

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

**APPLICATION OF PERMIAN
RESOURCES OPERATING, LLC FOR
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

Case No. 23825 - 23827

**RESPONSE TO MOTION TO STRIKE V-F PETROLEUM'S
ENTRY OF APPEARANCE AND OBJECTION**

V-F Petroleum Inc. ("V-F") through its undersigned attorneys, respectfully submits to the Oil Conservation Division ("Division" or "OCD") its Response ("V-F's Response") to Motion to Strike V-F Petroleum's Entry of Appearance and Objection ("PR's Motion"), filed by Permian Resources Operating, LLC ("PR"). In support thereof, V-F states the following:

1. Basic facts regarding lands involved in Cases 23825-23827: On or about September 5, 2023, PR submitted applications in said cases for the compulsory pooling of the S/2 N/2, the N/2 S/2, and the S/2 S/2, in Sections 5 and 6, Township 19 South, Range 28 East, NMPM, Eddy County ("PR's Lone Eagle Units"). *See* Case Nos. 23825-23827. On September 29, 2023, V-F filed competing applications for the S/2 N/2 and the S/2 of Sections 4 and 5, in the same township and range ("V-F's Courtman-Cottle Units), overlapping with PR's Lone Eagle Units is Section 5. *See* Exhibit 1, Affidavit of Sean Johnson, V-F Land Manager, attached hereto; *see also* Exhibit 2, OCD emails confirming submission. V-F also sent well proposals for its Screaming Eagle wells for Section 1, Township 19 South, Range 27 East, and Section 6, Township 19 South, Range 28 East, and V-F, who qualifies as an applicant, will be submitting competing applications for Sections 1 and 6 ("V-F's Screaming Eagle Units"), which overlap with PR's Lone Eagle Units in Section 6. *See id.*

2. In its Motion, PR incorrectly, and in violation of the New Mexico Administrative Code (“NMAC”), asserts that V-F owns no mineral interest in the tracts PR seeks to pool. *See* PR’s Motion, p. 1 (unsubstantiated assertion that V-F owns no interest); *see also* 1.2.2.12A(4) NMAC (“Motions based on factual allegations that do not appear of record shall be supported by affidavit filed along with the motion.”) (emphasis added); *see also* NMSA 1978, §12-2A-1 (Statutory construction of “shall” expresses a “duty,” “obligation,” or “requirement”); *State v. Cooley*, A-1-CA-39291, A-1-40043, ¶ 27 (N.M. App. Sep 18, 2023) (“Shall” is a “mandatory obligation” in most circumstances). Thus, PR, by providing zero evidence in its Motion, offers nothing on which the Division can base a decision except only to dismiss or deny the Motion.

3. In fact, in PR’s Lone Eagle Units, V-F has contractual ownership of mineral interests in the S/2 N/2 and S/2 of Section 5. *See* Exhibit 1, Affidavit of Sean Johnson, V-F Land Manager, attached hereto. V-F acquired a contractual interest in the mineral estate in Section 5 from owners who executed V-F’s Operating Agreement (“JOA”) after receiving its well proposals for V-F’s Courtman-Cottle Units. *See id.*; *see also* Exhibit 2, copies of V-F’s well proposals, attached hereto.

4. PR itself does not show up as an owner of record in Sections 5 and 6, the lands it proposes to pool for PR’s Lone Eagle Units in Cases 23825-23827. *See* Exhibit 1, Affidavit of Sean Johnson; Exhibit 3, copies of SLO records showing the record title owner of Lease No. VC-1149-0, both attached hereto. V-F searched for PR as an owner in Section 5 in order to send PR its well proposals for V-F’s Courtman-Cottle Units but found only Dudley Land Company (“DL Co.”) in the records, not PR. *See id.* V-F suspects that DL Co. is the company PR uses for its land services and addressed its well proposal to DL Co., as the working interest (“WI”) owner. *See* Exhibit 4, copies of V-F’s well proposals to DL Co., attached hereto.

5. If DL Co. is the company PR uses for land services, then PR should have received V-F's well proposals and therefore should have been on inquiry notice that V-F likely had acquired interest in the S/2 N/2 and S/2 of Section 5, lands included in PR's proposed Lone Eagle Units. Under 19.15.14.12A(1)(a) NMAC, PR is required not only to give notice to owners of "interest in the mineral estate" whose interest is evidenced by a written conveyance of record but also to owners that are "known to the applicant at the time the applicant filed the application." PR should have been aware when filing its application that V-F was making competing efforts to acquire ownership of interest in the mineral estate of Section 5 by proposing its JOA to owners, and therefore PR had, at a minimum, inquiry notice that V-F likely owned some form of interest in the mineral estate.

6. In sum, V-F did acquire an "interest in the mineral estate," by acquiring contractual interests from owners executing its JOA, prior to PR submitting its pooling application. Therefore, the ownership and entitlement requirements of 12.15.4.12A(1)(a) NMAC and 19.15.4.10A(2) NMAC should be satisfied at least for the purposes of sustaining V-F's entry of appearance and objection.

