon; Bone Spring, East Pool (Code 3713)				
Well Location Setback Rules	Standard				
Spacing Unit Size	320				
Spacing Unit					
Type (Horizontal/Vertical)	Horizontal				
Size (Acres)	320				
Building Blocks	quarter-quarter				
Orientation	East/West				
Description: TRS/County	S/2 N/2 of Sections 23 and 24, Township 20 South, Range 28 East,				
	Eddy County, New Mexico				
Standard Horizontal Well Spacing Unit (Y/N), If No, describe	Yes				
Other Situations					
Depth Severance: Y/N. If yes, description	Yes 5,250' to 7,624'				
Proximity Tracts: If yes, description	No				
Proximity Defining Well: if yes, description	N/A				
Well(s)	·				
Name & API (if assigned), surface and bottom hole location,	Add wells as needed				
footages, completion target, orientation, completion status					
(standard or non-standard)					
Well #1	Bondi 24 Fed Com 122H (API # pending)				
	SHL: 612' FNL & 552' FEL, Unit A, Section 24, T20S-R28E				
	BHL: 1980' FNL & 10' FWL, Unit E, Section 23, T20S-R28E				
	Completion Target: 2nd Bone Spring (Approx. 7,757' TVD)				
	Well Orientation: East to West				
	Standard Spacing				
	1 0				
Horizontal Well First and Last Take Points	Exhibit A-2				
Completion Target (Formation, TVD and MD)	Exhibit A-4				
AFE Capex and Operating Costs					
Drilling Supervision/Month \$	\$8,000.00				
Production Supervision/Month \$	\$800.00				
Justification for Supervision Costs	Exhibit A				
Requested Risk Charge	200%				
Notice of Hearing					
Proposed Notice of Hearing	Exhibit A-1				
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit C-2				
Released Fablungangotife bi2482 rills (20 254 Mefore hearing)	Exhibit C-3				

Received by OCD: 5/31/2022 8:14:16 AM	Page 4 of
Ownership Determination	
Land Ownership Schematic of Spacing Unit	Exhibit A-3
Tract List (including lease numbers & owners)	Exhibit A-3
Pooled Parties (including ownership type)	Exhibit A-3
Unlocatable Parties to be Pooled	Exhibit A
Ownership Depth Severance (including percentage above &	
below)	Exhibit A
Joinder	
Sample Copy of Proposal Letter	Exhibit A-4
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-3
Chronology of Contact with Non-Joined Working Interests	Exhibit A-5
Overhead Rates In Proposal Letter	Exhibit A-4
Cost Estimate to Drill and Complete	Exhibit A-4
Cost Estimate to Equip Well	Exhibit A-4
Cost Estimate for Production Facilities	Exhibit A-4
Geology	
Summary (including special considerations)	Exhibit B
Spacing Unit Schematic	Exhibit B-2
Gross Isopach	N/A
Well Orientation (with rationale)	Exhibit B
Target Formation	Exhibit B
HSU Cross Section	Exhibits B-4, B-5
Depth Severance Discussion	Exhibit A
Forms, Figures and Tables	
C-102	Exhibit A-2
Tracts	Exhibit A-3
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit A-3
General Location Map (including basin)	Exhibit B-1
Well Bore Location Map	Exhibit B-2
Structure Contour Map - Subsea Depth	Exhibit B-3
Cross Section Location Map (including wells)	Exhibit B-2
Cross Section (including Landing Zone)	Exhibits B-4, B-5
Additional Information	
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):	/s/ Dana S. Hardy
Date:	5/31/2022

APPLICATION OF COLGATE OPERATING, LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 22797

SELF-AFFIRMED STATEMENT <u>OF TRAVIS MACHA</u>

- 1. I am a Senior Landman at Colgate Operating, LLC ("Colgate") and am over 18 years of age. I have personal knowledge of the matters addressed herein and am competent to provide this Self-Affirmed Statement. I have previously testified before the New Mexico Oil Conservation Division ("Division") and my credentials as an expert in petroleum land matters were accepted and made a matter of record.
- 2. I am familiar with the land matters involved in the above-referenced case. Copies of the application and proposed hearing notice are attached as **Exhibit A-1**.
- 3. None of the parties proposed to be pooled in this case indicated opposition to this matter proceeding by affidavit, therefore I do not expect any opposition at hearing.
- 4. In this case, Colgate seeks an order pooling all uncommitted interests from the top of the Bone Spring Formation to the base of the Second Bone Spring Formation underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the S/2 N/2 of Sections 23 and 24, Township 20 South, Range 28 East, Eddy County, New Mexico ("Unit").
- 5. A depth severance exists in the Bone Spring Formation within the Unit. Accordingly, Colgate seeks to pool uncommitted interests from the top of the Bone Spring Formation at a stratigraphic equivalent of approximately 5,250' MD to the base of the Second

Colgate Operating LLC Case No. 22797 Exhibit A Bone Spring Formation at a stratigraphic equivalent of approximately 7,624' MD as observed on the Government AA #1 well log (API 30-015-21286).

- 6. The Unit will be dedicated to the **Bondi 24 Fed Com 122H** well ("Well") to be horizontally drilled from a surface hole location in the NE/4 NE/4 (Unit A) of Section 24 to a bottom hole location in the SW/4 NW/4 (Unit E) of Section 23. The completed interval of the Well will be orthodox. The well is located in the Avalon; Bone Spring, East Pool (Code 3713).
 - 7. **Exhibit A-2** contains the C-102 for the Well.
- 8. **Exhibit A-3** contains a plat identifying ownership by tract in the Unit. This exhibit also includes any applicable lease numbers, a unit recapitulation, and the interests Colgate seeks to pool highlighted in yellow.
- 9. **Exhibit A-4** contains a sample well proposal letter and AFEs sent to working interest owners for the Wells. The estimated costs reflected on the AFEs are fair and reasonable and comparable to the cost of other wells of similar depth and length drilled in the subject formation in the area.
- 10. Colgate has conducted a diligent search of all county public records including phone directories and computer databases.
 - 11. All interest owners Colgate seeks to pool are locatable.
- 12. In my opinion, Colgate made a good-faith effort to reach voluntary joinder of uncommitted interests in the Wells as indicated by the chronology of contact described in **Exhibit A-5**.
- 13. Colgate 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 Colgate and other operators in the vicinity.

- 14. The exhibits attached hereto were either prepared by me or under my supervision or were compiled from company business records.
- 15. In my opinion, the granting of Colgate's application would serve the interests of conservation, the protection of correlative rights, and the prevention of waste.
- 16. I understand this Self-Affirmed Statement will be used as written testimony in this case. I affirm that my testimony in paragraphs 1 through 15 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.

1		
	5/16/2022	
Travis Macha	Date	

APPLICATION OF COLGATE OPERATING, LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

CASE NO. 22797

<u>APPLICATION</u>

Pursuant to NMSA § 70-2-17, Colgate Operating, LLC ("Applicant") applies for an order pooling all uncommitted interests from the top of the Bone Spring Formation to the base of the Second Bone Spring Formation underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the S/2 N/2 of Sections 23 and 24, Township 20 South, Range 28 East, Eddy County, New Mexico ("Unit"). In support of its application, Applicant states the following.

