

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

**APPLICATION OF PALOMA PERMIAN  
ASSETCO, LLC, FOR APPROVAL OF  
A NON-STANDARD UNIT, COMPULSORY POOLING,  
AND TO THE EXTENT NECESSARY,  
APPROVAL OF AN OVERLAPPING SPACING UNIT,  
LEA COUNTY, NEW MEXICO**

CASE NO. \_\_\_\_\_

**APPLICATION**

Paloma Permian AssetCo, LLC (“Paloma”), OGRID Number 332449, through its undersigned attorneys, hereby submits this application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order (1) approving a non-standard unit (2) pooling all uncommitted mineral interests within a non-standard 1600-acre, more or less, Bone Spring spacing unit comprised of the S/2 of Section 32, Township 18 South, Range 32 East, and all of Sections 5 and 8, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, and (3) approving, to the extent necessary, an overlapping spacing unit. In support of this application, Paloma states as follows:

1. Paloma has an interest in the subject lands and has a right to drill and operate a well thereon.
2. Paloma seeks to dedicate the S/2 of Section 32, Township 18 South, Range 32 East, and all of Sections 5 and 8, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico to form a 1600-acre, more or less, Bone Spring horizontal spacing unit.
3. Paloma seeks approval of the 1600-acre non-standard spacing unit to efficiently locate surface facilities, reduce surface disturbance, consolidate roads, tanks, and pipelines, and promote effective well spacing.
4. Paloma seeks to dedicate the unit to the following wells to be horizontally drilled:

- a. **Desert Harvest 32-5-8 Fed Com 301H and Desert Harvest 32-5-8 Fed Com 601H wells** with proposed first take points in the NW/4SW/4 (Unit L) of Section 32 and proposed last take points in the SW/4SW/4 (Unit M) of Section 8;
  - b. **Desert Harvest 32-5-8 Fed Com 302H and Desert Harvest 32-5-8 Fed Com 602H wells** with proposed first take points in the NE/4SW/4 (Unit K) of Section 32 and proposed last take points in the SE/4SW/4 (Unit N) of Section 8;
  - c. **Desert Harvest 32-5-8 Fed Com 303H; Desert Harvest 32-5-8 Fed Com 503H; and Desert Harvest 32-5-8 Fed Com 603H wells** with proposed first take points in the NW/4SE/4 (Unit J) of Section 32 and proposed last take points in the SW/4SE/4 (Unit O) of Section 8;
  - d. **Desert Harvest 32-5-8 Fed Com 304H; Desert Harvest 32-5-8 Fed Com 504H; and Desert Harvest 32-5-8 Fed Com 604H wells** with proposed first take points in the NE/4SE/4 (Unit I) of Section 32 and proposed last take points in the SE/4SE/4 (Unit P) of Section 8;
  - e. **Desert Harvest 32-5-8 Fed Com 501H well** with a proposed first take point in the NW/4SW/4 (Unit L) of Section 32 and a proposed last take point in the SW/4SW/4 (Unit M) of Section 5; and
  - f. **Desert Harvest 32-5-8 Fed Com 502H well** with a proposed first take point in the NE/4SW/4 (Unit K) of Section 32 and a proposed last take point in the SE/4NW/4 (Unit F) of Section 5.
5. The producing area for the wells is expected to be orthodox.
6. This proposed unit will partially overlap with the following existing spacing units:
- a. A 40-acre spacing unit dedicated to the North Lusk 32 State 1 well (API No. 30-025-35748) located in the NW/4SW/4 of Section 32, Township 18 South, Range 32 East and operated by Oxy USA Inc.;
  - b. A 40-acre spacing unit dedicated to the North Lusk 32 State 3 well (API No. 30-025-36953) located in the NE/4 SW/4 of Section 32, Township 18 South, Range 32 East and operated by Oxy USA Inc.;
  - c. An 80-acre spacing unit dedicated to the Lear State #2H (API No. 30-025-38866) located in the SE/SW/4 and SW/SW/4 of Section 32, Township 18 South, Range 32 East and operated by COG Operating LLC;
  - d. A 40-acre spacing unit dedicated to the North Lusk 32 State 2 well (API No. 30-025-36982) located in the SW/4SW/4 of Section 32, Township 18 South, Range 32 East and operated by Oxy USA Inc.;
  - e. A 160-acre spacing unit dedicated to the North Lusk 32 State 1 well (API No. 30-025-35748) located in the SW/4 of Section 32, Township 18 South, Range 32 East and operated by Oxy USA Inc.;
  - f. An 80-acre spacing unit dedicated to the Patterson B-52 Federal 4H well (API No. 30-025-39289) located in the W/2SW/4 of Section 5, Township 19 South, Range 32 East and operated by COG Operating LLC;