7. If V-F's interest in the mineral estate, based on contractual rights, is not sufficient to sustain its entry of appearance, then in the same manner, the statement PR asserted in its pooling applications, that PR is a WI owner in the proposed unit, would also fail to sustain the validity of its applications. *See* PR's pooling applications at ¶ 1 in Cases 23825-23827. Neither PR nor Read & Steven, Inc., subsidiary of PR, appear in the official land records as owners in PR's Lone Eagle Units. *See* Exhibit 1, attached hereto. Only DL Co. shows up as an owner in said units for State Lease No. VC-1149-0, on which PR appears to base its right to pool the lands. *See* Exhibits 1 and 2, attached hereto. If DL Co. is the land company PR uses to acquire leasehold interest in Section

5, a fact currently not established of record, then based on the land records, DL Co. is the actual WI owner, and PR at best would own only an equitable interest in the mineral estate.¹

8. Furthermore, if the OCD finds that V-F's contractual interest does not sustain its entry of appearance, then in the alternative, V-F submitted on October 2, 2023, a request for intervention in the present cases. V-F currently has a right to request from the Division permission to intervene in Case Nos. 23825-23827. *See* 19.15.4.11B (the division examiner may, at his discretion, allow late intervenors upon written notice or by oral appearance on the record at the hearing). In addition, Rule 19.15.4.11C encourages the examiner to look favorably upon a party's request to intervene if (1) the party can show "standing;" or (2) the party can show its participation will "contribute substantially to the prevention of waste" and the "protection of correlative rights." V-F's request to intervene satisfies both requirements.

9. Pursuant to its well proposals for V-F's Courtman-Cottle Unit, V-F submitted to the OCD on September 29, 2023, pooling applications that overlap and compete with PR's applications. *See* Exhibit 2, attached hereto. V-F has also sent out well proposals for Sections 6-19S-28E and 1-19S-27E, Sections in which it owns WI, and is currently qualified to be an applicant for a compulsory pooling of said Sections. Thus, V-F will be filing additional pooling applications that also overlap and compete with PR's applications for its Lone Eagle Units. *See* Exhibit 1, attached hereto.

10. Therefore, V-F respectfully requests that the Division approve its request for intervention in order for the OCD to determine which competing development plan, V-F's plan, or PR's plan, best prevents waste and protects correlative rights.

¹ Because of the Statute of Frauds, PR would own an equitable interest in its proposed units only if it has in place a written agreement with DL Co. that PR will receive from DL Co. an assignment of Lease No. VC-1149-0. If there is no written agreement in place, then PR would have neither WI nor equitable interest in the units, and the assertion that PR is a WI owner made in its pooling applications would not be valid.

11. In New Mexico, a party has standing if it can show (1) injury in fact, (2) a causal relationship between the injury and the challenged conduct, and (3) a likelihood that the injury will be redressed by a favorable decision. *See ACLU of New Mexico v. City of Albuquerque*, 2008-NMSC-045, ¶ 1. PR has filed a Motion that attempts to deny V-F its right to exercise its correlative rights and therefore injures V-F's vested rights. There is a direct causal relationship between PR's Motion and V-F being able to exercise its correlative rights through the hearing of its competing applications; and a decision by the OCD to deny PR's Motion would redress the injury. Also, the Division can "confer" standing to a party in a case regardless of whether the party meets the traditional standing requirements, based on a conclusion that the questions raised involve matters of great public importance. *See ACLU*, 2008-NMSC-045, ¶33 (citations omitted). In New Mexico, preventing waste and protecting correlative rights are matters of great public importance. *See Cont'l Oil Co. v. OCC*, 1962-NMSC-062, ¶28 (showing that OCC/OCD hearings protect the public). In the present matter, the OCD is not able to ensure the prevention of waste and protection of correlative right without hearing the competing development plans, one of which prevents waste and protects correlative rights better than the other. Thus, V-F satisfies standing on all accounts under 19.15.4.11 NMAC, and its intervention should be approved.

12. Furthermore, V-F's intervention should be approved because V-F's participation, by presenting its competing development plan, would "contribute substantially to the prevention of waste" and the "protection of correlative rights." 19.15.4.11C NMAC.

13. Finally, it is established Division precedent and policy that all competing pooling applications, filed by parties who qualify as applicants, should be heard by the Division, whether or not the party made an entry of appearance or intervention in a particular case prior to the hearing date, or whether the party was even present at the hearing itself. *See Order on Motion to Reopen*,

Cases 22191-92, at ¶¶ 9-11 (the Division granting a party who qualifies as an applicant but who failed to enter an appearance at the hearing the right to have its overlapping, competing applications heard by the Division). In Cases 22191-92, the OCD heard one party's ("First Party's") applications on October 7, 2021, without an entry of appearance or presence of another party ("Second Party"). After the hearing was concluded, Second Party filed an exceedingly late entry of appearance to cases that had already been concluded and taken under advisement, requesting that the cases be reopened so that Second Party's overlapping applications could be heard. The Division determined it was proper Division policy to hear the competing applications, stating as follows:

The Commission has also determined that competing pooling cases should be heard by the Division before any possible appeal to the Commission. *Ascent Energy, LLC*, Order R-21454 (August 25, 2020) ("competing applications, including those that have yet to be filed, should be heard by the Division prior to the Commission hearing the applications"). This follows the Commission's general presumption that the Act and Commission rules "intend for a full and fair proceeding before the Division hearing examiners and the Division Director...in hopes that the issues will be fully developed and addressed by the Division. *Matador Production Company*, Order R-14907-A, ¶ 16 (March 10, 2016).

See Order on Motion to Reopen, Cases 22191-92, 22257-58, at ¶ 8.

