

NSP

2109

Revised March 23, 2017

pMAM1821358532

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ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Geological & Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505

**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Applicant: LOGOS Operating, LLC**OGRID Number:** 289408**Well Name:** Federal 2307 07P Com #1H**API:** 30-039-31366**Pool:** Basin Mancos Gas Pool/Lybrook Gallup Oil Pool**Pool Code:** 97232/42289

SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED BELOW

1) TYPE OF APPLICATION: Check those which apply for [A]

A. Location – Spacing Unit – Simultaneous Dedication

☒ NSL☐ NSP (PROJECT AREA)☒ NSP (PRORATION UNIT)☐ SD

B. Check one only for [I] or [II]

[I] Commingling – Storage – Measurement

☐ DHC☐ CTB☐ PLC☐ PC☐ OLS☐ OLM

[II] Injection – Disposal – Pressure Increase – Enhanced Oil Recovery

☐ WFX☐ PMX☐ SWD☐ IPI☐ EOR☐ PPR**2) NOTIFICATION REQUIRED TO:** Check those which apply.A. ☒ Offset operators or lease holdersB. ☐ Royalty, overriding royalty owners, revenue ownersC. ☐ Application requires published noticeD. ☐ Notification and/or concurrent approval by SLOE. ☒ Notification and/or concurrent approval by BLMF. ☐ Surface ownerG. ☒ For all of the above, proof of notification or publication is attached, and/or,H. ☐ No notice required**FOR OCD ONLY**☐ Notice Complete
☐ Application
Content
Complete

3) CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Christopher Jeffus

Print or Type Name

Christopher J. Jeffus

Signature

July 26, 2018

Date

505-324-4141

Phone Number

cjeffus@logosresourcesllc.com

e-mail Address



July 26, 2018

VIA E-MAIL TRANSMISSION (*Leonard.Lowe@state.nm.us*)

New Mexico Oil Conservation Division
Attn: Ms. Heather Riley
1220 S. St. Francis Dr.
Santa Fe, NM 87505

Re: Application for Non-Standard Location and Non-Standard Spacing Unit for drilling of the Federal 2307 7P Com #1H (API 30-039-31366), to be drilled as a horizontal wellbore with a spacing unit in the Basin Mancos Gas Pool (Pool ID 97232) and the Lybrook Gallup Oil Pool (Pool ID 42289) and comprised of Lots 6 and 7, E2SW and SWSE of Section 6 and the NENW, NE and NESE of Section 7, Township 23 North, Range 7 West, N.M.P.M., Rio Arriba County, New Mexico.

Dear Ms. Riley,

LOGOS Operating, LLC (“LOGOS”), as operator for LOGOS Resources II, LLC, hereby requests administrative approval of a non-standard location and non-standard spacing unit for the Federal 2307 7P Com #1H (API 30-039-31366) (the “**Subject Well**”) pursuant to New Mexico Oil Conservation Division (“**NMOCD**”) rules governing the drilling of horizontal wells in the Basin Mancos Gas Pool (Pool ID 97232) and the Lybrook Gallup Oil Pool (Pool ID 42289). LOGOS intends to drill the Subject Well as a horizontal well with a dedicated spacing unit comprised of the Gallup formation under Lots 6 and 7, E2SW and SWSE of Section 6 and the NENW, NE and NESE of Section 7, Township 23 North, Range 7 West, N.M.P.M., Rio Arriba County, New Mexico (the “**Spacing Unit**”).

Prior to first production from the Subject Well, LOGOS will obtain NMOCD approval of a Form C-102 consistent with the Spacing Unit. The aforesaid C-102 will explicitly note that the Subject Well is an Infill Horizontal Well to LOGOS’s proposed Federal 2307 7P Com #2H.

Non-Standard Location

Under the recently adopted provisions of Section 19.15.16 NMAC, the proposed location of the completed interval of the Subject Well is unorthodox for a gas well because it encroaches upon the adjacent tracts to a distance of at least 330’ along a line perpendicular to the wellbore and at least 100’ along a line drawn directly north/south or east/west from the common boundary of the encroached-upon quarter section, or portion thereof not included in the Spacing Unit, and the Spacing Unit. The depicted location for the Subject Well would be orthodox for an oil well under Section 19.15.16 NMAC.

The location of the Subject Well is depicted in Exhibit “A” attached hereto. Further, Exhibit “B” attached hereto depicts the operatorship of the Gallup formation or, absent an NMOCD approved operator of the Gallup formation, all working interest owners in the Gallup formation in any quarter section, or portion thereof excluded from the Spacing Unit, which is subject to encroachment under the provisions of Section 19.15.16 NMAC governing setbacks for a horizontal gas well.

LOGOS Operating, LLC

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Non-Standard Spacing Unit

Under the recently adopted provisions of Section 19.15.16 NMAC, the Spacing Unit is non-standard for a gas well because it excludes the N2SE and SESE of Section 6 and Lots 1 and 2, SENW, W2SE and SESE of Section 7, Township 23 North, Range 7 West, N.M.P.M.

A depiction of a standard horizontal gas well spacing unit under 19.15.16 NMAC is shown on Exhibit "C" attached to this letter, with the standard spacing unit outlined in red and the tracts excluded from the Spacing Unit depicted thereon.

