

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING DECEMBER 1, 2022**

**CASE No. 23186**

*SPARKPLUG 17 FEDERAL COM #1H, #2H, AND 3#H WELLS*

**EDDY COUNTY, NEW MEXICO**

**REDWOOD  
OPERATING LLC**

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

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

**CASE NO. 23186**

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**COMPULSORY POOLING APPLICATION CHECKLIST****ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS**

<b>Case: 23186</b>	<b>APPLICANT'S RESPONSE</b>
<b>Date</b>	<b>December 1, 2022</b>
Applicant	Redwood Operating LLC
Designated Operator & OGRID (affiliation if applicable)	OGRID No. 330211
Applicant's Counsel:	Holland & Hart LLP
Case Title:	APPLICATION OF REDWOOD OPERATING LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.
Entries of Appearance/Intervenors:	N/A
Well Family	Sparkplug
<b>Formation/Pool</b>	
Formation Name(s) or Vertical Extent:	Yeso Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	N/A
Pool Name and Pool Code:	Red Lake; Glorieta-Yeso (Pool Code: 51120)
Well Location Setback Rules:	Statewide oil rules
Spacing Unit Size:	160 acres
<b>Spacing Unit</b>	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	160
Building Blocks:	40 acres
Orientation:	East-West
Description: TRS/County	N/2 N/2 of Section 17, Township 18 South, Range 27 East, NMPPM, Eddy County, New Mexico.
Standard Horizontal Well Spacing Unit (Y/N), If No, describe	Yes
<b>Other Situations</b>	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	N/A
Applicant's Ownership in Each Tract	See Exhibit C-3
<b>Well(s)</b>	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	

**BEFORE THE OIL CONSERVATION DIVISION**

Santa Fe, New Mexico

Exhibit No. A

Submitted by: Redwood Operating LLC Hearing

Date: December 1, 2022

Case No. 23186

Well #1	<b>Sparkplug 17 Federal Com #1H well</b> SHL: 250' FSL, 710' FWL (Unit M) of Section 9 FTP: 330' FNL, 100' FEL (Unit A) of Section 17 LTP: 330' FNL, 100' FWL (Unit D) of Section 17 BHL: 330' FNL, 1' FWL (Unit D) of Section 17 Target: Yeso Orientation: East-West Completion: Standard Location
Well #2	<b>Sparkplug 17 Federal Com #2H well</b> SHL: 250' FSL, 730' FWL (Unit M) of Section 9 FTP: 660' FNL, 100' FEL (Unit A) of Section 17 LTP: 660' FNL, 100' FWL (Unit D) of Section 17 BHL: 660' FNL, 1' FWL (Unit D) of Section 17 Target: Yeso Orientation: East-West Completion: Standard Location
Well #3	<b>Sparkplug 17 Federal Com #3H well</b> SHL: 250' FSL, 750' FWL (Unit M) of Section 9 FTP: 990' FNL, 100' FEL (Unit A) of Section 17 LTP: 990' FNL, 100' FWL (Unit D) of Section 17 BHL: 990' FNL, 1' FWL (Unit D) of Section 17 Target: Yeso Orientation: East-West Completion: Standard Location
Horizontal Well First and Last Take Points	Exhibit C-2
Completion Target (Formation, TVD and MD)	Exhibit C-4; Exhibit D, D-4
<b>AFE Capex and Operating Costs</b>	
Drilling Supervision/Month \$	Exhibit C-4
Production Supervision/Month \$	Exhibit C-4
Justification for Supervision Costs	Exhibit C-4
Requested Risk Charge	Exhibit C-4
<b>Notice of Hearing</b>	
Proposed Notice of Hearing	Exhibit B
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit E
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit F
<b>Ownership Determination</b>	
Land Ownership Schematic of the Spacing Unit	Exhibit C-3
Tract List (including lease numbers and owners)	Exhibit C-3
Pooled Parties (including ownership type)	Exhibit C-3
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above & below)	N/A
<b>Joinder</b>	

Sample Copy of Proposal Letter	Exhibit C-4
List of Interest Owners (ie Exhibit A of JOA)	Exhibit C-3
Chronology of Contact with Non-Joined Working Interests	Exhibit C-5
Overhead Rates In Proposal Letter	Exhibit C-4
Cost Estimate to Drill and Complete	Exhibit C-4
Cost Estimate to Equip Well	Exhibit C-4
Cost Estimate for Production Facilities	Exhibit C-4
<b>Geology</b>	
Summary (including special considerations)	Exhibit D
Spacing Unit Schematic	Exhibit D-1, D-2
Gunbarrel/Lateral Trajectory Schematic	N/A
Well Orientation (with rationale)	Exhibit D
Target Formation	Exhibit D; D-4
HSU Cross Section	Exhibit D-4
Depth Severance Discussion	N/A
<b>Forms, Figures and Tables</b>	
C-102	Exhibit C-2
Tracts	Exhibit C-3
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit C-3
General Location Map (including basin)	Exhibit D-1, D-2
Well Bore Location Map	Exhibit D-1, D-2
Structure Contour Map - Subsea Depth	Exhibit D-3, D-4
Cross Section Location Map (including wells)	Exhibit D-4
Cross Section (including Landing Zone)	Exhibit D-4
<b>Additional Information</b>	
Special Provisions/Stipulations	N/A
<b>CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.</b>	
<b>Printed Name</b> (Attorney or Party Representative):	Paula M. Vance
<b>Signed Name</b> (Attorney or Party Representative):	
<b>Date:</b>	29-Nov-12

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

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

CASE NO. 23186

**APPLICATION**

Redwood Operating LLC (“Applicant” or “Redwood”) (OGRID No. 330211), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all uncommitted interests in the Yeso formation underlying a standard 160-acre, more or less, horizontal spacing unit comprised of the N/2 N/2 of Section 17, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico. In support of its application, Redwood states:

1. Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the proposed initial **Sparkplug 17 Federal Com #1H, Sparkplug 17 Federal Com #2H, and Sparkplug 17 Federal Com #3H** wells to be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 9, to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 17.
3. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all the interest owners in the subject spacing unit.

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. B  
Submitted by: Redwood Operating LLC Hearing  
Date: December 1, 2022  
Case No. 23186**

4. The pooling of interests will allow Applicant to obtain a just and fair share of the oil and gas underlying the subject lands, avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 1, 2022, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the horizontal spacing unit;
- B. Designating Applicant operator of this horizontal spacing unit and the horizontal wells to be drilled thereon;
- C. Authorizing Applicant to recover its costs of drilling, equipping, and completing the wells;
- D. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- E. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

HOLLAND & HART LLP

By: 

Michael H. Feldewert

Adam G. Rankin

Julia Broggi

Paula M. Vance

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

(505) 988-4421

(505) 983-6043 Facsimile

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agrarkin@hollandhart.com

jbroggi@hollandhart.com

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**ATTORNEYS FOR REDWOOD OPERATING LLC**

**Application of Redwood Operating LLC for Compulsory Pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all uncommitted interest owners in the Yeso formation underlying a standard 160-acre, more or less, horizontal spacing unit comprised of the N/2 N/2 of Section 17, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico. The above-referenced unit will be dedicated to the proposed initial **Sparkplug 17 Federal Com #1H, Sparkplug 17 Federal Com #2H, and Sparkplug 17 Federal Com #3H** wells to be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 9, to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 17. Also, to be considered will be the cost of drilling and completing the wells, the allocation of the cost thereof, the actual operating costs and charges for supervision, the designation of applicant as operator, and a 200% charge for risk involved in drilling and completing the wells. Said area is located approximately 5 miles east of Artesia, New Mexico.

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

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

**CASE NO. 23186**

**SELF-AFFIRMED STATEMENT OF DERIK SMITH**

1. My name is Derik Smith, and I work for Redwood Operating LLC, (“Redwood”) as a Landman. I am familiar with the application filed in this case and have personal knowledge of the information provided in this self-affirmed statement.

2. Redwood is the contract operator for Pecos Oil & Gas, LLC, which is a working interest owner in the proposed horizontal spacing unit in this case. However, Pecos Oil & Gas, LLC is not an operator of oil and gas wells or other oil and gas facilities in New Mexico. Therefore, Pecos Oil & Gas, LLC has contracted with Redwood Operating LLC to propose wells, operate wells, operate Pecos Oil & Gas, LLC’s working interests, and generally act on behalf of Pecos Oil & Gas, LLC to manage its leasehold interests in New Mexico. **Redwood Exhibit C-1** is a Self-Affirmed Statement from Pecos Oil & Gas, LLC’s co-managing member, J.W. Sikora, describing and affirming the nature of this relationship.

3. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My credentials as a petroleum landman have been accepted by the Division and made a matter of record.

4. None of the interest owners to be pooled have opposed this case proceeding by self-affirmed statement, so I do not expect any opposition at the hearing.

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. C  
Submitted by: Redwood Operating LLC  
Hearing Date: December 1, 2022  
Case No. 23186**

5. In **Case No. 23186**, Redwood seeks an order pooling all uncommitted mineral interests in a 160-acre, more or less, horizontal well spacing unit in the Yeso formation comprised of the N/2 N/2 of Section 17, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico.

6. Redwood intends to dedicate this standard horizontal spacing unit to the proposed initial **Sparkplug 17 Federal Com #1H, Sparkplug 17 Federal Com #2H, and Sparkplug 17 Federal Com #3H** wells, all to be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 9, to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 17. The completed interval of the wells will comply with statewide setbacks for oil wells.