14. Opposing Counsel in the present cases (23825-23827) should have been fully aware, at the time it filed PR's Motion, of the Division's current policy established by prior Cases 22191-92, that all overlapping, competing cases should be heard, because Opposing Counsel successfully represented the Second Party, the party who failed to make an appearance at the actual hearing but nonetheless who was granted the right to have its overlapping pooling applications heard in competition with First Party's applications. *See* Entry of Appearance, Cases 22191-92. PR's forthright acknowledgment of this policy would have rendered the time expended on PR's Motion and V-F's Response unnecessary.

15. Conclusion: Based on the foregoing, V-F respectfully requests that the Division consider and enact the following:

- (1) Deny PR's Motion: First, because it was submitted to the Division in violation of 1.2.2.12A(4) NMAC and thus provides no evidence on which the Division could make a valid ruling in PR's favor, and second, because based on the facts and law described above, V-F has a right to be a competing party in the present cases as a matter of Division policy and law.
- (2) Grant V-F the right to be a party of record in the present cases based on its entry of appearance or based on its request to intervene.
- (3) Provide a date for PR's applications in Cases 23825-23827 to be heard in conjunction with the overlapping applications that V-F has filed for its Courtman and Cottle wells in Sections 4 and 5 and with the overlapping applications that V-F will be submitting for its Screaming Eagle wells in Section 1 and 6.

Respectfully Submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

Darin C. Savage

Andrew D. Schill

William E. Zimsky

214 McKenzie Street

Santa Fe, New Mexico 87501

Telephone: 970.385.4401

Facsimile: 970.385.4901

darin@abadieschill.com

andrew@abadieschill.com

bill@abadieschill.com

Attorneys for V-F Petroleum Inc.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was filed with the New Mexico Oil Conservation Division and was served on counsel of record via electronic mail on October 2, 2023:

Michael H. Feldewert – mhfeldewert@hollandhart.com
Adam G. Rankin – agrankin@hollandhart.com
Julia Broggi – jbroggi@hollandhart.com
Paula M. Vance – pmvance@hollandhart.com

Attorneys for Permian Resources Operating, LLC

/s/ Darin C. Savage
Darin C. Savage

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

**APPLICATION OF PERMIAN
RESOURCES OPERATING, LLC FOR
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

Case No. 23825 - 23827

AFFIDAVIT OF SEAN JOHNSON

I, Sean Johnson, being duly sworn on oath, state the following:

1. I am over the age of eighteen years and have the capacity to execute this Statement, which is based on my personal knowledge.

2. I am employed as the Land Manager at V-F Petroleum Inc., (“V-F”), and I am familiar with the above-referenced case and the lands involved.

3. I graduated in 2009 from Texas Tech University with a bachelor’s degree in Energy Commerce. I have been working as a landman in New Mexico for twelve (12) years and have worked for V-F Petroleum for approximately 1 year. I have previously testified before the New Mexico Oil Conservation Division (“Division”), and my credentials as a petroleum landman have been accepted by the Division as a matter of record.

4. In August of 2023, V-F sent well proposals to owners in Section 4 and 5, Township 19 South, Range 28 East, NMPM, Eddy County, for V-F’s Courtman and Cottle wells. See Exhibit 5, attached to V-F’s Response to Motion to Strike V-F Petroleum’s Entry of Appearance and Objection (“V-F’s Response”). Also, in August of 2023, V-F sent well proposals to owners in Section 6, Township 19 South, Range 28 East, NMPM, and the E/2 of Section 1, Township 19 South, Range 27 East, NMPM, Eddy County, for V-F’s Screaming Eagle wells. See Exhibit 3, attached to V-F’s Response.

Exhibit 1

5. Over the course of the next two months, August through September, V-F reached out to owners in Sections 4, 5 and 6, in an effort to have the owners sign and execute our Operating Agreement for the proposed wells (“JOA”). A number of owners have executed and committed to our JOA for Sections 4 and 5. As result, V-F owns contractual interest in the mineral estate of the S/2 N/2 and the S/2 of Section 5, which covers part of the lands and tracts that Permian Resources Operating, LLC (“PR”), proposes to pool in its Cases 23825 through 23827. V-F acquired is contractual interest in the mineral estate of said lands prior to the date PR submitted is pooling applications.

6. V-F had its counsel draft applications to compulsory pool the S/2 N/2 and S/2 of Sections 4 and 5, and on September 29, 2023, our counsel, Abadie & Schill, PC, informed V-F that it submitted to the Oil Conservation Division (“Division”) V-F’s pooling applications for said lands as requested. V-F’s pooling applications for the S/2 N/2 and the S/2 of Sections 4 and 5 overlap and compete with PR’s applications in Cases 23825 through 23827.

7. Also, V-F’s well proposals for its Screaming Eagle wells are ripe for allowing V-F to submit applications for the compulsory pooling of Section 6 and the E/2 of Section 1, and accordingly, V-F will be submitting applications for these lands which will overlap in Section 6 and compete with PR’s applications in Cases 23825 through 23827.