- 1. Applicant (OGRID No. 371449) is a working interest owner in the Unit and has the right to drill wells thereon.
- 2. The Unit will be dedicated to the **Bondi 24 Fed Com 122H** well ("Well") to be horizontally drilled from a surface hole location in the NE/4 NE/4 (Unit A) of Section 24 to a bottom hole location in the SW/4 NW/4 (Unit E) of Section 23.
 - 3. The completed interval of the Well will be orthodox.
- 4. A depth severance exists in the Bone Spring Formation within the Unit. Accordingly, Applicant seeks to pool uncommitted interests from the top of the Bone Spring Formation at a stratigraphic equivalent of approximately 5,250' MD to the base of the Second Bone Spring Formation at a stratigraphic equivalent of approximately 7,624' MD as observed on the Government AA #1 well log (API 30-015-21286).

Colgate Operating LLC Case No. 22797 Exhibit A-1

- 5. Applicant has undertaken diligent, good-faith efforts to obtain voluntary agreements from all interest owners to participate in the drilling of the Well but has been unable to obtain voluntary agreements from all interest owners.
- 6. The pooling of uncommitted interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.
- 7. In order to allow Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interests in the Unit should be pooled and Applicant should be designated the operator of the Well and Unit.

WHEREFORE, Applicant requests this application be set for hearing on June 2, 2022, and that after notice and hearing, the Division enter an order:

- A. Pooling all uncommitted interests in the Unit;
- B. Approving the Well in the Unit;
- C. Designating Applicant as operator of the Unit and the Well to be drilled thereon;
- D. Authorizing Applicant to recover its costs of drilling, equipping and completing the
 Well;
- E. 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
- F. Imposing a 200% penalty for the risk assumed by Applicant in drilling and completing the Well against any working 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
Jaclyn McLean
P.O. Box 2068
Santa Fe, NM 87504-2068
Phone: (505) 982-4554
dhardy@hinklelawfirm.com
jmclean@hinklelawfirm.com
Counsel for Colgate Operating, LLC

Application of Colgate Operating, LLC for Compulsory Pooling, Eddy County, New Mexico. Applicant applies for an order pooling all uncommitted interests from the top of the Bone Spring Formation to the base of the Second Bone Spring Formation underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the S/2 N/2 of Sections 23 and 24, Township 20 South, Range 28 East, Eddy County, New Mexico ("Unit"). The Unit will be dedicated to the Bondi 24 Fed Com 122H well to be horizontally drilled from a surface hole location in the NE/4 NE/4 (Unit A) of Section 24 to a bottom hole location in the SW/4 NW/4 (Unit E) of Section 23. A depth severance exists in the Bone Spring Formation within the Unit. Accordingly, Applicant seeks to pool uncommitted interests from the top of the Bone Spring Formation at a stratigraphic equivalent of approximately 5,250' MD to the base of the Second Bone Spring Formation at a stratigraphic equivalent of approximately 7,624' MD as observed on the Government AA #1 well log (API 30-015-21286). Also to be considered will be the cost of drilling and completing the Well and the allocation of the costs, the designation of Applicant as the operator of the Well, and a 200% charge for the risk involved in drilling and completing the Well. The Well is located approximately 11.12 miles northeast of Carlsbad, New Mexico.

<u>District I</u>
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
<u>District II</u>

811 S. First St., Artesia, NM 88210 Phone: (575) 748-1283 Fax: (575) 748-9720 <u>District III</u> 1000 Rio Brazos Road, Aztec, NM 87410 Phone: (505) 334-6178 Fax: (505) 334-6170

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

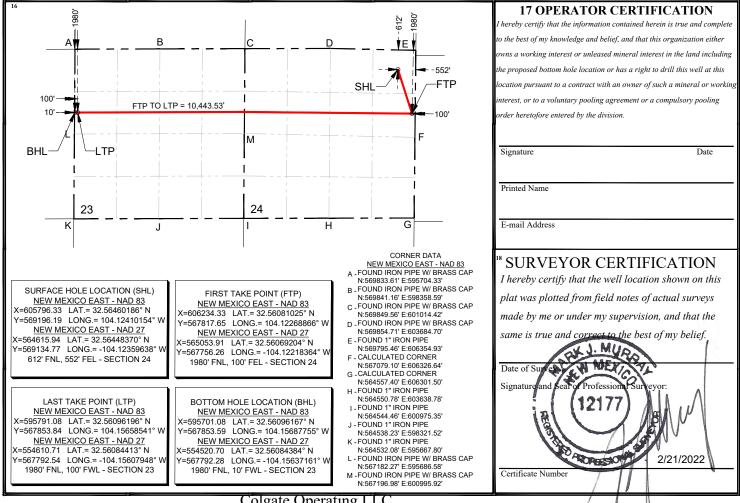
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1	1 2712			3713 2 Pool Code			Avalon, Bone Spring, East Pool			
4 Property	Code	5 Property Name BONDI 24 FED COM					6	Well Number 122H		
7 OGRID 371449		8 Operator Name COLGATE ENERGY LLC						9 Elevation 3248.46'		
	¹⁰ Surface Location									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/We	st line	County
A	24	20-S	28-E		612'	NORTH	552'	EAS	T	EDDY

¹¹ Bottom Hole Location If Different From Surface UL or lot no. Section Township Range Lot Idn Feet from the North/South line Feet from the East/West line County NORTH WEST 10' EDDY 23 20-S 28-E 1980' 12 Dedicated Acres 13 Joint or Infill 14 Consolidation Code 15 Order No.

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



Colgate Operating LLC

Case No. 22797

Released to Imaging: 5/31/2022 10:04:25 AM
Exhibit A-2

Land Exhibit: S2N2 - Bondi Fed Com 122H

Section 23 & 24: S2N2, T20S-R28E, Eddy Co., NM

NM-018293 RT: Colgate, <i>Tanos*</i> , Sabinal WI: Colgate, et al. See Calc. <i>Sliding Scale</i>		Section 23	WI: Co	LC-0050797 LLJ Ventures, LLC Igate, et al. See C Sliding Scale		Section 24	
NM-017220 RT: Colgate WI: Colgate, et al.		RT: WI: Colgate	.0067684 Colgate e, et al. See Calc. ling Scale	NM-134864 RT: Colgate WI: Colgate	NM-139844 RT: MRC WI: MRC	NM-1	00255
NM-058964 RT: Colgate WI: Colgate, et al.	NM-008941 RT: Colgate WI: Colgate, et al.					RT: Co WI: Co	•
NM-082993 RT: Colgate WI: Colgate, et al.		NM-017099 RT: Colgate WI: Colgate, et al.	NM-015003 RT: Colgate WI: Colgate, et al.	NM-139845 RT: MRC WI: MRC			

Bondi Federal C	om 121H Spacing
Bondi Federal C	om 122H Spacing
Bondi Federal C	om 123H Spacing
Bondi Federal C	om 124H Spacing