- g. An 80-acre spacing unit dedicated to the Patterson B-52 Federal 3H well (API No. 30-025-39638) located in the W/2SE/4 of Section 5, Township 19 South, Range 32 East and operated by COG Operating LLC;
- h. An 80-acre spacing unit dedicated to the Patterson B-52 Federal 5H well (API No. 30-025-38970) located in the E/2SE/4 of Section 5, Township 19 South, Range 32 East and operated by COG Operating LLC;
- i. A 120-acre spacing unit dedicated to the King Air Federal 1H well (API No. 30-025-38897) and the King Air Federal 2H well (API 30-025-38905) located in the N/2N/E and the SW/4NE/4 of Section 8, Township 19 South, Range 32 East and operated by COG Operating LLC;
- j. A 160-acre spacing unit dedicated to the King Air Federal 4H well (API No. 30-025-42200) located in the W/2W/2 of Section 8, Township 19 South, Range 32 East and operated by COG Operating LLC;
- k. A 40-acre spacing unit dedicated to the Lusk 8 Federal 1well (API No. 30-025-37256) located in the SE/4NW/4 of Section 8, Township 19 South, Range 32 East and operated by COG Operating LLC;
- l. An 80-acre spacing unit dedicated to the Beechcraft Federal 1H well (API No. 30-025-38816) located in the E/2SE/4 of Section 8, Township 19 South, Range 32 East and operated by COG Operating LLC;
- m. An 160-acre spacing unit dedicated to the Citation X Federal Com 1H well (API No. 30-025-39960) located in the SW/4SW/4 of Section 8, Township 19 South, Range 32 East and the W/2NE/4 of Section 17, Township 19 South, Range 32 East and operated by COG Operating LLC; and
- n. An 240-acre spacing unit dedicated to the King Air Federal Com 3H well (API No. 30-025-41476) located in the E/2W/2 of Section 8, Township 19 South, Range 32 East and E/2SW/4 of Section 5, Township 19 South, Range 32 East operated by COG Operating LLC.

7. Paloma sought, but has been unable to obtain, a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed spacing unit to participate in the drilling of the wells or to otherwise commit their interests to the wells.

8. The pooling of all interests in the Bone Spring formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

9. Approval of a non-standard spacing unit will allow Paloma to efficiently locate surface facilities for the recovery of oil and gas underlying the subject lands and reduce surface disturbance.

WHEREFORE, Paloma requests that this case be set for hearing before an Examiner of the Oil Conservation Division on March 26, 2026, and after notice and hearing as required by law, the Division enter its order:

- A. Approving the non-standard spacing unit;
- B. Pooling all uncommitted mineral interests in the Bone Spring formation underlying a horizontal spacing unit within the S/2 of Section 32, Township 18 South, Range 32 East, and all of Sections 5 and 8, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico;
- C. Designating Paloma as operator of this unit and the wells to be drilled thereon;
- D. Authorizing Paloma to recover its costs of drilling, equipping and completing the wells;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure;
- F. Setting a 200% charge for the risk involved in drilling and completing the wells in the event a working interest owner elects not to participate in the wells; and
- G. Approving, to the extent necessary, the proposed overlapping spacing unit.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS  
& SISK, P.A.

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**CASE NO. \_\_\_\_: Application of Paloma Permian AssetCo, LLC for approval of a non-standard spacing unit, compulsory pooling, and, to the extent necessary, approval of an overlapping spacing unit, Lea County, New Mexico.** Applicant seeks an order from the Division approving a non-standard spacing unit and pooling all uncommitted interests within a 1600-acre, more or less, Bone Spring horizontal spacing unit comprised of the S/2 of Section 32, Township 18 South, Range 32 East, and all of Sections 5 and 8, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico. This spacing unit will be dedicated to the following wells: **Desert Harvest 32-5-8 Fed Com 301H** and **Desert Harvest 32-5-8 Fed Com 601H wells** with proposed first take points in the NW/4SW/4 (Unit L) of Section 32 and proposed last take points in the SW/4SW/4 (Unit M) of Section 8; **Desert Harvest 32-5-8 Fed Com 302H** and **Desert Harvest 32-5-8 Fed Com 602H wells** with proposed first take points in the NE/4SW/4 (Unit K) of Section 32 and proposed last take points in the SE/4SW/4 (Unit N) of Section 8; **Desert Harvest 32-5-8 Fed Com 303H; Desert Harvest 32-5-8 Fed Com 503H; and Desert Harvest 32-5-8 Fed Com 603H wells** with proposed first take points in the NW/4SE/4 (Unit J) of Section 32 and proposed last take points in the SW/4SE/4 (Unit O) of Section 8; **Desert Harvest 32-5-8 Fed Com 304H; Desert Harvest 32-5-8 Fed Com 504H; and Desert Harvest 32-5-8 Fed Com 604H wells** with proposed first take points in the NE/4SE/4 (Unit I) of Section 32 and proposed last take points in the SE/4SE/4 (Unit P) of Section 8; **Desert Harvest 32-5-8 Fed Com 501H well** with a proposed first take point in the NW/4SW/4 (Unit L) of Section 32 and a proposed last take point in the SW/4SW/4 (Unit M) of Section 5; and **Desert Harvest 32-5-8 Fed Com 502H well** with a proposed first take point in the NE/4SW/4 (Unit K) of Section 32 and a proposed last take points in the SE/4NW/4 (Unit F) of Section 5. The producing area for the wells is expected to be orthodox. Applicant also seeks, to the extent necessary, approval of an overlapping spacing unit. This proposed unit will partially overlap with the following existing spacing units:

