

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

APPLICATION OF PALOMA PERMIAN ASSETCO, LLC
FOR COMPULSORY POOLING AND APPROVAL OF
NON-STANDARD HORIZONTAL SPACING UNIT,
EDDY COUNTY, NEW MEXICO

CASE NO. _____

APPLICATION

Pursuant to NMSA 1978, Section 70-2-17, Paloma Permian AssetCo, LLC, OGRID No. 332449, (“Paloma” or “Applicant”) hereby seeks an order approving a non-standard 1513.74-acre, horizontal spacing unit (“HSU”) in the Bone Spring formation underlying Sections 35 and 36, Township 21 South, Range 27 East and the Northwest Quarter and North Half of the Southwest Quarter of Section 31, Township 21 South, Range 28 East) in Eddy County, New Mexico, and pooling all uncommitted mineral interest owners therein. In support, Paloma states as follows:

1. Paloma is a working interest owner in the HSU and has the right to drill thereon.
2. The HSU will be dedicated to the following wells (“Wells”):
 - Jumping Jiminy 35-36-31 BS 501H, to be drilled from a surface hole location (“SHL”) in the West Half of Section 35, T21S-R27E to a bottom hole location (“BHL) 660’ FNL and 2590’ FWL of Section 31, T21S-R28E;
 - Jumping Jiminy 35-36-31 BS 502H, to be drilled from a SHL in the West Half of Section 35, T21S-R27E to a BHL 1980’ FNL and 2590’ FWL of Section 31, T21S-R28E;
 - Jumping Jiminy 35-36-31 BS 503H, to be drilled from a SHL in the West Half of Section 35, T21S-R27E to a BHL 1980’ FSL and 2590’ FWL of Section 31, T21S-R28E;
 - Jumping Jiminy 35-36-31 BS 504H, to be drilled from a SHL in the West Half of Section 35, T21S-R27E to a BHL 660’ FSL and 50’ FEL of Section 31, T21S-R28E;
 - Jumping Jiminy 35-36-31 BS 551H, to be drilled from a SHL in the West Half of Section 35, T21S-R27E to a BHL 660’ FNL and 2590’ FWL of Section 31, T21S-R28E;

- Jumping Jiminy 35-36-31 BS 552H, to be drilled from a SHL in the West Half of Section 35, T21S-R27E to a BHL 1980' FNL and 2590' FWL of Section 31, T21S-R28E;
- Jumping Jiminy 35-36-31 BS 553H, to be drilled from a SHL in the West Half of Section 35, T21S-R27E to a BHL 1980' FSL and 2590' FWL of Section 31, T21S-R28E; and
- Jumping Jiminy 35-36-31 BS 554H, to be drilled from a SHL in the West Half of Section 35, T21S-R27E to a BHL 660' FSL and 50' FEL of Section 31, T21S-R28E.

3. The completed intervals and first and last take points will meet the setback requirements set forth in the statewide rules for horizontal oil wells.

4. Paloma has in good faith sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the proposed HSU.

5. Pooling of all mineral interest owners in the Bone Spring formation underlying the HSU will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

6. Approval of the non-standard unit will allow Paloma to develop minerals in Section 31 that would otherwise be stranded and to utilize common facilities, thereby preventing waste and protecting correlative rights.

7. In order to permit Paloma to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this proposed HSU should be pooled, and Paloma should be designated the operator of the HSU.

WHEREFORE, Paloma requests that this application be set for hearing on August 6, 2026, and that, after notice and hearing as required by law, the Division enter an order:

A. Pooling all mineral interests in the Bone Spring formation in a non-standard 1513.74-acre, horizontal spacing unit ("HSU") in the Bone Spring formation underlying Sections 35 and 36, Township 21 South, Range 27 East and the West Half of Section 31, Township 21 South, Range 28 East (L&E S2W2) in Eddy County, New Mexico;

- B. Allowing the drilling of the Wells in the proposed HSU;
- C. Designating Paloma as operator of the HSU and the wells to be drilled thereon;
- D. Authorizing Paloma to recover its costs of drilling, equipping, and completing the wells;
- E. Approving the operating charges and costs of supervision while drilling of \$12,000/month and, after completion, \$1200/month, together with a provision adjusting the rates pursuant to COPAS accounting procedures;
- F. Imposing a 200% penalty against any interest owner who does not voluntarily participate in the Wells, for the risk assumed by Paloma in drilling and completing the Wells.

Respectfully submitted,

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Application of Paloma Permian AssetCo, LLC for Compulsory Pooling and Approval of Non-Standard Spacing Unit, Eddy County, New Mexico: Applicant in the above-styled cause seeks an order from the Division pooling all uncommitted mineral interest owners and approving a non-standard 1513.74-acre, horizontal spacing unit (“HSU”) in the Bone Spring formation underlying Sections 35 and 36, Township 21 South, Range 27 East and the Northwest Half and North Half of the Southwest Quarter of Section 31, Township 21 South, Range 28 East in Eddy County, New Mexico. Applicant proposes to drill the following wells in the HSU: Jumping Jiminy 35-36-31 BS 501H, to be drilled from a surface hole location (“SHL”) in the West Half of Section 35, T21S-R27E to a bottom hole location (“BHL) 660’ FNL and 2590’ FWL of Section 31, T21S-R28E; Jumping Jiminy 35-36-31 BS 502H, to be drilled from a SHL in the West Half of Section 35, T21S-R27E to a BHL 1980’ FNL and 2590’ FWL of Section 31, T21S-R28E; Jumping Jiminy 35-36-31 BS 503H, to be drilled from a SHL in the West Half of Section 35, T21S-R27E to a BHL 1980’ FSL and 2590’ FWL of Section 31, T21S-R28E; Jumping Jiminy 35-36-31 BS 504H, to be drilled from a SHL in the West Half of Section 35, T21S-R27E to a BHL 660’ FSL and 50’ FEL of Section 31, T21S-R28E; Jumping Jiminy 35-36-31 BS 551H, to be drilled from a SHL in the West Half of Section 35, T21S-R27E to a BHL 660’ FNL and 2590’ FWL of Section 31, T21S-R28E; Jumping Jiminy 35-36-31 BS 552H, to be drilled from a SHL in the West Half of Section 35, T21S-R27E to a BHL 1980’ FNL and 2590’ FWL of Section 31, T21S-R28E; Jumping Jiminy 35-36-31 BS 553H, to be drilled from a SHL in the West Half of Section 35, T21S-R27E to a BHL 1980’ FSL and 2590’ FWL of Section 31, T21S-R28E; and Jumping Jiminy 35-36-31 BS 554H, to be drilled from a SHL in the West Half of Section 35, T21S-R27E to a BHL 660’ FSL and 50’ FEL of Section 31, T21S-R28E. The completed intervals and first and last take points will meet statewide setback requirements for horizontal oil wells. 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 Operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The wells and land are approximately 4 miles North East of Carlsbad.