		Documents Sent			
Owner	Pooling?	Proposal	JOA	Com Agmt	Notes
Colgate Production, LLC	N/A	Υ	Υ	Υ	
Javelina Partners	N	Υ	Υ	Υ	Executed All Docs
Zorro Partners	N	Υ	Υ	Υ	Executed All Docs
Ard Energy Partners	N	Υ	Υ	Υ	
Pony Oil Capital	N	Υ	Υ	Υ	
Lindy's Living Trust	N	Υ	Υ	Υ	
Delmnar Hudson Lewis LT	N	Υ	Υ	Υ	
Josephine Hudson Trust	N	Υ	Υ	Υ	
Davoil, Inc.	Υ	Υ	Υ	Υ	Com Agreement signature outstanding
Great Western Drilling	Υ	Υ	Υ	Υ	Com Agreement signature outstanding
MRC Permian Co.	Υ	Υ	Υ	Υ	
LLJ Ventures, LLC	Υ	Υ	Υ	Υ	Sold WI - Still owns RT
Sabinal Energy	Υ	Υ	Υ	Υ	
Tanos Energy Holdings	N	N	N	Υ	No WI - only RT

^{*}Please Note Oxy USA, Inc. has assigned all rights and interest unto Colgate Production, LLC. Record title transfers are processing with the BLM

Leasehold Ownership						
Owner	Sec 23: All	Sec 24: E2NE, SE, SESW, SWNE, SWNW	Sec 24: N2NW, NWNE, N2SW	Sec 24: SENW, SWSW		
Colgate Production, LLC	96.289392%	100.000000%	72.916667%	0.000000%		
Javelina Partners	0.000000%	0.000000%	3.949653%	0.000000%		
Zorro Partners	0.000000%	0.000000%	2.126736%	0.000000%		
Ard Energy Partners	0.000000%	0.000000%	1.595052%	0.000000%		
Pony Oil Capital	0.000000%	0.000000%	12.500000%	0.000000%		
Lindy's Living Trust	0.000000%	0.000000%	3.190104%	0.000000%		
Delmnar Hudson Lewis LT	0.000000%	0.000000%	3.190104%	0.000000%		
Josephine Hudson Trust	0.000000%	0.000000%	0.531684%	0.000000%		
Davoil, Inc.	1.158065%	0.000000%	0.000000%	0.000000%		
Great Western Drilling	2.101885%	0.000000%	0.000000%	0.000000%		
MRC Permian Co.	0.000000%	0.000000%	0.000000%	100.000000%		
LLJ Ventures, LLC	0.000000%	0.000000%	0.000000%	0.000000%		
Sabinal Energy	0.450658%	0.000000%	0.000000%	0.000000%		
Tanos Energy Holdings	0.000000%	0.000000%	0.000000%	0.000000%		

Unit Capitulation				
Owner	Working Interest			
Colgate Production, LLC	85.6446960%			
Pony Oil Capital	0.0000000%			
Javelina Partners	0.000000%			
Lindy's Living Trust	0.000000%			
Delmar Hudson Lewis Trust	0.000000%			
Zorro Partners, Ltd.	0.0000000%			
Ard Energy Partners, Ltd.	0.0000000%			
Josephine T. Hudson Trust	0.0000000%			
Sabinal Energy	0.2253290%			
Davoil, Inc.	0.5790330%			
Great Western Drilling Ltd.	1.0509430%			
MRC Permian Co.	12.5000000%			
Total	100.0000000%			

Colgate Operating LLC Case No. 22797 Exhibit A-3



May 19, 2022 Via Certified Mail

Sabinal Energy Operating, LLC 1780 Hughes Landing Blvd, Suite 1200 The Woodlands, TX 77380

RE: Bondi 24 Federal Com – Well Proposals

Section 23: All, Section 24: All, T20S-28E, Bone Spring Formation Eddy County, New Mexico

To Whom It May Concern

:

Colgate Operating, LLC, as operator for Colgate Production, LLC ("Colgate"), hereby proposes the drilling and completion of the following four (4) wells, the Bondi 24 Federal Com 121H, 122H, 123H, and 124H from two well pads at the following approximate locations within Township 20 South, Range 28 East:

1. Bondi 24 Federal Com 121H - North Pad

SHL: 611' FNL & 522' FEL or at a legal location within Unit A of Section 24

BHL: 10' FWL & 660' FNL of Section 23 FTP: 100' FEL & 660' FNL of Section 24 LTP: 100' FWL & 660' FNL of Section 23

TVD: 7,758'

TMD: Approximately 15,543'

Proration Unit: N2N2 of Sections 23 and 24

Targeted Interval: 2nd Bone Spring Total Cost: See attached AFE

2. Bondi 24 Federal Com 122H - North Pad

SHL: 612' FNL & 552' FEL or at a legal location within Unit A of Section 24

BHL: 10' FWL & 1,980' FNL of Section 23 FTP: 100' FEL & 1,980' FNL of Section 24 LTP: 100' FWL & 1,980' FNL of Section 23

TVD: 7,757'

TMD: Approximately 15,542'

Proration Unit: S2N2 of Sections 23 and 24

Targeted Interval: 2nd Bone Spring Total Cost: See attached AFE

> 300 N. Marienfeld St., Suite 1000, Midland, Texas 79701 P: (432) 695-4222 | F: (432) 695-4063 www.ColgateEnergy.com

Colgate Operating LLC Case No. 22797 Exhibit A-4

Bondi 24 Federal Com Well Proposal

1. Bondi 24 Federal Com 123H – South Pad

SHL: 1,325' FSL & 378' FEL or at a legal location within Unit I of Section 24

BHL: 10' FWL & 1,980' FSL of Section 23 FTP: 100' FEL & 1,980' FSL of Section 24 LTP: 100' FWL & 1,980' FSL of Section 23

TVD: 7,740'

TMD: Approximately 15,525'

Proration Unit: N2S2 of Sections 23 and 24

Targeted Interval: 2nd Bone Spring Total Cost: See attached AFE

2. Bondi 24 Federal Com 124H - South Pad

SHL: 1,326' FSL & 408' FEL or at a legal location within Unit I of Section 24

BHL: 10' FWL & 660' FSL of Section 23 FTP: 100' FEL & 660' FSL of Section 24 LTP: 100' FWL & 660' FSL of Section 23

TVD: 7,740'

TMD: Approximately 15,525'

Proration Unit: S2S2 of Sections 23 and 24

Targeted Interval: 2nd Bone Spring Total Cost: See attached AFE

The locations, TVDs, and targets are approximate and subject to change dependent on surface or subsurface issues encountered. Colgate is proposing to drill these wells under the modified terms of the 1989 AAPL Operating Agreement and a form of said Operating Agreement is enclosed. The Operating Agreement has the following general provisions:

- -100%/300%/300% non-consent provisions
- \$8,000/\$800 drilling and producing rates
- Colgate Operating, LLC named as Operator

Please indicate your election to participate in the drilling and completion of the proposed wells in the space provided below. Please sign and return one copy of this letter, a signed copy of the previously proposed AFE, and your geologic well requirements.

In the interest of time, should we not reach an agreement within thirty (30) days of the date of your receipt of this letter, Colgate will apply to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a spacing unit for the proposed well. If you do not wish to participate, Colgate would be interested in acquiring your interest in the subject lands which is subject to further negotiation.

Bondi 24 Federal Com Well Proposal

Thank you for your time and consideration, if you have any questions at all, please don't hesitate to contact me at 432.400.1037 or by email at tmacha@colgateenergy.com.

