

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

**APPLICATION OF SILVERBACK OPERATING II, LLC,
FOR A HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO**

Case No. _____

APPLICATION

Silverback Operating II, LLC, (“Silverback” or “Applicant”), OGRID No. 330968, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17, seeking an order (1) establishing a standard 160-acre, more or less, spacing and proration unit comprised of the N/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Yeso formation (Atoka; Glorieta-Yeso [Pool Code 3250]), designated as an oil pool, underlying said unit.

In support of its Application, Silverback states the following:

1. Silverback is a working interest owner in the proposed horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.
2. Silverback proposes and dedicates to the HSU the **Krauss 22 #103H Well, Krauss 22 #203H Well, Krauss 22 #102H Well, and the Krauss 22 #204H Well**, as initial wells, to be drilled to a sufficient depth to test the Yeso formation.
3. Silverback proposes the **Krauss 22 #103H Well**, an oil well, to be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22.

4. Silverback proposes the **Krauss 22 #203H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22.

5. Silverback proposes the **Krauss 22 #102H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22.

6. Silverback proposes the **Krauss 22 #204H Well**, an oil well, to be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22.

7. The proposed 103H Well, 203H Well and 204H Well are orthodox in their locations, and the take points and completed intervals comply with setback requirements under the statewide rules.

8. However, the proposed 102H Well is unorthodox in its locations under applicable statewide rules. Consequently, Silverback will be applying to the Division for administrative approval of the nonstandard location.

9. Silverback's good faith review of the Division records and the subject lands did not reveal any overlapping units, and Silverback believes there are none; should an overlapping unit be discovered, the Applicant will provide notice to affected persons during the permitting process pursuant to Rule 19.15.15.12B(1).

10. Silverback has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or the commitment of their interests to the wells for their development within the proposed HSU.

11. The pooling of all interests in the Yeso formation within the proposed HSU will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

12. In order to provide for its just and fair share of the oil and gas underlying the subject lands, Silverback requests that all uncommitted interests in this HSU be pooled and that Silverback be designated the operator of the proposed horizontal wells and HSU.

WHEREFORE, Silverback requests that this Application be set for hearing on February 2, 2023, before an Examiner of the Oil Conservation Division, and after notice and hearing as required by law, the Division enter an order:

A. Establishing a standard 160-acre, more or less, spacing and proration unit comprised of the N/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico;

B. Pooling all uncommitted mineral interests in the Yeso formation underlying the proposed HSU;

C. Approving the **Krauss 22 #103H Well, Krauss 22 #203H Well, Krauss 22 #102H Well, and the Krauss 22 #204H Well** as the wells for the HSU;

D. Designating Silverback as operator of this HSU and the horizontal wells to be drilled thereon;

E. Authorizing Silverback to recover its costs of drilling, equipping, and completing the wells;

F. Approving actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Setting a 200% charge for the risk assumed by Silverback in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

Darin C. Savage

William E. Zimsky
Andrew D. Schill
214 McKenzie Street
Santa Fe, New Mexico 87501
Telephone: 970.385.4401
Facsimile: 970.385.4901
darin@abadieschill.com
bill@abadieschill.com
andrew@abadieschill.com

Attorneys for Silverback Operating II, LLC

Application of Silverback Operating II, LLC, for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the New Mexico Oil Conservation Division (“Division”): (1) N/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Yeso formation (Atoka; Glorieta-Yeso [Pool Code 3250]), designated as an oil pool, underlying said unit. The proposed wells to be dedicated to the horizontal spacing unit are the **Krauss 22 #103H Well**, an oil well, to be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22; the **Krauss 22 #203H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22; the **Krauss 22 #102H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22; and the **Krauss 22 #204H Well**, an oil well, to be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22. The **Krauss 22 #103H, 203H and 204H Wells** will be orthodox in their locations, as the take points and completed interval will comply with the setback requirements under the statewide Rules; however, the **Krauss 22 #102H Well** will be unorthodox in its location, and Applicant will apply to the Division for administrative approval of the nonstandard location. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 7.8 miles south, southeast, of Artesia, New Mexico.