7. **Redwood Exhibit C-2** contains the C-102s for the proposed wells. The exhibit shows that these wells will be assigned to the Red Lake; Glorieta-Yeso (Pool code 51120).

8. **Redwood Exhibit C-3** identifies ownership interests by tract and on a unit basis within the proposed spacing unit and also includes a breakdown of ownership interests. Redwood seeks to pool the interest owners identified in the exhibit. The subject acreage is comprised of federal lands.

9. No depth severances exist within the Yeso formation underlying this acreage.

10. **Redwood Exhibit C-4** contains a sample of the well proposal letters and AFEs sent to owners with a working interest. The costs reflected in the AFEs are consistent with what Redwood and other operators have incurred for drilling similar horizontal wells in the Yeso formation in this area.

11. **Redwood Exhibit C-5** contains a summary chronology of the contacts with the interest owners that Redwood seeks to pool. In my opinion, Redwood has made a good faith effort to obtain voluntary joinder of the uncommitted interest owners.

12. Redwood requests overhead and administrative rates of \$8,000 per month for drilling and \$800 per month for a producing well. These rates are consistent with the rates charged by Redwood and other operators for wells of this type in this area of southeastern New Mexico.

13. I have provided the law firm of Holland and Hart, LLP, with the names and addresses of the uncommitted interest owners that Redwood seeks to pool in **Case No. 23186**. In providing names and addresses, Redwood has examined the county records, conducted computer searches and engaged in other good faith efforts to locate the most recent addresses for all of the interest owners that it seeks to pool.

14. **Redwood Exhibits C-1 through C-5** were prepared by me or compiled under my direction from Redwood's company business records.

15. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

  
DERIK SMITH

11/21/2022  
Date

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

APPLICATION OF REDWOOD OPERATING  
LLC FOR COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO.

CASE NO. 23186

SELF-AFFIRMED STATEMENT OF J.W. SIKORA

1. My name is J.W. Sikora. I am the co-managing member of Pecos Oil & Gas, LLC. I am familiar with the application filed in this case and have personal knowledge of the information provided in this self-affirmed statement.

2. Pecos Oil & Gas, LLC is a foreign limited liability company registered in Delaware with a principal place of business at 1455 West Loop South, Suite 230, Houston, Texas. It is registered to do business in New Mexico through the New Mexico Secretary of State and is in good standing.

3. Pecos Oil & Gas, LLC is a working interest owner in each of the tracts that comprise the proposed horizontal spacing unit in this case. As a working interest owner, Pecos Oil & Gas, LLC has a right to drill wells in the subject acreage.

4. However, Pecos Oil & Gas, LLC is not an operator of oil and gas wells or other oil and gas facilities in New Mexico. Therefore, it does not have an OGRID number and is not a bonded or registered operator through the New Mexico Oil Conservation Division.

5. Pecos Oil & Gas, LLC has therefore contracted with Redwood Operating LLC to propose wells, operate wells, operate Pecos Oil & Gas, LLC's working interests, and generally act on behalf of Pecos Oil & Gas, LLC to manage its leasehold interests in New Mexico.

6. Redwood Operating LLC is a domestic limited liability company with a principal place of business at 11344 Lovington Highway, Artesia, New Mexico.

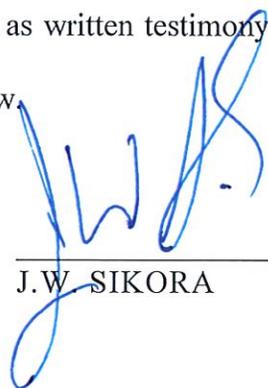
BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. C-1  
Submitted by: Redwood Operating LLC  
Hearing Date: December 1, 2022  
Case No. 23186

7. As part of its contractual agreement with Redwood Operating LLC, Pecos Oil & Gas, LLC authorized Redwood Operating LLC to propose the wells and to file the application that is the subject of this compulsory pooling proceeding on its behalf. Redwood Operating LLC is also authorized to manage Pecos Oil & Gas, LLC's leasehold interests that are the subject of this case.

8. Accordingly, Redwood Operating LLC has a right to propose, drill, and operate wells on the subject acreage, as well as to file compulsory pooling applications to force pool uncommitted owners, on behalf of Pecos Oil & Gas, LLC.

9. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature

below

  
\_\_\_\_\_  
J.W. SIKORA

11-21-2022  
\_\_\_\_\_  
Date



District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-015-49681		<sup>2</sup> Pool Code 51120		<sup>3</sup> Pool Name RED LAKE; GLORIETA- YESO	
<sup>4</sup> Property Code 333029		<sup>5</sup> Property Name SPARKPLUG 17 FEDERAL COM			<sup>6</sup> Well Number 2H
<sup>7</sup> OGRID No. 330211		<sup>8</sup> Operator Name REDWOOD OPERATING LLC			<sup>9</sup> Elevation 3504.8

<sup>10</sup> Surface Location

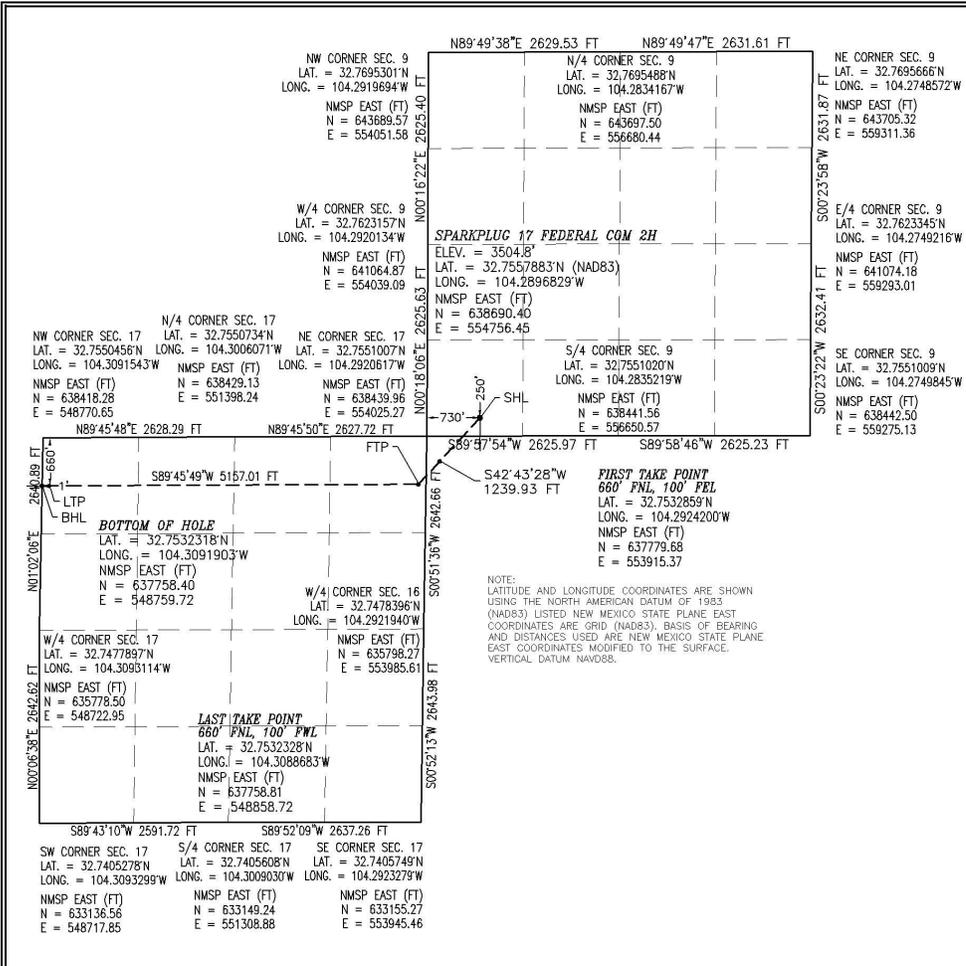
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	9	18 S	27 E		250	SOUTH	730	WEST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	17	18 S	27 E		660	NORTH	1	WEST	EDDY

<sup>12</sup> Dedicated Acres 160	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



**17 OPERATOR CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

*Deana Weaver* 11/9/2021  
Signature Date

Deana Weaver  
Printed Name

dweaver@mec.com  
E-mail Address

**18 SURVEYOR CERTIFICATION**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

NOVEMBER 9, 2021  
Date of Survey

*[Signature]*  
Signature and Seal of Professional Surveyor

Certificate Number: 6120  
PROFESSIONAL SURVEYOR NO. 8641D



Plat of Unitized Area covering the  
N/2N/2 of Section 17, Township 18 South, Range 27 East, NMPM  
Eddy County, New Mexico

**Unit Name: Sparkplug 17 Fed Com #1H, #2H, #3H**

<u>Tract 1</u> Fed Lease NM 04175(b) XTO Holdings LLC, et al 100%	<u>Tract 2</u> Fed Leases NM 0758 Pecos Oil & Gas, et al 100%	<u>Tract 1</u> Fed Leases NM 029276, NM 04175(b) XTO Holdings, LLC, et al 100%	

**Section 17  
T18S-R27E**

**BEFORE THE OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico  
Exhibit No. C-3  
Submitted by: Redwood Operating LLC Hearing Date:  
December 1, 2022  
Case No. 23186