Respectfully,

Travis Macha

Senior Landman

Enclosures

Well Elections: (Please indicate your responses in the spaces below)						
Well(s)	Elect to Participate	Elect to <u>NOT</u> Participate				
Bondi 24 Federal Com 121H						
Bondi 24 Federal Com 122H						
Bondi 24 Federal Com 123H						
Bondi 24 Federal Com 124H						

Company Name	(If Applicable):	
By:		
Printed Name: _		
D 4		

Colgate Energy

300 N. Marienfeld St., Ste. 1000 Midland, TX 79701 Phone (432) 695-4222 • Fax (432) 695-4063

		COSTS AND AUTHO	DRIZATION FOR EXPENDE		
DATE:	2/15/2022			AFE NO.:	1 P. C.:
VELL NAME: LOCATION:	Bondi 24 Federal Com 122 Section 24, Block T20S-R28				ralon; Bone Spring 5' MD / 7765' TVD
				LATERAL LENGTH:	10,000
COUNTY/STATE:	Eddy County, New Mexico 85.64%	,		DRILLING DAYS:	19.7
Colgate WI: GEOLOGIC TARGET:	SBSG			COMPLETION DAYS:	18.6
SEOLOGIC TARGET.	Drill a horizontal WCa we	l and complete with			
REMARKS:	install cost	und complete with	11 suges. 111 E fictures e	ariming, completions, nowe	ack and militar 712
INTANGIBLE	COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	TOTAL COSTS
Land / Legal / Regulatory	\$	42,500	\$	\$	\$ 42,500
Location, Surveys & Dama	iges	207,283	13,000	10,000	230,283
Freight / Transportation Rental - Surface Equipmer		32,330 84,757	31,500 155,000	6,120	63,830 245,877
Rental - Downhole Equipmen		137,058	30,000	0,120	167,058
Rental - Living Quarters	_	33,172	43,700		76,872
Directional Drilling, Surv	reys	281,798			281,798
1 Drilling 2 Drill Bits	_	545,325 82,680			545,325 82,680
3 Fuel & Power	_	135,945	290,000		425,945
4 Cementing & Float Equip	,	188,192			188,192
5 Completion Unit, Swab, C				12,000	
6 Perforating, Wireline, Sli 7 High Pressure Pump True			282,875 46,000	18,000	300,875 46,000
Completion Unit, Swab, (86,800		86,800
Mud Circulation System	_	75,746			75,746
l Mud Logging	-	13,163			13,163
2 Logging / Formation Eval	uation	5,081	6,000		11,081
3 Mud & Chemicals 4 Water	_	250,634 42,400	288,966 437,000		539,600 479,400
4 vvater 5 Stimulation	_	-	648,344		648,344
6 Stimulation Flowback &	Disp	-	105,500		105,500
8 Mud/Wastewater Dispos		156,986	44,000		200,986
Rig Supervision / Engine	-	87,335	103,200	4,800	195,335
2 Drlg & Completion Overl 5 Labor	neau	7,500	50,000	20,000	7,500
4 Proppant	_	117,700	660,683	20,000	660,683
5 Insurance	_	9,042			9,042
7 Contingency		-	19,450	7,092	26,542
9 Plugging & Abandonmer	_	-			-
	TOTAL INTANGIBLES >	2,536,695	3,342,018	78,012	5,966,256
TANGIBLE (COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	TOTAL COSTS
Surface Casing	\$	60,309	\$	\$	\$ 60,309
I Intermediate Casing	_	73,075			73,075
2 Drilling Liner	<u> </u>	133,379			133,379
3 Production Casing 4 Production Liner	_	449,645			449,645
Froduction Liner Tubing	_	 _		55,000	55,000
6 Wellhead	_	68,900		51,200	120,100
7 Packers, Liner Hangers	_	10,600	-	7,500	18,100
8 Tanks	<u> </u>	-		16,500	16,500
9 Production Vessels 0 Flow Lines	_			12,500	12,500
1 Rod string	_			12,500	
2 Artificial Lift Equipment	_	-		40,000	40,000
3 Compressor	_	-		42,500	42,500
4 Installation Costs	_	-			-
5 Surface Pumps 6 Downhole Pumps	_	 _		5,000	5,000
7 Measurement & Meter In	stallation			21,000	21,000
8 Gas Conditioning/Dehy	dration				-
9 Interconnecting Facility P	iping				-
O Gathering / Bulk Lines	orc —				-
1 Valves, Dumps, Controlle 2 Tank/Facility Containme					
3 Flare Stack	_				-
4 Electrical / Grounding	_			55,000	55,000
5 Communications / SCAD	A				
6 Instrumentation / Safety	TOTAL TANGIBLES >	795,908		306,200	1,102,108
	TOTAL COSTS >	3,332,603	3,342,018	384,212	7,093,844
				304,212	
ARED BY Colgate Ener		333	\$ 334		\$ 709
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Production Enginee	r: Levi Harris				
, E ADDROVAL					
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OPERATING PARTNI	EK APPROVAL:				
Company Name	e:		Working Interest (%):	Tax II	D:
Signed by	y:		Date:		
			-	1 =	
Title	e:		Approval:	Yes	No (mark one)



Bondi – Chronology of Communication

February 23, 2022 – Proposal to all parties sent

March 15, 2022 – Correspondence with Great Western (their request for JOA changes – All changes accepted and made by Colgate)

March 24, 2022 – Correspondence with Pony Oil Capital who purchased LLJ Venture's interest – provided them updated exhibit A for JOA as well as Com Agreement

March 25, 2022 – Correspondence with Davoil indicating their participation

March 28, 2022 – Correspondence with Zorro and Javelina Partners discussing depths and future operations

March 29, 2022 – Proposal remailed to Josephine T. Hudson Trust (Updated Address)

April 26, 2022 – Supplemental letter sent to all parties correcting the TMD (total measured depth)

May 9, 2022 – Correspondence with Sabinal providing general development plans

May 13, 2022 - Correspondence with Zorro and Javelina - they also send in JOA signatures and participation elections the same day

Colgate Operating LLC Case No. 22797 Exhibit A-5

APPLICATION OF COLGATE OPERATING, LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 22797

SELF-AFFIRMED STATEMENT OF DAVID DAGIAN

- 1. I am a geologist at Colgate Operating, LLC ("Colgate") and am over 18 years of age. I have personal knowledge of the matters addressed herein and am competent to provide this Self-Affirmed Statement. I have previously testified before the New Mexico Oil Conservation Division ("Division"), and my credentials as an expert in petroleum geology matters were accepted and made a matter of record.
 - 2. I am familiar with the geological matters that pertain to the above-referenced case.
- 3. **Exhibit B-1** is a regional locator map that identifies the Bondi project area, in proximity to the Capitan Reef within the Delaware Basin, for the Bone Spring horizontal spacing units that are the subject of these applications.
- 4. **Exhibit B-2** is a cross section location map for the proposed horizontal spacing unit ("Unit") within the Bone Spring formation. The approximate wellbore path for the proposed **Bondi 24 Fed Com 122H** well ("Well") targeting the Second Bone Spring (SBSG) is represented by the dashed line. Existing producing wells in the targeted interval are represented by solid lines. This map identifies the cross-section running from A-A' with the cross-section well names and a black line in proximity to the proposed well.
- 5. **Exhibit B-3** is a Second Bone Spring (SBSG) Structure map on the base of the Second Bone Spring formation in TVD subsea with a contour interval of 50 ft. The map identifies

Colgate Operating, LLC Case No. 22797 Exhibit B the approximate wellbore path for the **Bondi 24 Fed Com 122H** proposed well with an orange dashed line. It also identifies the location of the cross-section running from A-A' in proximity to the proposed well. The data points are indicated by red triangles. The map demonstrates the formation is gently dipping to the east-southeast in this area. I do not observe any faulting, pinchouts, or geologic impediments to developing the targeted intervals with horizontal wells.

