

**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 1920.71-acre, more or less, Bone Spring spacing unit comprised of all of irregular Section 30 (comprised of Lots 1-4, the E/2W/2, and the E/2) and irregular Section 31 (Lots 1-4, the E/2W/2, and the E/2), Township 19 South, Range 32 East, and all of irregular Section 6 (comprised of Lots 4-7 (the W/2W/2 equivalent), Lot 3, the SE//4NW/4 and the E/2SW/4 (E/2W/2 equivalent), Lot 2, the SW/4NE/4 and the W/2SE/4 (the W/2E/2 equivalent), and Lot 1, the SE/4NE/4 and the E/2SE/4 (the E/2E/2 equivalent), Township 20 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 all of irregular Section 30 and irregular Section 31, Township 19 South, Range 32 East, and all of irregular Section 6, Township 20 South, Range 32

East, NMPM, Lea County, New Mexico to form a 1920.71-acre, more or less, Bone Spring horizontal spacing unit, in the Lusk, Bone Spring pool (Pool Code 41440).

3. Paloma seeks approval of the 1920.71-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. **Mongolian Beef 30-31-6 Fed Com 301H** and **Mongolian Beef 30-31-6 Fed Com 601H wells** with proposed first take points in the NW/4NW/4 (Lot 1) of Section 30 and proposed last take points in the SW/4SW/4 (Lot 7) of Section 6;
- b. **Mongolian Beef 30-31-6 Fed Com 302H; Mongolian Beef 30-31-6 Fed Com 303H; Mongolian Beef 30-31-6 Fed Com 602H; and Mongolian Beef 30-31-6 Fed Com 603H wells** with proposed first take points in the NE/4NW/4 (Unit C) of Section 30 and proposed last take points in the SE/4SW/4 (Unit N) of Section 6;
- c. **Mongolian Beef 30-31-6 Fed Com 304H; Mongolian Beef 30-31-6 Fed Com 305H; Mongolian Beef 30-31-6 Fed Com 604H; and Mongolian Beef 30-31-6 605H wells** with proposed first take points in the NW/4NE/4 (Unit B) of Section 30 and proposed last take points in the SW/4SE/4 (Unit O) of Section 6; and
- d. **Mongolian Beef 30-31-6 Fed Com 306H** and **Mongolian Beef 30-31-6 Fed Com 606H wells** with a proposed first take point in the NE/4NE/4 (Unit A) of Section 30 and a proposed last take point in the SE/4SE/4 (Unit P) of Section 6.

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 SL Deep Federal 3 well (API No. 30-025-39441) located in the NE/4NW/4 of Section 30, Township 19 South, Range 32 East and operated by COG Operating LLC;
- b. A 40-acre spacing unit dedicated to the SL Deep Federal Com 2 well (API No. 30-025-36257) located in the SE/4NW/4 of Section 30, Township 19 South, Range 32 East and operated by COG Operating LLC;
- c. An 80-acre spacing unit dedicated to the SL Deep Federal 4H well (API No. 30-025-39538) located in the W/2NW/4 equivalent of Section 30, Township 19 South, Range 32 East and operated by COG Operating LLC;
- d. A 160-acre spacing unit dedicated to the SL East 30 Federal Com #002H (API 30-025-42524) located in the E/2E/2 of Section 30 Township 19 South, Range 32 East and operated by COG Operating LLC;