Sparkplug 17 #1H, #2H, #3H  
Ownership Schedule

Name	Interest Type	Working Interest
<b>Tract 1 - N2NE4, NW4NW4 Section 17, T18S-R27E - 120 acres</b>		
XTO Holdings LLC	Working Interest	0.81250000
ZPZ Delaware I, LLC	Working Interest	0.18750000
Total:		1.00000000
<b>Tract 2 - NE4NW4 Section 17, T18S-R27E - 40 acres</b>		
XTO Holdings LLC	Working Interest	0.81250000
Pecos Oil & Gas LLC	Working Interest	0.18750000
Total:		1.00000000

<b>KEY</b>	
	Indicates the parties to be pooled



September 29, 2022

Via Email & Federal Express

XTO Holdings, LLC  
Attn: Mr. Greg Davis, Landman  
22777 Springwoods Village Parkway  
Spring, Texas 77389

**RE: Well Proposals for the Sparkplug 17 Federal Com #1H, #2H, #3H  
N/2N/2 Section 17-T18S-R27E  
Eddy County, New Mexico**

Mr. Davis,

Redwood Operating LLC ("Redwood"), acting on behalf of Pecos Oil & Gas LLC, proposes to drill and complete the captioned horizontal wells in the Yeso formation at the following locations:

**Sparkplug 17 Federal Com #1H (30-015-49680)**

- SHL: 250' FSL & 710' FWL, Section 9-T18S-R27E
- BHL: 330' FNL & 1' FWL, Section 17-R18S-R27E
- Average TVD: 2,966'

**Sparkplug 17 Federal Com #2H (30-015-49681)**

- SHL: 250' FSL & 730' FWL, Section 9-T18S-R27E
- BHL: 660' FNL & 1' FWL, Section 17-T18S-R27E
- Average TVD: 3,762'

**Sparkplug 17 Federal Com #3H (30-015-49682)**

- SHL: 250' FSL & 750' FWL, Section 9-T18S-R27E
- BHL: 990' FNL & 1' FWL, Section 17-T18S-R27E
- Average TVD: 3,160'

Redwood proposes creating a drilling unit covering the N2N2 of Section 17-T18S-R27E, Eddy County, New Mexico, containing 160 acres, more or less, from the Top of the Yeso formation to the base of the Yeso formation. Furthermore, Redwood wishes to replace any existing Operating Agreements covering the subject lands and depths with a new Operating Agreement to govern horizontal development of the captioned lands within the Yeso formation. The new Operating Agreement will supersede any existing Operating Agreements, less and except any existing vertical operations and will contain the following provisions:

**O: 575.748.1288  
F: 575.748.7374  
INFO@REDWOODOPERATING.COM**

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. C-4  
Submitted by: Redwood Operating LLC  
Hearing Date: December 1, 2022  
Case No. 23186**

- Contract Area being the N2N2 Section 17-T18S-R27E
- Limited in depth to the Yeso formation only
- 100%/300%/300% non-consent penalties
- Drilling & producing overhead set at \$8,000/\$800
- Effective date October 1, 2022
- Redwood Operating LLC named as Operator

We've enclosed AFEs estimating the costs of drilling and completing the above-described wells. If you wish to participate in the proposed wells, please sign and return the attached election ballots along with the AFE. If you do not wish to participate, we would offer to buy your interest for \$1500 an acre limited to the Yeso formation (subject to final management approval). We would also be interested in acquiring all of your Yeso rights in the balance of the section at the same terms. Please be advised that Pecos may go to hearing at the NMOCD for Compulsory Pooling if we cannot come to an agreement within 30 days.

Should you have any questions or wish to discuss this matter further, please contact either myself at [dsmith@redwoodoperating.com](mailto:dsmith@redwoodoperating.com) or 575-748-1288 (ext. 2150) and/or Staci Sanders at [stacis@mec.com](mailto:stacis@mec.com) or 575-748-1288 (ext. 2020). We look forward to working with you on this matter.

Best Wishes,



Derik Smith  
Landman

Enclosures

**Horizontal Well Proposal**  
**Sparkplug 17 Fed Com #1H**  
**N2N2 Sec. 17-T18S-R27E**  
**Eddy County, New Mexico**  
**September 29, 2022**

- \_\_\_\_\_ Elect to participate in the drilling and completion of the Sparkplug 17 Fed Com #1H.
- \_\_\_\_\_ Elect to go non-consent in the drilling and completion of the Sparkplug 17 Fed Com #1H.
- \_\_\_\_\_ Elect to receive an offer on our interest for \$1500/acre.

Agreed to and accepted this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

Company: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Horizontal Well Proposal**  
**Sparkplug 17 Fed Com #2H**  
**N2N2 Sec. 17-T18S-R27E**  
**Eddy County, New Mexico**  
**September 29, 2022**

- \_\_\_\_\_ Elect to participate in the drilling and completion of the Sparkplug 17 Fed Com #2H.
- \_\_\_\_\_ Elect to go non-consent in the drilling and completion of the Sparkplug 17 Fed Com #2H.
- \_\_\_\_\_ Elect to receive an offer on our interest for \$1500/acre.

Agreed to and accepted this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

Company: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Horizontal Well Proposal**  
**Sparkplug 17 Fed Com #3H**  
**N2N2 Sec. 17-T18S-R27E**  
**Eddy County, New Mexico**  
**September 29, 2022**

- \_\_\_\_\_ Elect to participate in the drilling and completion of the Sparkplug 17 Fed Com #3H.
- \_\_\_\_\_ Elect to go non-consent in the drilling and completion of the Sparkplug 17 Fed Com #3H.
- \_\_\_\_\_ Elect to receive an offer on our interest for \$1500/acre.

Agreed to and accepted this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

Company: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Redwood Operating, LLC**  
**AUTHORIZATION FOR EXPENDITURE**  
**AFE #**

**Sparkplug 17 Federal Com #1H**  
**Landing Point: MD 3,675.75' TVD: 3,064.86' TD MD 8,8731.75' TVD 2,965.88'**  
**SHL: 250' FSL & 710' FWL Sec 9-T18S-R27E**  
**BHL 330' FNL & 1' FWL Sec 17-T18S-R27E**  
**Sec 9-T18S-R27E Eddy County, New Mexico**

Code	Drilling Intangible	Dry Hole Without Pipe	Completed Well	Actual Cost
502-015	Administrative Overhead Drilling	\$3,000.00	\$0.00	\$3,000.00
502-020	Location, Roads, Pits, & Damages	\$86,900.00	\$0.00	\$86,900.00
502-100	Footage	\$0.00	\$0.00	\$0.00
502-110	Daywork 15 days \$16,300/day	\$338,200.00	\$0.00	\$338,200.00
502-114	Rental Equipment Surface	\$100,280.70	\$0.00	\$100,280.70
502-115	Rental Equipment SubSurface	\$28,450.00	\$0.00	\$28,450.00
502-116	Bits	\$66,500.00	\$0.00	\$66,500.00
502-120	Water-Drilling	\$229,950.00	\$0.00	\$229,950.00
502-125	Mud Materials	\$63,000.00	\$0.00	\$63,000.00
502-200	Cement-- Surface and Intermediate	\$59,925.00	\$0.00	\$59,925.00
502-201	Cement-- Production	\$0.00	\$75,160.32	\$75,160.32
502-204	Fuel & Power	\$67,500.00	\$0.00	\$67,500.00
502-205	Supplies & Misc.	\$5,000.00	\$0.00	\$5,000.00
502-500	Testing, Coring, & Mud Logging	\$0.00	\$0.00	\$0.00
502-600	Open Hole Logs/Wireline	\$0.00	\$0.00	\$0.00
502-650	Directional Drillers	\$119,000.00	\$0.00	\$119,000.00
502-681	Supervision	\$47,250.00	\$0.00	\$47,250.00
502-682	Trailer Rentals & Other Camp Equip.	\$11,775.00	\$0.00	\$11,775.00
175-600	Land, Legal, Regulatory, Permits	\$13,800.00	\$0.00	\$13,800.00
	Miscellaneous and Contingency	\$122,373.07	\$0.00	\$122,373.07

Code	Total Drilling Intangibles	\$1,362,903.77	\$75,160.32	\$1,438,064.09
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**Completion Intangibles**

502-015	Administrative Overhead Completion	\$0.00	\$2,400.00	\$2,400.00
502-021	Battery Construction-Dirt Work,Etc	\$0.00	\$10,000.00	\$10,000.00
502-103	Completion Unit	\$0.00	\$118,800.00	\$118,800.00
502-210	Fuel,Water,Power	\$0.00	\$455,500.00	\$455,500.00
502-350	Completions Surface Rentals	\$0.00	\$324,338.00	\$324,338.00
502-360	Completions SubSurface Rentals	\$0.00	\$115,697.00	\$115,697.00
502-601	Perforating and Logging	\$0.00	\$152,400.00	\$152,400.00
502-610	Frac and/or Acid Treatment	\$0.00	\$1,627,878.00	\$1,627,878.00
502-680	Professional Services	\$0.00	\$39,500.00	\$39,500.00
502-700	Miscellaneous Services	\$0.00	\$5,000.00	\$5,000.00
	Contingency	\$0.00	\$284,911.30	\$284,911.30

Code	Total Completion Intangibles	\$0.00	\$3,136,424.30	\$3,136,424.30
Total Intangibles		\$1,362,903.77	\$3,211,584.62	\$4,574,488.39

