

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

**APPLICATION OF STEWARD ENERGY II, LLC
FOR COMPULSORY POOLING AND
APPROVAL OF OVERLAPPING SPACING UNIT,
LEA COUNTY, NEW MEXICO,**

CASE NO. _____

APPLICATION

In accordance with NMSA 1978, § 70-2-17 and NMAC 19.15.16.15(B)(5), Steward Energy II, LLC (“Steward” or “Applicant”), through its undersigned attorneys, files this application with the Oil Conservation Division (“Division”) seeking an order: (1) establishing a 320-acre, more or less, standard, overlapping horizontal spacing unit comprised of the E/2 W/2 of Sections 10 and 15, Township 13 South, Range 38 East, New Mexico (“Unit”); and (2) pooling all uncommitted interests in the San Andres formation underlying the Unit. In support of this application, Steward states the following.

1. Applicant (OGRID No. 371682) is a working interest owner in the Unit and has the right to drill thereon.
2. Applicant seeks to dedicate the Unit to the **Blue Sky Fee 4H** well (“Well”), which will be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 3 to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 15.
3. The completed interval of the Well will be orthodox.
4. The Unit will partially overlap with the spacing unit for the **Huell Fee #5H** well (API #30-025-49775), which is located in the W/2 of Section 15, Township 13 South, Range 38 East, Lea County and produces from the Bronco; San Andres, South Pool (Code 7500).

5. The Unit will also partially overlap with the spacing unit for the Lawyer Up Fee #5H (API #30-025-51003), which is located in the W/2 of Section 10, Township 13 South, Range 38 East, Lea County and produces from the Bronco; San Andres, South Pool (Code 7500).

6. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all of the interest owners in the Unit.

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

8. In order to permit Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in the Unit should be pooled and Applicant should be designated the operator of the proposed horizontal well and the Unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 7, 2024, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving the proposed overlapping spacing unit;
- B. Pooling all uncommitted interests in the Unit;
- C. Approving the initial well in the Unit;
- D. Designating Applicant as the operator of the Unit and the horizontal well to be drilled thereon;
- E. Authorizing Applicant to recover its costs of drilling, equipping, and completing the well;
- F. Approving the actual operating charges and costs of supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Imposing a 200% charge 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

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