8. During my review of the title and ownership of Sections 4, 5 and 6, in preparation to send well proposals to WI owners, I did not see PR, or its subsidiary Read & Stevens, Inc., as an owner in Section 6, or in the S/2 N/2 and S/2 of Sections 4 and 5, in the land records and ownership reports that I reviewed. In addition to the owners that I clearly knew were not PR or Read & Stevens, I did recognize Dudley Land Company as a working (“WI”) owner in the S/2 N/2 and S/2 of Sections 4 and 5. I am required to send well proposals to WI owners of record, and

therefore I sent V-F's Courtman and Cottle well proposals to Dudley Land Company for the S/2 N/2 and S/2 of Sections 4 and 5, as shown by Exhibit 5 in V-F's Response.

9. Thus, based on my review, I did not see that PR was a WI owner of record in the lands covered by PR's pooling applications in Cases 23825 through 23827. Recently, on September 29, 2023, I double checked the land records and still did not find PR to be a WI owner of record in said lands but found only Dudley Land Company as the WI owner of record for State Lease No. VC-1149-0. See Exhibit 4 in V-F's Response. Dudley Land Company could be a land company that PR uses to acquire and obtain leases, and I was only able to review official land records available to the public. I recognize and acknowledge that there may be credible unreviewed documentation showing PR to be a WI owner instead of Dudley Land Company which would negate my findings in the public records that I have been able to review.

10. I understand that this Affidavit will be used as evidence in V-F's Response to Motion to Strike V-F Petroleum's Entry of Appearance and Objection and affirm that my statement herein is true and correct to the best of my knowledge and belief and made under penalty of perjury under the laws of the State of New Mexico.

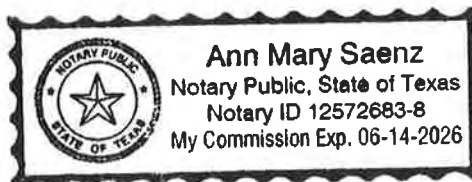

Sean Johnson

SUBSCRIBED AND SWORN to before me this 2nd day of October 2023, by Sean Johnson.


Notary Public

My Commission Expires:

6/14/2026



Begin forwarded message:

From: <OCDOnline@state.nm.us>

Subject: The Oil Conservation Division (OCD) has approved the application, Application ID: 270759

Date: October 2, 2023 at 9:42:33 AM MDT

To: <darin@abadieschill.com>

To whom it may concern (c/o Darin Savage for V-F PETROLEUM INC),

The OCD has approved the submitted *Application for an administrative hearing, re-hearing or de novo hearing before the division or commission*

The case number is 23874 and the hearing date has provisionally been set for Thursday, November 2, 2023.

The Application for an administrative hearing, re-hearing or de novo hearing before the division or commission can be found in the OCD Online: Imaging under the case number (#).

If you have any questions regarding this application, please contact me.

Thank you,
Marlene Salvidrez
marlene.salvidrez@emnrd.nm.gov

New Mexico Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, NM 87505

Exhibit 2

Begin forwarded message:

From: <OCDOOnline@state.nm.us>

Subject: **The Oil Conservation Division (OCD) has approved the application, Application ID: 270818**

Date: October 2, 2023 at 9:47:38 AM MDT

To: <darin@abadieschill.com>

To whom it may concern (c/o Darin Savage for V-F PETROLEUM INC),

The OCD has approved the submitted *Application for an administrative hearing, re-hearing or de novo hearing before the division or commission*

The case number is 23875 and the hearing date has provisionally been set for Thursday, November 2, 2023.

The Application for an administrative hearing, re-hearing or de novo hearing before the division or commission can be found in the OCD Online: Imaging under the case number (#).

If you have any questions regarding this application, please contact me.

Thank you,
Marlene Salvidrez
marlene.salvidrez@emnrd.nm.gov

New Mexico Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, NM 87505

V-F Petroleum Inc.

Physical Address: 500 W. Texas, Suite 350, Midland, Texas, 79701; Phone 432-683-3344;
Mailing Address: P.O. Box 1889, Midland, Texas, 79702; e-mail: sean@vfpetroleum.com

August 2, 2023

Transmitted Via United States Postal System – Certified Mail – Return Receipt Requested

EOG Resources Inc.
5509 Champions Dr.
Midland, TX 79706
Attn: Brian Pond

RE: Horizontal Well Proposals -2nd and 3rd Bonespring Formation; Non Standard Hz Spacing Units; NE/4 of Section 1, T19S- R27E and N/2 of Section 6, T19S-R28E SE/4 of Section 1, T19S- R27E and S/2 of Section 6, T19S-R28E Eddy County, New Mexico

Screaming Eagle 1-6 State Com #221H Well; 2nd Bone Spring

SL: Unit J, Sec.1 T-19 South, R-27 East, Eddy County, NM
FTP: 330 FSL 2540 FEL, Sec.1 T-19 South, R-27 East, Eddy County, NM
BHL/LTP: 330' FSL & 100' FEL of Section 6, T-19 South, R-28 East, Eddy County, NM

Screaming Eagle 1-6 State Com #231H Well; 3rd Bone Spring

SL: Unit J, Sec.1 T-19 South, R-27 East, Eddy County, NM
FTP: 330 FSL 2540 FEL, Sec.1 T-19 South, R-27 East, Eddy County, NM
BHL/LTP: 330' FSL & 100' FEL of Section 6, T-19 South, R-28 East, Eddy County, NM