**Drilling and Completion Tangibles**

170-105	Surface Casing 375'	13 3/8" 48# J-55 ST&C	\$25,884.73	\$0.00	\$25,884.73
170-110	Intermediate Casing 1,230'	9 5/8"-36#-J-55 ST&C	\$67,583.73	\$0.00	\$67,583.73
170-115	Production Casing 8,832'	□ (2,260' to 3,150') = 89	\$0.00	\$314,807.16	\$314,807.16
170-115	Production Liner 0	0	\$0.00	\$0.00	\$0.00
170-120	Production Tubing 3,100'	2 7/8" J-55 tbg (Coated)	\$0.00	\$40,537.82	\$40,537.82
170-125	Wellhead Equipment-- Long String		\$0.00	\$18,500.00	\$18,500.00
170-126	Wellhead Equipment-- Surface & Intermediate		\$8,000.00	\$0.00	\$8,000.00
170-130	Floating Equipment-- Long String		\$0.00	\$45,275.00	\$45,275.00
170-131	Floating Equipment-- Surface & Intermediate		\$7,000.00	\$0.00	\$7,000.00
170-135	Rods		\$0.00	\$0.00	\$0.00
170-140	Subsurfaces Equipment (Packers Plus)		\$0.00	\$85,000.00	\$85,000.00
170-145	Linepipe		\$0.00	\$108,000.00	\$108,000.00
170-150	Tanks,Treater,Separators and Battery Construction		\$0.00	\$232,069.50	\$232,069.50
170-155	Pumping Unit And Engine		\$0.00	\$0.00	\$0.00
170-160	Other Miscellaneous Equipment		\$0.00	\$35,000.00	\$35,000.00
	Contingency		\$10,846.85	\$87,918.95	\$98,765.79

Total Tangible	\$119,315.31	\$967,108.42	\$1,086,423.73
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TOTAL WELL COSTS	\$1,482,219.08	\$4,178,693.04	\$5,660,912.12
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Drilling Prepared By: Jim Krogman 9/26/2022 Total Contingency: \$506,050.16  
 Completion Prepared By: Michael Gonzales 9/26/2022 Total w/o Contingency: \$5,154,861.96

Interest Owner: \_\_\_\_\_ Interest: \_\_\_\_\_

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_

**Redwood Operating, LLC**  
**AUTHORIZATION FOR EXPENDITURE**  
 AFE #

Sparkplug 17 Federal Com #2H  
 Landing Point: MD: 4,616.48' TVD: 3,862' TD: MD: 9,974' TVD: 3,762'  
 SHL: 250 FSL & 730 FWL Sec 9-T18S-R27E  
 BHL: 660 FNL & 1 FWL Sec 17-T18S-R27E  
 Sec 9-T18S-R27E Eddy County, New Mexico

Code	Drilling Intangible	Dry Hole Without Pipe	Completed Well	Actual Cost
502-015	Administrative Overhead Drilling	\$3,400.00	\$0.00	\$3,400.00
502-020	Location, Roads, Pits, & Damages	\$86,900.00	\$0.00	\$86,900.00
502-100	Footage	\$0.00	\$0.00	\$0.00
502-110	Daywork 17 days \$16,300.00	\$370,800.00	\$0.00	\$370,800.00
502-114	Rental Equipment Surface	\$102,186.90	\$0.00	\$102,186.90
502-115	Rental Equipment SubSurface	\$28,450.00	\$0.00	\$28,450.00
502-116	Bits	\$66,500.00	\$0.00	\$66,500.00
502-120	Water-Drilling	\$229,950.00	\$0.00	\$229,950.00
502-125	Mud Materials	\$63,000.00	\$0.00	\$63,000.00
502-200	Cement-- Surface and Intermediate	\$59,925.00	\$0.00	\$59,925.00
502-201	Cement-- Production	\$0.00	\$84,878.74	\$84,878.74
502-204	Fuel & Power	\$76,500.00	\$0.00	\$76,500.00
502-205	Supplies & Misc.	\$5,000.00	\$0.00	\$5,000.00
502-500	Testing, Coring, & Mud Logging	\$0.00	\$0.00	\$0.00
502-600	Open Hole Logs/Wireline	\$0.00	\$0.00	\$0.00
502-650	Directional Drillers	\$136,000.00	\$0.00	\$136,000.00
502-681	Supervision	\$53,550.00	\$0.00	\$53,550.00
502-682	Trailer Rentals & Other Camp Equip.	\$13,345.00	\$0.00	\$13,345.00
175-600	Land, Legal, Regulatory, Permits	\$13,800.00	\$0.00	\$13,800.00
	Miscellaneous and Contingency	\$129,210.69	\$0.00	\$129,210.69

<b>Code</b>	<b>Total Drilling Intangibles</b>	<b>\$1,438,517.59</b>	<b>\$84,878.74</b>	<b>\$1,523,396.33</b>
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**Completion Intangibles**

502-015	Administrative Overhead Completion	\$0.00	\$2,400.00	\$2,400.00
502-021	Battery Construction-Dirt Work,Etc	\$0.00	\$10,000.00	\$10,000.00
502-103	Completion Unit	\$0.00	\$118,800.00	\$118,800.00
502-210	Fuel,Water,Power	\$0.00	\$455,500.00	\$455,500.00
502-350	Completions Surface Rentals	\$0.00	\$324,338.00	\$324,338.00
502-360	Completions SubSurface Rentals	\$0.00	\$115,697.00	\$115,697.00
502-601	Perforating and Logging	\$0.00	\$152,400.00	\$152,400.00
502-610	Frac and/or Acid Treatment	\$0.00	\$1,627,878.00	\$1,627,878.00
502-680	Professional Services	\$0.00	\$39,500.00	\$39,500.00
502-700	Miscellaneous Services	\$0.00	\$5,000.00	\$5,000.00
	Contingency	\$0.00	\$284,911.30	\$284,911.30

<b>Code</b>	<b>Total Completion Intangibles</b>	<b>\$0.00</b>	<b>\$3,136,424.30</b>	<b>\$3,136,424.30</b>
	<b>Total Intangibles</b>	<b>\$1,438,517.59</b>	<b>\$3,221,303.04</b>	<b>\$4,659,820.63</b>

**Drilling and Completion Tangibles**

170-105	Surface Casing 375'	13 3/8" 48# J-55 ST&C	\$25,884.73	\$0.00	\$25,884.73
170-110	Intermediate Casing 1,230'	9 5/8"-36#-J-55 ST&C	\$67,583.73	\$0.00	\$67,583.73
170-115	Production Casing 9,974'	7 (2,750' to 3,850') = 1,1	\$0.00	\$355,272.29	\$355,272.29
170-115	Production Liner 0	0	\$0.00	\$0.00	\$0.00
170-120	Production Tubing 3,750'	2 7/8" J-55 tbg (Coated	\$0.00	\$46,065.70	\$46,065.70
170-125	Wellhead Equipment-- Long String		\$0.00	\$18,500.00	\$18,500.00
170-126	Wellhead Equipment-- Surface & Intermediate		\$8,000.00	\$0.00	\$8,000.00
170-130	Floating Equipment-- Long String		\$0.00	\$46,615.00	\$46,615.00
170-131	Floating Equipment-- Surface & Intermediate		\$7,000.00	\$0.00	\$7,000.00
170-135	Rods		\$0.00	\$0.00	\$0.00
170-140	Subsurfaces Equipment (Packers Plus)		\$0.00	\$85,000.00	\$85,000.00
170-145	Linepipe		\$0.00	\$108,000.00	\$108,000.00
170-150	Tanks,Treater,Separators and Battery Construction		\$0.00	\$232,069.50	\$232,069.50
170-155	Pumping Unit And Engine		\$0.00	\$0.00	\$0.00
170-160	Other Miscellaneous Equipment		\$0.00	\$75,000.00	\$75,000.00
	Contingency		\$10,846.85	\$96,652.25	\$107,499.09

<b>Total Tangible</b>	<b>\$119,315.31</b>	<b>\$1,063,174.74</b>	<b>\$1,182,490.04</b>
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<b>TOTAL WELL COSTS</b>	<b>\$1,557,832.90</b>	<b>\$4,284,477.78</b>	<b>\$5,842,310.67</b>
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Drilling Prepared By: Jim Krogman 9/26/2022 Total Contingency: \$521,621.08  
 Completion Prepared By: Michael Gonzales 1/5/2022 Total w/o Contingency: \$5,320,689.59

Interest Owner: \_\_\_\_\_ Interest: \_\_\_\_\_

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_

**Redwood Operating, LLC**  
**AUTHORIZATION FOR EXPENDITURE**  
 AFE #

Sparkplug 17 Federal Com #3H

Landing Point: MD: 4,141.71' TVD: 3,265.39' TD: MD: 9,586.71' TVD: 3,160.86'