- 6. **Exhibit B-4** identifies three wells penetrating the targeted interval I used to construct a structural cross-section from A to A'. The structural cross section from west to east shows the regional dip to the East-Southeast for the SBSG. I used these well logs because they penetrate the targeted interval, are of good quality, and are representative of the geology in the area. The target zone for the proposed well is the Second Bone Spring formation, which is consistent across the units. The approximate well-path for the proposed well is indicated by dashed line to be drilled from east to west across the units.
- 7. **Exhibit B-5** is a stratigraphic cross-section from A to A' using the representative wells identified on **Exhibit B-4**. It contains gamma ray, resistivity, and porosity logs. The cross section is oriented from west to east and is hung on the top of the Wolfcamp formation. The proposed landing zone for the Well is labeled on the exhibit. The approximate well-path for the proposed well is indicated by dashed line to be drilled from east to west across the units. This cross-section demonstrates the target interval is continuous across the Unit.
- 8. **Exhibit B-6** is a gun barrel diagram that shows the **Bondi 24 Fed Com 122H** well in the Second Bone Spring formation.
- 9. In my opinion, a laydown orientation for the Well is appropriate to properly develop the subject acreage because of consistent rock properties throughout the Unit and is the preferred fracture orientation in this portion of the trend.

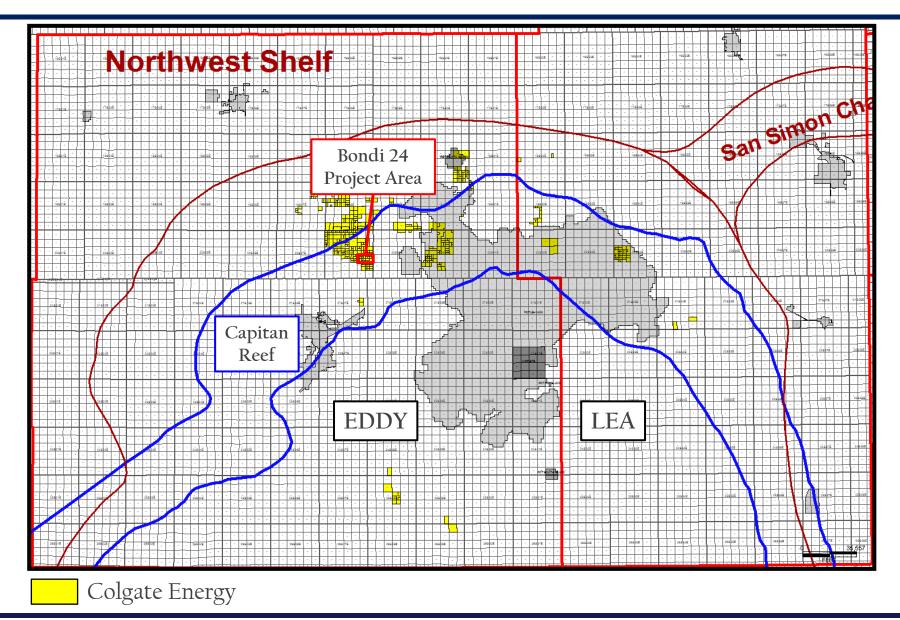
- 10. Based on my geologic study of the area, the targeted interval underlying the Unit is suitable for development by horizontal wells and the tracts comprising the Unit will contribute more or less equally to the production of the Well.
- 11. In my opinion, the granting of Colgate's application will serve the interests of conservation, the protection of correlative rights, and the prevention of waste.
- 12. The exhibits attached hereto were either prepared by me or under my supervision or were compiled from company business records.
- 13. I understand this Self-Affirmed Statement will be used as written testimony in this case. I affirm my testimony in paragraphs 1 through 12 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 identified next to my signature below.