Screaming Eagle 1-6 State Com #222H Well; 2nd Bone Spring

SL: Unit J, Sec.1 T-19 South, R-27 East, Eddy County, NM
FTP: 1870 FSL 2540 FEL, Sec.1 T-19 South, R-27 East, Eddy County, NM
BHL/LTP: 1870' FSL & 100' FEL of Section 6, T-19 South, R-28 East, Eddy County, NM

Screaming Eagle 1-6 State Com #232H Well; 3rd Bone Spring

SL: Unit J, Sec.1 T-19 South, R-27 East, Eddy County, NM
FTP: 1870 FSL 2540 FEL, Sec.1 T-19 South, R-27 East, Eddy County, NM
BHL/LTP: 1870' FSL & 100' FEL of Section 6, T-19 South, R-28 East, Eddy County, NM

Screaming Eagle 1-6 State Com #223H Well; 2nd Bone Spring

SL: Lot 2, Sec.1 T-19 South, R-27 East, Eddy County, NM
FTP: 1870 FNL 2540 FEL, Sec.1 T-19 South, R-27 East, Eddy County, NM
BHL/LTP: 1870' FNL & 100' FEL of Section 6, T-19 South, R-28 East, Eddy County, NM

Screaming Eagle 1-6 State Com #233H Well; 3rd Bone Spring

SL: Lot 2, Sec.1 T-19 South, R-27 East, Eddy County, NM
FTP: 1870 FNL 2540 FEL, Sec.1 T-19 South, R-27 East, Eddy County, NM
BHL/LTP: 1870' FNL & 100' FEL of Section 6, T-19 South, R-28 East, Eddy County, NM

Screaming Eagle 1-6 State Com #224H Well; 2nd Bone Spring

SL: Lot 2, Sec.1 T-19 South, R-27 East, Eddy County, NM
FTP: 330 FNL 2540 FEL, Sec.1 T-19 South, R-27 East, Eddy County, NM
BHL/LTP: 330' FNL & 100' FEL of Section 6, T-19 South, R-28 East, Eddy County, NM

Exhibit 3

August 2, 2023
Page 2 of 5

Screaming Eagle 1-6 State Com #234H Well; 3rd Bone Spring

SL: Lot 2, Sec.1 T-19 South, R-27 East, Eddy County, NM
FTP: 330 FNL 2540 FEL, Sec.1 T-19 South, R-27 East, Eddy County, NM
BHL/LTP: 330' FNL & 100' FEL of Section 6, T-19 South, R-28 East, Eddy County, NM

Ladies and/or Gentlemen:

Please be advised that V-F Petroleum Inc. ("V-F") hereby proposes to drill, complete and equip each of the above referenced horizontal wells at the locations so indicated, to respectively test the 2nd and 3rd Bonespring formation as herein articulated. Please note that the first take point and last take point of each respective well will be located at a legal or approved location.

The projected total vertical depth of the above stated **Screaming Eagle 1-6 State Com #221H Well** in order to test the 2nd Bone Spring formation is estimated to be 6,760 feet with an approximate total measured depth of 14,280 feet. The costs to drill, complete and equip said well are estimated at **\$7,900,953.00** as indicated on the enclosed AFE.

The projected total vertical depth of the above stated **Screaming Eagle 1-6 State Com #231H Well** in order to test the 3rd Bone Spring formation is estimated to be 7,860 feet with an approximate total measured depth of 15,380 feet. The costs to drill, complete and equip said well are estimated at **\$8,076,493.00** as indicated on the enclosed AFE.

The projected total vertical depth of the above stated **Screaming Eagle 1-6 State Com #222H Well** in order to test the 2nd Bone Spring formation is estimated to be 6,705 feet with an approximate total measured depth of 14,195 feet. The costs to drill, complete and equip said well are estimated at **\$7,900,953.00** as indicated on the enclosed AFE.

The projected total vertical depth of the above stated **Screaming Eagle 1-6 State Com #232H Well** in order to test the 3rd Bone Spring formation is estimated to be 7,785 feet with an approximate total measured depth of 15,270 feet. The costs to drill, complete and equip said well are estimated at **\$8,076,493.00** as indicated on the enclosed AFE.

The projected total vertical depth of the above stated **Screaming Eagle 1-6 State Com #223H Well** in order to test the 2nd Bone Spring formation is estimated to be 6,670 feet with an approximate total measured depth of 14,110 feet. The costs to drill, complete and equip said well are estimated at **\$7,900,953.00** as indicated on the enclosed AFE.

The projected total vertical depth of the above stated **Screaming Eagle 1-6 State Com #233H Well** in order to test the 3rd Bone Spring formation is estimated to be 7,720 feet with an approximate total measured depth of 15,160 feet. The costs to drill, complete and equip said well are estimated at **\$8,076,493.00** as indicated on the enclosed AFE.

The projected total vertical depth of the above stated **Screaming Eagle 1-6 State Com #224H Well** in order to test the 2nd Bone Spring formation is estimated to be 6,630 feet with an approximate total measured depth of 14,090 feet. The costs to drill, complete and equip said well are estimated at **\$7,900,953.00** as indicated on the enclosed AFE.

August 2, 2023

Page 3 of 5

The projected total vertical depth of the above stated **Screaming Eagle 1-6 State Com #234H Well** in order to test the 3rd Bone Spring formation is estimated to be 7,660 feet with an approximate total measured depth of 15,120 feet. The costs to drill, complete and equip said well are estimated at **8,076,493.00** as indicated on the enclosed AFE.