SHL: 250' FSL & 750' FWL Sec 9-T18S-R27E

BHL 990' FNL & 1' FWL Sec 17-T18S-R27E

Sec 9-T18S-R27E Eddy County, New Mexico

Code	Drilling Intangible	Dry Hole Without Pipe	Completed Well	Actual Cost
502-015	Administrative Overhead Drilling	\$3,400.00	\$0.00	\$3,400.00
502-020	Location, Roads, Pits, & Damages	\$86,900.00	\$0.00	\$86,900.00
502-100	Footage	\$0.00	\$0.00	\$0.00
502-110	Daywork 17 days \$16,300/day	\$370,800.00	\$0.00	\$370,800.00
502-114	Rental Equipment Surface	\$102,186.90	\$0.00	\$102,186.90
502-115	Rental Equipment SubSurface	\$28,450.00	\$0.00	\$28,450.00
502-116	Bits	\$66,000.00	\$0.00	\$66,000.00
502-120	Water-Drilling	\$229,950.00	\$0.00	\$229,950.00
502-125	Mud Materials	\$71,400.00	\$0.00	\$71,400.00
502-200	Cement-- Surface and Intermediate	\$59,925.00	\$0.00	\$59,925.00
502-201	Cement-- Production	\$0.00	\$81,585.37	\$81,585.37
502-204	Fuel & Power	\$68,850.00	\$0.00	\$68,850.00
502-205	Supplies & Misc.	\$5,000.00	\$0.00	\$5,000.00
502-500	Testing, Coring, & Mud Logging	\$0.00	\$0.00	\$0.00
502-600	Open Hole Logs/Wireline	\$0.00	\$0.00	\$0.00
502-650	Directional Drillers	\$136,000.00	\$0.00	\$136,000.00
502-681	Supervision	\$53,550.00	\$0.00	\$53,550.00
502-682	Trailer Rentals & Other Camp Equip.	\$13,345.00	\$0.00	\$13,345.00
175-600	Land, Legal, Regulatory, Permits	\$13,800.00	\$0.00	\$13,800.00
	Miscellaneous and Contingency	\$129,235.69	\$0.00	\$129,235.69

Code	Total Drilling Intangibles	\$1,438,792.59	\$81,585.37	\$1,520,377.96
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**Completion Intangibles**

502-015	Administrative Overhead Completion	\$0.00	\$2,400.00	\$2,400.00
502-021	Battery Construction-Dirt Work,Etc	\$0.00	\$10,000.00	\$10,000.00
502-103	Completion Unit	\$0.00	\$118,800.00	\$118,800.00
502-210	Fuel,Water,Power	\$0.00	\$455,500.00	\$455,500.00
502-350	Completions Surface Rentals	\$0.00	\$324,338.00	\$324,338.00
502-360	Completions SubSurface Rentals	\$0.00	\$115,697.00	\$115,697.00
502-601	Perforating and Logging	\$0.00	\$152,400.00	\$152,400.00
502-610	Frac and/or Acid Treatment	\$0.00	\$1,627,878.00	\$1,627,878.00
502-680	Professional Services	\$0.00	\$39,500.00	\$39,500.00
502-700	Miscellaneous Services	\$0.00	\$5,000.00	\$5,000.00
	Contingency	\$0.00	\$284,911.30	\$284,911.30

Code	Total Completion Intangibles	\$0.00	\$3,136,424.30	\$3,136,424.30
Total Intangibles		\$1,438,792.59	\$3,218,009.67	\$4,656,802.26

**Drilling and Completion Tangibles**

170-105	Surface Casing 375'	13 3/8" 48# J-55 ST&C	\$25,884.73	\$0.00	\$25,884.73
170-110	Intermediate Casing 1,230'	9 5/8"-36# J-55 ST&C	\$67,583.73	\$0.00	\$67,583.73
170-115	Production Casing 9,587'	(1,625' to 3,300') = 1,1	\$0.00	\$342,724.32	\$342,724.32
170-115	Production Liner 0	0	\$0.00	\$0.00	\$0.00
170-120	Production Tubing 3,200'	2 7/8" J-55 tbg (Coated	\$0.00	\$39,309.40	\$39,309.40
170-125	Wellhead Equipment-- Long String		\$0.00	\$18,500.00	\$18,500.00
170-126	Wellhead Equipment-- Surface & Intermediate		\$8,000.00	\$0.00	\$8,000.00
170-130	Floating Equipment-- Long String		\$0.00	\$46,280.00	\$46,280.00
170-131	Floating Equipment-- Surface & Intermediate		\$7,000.00	\$0.00	\$7,000.00
170-135	Rods		\$0.00	\$0.00	\$0.00
170-140	Subsurfaces Equipment (Packers Plus)		\$0.00	\$85,000.00	\$85,000.00
170-145	Linepipe		\$0.00	\$108,000.00	\$108,000.00
170-150	Tanks,Treater,Separators and Battery Construction		\$0.00	\$232,069.50	\$232,069.50
170-155	Pumping Unit And Engine		\$0.00	\$0.00	\$0.00
170-160	Other Miscellaneous Equipment		\$0.00	\$35,000.00	\$35,000.00
	Contingency		\$10,846.85	\$90,688.32	\$101,535.17

Total Tangible	\$119,315.31	\$997,571.54	\$1,116,886.85
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TOTAL WELL COSTS	\$1,558,107.90	\$4,215,581.21	\$5,773,689.11
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Drilling Prepared By: Jim Krogman 9/26/2022 Total Contingency: \$515,682.16  
 Completion Prepared By: Michael Gonzales 9/26/2022 Total w/o Contingency: \$5,258,006.95

Interest Owner: \_\_\_\_\_ Interest: \_\_\_\_\_

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_

	<u>1st Contact</u>
XTO Holdings LLC	Email Proposal to William Davis after brief phone call- 9/29/2022
ZPZ Delaware I, LLC	Email Proposal to Leslie Mullin after brief phone call- 9/29/2022
	<u>2nd Contact</u>
XTO Holdings LLC	Follow up email re: proposal to William Davis; no response - 10/24/2022
ZPZ Delaware I, LLC	Follow up email re: proposal to Leslie Mullin; answer questions re: ZPZ's ownership interests - 10/20/2022
	<u>3rd Contact</u>
XTO Holdings LLC	Email to William Davis re: proposal; indicates they will likely not participate- 11/7/2022
ZPZ Delaware I, LLC	Follow up email re: proposal to Leslie Mullin; send proposed operating agreement - 11/7/2022
	<u>4th Contact</u>
XTO Holdings LLC	Respond to email from William Davis re: proposal - 11/21/2022
ZPZ Delaware I, LLC	Email with Leslie Mullin re: specific operating agreement provisions - 11/17/2022

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

APPLICATION OF REDWOOD OPERATING  
LLC FOR COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO.

CASE NO. 23186

SELF-AFFIRMED STATEMENT OF CHARLES SADLER

1. My name is Charles Sadler, and I work for Redwood Operating LLC, ("Redwood"), as a geologist. I am familiar with the application filed in this case and have personal knowledge of the information provided in this self-affirmed statement.

2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum geology matters and my credentials as an expert petroleum geologist have been accepted by the Division and been made a matter of record.

3. **Redwood Exhibit D-1** is a locator map identifying the proposed horizontal well spacing unit in this case with a red box within the Permian Basin.

4. **Redwood Exhibit D-2** is a zoomed in project locator map identifying Redwood's proposed Sparkplug well spacing unit outlined in yellow.

5. **Redwood Exhibit D-3** is a subsea structure map with a type log for the Kaiser #1. The proposed spacing unit acreage is identified with a yellow outline. The contour interval is 10 feet. The structure map shows that the Yeso formation gently dips to the south in this area. I do not observe any faulting, pinch outs, or other geologic impediments to developing the targeted intervals with horizontal wells in this area.

6. **Redwood Exhibit D-4** identifies the four wells penetrating the targeted intervals that I used to construct a structural cross-section from A to A' across the acreage. I used these well logs

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. D  
Submitted by: Redwood Operating LLC Hearing Date:  
December 1, 2022  
Case No. 23186

because they penetrate the targeted intervals and are of good quality. In my opinion, these well logs are representative of the geology in the area.

7. **Redwood Exhibit D-4** also includes a stratigraphic cross-section of the Yeso formation using the four representative wells. It contains a gamma ray, resistivity, and porosity logs for each well where available. The target interval for the **Sparkplug 17 Federal Com #1H** is identified in green shading as the Upper Paddock. The target interval for the **Sparkplug 17 Federal Com #2H** is identified in light blue shading as the Middle Blinebry. The target interval for the **Sparkplug 17 Federal Com #3H** is identified in purple shading as the Middle Paddock. The stratigraphic cross-section demonstrates that the targeted intervals within the Yeso formation extend across the proposed spacing unit.

8. In my opinion, laydown orientation of the wells is the preferred orientation for horizontal well development in this area and is appropriate to develop the subject acreage efficiently and effectively.

9. Based on my geologic study, the targeted intervals within the Yeso formation underlying the subject area is suitable for development by horizontal wells and the acreage comprising the proposed spacing unit will contribute more-or-less equally to the production from the wellbores. I have not identified any geologic impediments to drilling horizontal wells in the area of the spacing unit proposed.