David DaGian

 $\frac{5/24/22}{\text{Date}}$

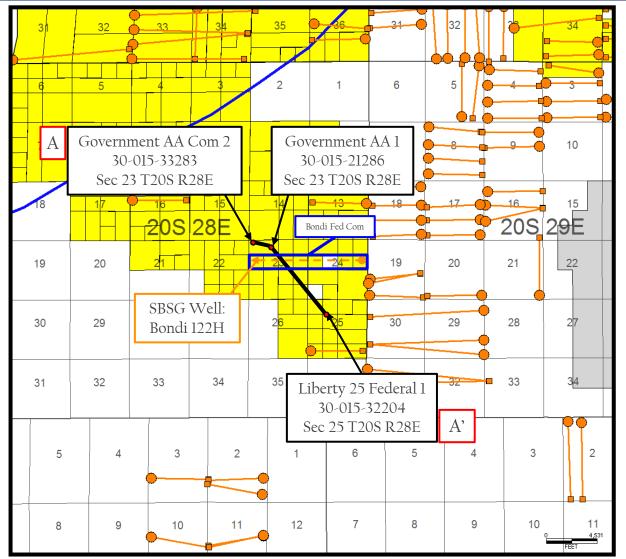
Exhibit B-1











Proposed Wells



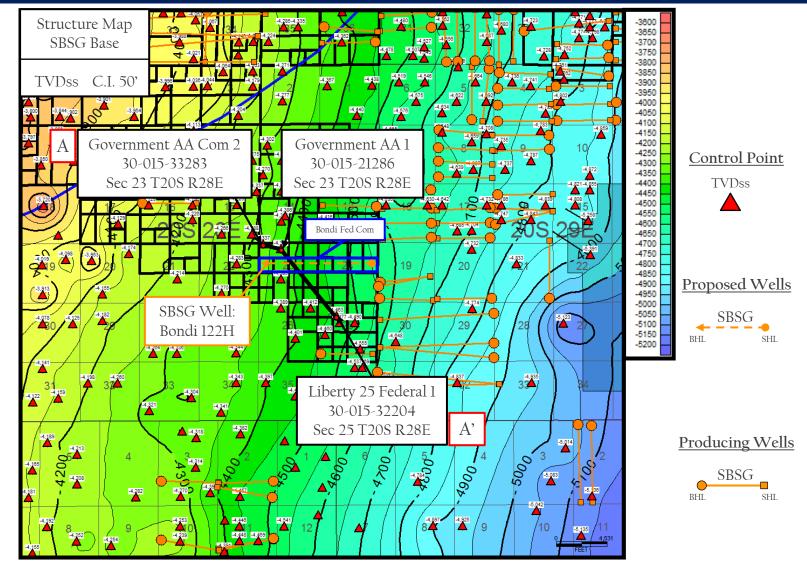
Producing Wells



Colgate Energy

Exhibit B-3





Colgate Energy

Structural: @toss: Section A-A' Bondi 24 Fed Com 122H

Colgate Operating, LLC Case No. 22797 Exhibit B-4





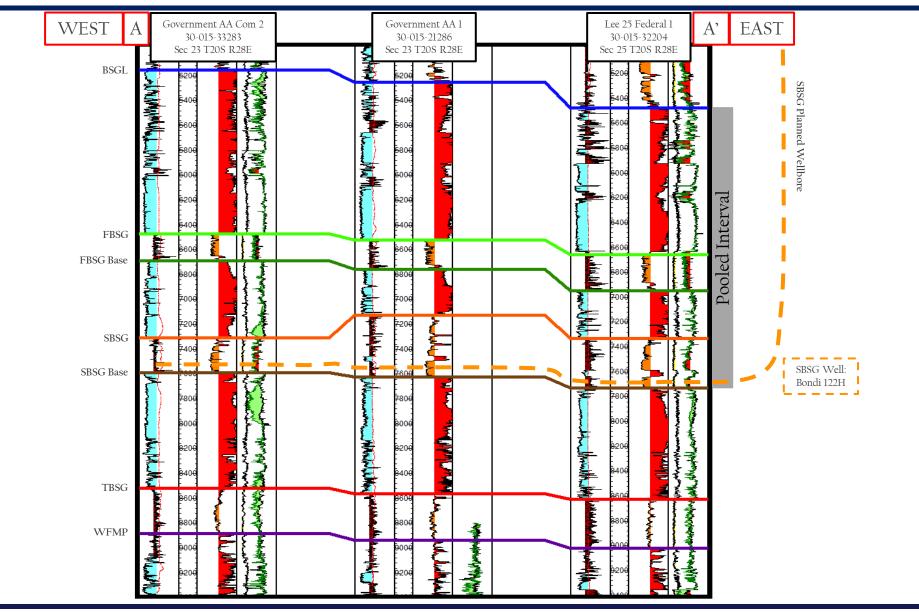
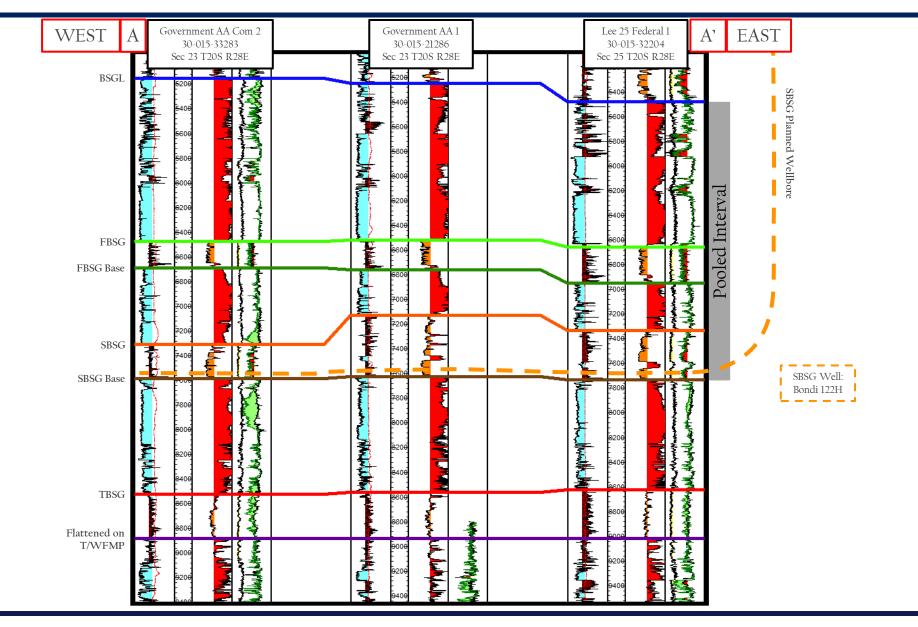


Exhibit B-5



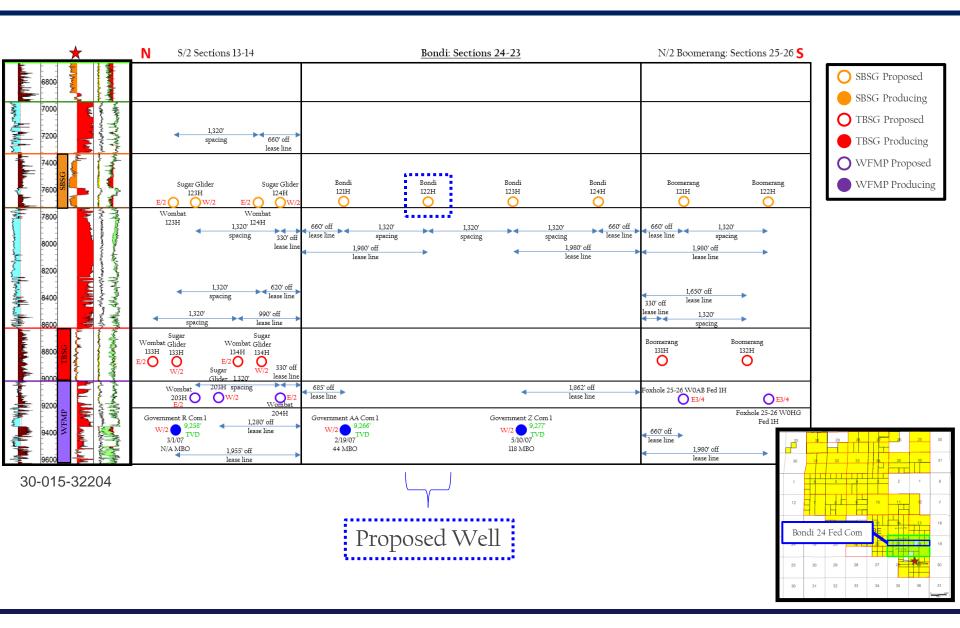


Gerri Bar PEP 1984/2005 pHile Att Plan Bondi 24 Fed Com 122H

Colgate Operating, LLC Case No. 22797 Exhibit B-6







APPLICATION OF COLGATE OPERATING, LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 22797

SELF-AFFIRMED STATEMENT OF DANA S. HARDY

- I am attorney in fact and authorized representative of Colgate Operating LLC, the Applicant herein.
- 2. I am familiar with the Notice Letter attached as **Exhibit C-1** and caused the Notice Letter to be sent to the parties set out in the chart attached as **Exhibit C-2**.
- 3. The above-referenced Application was provided, along with the Notice Letters, to the recipients listed in Exhibit C-2.
- 4. Exhibit C-2 also provides the date each Notice Letter was sent and the date each return was received. Copies of the certified mail green cards and white slips are also attached as Exhibit C-2 as supporting documentation for proof of mailing and the information provided on Exhibit C-2.
- 5. On May 12, 2022, I caused a notice to be published to all interested parties in the Carlsbad Current Argus. An Affidavit of Publication from the Legal Clerk of the Carlsbad Current Argus, along with a copy of the notice publication, is attached as **Exhibit C-3**.