For those who elect to participate in the captioned horizontal wells, V-F will provide upon request an A.A.P.L. Form 610 – 1989 Model Form Operating Agreement, Horizontal Modifications (“Operating Agreement”), designating V-F Petroleum Inc. as Operator, covering the NE/4 Section 1, T-19 South, R-27 East and Section 6 N/2, T-19 South, R-28 East, N.M.P.M, Eddy County, New Mexico and a separate Operating Agreement covering SE/4 Section 1, T-19 South, R-27 East and Section 6 S/2, T-19 South, R-28 East, N.M.P.M, Eddy County, New Mexico further limited in depths as described on Exhibit A to the Operating Agreement (“Contract Area”) with the following general provisions:

- 100/300 Non-Consenting Penalty;
- \$8,500/\$850 Drilling and Producing Rate; and
- V-F Petroleum Inc. named Operator.

In the interest of time, if we do not reach an agreement within 30 days of the date of this letter, V-F will apply to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a horizontal spacing unit for the proposed wells.

Please indicate your intention to either **participate or not participate** in the drilling, completion and equipping of each of the above referenced wells by placing an “X” in the appropriate spaces provided below, and return one (1) executed copy of this letter, one (1) executed AFE for each well you have elected **to participate**, one original (1) Joint Operating Agreement body signature page, and one (1) original executed and notarized memorandum H signature page of Joint Operating Agreement if requested and signed. If you should desire not to participate in the drilling and completion of the wells herein proposed, V-F is willing to discuss an alternative proposal to acquire your oil and gas interests in this area. Should you have any questions regarding this matter, please do not hesitate in contacting Sean Johnson by phone at (432) 683-3344 or by email at sean@vfpetroleum.com.

Best Regards,



Sean Johnson, CPL
V-F Petroleum Inc.

Enclosures

Elections set forth on the following pages



New Mexico State Land Office
July 18, 2023 Lease Sale Results

ONLINE SEALED TRACTS

Tract #			S-T-R	Description	HIGH BIDDER	\$ AMOUNT	\$/ACRE	ACRES
001	VC	001	24 - T14S - R31E	N2	Chase Oil Corporation	\$ 144,582.40	\$ 451.82	320.00
002	VC	002	24 - T14S - R31E	N2SW4, SW4SW4, SE4	Chase Oil Corporation	\$ 126,509.60	\$ 451.82	280.00
003	VC	003	25 - T14S - R31E	E2NE4, N2NW4	Chase Oil Corporation	\$ 72,291.20	\$ 451.82	160.00
004	VC	004	25 - T14S - R31E	SW4SW4	Chase Oil Corporation	\$ 18,072.80	\$ 451.82	40.00
005	VC	005	35 - T14S - R31E	NW4NE4, N2NW4, SE4NW4	Chase Oil Corporation	\$ 72,291.20	\$ 451.82	160.00
006	VC	006	25 - T18S - R29E	NW4NW4	Veer Energy Capital	\$ 520,846.00	\$ 13,021.15	40.00
007	VC	007	5 - T19S - R28E	S2NE4, SE4	Dudley Land Company	\$ 6,048,240.00	\$ 25,201.00	240.00
009	VC	009	4 - T17S - R36E	LOT(S) 3, 4, SE4NW4, E2SW4	Federal Abstract Company	\$ 104,480.25	\$ 525.00	199.01
010	VC	010	5 - T17S - R36E	LOT(S) 1, SE4NE4, SE4NW4	Federal Abstract Company	\$ 332,624.16	\$ 2,783.00	119.52
011	VC	011	28 - T18S - R34E	S2	Federal Abstract Company	\$ 5,044,800.00	\$ 15,765.00	320.00
012	VC	012	36 - T19S - R34E	NW4SW4	Robert Rice	\$ 850,000.00	\$ 21,250.00	40.00
013	VC	013	17 - T20S - R37E	SW4NW4	Forty Acres Energy	\$ 58,000.00	\$ 1,450.00	40.00
014	VC	014	36 - T23S - R35E	E2	Federal Abstract Company	\$ 362,240.00	\$ 1,132.00	320.00
015	VC	015	32 - T23S - R36E	S2S2	Federal Abstract Company	\$ 104,320.00	\$ 652.00	160.00
TOTAL ONLINE SEALED BIDS						\$ 13,859,297.61		2,438.53

Any tract not listed received no bids

Exhibit 4

[Back](#)

Lease Information Details

Lease Number: VC-1149-0

Lease Information

Company Name	Company ID	Assigned From	Total Acres	Prod Stat
DUDLEY LAND COMPANY	327757	12/31/9999 12:00:00 AM	240.00	Non-Producing

Lease Term

Lease Term	Issuing Date	Expiration Date	Termination Date	Termination Reason	Current Term
file(5) year term, 7.5% royalty	8/1/2023 12:00:00 AM	8/1/2028 12:00:00 AM	12/31/9999 12:00:00 AM	N/A	Primary Term

Rent Billing Information

Bill To	Minimum Annual Rent	Last Rent Bill Date	Next Rent Bill Date	Rent Payment Date
327757	240.00	8/1/2023 12:00:00 AM	8/1/2024 12:00:00 AM	2023-07-18

Land Details

[Export .csv file](#)

Show
10 entries

Search:

Township Number	Range Number	Section Number	Unit Number	Lot Number	Land Details
19S	28E	5	G		Land Details
19S	28E	5	H		Land Details
19S	28E	5	I		Land Details
19S	28E	5	J		Land Details
19S	28E	5	D		Land Details
19S	28E	5	P		Land Details

V-F Petroleum Inc.