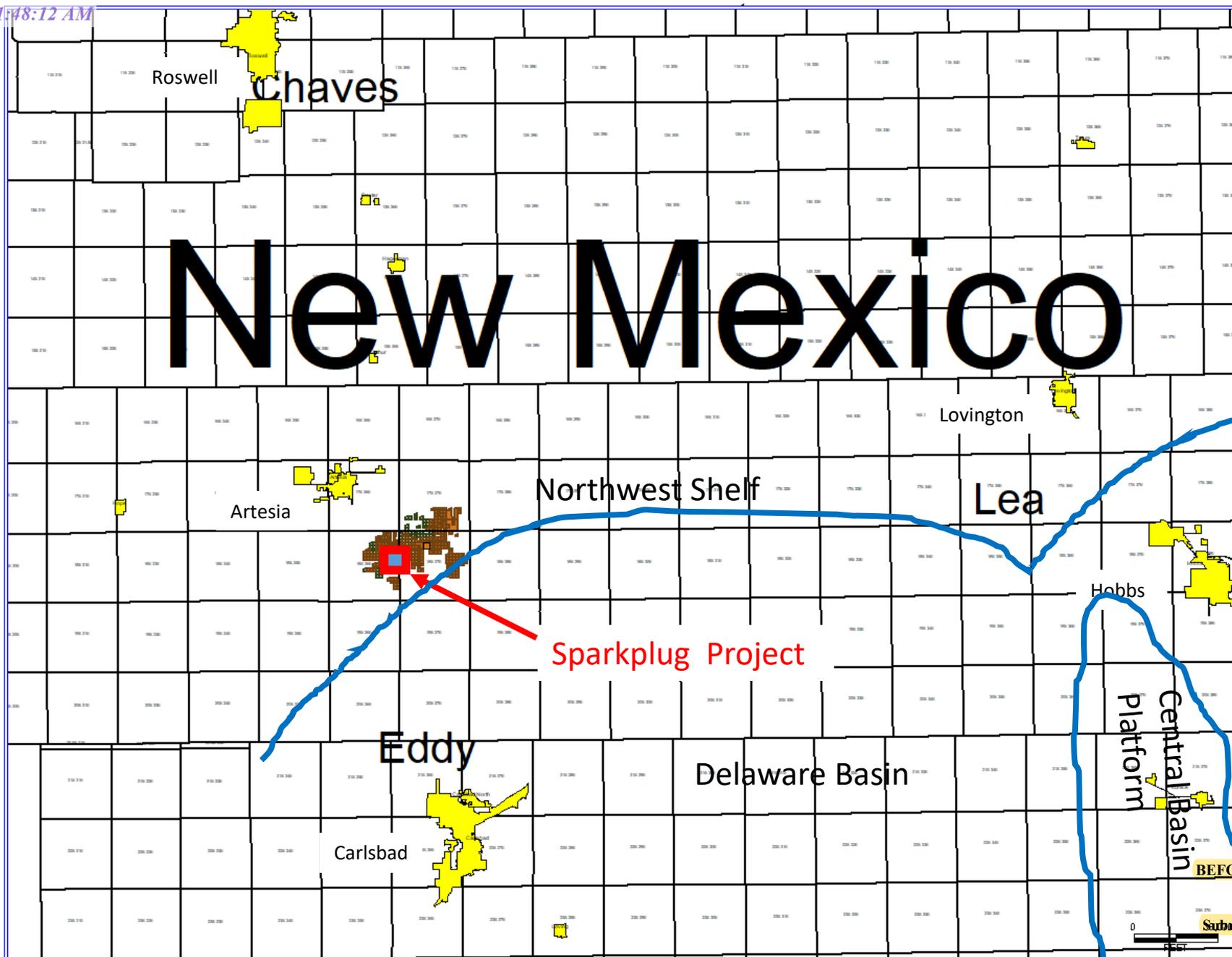
10. **Redwood Exhibits D-1 through D-4** were either prepared by me or compiled under my direction and supervision.

11. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

  
Charles Sadler

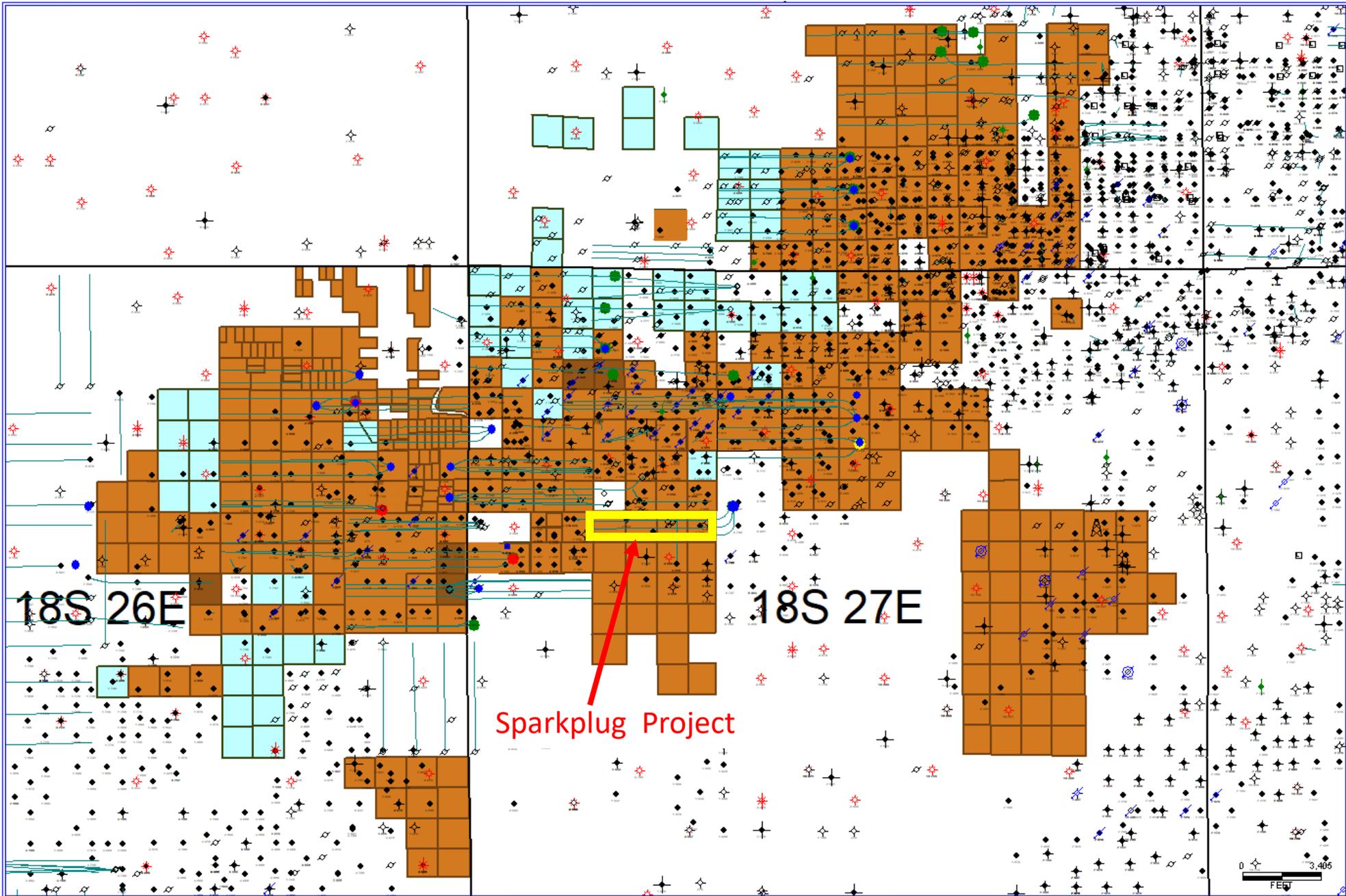
11/23/22  
Date

# Sparkplug Project Locator Map



BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. D-1  
 Submitted by: Redwood Operating LLC Hearing  
 Date: December 1, 2022  
 Case No. 23186

# Redwood Operating Acreage Position

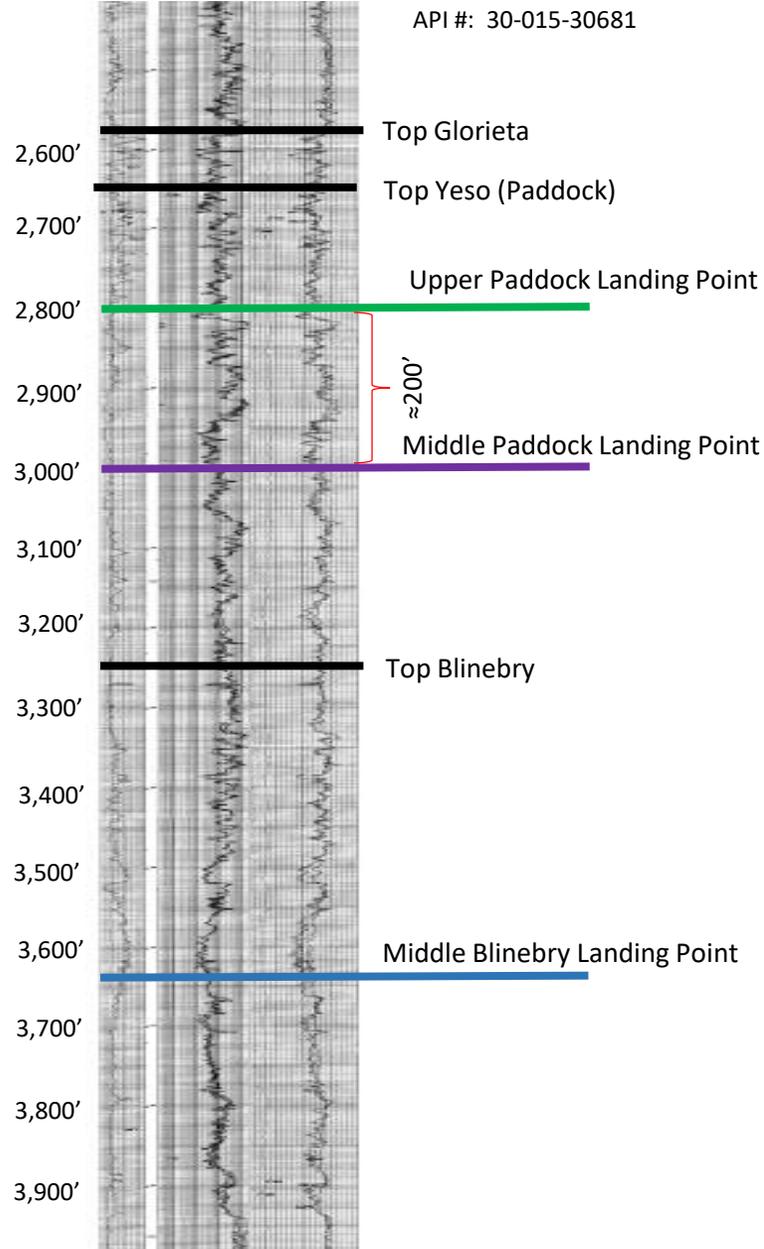


- San Andres Rights
- Yeso Rights

BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. D-2  
 Submitted by: Redwood Operating LLC Hearing  
 Date: December 1, 2022  
 Case No. 23186