/s/ Dana S. Hardy	5/27/2002	
Dana S. Hardy	Date	

Colgate Operating, LLC Case No. 22797 Exhibit C



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

May 4, 2022

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED

TO ALL PARTIES ENTITLED TO NOTICE

Re: Case Nos. 22796, 22797, 22798, 22799 - Applications of Colgate Operating, LLC for Compulsory Pooling, Eddy County, New Mexico.

To whom it may concern:

This letter is to advise you that the enclosed application was filed with the New Mexico Oil Conservation Division. The hearing will be conducted on **June 2**, **2022** beginning at 8:15 a.m.

During the COVID-19 Public Health Emergency, state buildings are closed to the public and hearings will be conducted remotely. To participate in the electronic hearing, see the instructions posted on the OCD Hearings website: https://www.emnrd.nm.gov/ocd/hearing-info/. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Pursuant to Division Rule 19.15.4.13.B, a party who intends to present evidence at the hearing shall file a pre-hearing statement and serve copies on other parties, or the attorneys of parties who are represented by counsel, at least four business days in advance of a scheduled hearing, but in no event later than 5:00 p.m. mountain time, on the Thursday preceding the scheduled hearing date. The statement must be filed at the Division's Santa Fe office or submitted through the OCD E-Permitting system (https://www.apps.emnrd.state.nm.us/ocd/ocdpermitting/) and should include: the names of the parties and their attorneys, a concise statement of the case, the names of all witnesses the party will call to testify at the hearing, the approximate time the party will need to present its case, and identification of any procedural matters that are to be resolved prior to the hearing.

Please do not hesitate to contact me if you have any questions about this matter.

Sincerely,

/s/ Dana S. Hardy

Dana S. Hardy

Enclosure

Colgate Operating, LLC Case No. 22797 Exhibit C-1

APPLICATIONS OF COLGATE OPERATING, LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

Case Nos. 22796—22799

NOTICE LETTERS

PARTY	NOTICE LETTER SENT	RETURN RECEIVED
Ard Energy Partners, Ltd. PO Box 101027 Fort Worth, TX 76185	05/04/22	05/12/22
Davoil, Inc. P.O. Box 122269 Fort Worth, TX 76121	05/04/22	05/12/22
Delmar Hudson Lewis Living Trust P.O. Box 830308 Dallas, TX 75283	05/04/22	05/17/22
Great Western Drilling Ltd. P.O. Box 1659 Midland, TX 79702	05/04/22	05/11/22
Javelina Partners 616 Texas Street Fort Worth, TX 76102	05/04/22	05/17/22
Josephine T. Hudson Testamentary Trust FBO J. Terrell Ard Frost Bank, Trustee PO Box 1600 San Antonio, Texas 78296	05/04/22	05/12/22
Lindy's Living Trust 6300 Ridglea Place, Suite 1005A Fort Worth, TX 76116	05/04/22	05/18/22 Return to Sender. Not deliverable as addressed
LLJ Ventures, LLC P.O. Box 3188 Roswell, NM 88202 Attn: Larry Marker	05/04/22	05/11/22

Colgate Operating, LLC Case No. 22797 Exhibit C-2

APPLICATIONS OF COLGATE OPERATING, LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

Case Nos. 22796—22799

NOTICE LETTERS

Mewbourne Oil Company 500 West Texas, Suite 1020 Midland, Texas 79701	05/04/22	05/17/22
MRC Permian Company 5400 LBJ Fwy, Suite 1500 Dallas, TX 75240	05/04/22	05/25/22
Oxy USA WTP, LP (Transfer to Colgate has been submitted to BLM) 5 Greenway Plaza, Suite 110 Houston, TX 77046	05/04/22	05/10/22
Pony Oil Capital 3100 Monticello Ave., Suite 500 Dallas, TX 75205	05/04/22	No response. USPS status: In transit to next facility 05/11/22.
Sabinal Energy Operating, LLC 1780 Hughes Landing Blvd, Suite 1200 The Woodlands, TX 77380	05/04/22	05/10/22
Tanos Energy Holdings II LLC (They do not own a WI) 821 E Southeast Loop 323, Suite 400 Tyler, TX 75701	05/04/22	05/10/22
Zorro Partners, Ltd. 616 Texas Street Fort Worth, TX 76102	05/04/22	05/12/22

U.S. Postal Service™ CERTIFIED MAIL® RECEIPT Domestic Mail Only 0368 Certified Mail Fee Extra Services & Fees (check box, add fee as

Return Receipt (hardcopy) 000 Return Receipt (electronic) ☐ Certified Mail Restricted Delivery
☐ Adult Signature Required Adult Signature Restricted Delivery \$ 0950 Postage MMAIN POS Total Postage and Fees 7021 75283

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON	DELIVERY
 Complete items 1, 2, and 3. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Signature X B. Flecelved by (Printed Name)	Agent Addressee C. Date of Delivery
Delmar Hudson Lewis Living Trust P.O. Box 830308 Dallas, TX 75283	D. Is delivery address different fron If YES, enter delivery address	
9590 9402 6746 1074 2385 47 2. Article Number (Transfer from service label) 021 0950 0002 0368 9529	3. Service Type □ Adult Signature □ Adult Signature Restricted Delivery □ Certified Mail® □ Certified Mail® □ Certified of Mail Restricted Delivery □ Collect on Delivery □ Collect on Delivery □ Insured Mail □ Insured Mail Restricted Delivery ○ (over \$500)	☐ Priority Mail Express® ☐ Registered Mail™ ☐ Registered Mail Restricte Delivery ☐ Signature Confirmation™ ☐ Signature Confirmation Restricted Delivery
PS Form 3811 July 2020 PSN 7530-02-000-9053		Iomestic Flatura Receipt



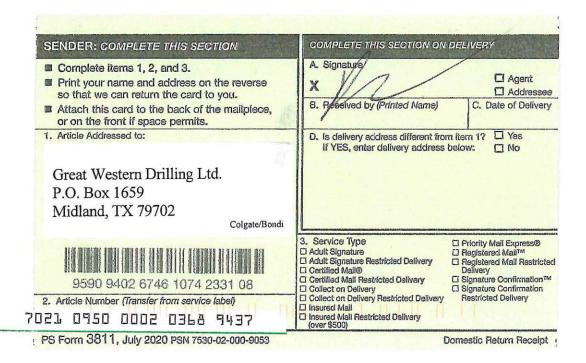
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Davoil, Inc. P.O. Box 122269 Fort Worth, TX 76121	D. Is delivery address different from item 1?
9590 9402 6746 1074 2385 30 2. Article Number (Transfer from service label) 1. 0950 0002 0368 9536	3. Service Type ☐ Adult Signature ☐ Adult Signature Restricted Delivery ☐ Certified Mail® ☐ Collect on Delivery ☐ Collect on Delivery ☐ Collect on Delivery ☐ Insured Mail Restricted Delivery ☐ Insured Mail Restricted Delivery ☐ (over \$500) ☐ Priority Mail Express® ☐ Registered Mail ™ ☐ Registered Mail Restricted Delivery ☐ Signature Confirmation ☐ Restricted Delivery
PS Form 3811, July 2020 PSN 7530-02-000-9053	Domestic Return Receipt