- e. A 160-acre spacing unit dedicated to the SL East 30 Federal Com 1H well (API No. 30-025-40154) located in the W/2E/2 of Section 30, Township 19 South, Range 32 East and operated by COG Operating LLC; and
- f. A 319.96-acre spacing unit dedicated to the Nightcap 6 Federal Com 3H well (API No. 30-025-41589) located in the E/2W/2 equivalent of Section 6, Township 20 South, Range 32 East and 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 May 7, 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 all of irregular Section 30 (comprised of Lots 1-4, the E/2W/2, and the E/2) and irregular Section 31 (Lots 1-4, the E/2W/2, and the E/2), Township 19 South, Range 32 East, and all of irregular Section 6 (comprised of Lots 4-7 (the W/2W/2 equivalent), Lot 3, the SE//4NW/4 and the E/2SW/4 (E/2W/2 equivalent), Lot 2, the SW/4NE/4 and the W/2SE/4 (the W/2E/2 equivalent), and Lot 1, the SE/4NE/4 and the E/2SE/4 (the E/2E/2 equivalent), Township 20 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 1920.71-acre, more or less, Bone Spring horizontal spacing unit comprised of all of irregular Section 30 (comprised of Lots 1-4, the E/2W/2, and the E/2) and irregular Section 31 (Lots 1-4, the E/2W/2, and the E/2), Township 19 South, Range 32 East, and all of irregular Section 6 (comprised of Lots 4-7 (the W/2W/2 equivalent), Lot 3, the SE//4NW/4 and the E/2SW/4 (E/2W/2 equivalent), Lot 2, the SW/4NE/4 and the W/2SE/4 (the W/2E/2 equivalent), and Lot 1, the SE/4NE/4 and the E/2SE/4 (the E/2E/2 equivalent), Township 20 South, Range 32 East, NMPM, Lea County, New Mexico in the Lusk, Bone Spring pool (Pool Code 41440). This spacing unit will be dedicated to: **Mongolian Beef 30-31-6 Fed Com 301H and Mongolian Beef 30-31-6 Fed Com 601H wells** with proposed first take points in the NW/4NW/4 (Lot 1) of Section 30 and proposed last take points in the SW/4SW/4 (Lot 7) of Section 6; **Mongolian Beef 30-31-6 Fed Com 302H; Mongolian Beef 30-31-6 Fed Com 303H; Mongolian Beef 30-31-6 Fed Com 602H; and Mongolian Beef 30-31-6 Fed Com 603H wells** with proposed first take points in the NE/4NW/4 (Unit C) of Section 30 and proposed last take points in the SE/4SW/4 (Unit N) of Section 6; **Mongolian Beef 30-31-6 Fed Com 304H; Mongolian Beef 30-31-6 Fed Com 305H; Mongolian Beef 30-31-6 Fed Com 604H; and Mongolian Beef 30-31-6 605H wells** with proposed first take points in the NW/4NE/4 (Unit B) of Section 30 and proposed last take points in the SW/4SE/4 (Unit O) of Section 6; and **Mongolian Beef 30-31-6 Fed Com 306H and Mongolian Beef 30-31-6 Fed Com 606H wells** with a proposed first take point in the NE/4NE/4 (Unit A) of Section 30 and a proposed last take point in the SE/4SE/4 (Unit P) of Section 6. The producing area for the wells is expected to be orthodox. This unit will partially overlap: a 40-acre spacing unit dedicated to the SL Deep Federal 3 well (API No. 30-025-39441) located in the NE/4NW/4 of Section 30, Township 19 South, Range 32 East and operated by COG Operating LLC; a 40-acre spacing unit dedicated to the SL Deep Federal Com 2 well (API No. 30-025-36257) located in the SE/4NW/4 of Section 30, Township 19 South, Range 32 East and operated by COG Operating LLC; a 80-acre spacing unit dedicated to the SL Deep Federal 4H well (API No. 30-025-39538) located in the W/2NW/4 equivalent of Section 30, Township 19 South, Range 32 East and operated by COG Operating LLC; a 160-acre spacing unit dedicated to the SL East 30 Federal Com #002H (API 30-025-42524) located in the E/2E/2 of Section 30 Township 19 South, Range 32 East and operated by COG Operating LLC; a 160-acre spacing unit dedicated to the SL East 30 Federal Com 1H well (API No. 30-025-40154) located in the W/2E/2 of Section 30, Township 19 South, Range 32 East and operated by COG Operating LLC; and a 319.96-acre spacing unit dedicated to the Nightcap 6 Federal Com 3H well (API No. 30-025-41589) located in the E/2W/2 equivalent of Section 6, Township 20 South, Range 32 East and 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 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 35 miles southwest of Hobbs, New Mexico.