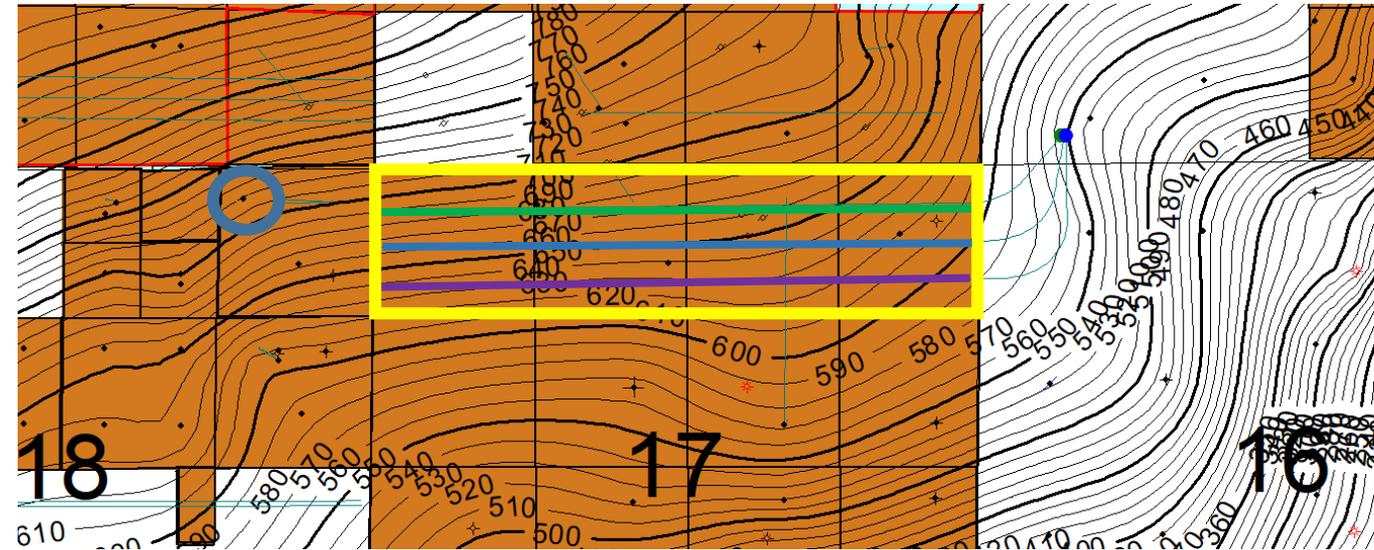
Kaiser #1  
330' FNL & 1110' FEL  
Section 18-T18S-R27E  
API #: 30-015-30681

### Type Log



# Sparkplug Project Area Type Log/Structure Map

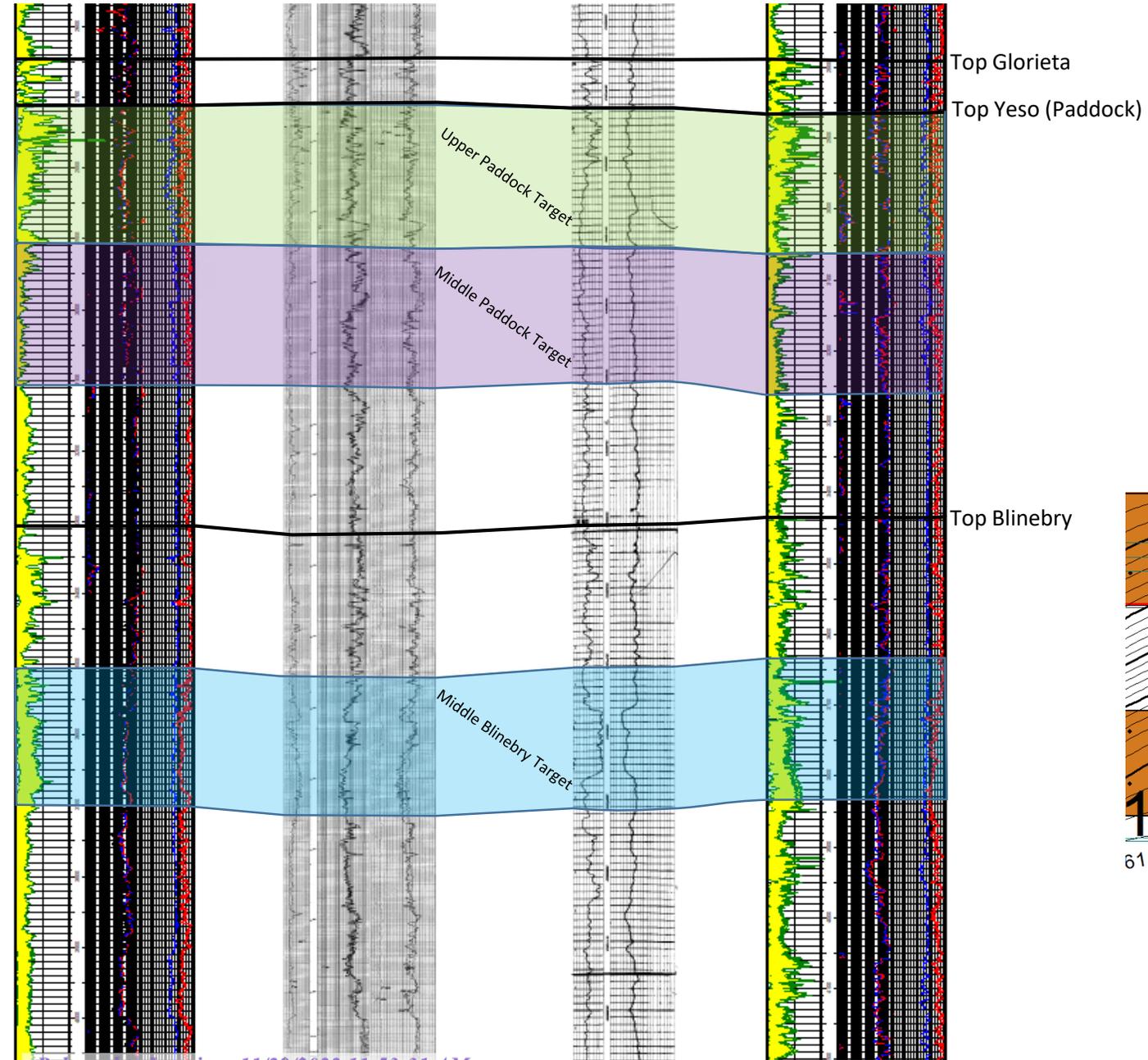
### Glorieta Structure Map CI: 10'



- Upper Paddock Horizontal
- Middle Paddock Horizontal
- Middle Blinebry Horizontal
- Project Area

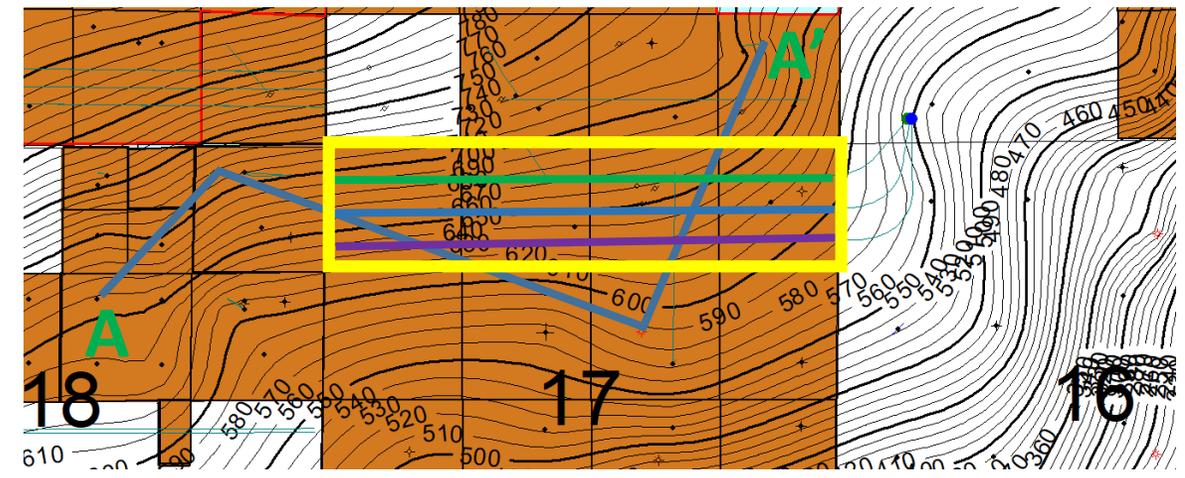
BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. D-3  
 Submitted by: Redwood Operating LLC Hearing  
 Date: December 1, 2022  
 Case No. 23186

A'



# Sparkplug Project Stratigraphic Cross Section A-A'

## Glorieta Structure Map CI: 10'



- Upper Paddock Horizontal
- Middle Paddock Horizontal
- Middle Blinebry Horizontal
- Project Area

BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. D-4  
 Submitted by: Redwood Operating LLC Hearing Date:  
 December 1, 2022  
 Case No. 23186



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

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

**CASE NO. 23186**

**SELF-AFFIRMED STATEMENT OF  
PAULA M. VANCE**

1. I am attorney in fact and authorized representative of Redwood Operating LLC (“Redwood”), the Applicant herein. I have personal knowledge of the matters addressed herein and am competent to provide this self-affirmed statement.