- A 40-acre spacing unit dedicated to the North Lusk 32 State 1 well (API No. 30-025-35748) located in the NW/4SW/4 of Section 32, Township 18 South, Range 32 East and operated by Oxy USA Inc.;
- A 40-acre spacing unit dedicated to the North Lusk 32 State 3 well (API No. 30-025-36953) located in the NE/4 SW/4 of Section 32, Township 18 South, Range 32 East and operated by Oxy USA Inc.;
- An 80-acre spacing unit dedicated to the Lear State #2H (API No. 30-025-38866) located in the SE/SW/4 and SW/SW/4 of Section 32, Township 18 South, Range 32 East and operated by COG Operating LLC;
- A 40-acre spacing unit dedicated to the North Lusk 32 State 2 well (API No. 30-025-36982) located in the SW/4SW/4 of Section 32, Township 18 South, Range 32 East and operated by Oxy USA Inc.;
- A 160-acre spacing unit dedicated to the North Lusk 32 State 1 well (API No. 30-025-35748) located in the SW/4 of Section 32, Township 18 South, Range 32 East and operated by Oxy USA Inc.;
- An 80-acre spacing unit dedicated to the Patterson B-52 Federal 4H well (API No. 30-025-39289) located in the W/2SW/4 of Section 5, Township 19 South, Range 32 East and operated by COG Operating LLC;

- An 80-acre spacing unit dedicated to the Patterson B-52 Federal 3H well (API No. 30-025-39638) located in the W/2SE/4 of Section 5, Township 19 South, Range 32 East and operated by COG Operating LLC;
- An 80-acre spacing unit dedicated to the Patterson B-52 Federal 5H well (API No. 30-025-38970) located in the E/2SE/4 of Section 5, Township 19 South, Range 32 East and operated by COG Operating LLC;
- A 120-acre spacing unit dedicated to the King Air Federal 1H well (API No. 30-025-38897) and the King Air Federal 2H well (API 30-025-38905) located in the N/2N/E and the SW/4NE/4 of Section 8, Township 19 South, Range 32 East and operated by COG Operating LLC;
- A 160-acre spacing unit dedicated to the King Air Federal 4H well (API No. 30-025-42200) located in the W/2W/2 of Section 8, Township 19 South, Range 32 East and operated by COG Operating LLC;
- A 40-acre spacing unit dedicated to the Lusk 8 Federal 1well (API No. 30-025-37256) located in the SE/4NW/4 of Section 8, Township 19 South, Range 32 East and operated by COG Operating LLC;
- An 80-acre spacing unit dedicated to the Beechcraft Federal 1H well (API No. 30-025-38816) located in the E/2SE/4 of Section 8, Township 19 South, Range 32 East and operated by COG Operating LLC;
- An 160-acre spacing unit dedicated to the Citation X Federal Com 1H well (API No. 30-025-39960) located in the SW/4SW/4 of Section 8, Township 19 South, Range 32 East and the W/2NE/4 of Section 17, Township 19 South, Range 32 East and operated by COG Operating LLC; and
- An 240-acre spacing unit dedicated to the King Air Federal Com 3H well (API No. 30-025-41476) located in the E/2W/2 of Section 8, Township 19 South, Range 32 East and E/2SW/4 of Section 5, Township 19 South, Range 32 East operated by COG Operating LLC.

Also to be considered will be the cost of drilling, completing, and equipping said wells, the allocation of these costs as well as the actual operating costs and charges for supervision while drilling and after completion, designation of as Paloma Permian AssetCo, LLC as operator of the wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 26 miles southwest of Lovington, New Mexico.