PS Form 3811, July 2020 PSN 7530-02-000-9053

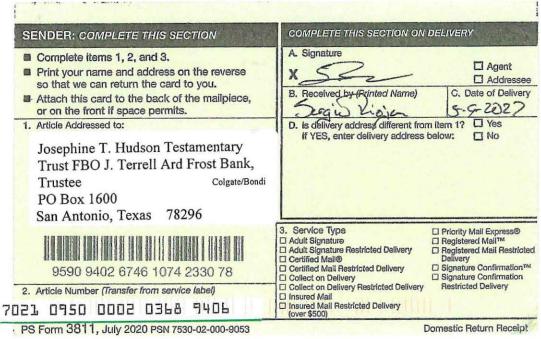


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Ard Energy Partners, Ltd. PO Box 101027 Fort Worth, TX 76185	D. Is delivery address different from If YES, enter delivery address in the second secon	
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LLJ Ventures, LLC P.O. Box 3188 Roswell, NM 88202 Attn: Larry Marker	D. Is delivery address different from item 1? If YES, enter delivery address below: If No	
9590 9402 6746 1074 2331 15 2. Article Number (Transfer from service label) 031 0750 0002 0368 7444	3. Service Type	
PS Form 3811, July 2020 PSN 7530-02-000-9053	Domestic Return Receipt	

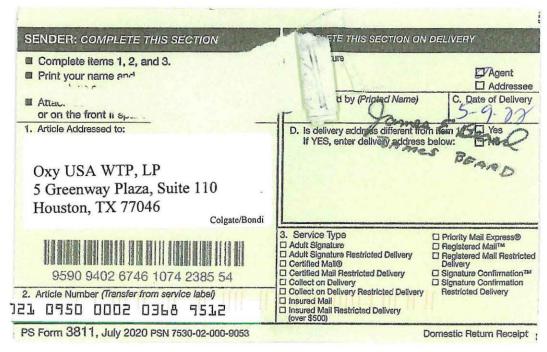






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MRC Permian Company 5400 LBJ Fwy, Suite 1500 Dallas, TX 75240 Colgate/Bondi	D. Is delivery address different from item 1? If YES, enter delivery address below: If No		
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PS Form 3811, July 2020 PSN 7530-02-000-9053 Domestic Fleturn Receipt			



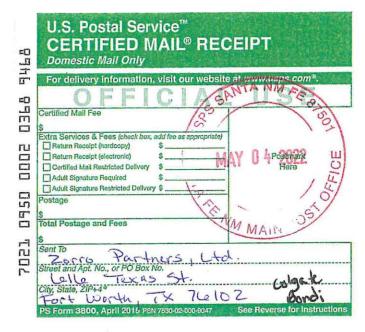




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9590 9402 6746 1074 2385 92 2. Article Number (Transfer from service label) 021 0750 0002 0368 7475	3. Service Type		
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	821 E Southeast Loop 323 Ste 400	
	Tyler, TX 75701	
	PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions	

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Tanos Energy Holdings II LLC 821 E Southeast Loop 323, Suite 400 Tyler, TX 75701	D. Is delivery address different from if YES, enter delivery address to	n item 1? □ Yes below: □ No
Colgate/Bondi 9590 9402 6746 1074 2385 85 2. Article Number (Transfer from service label) 121 0950 0002 0368 9482	3. Service Type ☐ Adult Signature ☐ Adult Signature Flestricted Delivery ☐ Certified Mail® ☐ Certified Mail® Sestricted Delivery ☐ Collect on Delivery ☐ Collect on Delivery ☐ Insured Mail ☐ Insured Mail Restricted Delivery (over \$500)	☐ Priority Mail Express® ☐ Registered Mail™ ☐ Registered Mail Restricter Delivery ☐ Signature Confirmation™ ☐ Signature Confirmation Restricted Delivery



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Zorro Partners, Ltd. 616 Texas Street Fort Worth, TX 76102	D. Is delivery address different from item 1? If YES, enter delivery address below: No
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PS Form 3811, July 2020 PSN 7530-02-000-9053	Domestic Return Receipt



Lindy's Living Trust

Fort Worth, TX 76116

6300 Ridglea Place, Suite 1005A

Colgate/Bondi



Page 45 of 49

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Hinkle Shanor LLP Santa Fe NM 87504





Lindy's Living Trust

Fort Worth, TX 76116

6300 Ridglea Place, Suite 1005A

Colgate/Bondi



Page 47 of 49

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Hinkle Shanor LLP Santa Fe NM 87504



Carlsbad Current Argus.

Affidavit of Publication Ad # 0005250945 This is not an invoice

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 in editions dated as follows:

05/12/2022

Subscribed and sworn before me this May 12, 2022:

State of WI, County of Brown
NOTARY PUBLIC

My commission expires

Notary Public
State of Wisconsin

Ad # 0005250945 PO #: 5250945 # of Affidavits 1

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This is to notify all interested parties, including Pony Oil Capital; Oxy USA WTP, LP; Tanos Energy Holdings II LLC; Javelina Partners; Josephine T. Hudson Testamentary Trust FBO J. Terrell Ard, Frost Bank, Trustee; Davoil, Inc.; MRC Permian Company; Sabinal Energy Operating, LLC; LLJ Ventures, LLC; Lindy's Living Trust; Delmar Hudson Lewis Living Trust; Ard Energy Partners, Ltd.; Zorro Partners, Ltd.; Great Western Drilling Ltd.; Mewbourne Oil Company; and their successors and assigns, that the New Mexico Oil Conservation Division will conduct a hearing on an application submitted tion Division will conduct a hearing on an application submitted by Colgate Operating, LLC (Case No. 22797). 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 June 2, 2022, beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the OCD Hearings website for that date: http://www.emnrd.state.nm.us w. e m n r d . s t a t e . n m . u s
/OCD/hearings.html. Applicant
applies for an order pooling all
uncommitted interests from the top of the Bone Spring Forma-tion to the base of the Second tion to the base of the Second Bone Spring Formation underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the S/2 N/2 of Sections 23 and 24, Township 20 South, Range 28 East, Eddy County, New Mexico ("Unit"). The Unit will be dedicated to the Bondi 24 Fed Com 122H well to be horizontally drilled from a surface hole location in the NE/4 NE/4 (Unit A) of Section 24 to a bottom hole location in the SW/4 NW/4 (Unit E) of Section 23. A depth severance exists in 23. A depth severance exists in the Bone Spring Formation within the Unit. Accordingly, Appli-cant seeks to pool uncommitted rant seeks to pool uncommitted interests from the top of the Bone Spring Formation at a stratigraphic equivalent of approximately 5,250' MD to the base of the Second Bone Spring Formation at a stratigraphic equivalent of approximately 7,624' MD as observed on the Government AA #1 well log (API 30-015-21286). Also to be considered will be the cost of drilling and completing the Well and the allocation of the costs, the designation of Applicant as the operator of the Well, and a 200% charge for the risk involved in drilling and completing the Well. The Well is located approximately 11.12 miles approximately northeast of Carlsbad, Mexico. #5250945, Current Argus, May 12, 2022

> Colgate Operating, LLC Case No. 22797 Exhibit C-3