2. The above-referenced application and notice of the hearing on this application was sent by certified mail to the affected parties on the date set forth in the letter attached hereto.

3. The spreadsheet attached hereto contains the names of the parties to whom notice was provided.

4. The spreadsheet attached hereto contains the information provided by the United States Postal Service on the status of the delivery of this notice as of November 23, 2022.

5. I caused a notice to be published to all parties subject to these compulsory pooling proceedings. An affidavit of publication from the publication’s legal clerk with a copy of the notice publication is attached as Exhibit F.

6. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. E  
Submitted by: Redwood Operating LLC Hearing  
Date: December 1, 2022  
Case No. 23186**



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Paula M. Vance

11/29/22

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Date



**Paula M. Vance**  
**Associate Attorney**  
Phone (505) 988-4421  
Email pmvance@hollandhart.com

November 11, 2022

**VIA CERTIFIED MAIL**  
**CERTIFIED RECEIPT REQUESTED**

**TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS**

**Re: Application of Redwood Operating LL for Compulsory Pooling, Eddy County, New Mexico.**  
**Sparkplug 17 Federal Com #1H, #2H, and 3#H wells**

Ladies & Gentlemen:

This letter is to advise you that Redwood Operating LLC has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on December 1, 2022, and the status of the hearing can be monitored through the Division’s website at <https://www.emnrd.nm.gov/ocd/>.

**During the COVID-19 Public Health Emergency, state buildings are closed to the public and hearings will be conducted remotely beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the OCD Hearings website: <https://www.emnrd.nm.gov/ocd/hearing-info/>.**

You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. Parties appearing in cases are required to file a Pre-hearing Statement four business days in advance of a scheduled hearing that complies with the provisions of NMAC 19.15.4.13.B.

If you have any questions about this matter, please contact Derik Smith at (575) 748-1288, or [deriks@mec.com](mailto:deriks@mec.com).

Sincerely,

Paula M. Vance  
**ATTORNEY FOR REDWOOD OPERATING LLC**

T 505.988.4421 F 505.983.6043  
110 North Guadalupe, Suite 1, Santa Fe, NM 87501-1849  
Mail to: P.O. Box 2208, Santa Fe, NM 87504-2208  
[www.hollandhart.com](http://www.hollandhart.com)

Alaska	Montana	Utah
Colorado	Nevada	Washington, D.C.
Idaho	New Mexico	Wyoming

Redwood - Sparkplug  
Case No. 23186 Postal Delivery Report

Tracking Number	Recipient	Status
9214890194038395613153	XTO Holdings LLC 22777 Springwoods Village Parkway Spring TX 77389	In-Transit
9214890194038395613160	ZPZ Delaware I LLC c/o Apache Corp 2000 Post Oak Blvd Suite 100 Houston TX 77056	Delivered Signature Received

# USPS Tracking®

[FAQs >](#)

Tracking Number:

[Remove X](#)

## 9214890194038395613153

[Copy](#)   [Add to Informed Delivery](#)  
(<https://informedelivery.usps.com/>)

### Latest Update

Your package will arrive later than expected, but is still on its way. It is currently in transit to the next facility.

Feedback

### Get More Out of USPS Tracking:

**USPS Tracking Plus®**

Delivered

Out for Delivery

Preparing for Delivery

### Moving Through Network

**In Transit, Arriving Late**

November 18, 2022

**Departed USPS Regional Destination Facility**

NORTH HOUSTON TX DISTRIBUTION CENTER

November 14, 2022, 6:11 pm

[See All Tracking History](#)

**Text & Email Updates**



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**Return Receipt Electronic**



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**USPS Tracking Plus®**



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**Product Information**



**See Less** ^

Track Another Package

Enter tracking or barcode numbers

## Need More Help?

Contact USPS Tracking support for further assistance.

**FAQs**

Feedback

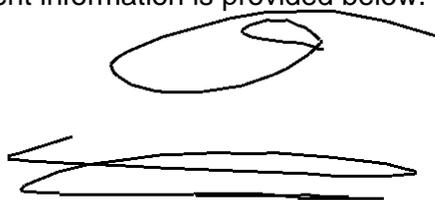
Mailer: Holland & Hart LLP (1)

Date Produced: 11/21/2022

ConnectSuite Inc.:

The following is the delivery information for Certified Mail™/RRE item number 9214 8901 9403 8395 6131 60. Our records indicate that this item was delivered on 11/15/2022 at 12:28 p.m. in HOUSTON, TX 77056. The scanned image of the recipient information is provided below.

Signature of Recipient :



Address of Recipient :



Thank you for selecting the Postal Service for your mailing needs. If you require additional assistance, please contact your local post office or Postal Service representative.

Sincerely,  
United States Postal Service

The customer reference number shown below is not validated or endorsed by the United States Postal Service. It is solely for customer use.

This USPS proof of delivery is linked to the customers mail piece information on file as shown below:

ZPZ DELAWARE I LLC C/O APACHE CORP  
2000 POST OAK BLVD  
SUITE 100  
HOUSTON TX 77056

Customer Reference Number: C3806255.22652492

# Carlsbad Current Argus.

PART OF THE USA TODAY NETWORK

## Affidavit of Publication

Ad # 0005482084

This is not an invoice

HOLLAND & HART  
POBOX 2208

SANTA FE, NM 87504

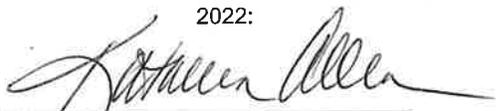
I, a legal clerk of the **Carlsbad Current Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof in editions dated as follows:

11/15/2022



Legal Clerk

Subscribed and sworn before me this November 15, 2022:



State of WI, County of Brown  
NOTARY PUBLIC

1-2-25

My commission expires

**KATHLEEN ALLEN**  
Notary Public  
State of Wisconsin

Ad # 0005482084  
PO #:  
# of Affidavits 1

This is not an invoice

**BEFORE THE OIL CONSERVATION DIVISION**

**Santa Fe, New Mexico**

**Exhibit No. F**

**Submitted by: Redwood Operating LLC**

**Hearing Date: December 1, 2022**

**Case No. 23186**

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

The State of New Mexico, Energy Minerals and Natural Resources Department, Oil Conservation Division ("Division") hereby gives notice that the Division will hold public hearings before a hearing examiner on the following case. During the COVID-19 Public Health Emergency, state buildings are closed to the public and Division hearings will be conducted remotely. The public hearing for the following case will be electronic and conducted remotely. The hearing will be conducted on **Thursday, December 1, 2022, beginning at 8:15 a.m.** To participate in the electronic hearing, see the instructions posted below. The docket may be viewed at <https://www.emnrd.nm.gov/oecd/hearing-info/> or obtained from Marlene Salvidrez, at [Marlene.Salvidrez@emnrd.nm.org](mailto:Marlene.Salvidrez@emnrd.nm.org). Documents filed in the case may be viewed at <https://ocdimage.emnrd.nm.gov/imaging/Default.aspx>. If you are an individual with a disability who needs a reader, amplifier, qualified sign language interpreter, or other form of auxiliary aid or service to attend or participate in a hearing, contact Marlene Salvidrez at [Marlene.Salvidrez@emnrd.nm.org](mailto:Marlene.Salvidrez@emnrd.nm.org), or the New Mexico Relay Network at 1-800-659-1779, no later than **November 21, 2022.**

Persons may view and participate in the hearings through the following link:

<https://nmemnrd.webex.com/nmemnrd/j.php?MTID=m5be2d8594df145217ab2d12e1eacbe95>

Webinar number: : 2486 863 8751  
Panelist password: : KJg4GNPTg25 (55444678 from phones and video systems)

Join by video: 24868638751@nmemnrd.webex.com  
You can also dial 173.243.2.68 and enter your webinar number

Join by audio: 1-844-992-4726 United States Toll Free  
+1-408-418-9388 United States Toll  
Access code: 2486 863 8751

**STATE OF NEW MEXICO TO:**  
All named parties and persons having any right, title, interest or claim in the following case and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: All interest owners subject to pooling proceedings, including: XTO Holdings, LLC and ZPZ Delaware I, LLC c/o Apache Corp.

**Case No. 23186: Application of Redwood Operating LLC for Compulsory Pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all uncommitted interest owners in the Yeso formation underlying a standard 160-acre, more or less, horizontal spacing unit comprised of the N/2 N/2 of Section 17, Township 18 South, Range 27 East, NMMP, Eddy County, New Mexico. The above-referenced unit will be dedicated to the proposed initial Sparkplug 17 Federal Com #1H, Sparkplug 17 Federal Com #2H, and Sparkplug 17 Federal Com #3H wells to be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 9, to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 17. Also, to be considered will be the cost of drilling and completing the wells, the allocation of the cost thereof, the actual operating costs and charges for supervision, the designation of applicant as operator, and a 200% charge for risk involved in drilling and completing the wells. Said area is located approximately 5 miles east of Artesia, New Mexico.  
#5482084, Current-Argus, November 15, 2022