Physical Address: 500 W. Texas, Suite 350, Midland, Texas, 79701; Phone 432-683-3344;
Mailing Address: P.O. Box 1889, Midland, Texas, 79702; e-mail: ryan@yfpetroleum.com

August 4th, 2023

Transmitted Via United States Postal System – Certified Mail – Return Receipt Requested

Dudley Land Company
203 W. Wall Street
#1002
Midland, Texas 79701

RE: Well Proposals – Cottle 4 5 State Com Project
Township 19 South – Range 28 East, N.M.P.M.
S/2 Sections 4 & 5
640 Acres, more or less – Bone Spring Formation
Eddy County, New Mexico

Ladies and/or Gentlemen:

V-F Petroleum Inc., as operator, (“V-F”) hereby proposes to drill, complete and equip each of the below referenced horizontal wells at the locations so indicated, to respectively test the Bone Spring formation as herein described. V-F is proposing the formation of a Non-Standard Spacing Unit Consisting of the S/2 of Sections 4 & 5, T19S-R28E, limited to the Bone Spring Formation to facilitate development.

Cottle 4 5 State Com 221H, to be drilled to a depth sufficient to test the Bone Spring Formation at an approximated measured depth of 16,885’ and total vertical depth of 7,270’. The estimated surface hole location is 330’ FSL and 450’ FEL of Section 4 (Unit Letter P) or an approved location in Section 4. The estimated bottom hole location is 330’ FSL and 100’ FWL of Section 5 (Unit Letter M) or an approved location in Section 5. The dedicated spacing unit will consist of the S/2 of Sections 4 & 5, T19S-R28E, Eddy County, NM. The estimated cost to drill, complete and equip this well is \$8,765,700 as shown on the enclosed AFE.

Cottle 4 5 State Com 231H, to be drilled to a depth sufficient to test the Bone Spring Formation at an approximated measured depth of 17,995’ and total vertical depth of 8,380’. The estimated surface hole location is 380’ FSL and 450’ FEL of Section 4 (Unit Letter P) or an approved location in Section 4. The estimated bottom hole location is 380’ FSL and 100’ FWL of Section 5 (Unit Letter M) or an approved location in Section 5. The dedicated spacing unit will consist of the S/2 of Sections 4 & 5, T19S-R28E, Eddy County, NM. The estimated cost to drill, complete and equip this well is \$9,141,600 as shown on the enclosed AFE.

Cottle 4 5 State Com 222H, to be drilled to a depth sufficient to test the Bone Spring Formation at an approximated measured depth of 17,085’ and total vertical depth of 7,280’. The estimated surface hole location is 1,375’ FSL and 250’ FEL of Section 4 (Unit Letter I) or an approved location in Section 4. The estimated bottom hole location is 1,710’ FSL and 100’ FWL of Section 5 (Unit Letter L) or an approved location in Section 5. The dedicated spacing unit will consist of the S/2 of Sections 4 & 5, T19S-R28E, Eddy County, NM. The estimated cost to drill, complete and equip this well is \$8,765,700 as shown on the enclosed AFE.

Exhibit 5

Cottle 4 5 State Com 223H, to be drilled to a depth sufficient to test the Bone Spring Formation at an approximated measured depth of 18,170' and total vertical depth of 8,360'. The estimated surface hole location is 1,425' FSL and 250' FEL of Section 4 (Unit Letter I) or an approved location in Section 4. The estimated bottom hole location is 1,760' FSL and 100' FWL of Section 5 (Unit Letter L) or an approved location in Section 5. The dedicated spacing unit will consist of the S/2 of Sections 4 & 5, T19S-R28E, Eddy County, NM. The estimated cost to drill, complete and equip this well is \$9,141,600 as shown on the enclosed AFE.

V-F is proposing these wells under the terms of a new A.A.P.L. Form 610 – 1989 Model Form Operating Agreement, Horizontal Modifications (“Operating Agreement”), designating V-F Petroleum Inc. as Operator, covering the S/2 of Section 4 and 5, T-19 South, R-28 East, N.M.P.M, Eddy County, New Mexico, containing approximately 640 acres, more or less, covering the Bone Spring formation (“Contract Area”) with the following general provisions:

- 100%/300% Non-Consenting Penalty;
- \$10,000/\$1,000 Drilling and Producing Rate; and
- V-F Petroleum Inc. named Operator.

In the event you should wish to participate a copy of the above-described Operating Agreement will be sent upon request.

If you should desire not to participate in the drilling and completion of the wells herein proposed, V-F is willing to discuss an alternative proposal to acquire your oil and gas interests in this area.

In the interest of time, if we do not reach an agreement within 30 days of the date of this letter, V-F will apply to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a horizontal spacing unit for the proposed wells.

Please indicate your intention to either **participate or not participate** in the drilling, completion and equipping of each of the above referenced wells by placing an “X” in the appropriate spaces provided below, and return one (1) executed copy of this letter, one (1) executed AFE for each well you have elected **to participate**. If you have any questions or concerns, please do not hesitate in contacting Ryan Curry, Landman for V-F Petroleum Inc. by phone at (432) 683-3344 or by email at ryan@vfpetroleum.com.

Best Regards,

Ryan B. Curry

Ryan Curry
Landman

Enclosures

Elections set forth on the following pages

**ELECTIONS -
Cottle 4 5 State Com 221H, 231H, 222H, 232H**

_____ Elect **to** Participate in the **Cottle 4 5 State Com 221H**

_____ Elect **Not to** Participate in the **Cottle 4 5 State Com 221H**

_____ Elect **to** Participate in the **Cottle 4 5 State Com 231H**

_____ Elect **Not to** Participate in the **Cottle 4 5 State Com 231H**

_____ Elect **to** Participate in the **Cottle 4 5 State Com 222H**

_____ Elect **Not to** Participate in the **Cottle 4 5 State Com 222H**

_____ Elect **to** Participate in the **Cottle 4 5 State Com 232H**

_____ Elect **Not to** Participate in the **Cottle 4 5 State Com 232H**

Entity: Dudley Land Company

By: _____

Title: _____

Date: _____

V-F Petroleum Inc.

Physical Address: 500 W. Texas, Suite 350, Midland, Texas, 79701; Phone 432-683-3344;
Mailing Address: P.O. Box 1889, Midland, Texas, 79702; e-mail: ryan@yfspetroleum.com

August 4, 2023

Transmitted Via United States Postal System – Certified Mail – Return Receipt Requested

Dudley Land Company
203 W. Wall Street
#1002
Midland, Texas 79701

**RE: Well Proposals – Courtman 4 5 State Com 221H/231H
Township 19 South – Range 28 East, N.M.P.M.
S/2N/2 Sections 4 & 5
320 Acres, more or less – Bone Spring Formation
Eddy County, New Mexico**

Ladies and/or Gentlemen:

V-F Petroleum Inc., as operator, (“V-F”) hereby proposes to drill, complete and equip each of the below referenced horizontal wells at the locations so indicated, to respectively test the Bone Spring formation as herein described.

Courtman 4 5 State Com 221H, to be drilled to a depth sufficient to test the Bone Spring Formation at an approximated measured depth of 17,215’ and total vertical depth of 7,240’. The estimated surface hole location is 2,040’ FNL and 100’ FEL of Section 4 (Unit Letter H) or an approved location in Section 4. The estimated bottom hole location is 2,190’ FNL and 100’ FWL of Section 5 (Unit Letter E) or an approved location in Section 5. The dedicated spacing unit will consist of the S/2N/2 of Sections 4 & 5, T19S-R28E, Eddy County, NM. The estimated cost to drill, complete and equip this well is \$8,765,700 as shown on the enclosed AFE.

Courtman 4 5 State Com 231H, to be drilled to a depth sufficient to test the Bone Spring Formation at an approximated measured depth of 18,250’ and total vertical depth of 8,275’. The estimated surface hole location is 1,980’ FNL and 100’ FEL of Section 4 (Unit Letter H) or an approved location in Section 4. The estimated bottom hole location is 2,130’ FNL and 100’ FWL of Section 5 (Unit Letter E) or an approved location in Section 5. The dedicated spacing unit will consist of the S/2N/2 of Sections 4 & 5, T19S-R28E, Eddy County, NM. The estimated cost to drill, complete and equip this well is \$9,141,600 as shown on the enclosed AFE.

V-F is proposing these wells under the terms of a new A.A.P.L. Form 610 – 1989 Model Form Operating Agreement, Horizontal Modifications (“Operating Agreement”), designating V-F Petroleum Inc. as Operator, covering the S/2N/2 of Section 4 and 5, T-19 South, R-28 East, N.M.P.M, Eddy County, New Mexico, containing approximately 320 acres, more or less, covering the Bone Spring formation (“Contract Area”) with the following general provisions:

- 100%/300% Non-Consenting Penalty;
- \$10,000/\$1,000 Drilling and Producing Rate; and
- V-F Petroleum Inc. named Operator.

In the event you should wish to participate a copy of the above-described Operating Agreement will be sent upon request.

If you should desire not to participate in the drilling and completion of the wells herein proposed, V-F is willing to discuss an alternative proposal to acquire your oil and gas interests in this area.

In the interest of time, if we do not reach an agreement within 30 days of the date of this letter, V-F will apply to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a horizontal spacing unit for the proposed wells.

Please indicate your intention to either **participate or not participate** in the drilling, completion and equipping of each of the above referenced wells by placing an "X" in the appropriate spaces provided below, and return one (1) executed copy of this letter, one (1) executed AFE for each well you have elected **to participate**. If you have any questions or concerns, please do not hesitate in contacting Ryan Curry, Landman for V-F Petroleum Inc. by phone at (432) 683-3344 or by email at ryan@vfpetroleum.com.

Best Regards,

Ryan B. Curry

Ryan Curry
Landman

Enclosures

Elections set forth on the following pages

**ELECTIONS -
Courtman 4 5 State Com 221H & 231H**

_____ Elect **to** Participate in the **Courtman 4 5 State Com 221H**

_____ Elect **Not to** Participate in the **Courtman 4 5 State Com 221H**

_____ Elect **to** Participate in the **Courtman 4 5 State Com 231H**

_____ Elect **Not to** Participate in the **Courtman 4 5 State Com 231H**

Entity: Dudley Land Company

By: _____

Title: _____

Date: _____