Reasoning for Application

Approval of the non-standard location and non-standard spacing unit detailed in this Application will allow efficient development of the Gallup formation consistent with generally accepted industry standards governing proper wellbore orientation, while minimizing the substantial waste that would result from imposition of the setbacks and well spacing imposed for gas wells under the recently adopted provisions of Section 19.15.16 NMAC. It is noted that Gallup wells in the vicinity of the Subject Well, including recent horizontal wells drilled wholly or partly in the Basin Mancos Gas Pool, have been permitted using 40 acre spacing, and it is expected that the Subject Well will produce well below the gas-to-oil ratio cutoff specified in the definition of a "gas well" in 19.15.2.7 NMAC. Both the Spacing Unit and the location of the Subject Well would be standard under the provisions of Section 19.15.16 NMAC governing the spacing and setbacks for horizontal oil wells. Accordingly, approval of this Application will allow maximum development of the Spacing Unit without preventing the future development of the surrounding area.

The NMOCD's Administrative Application Checklist is enclosed at the beginning of this package. A list of Affected Parties is set forth in the attached Exhibit "D". A certified mailing of the form letter attached hereto as Exhibit "E" was sent to each such Affected Party on July 26, 2018, which letter advises the Affected Party that an objection to this Application must be filed with the NMOCD within 20 days of the NMOCD's receipt of this Application.

If any additional information is necessary for review of this Application, please do not hesitate to contact me by phone at 505-324-4141 or by email at cjeffus@logosresourcesllc.com. Thank you for your consideration.

Sincerely,
LOGOS Operating, LLC

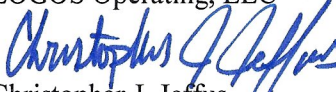
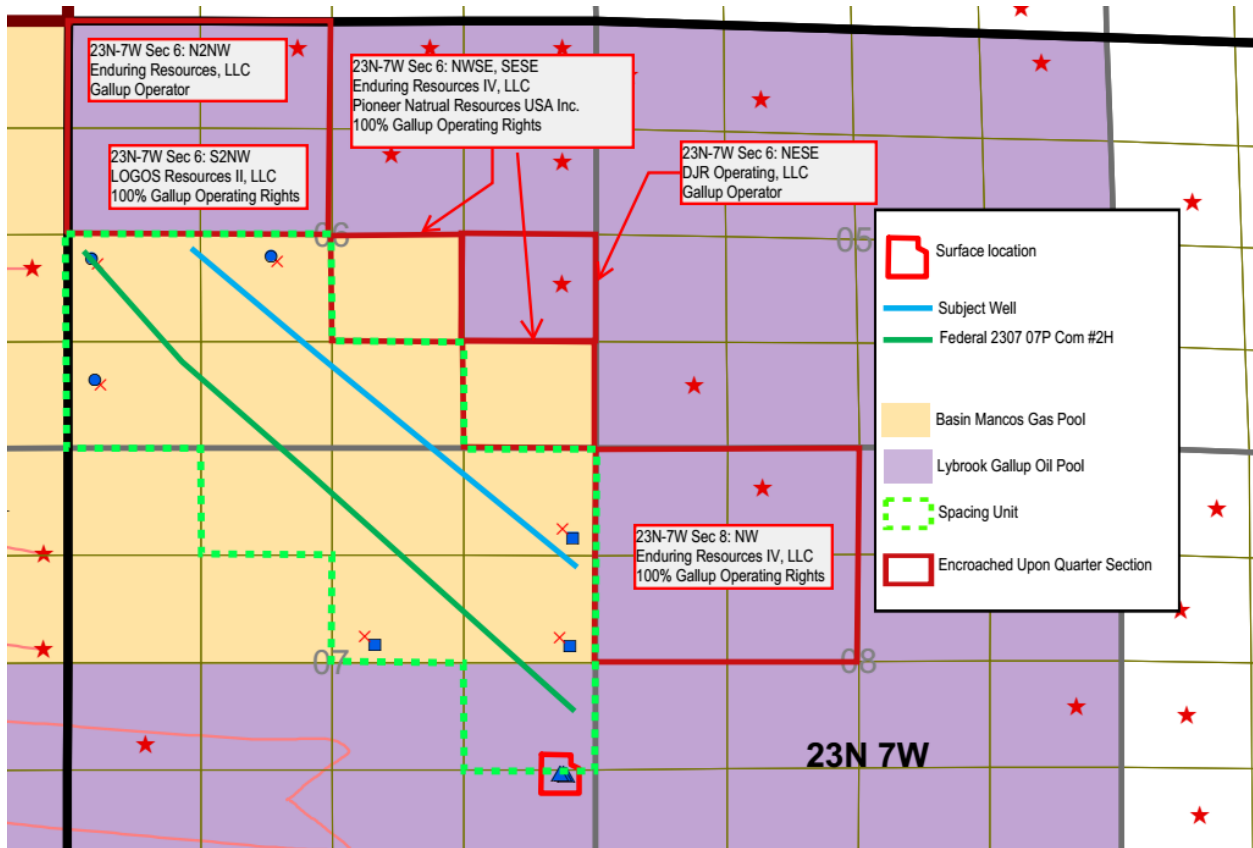

Christopher J. Jeffus
Vice President – Land/Legal

Exhibit "B"

Depiction of Encroached Upon Quarter Sections

NOTE: All lands depicted below lie within Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.



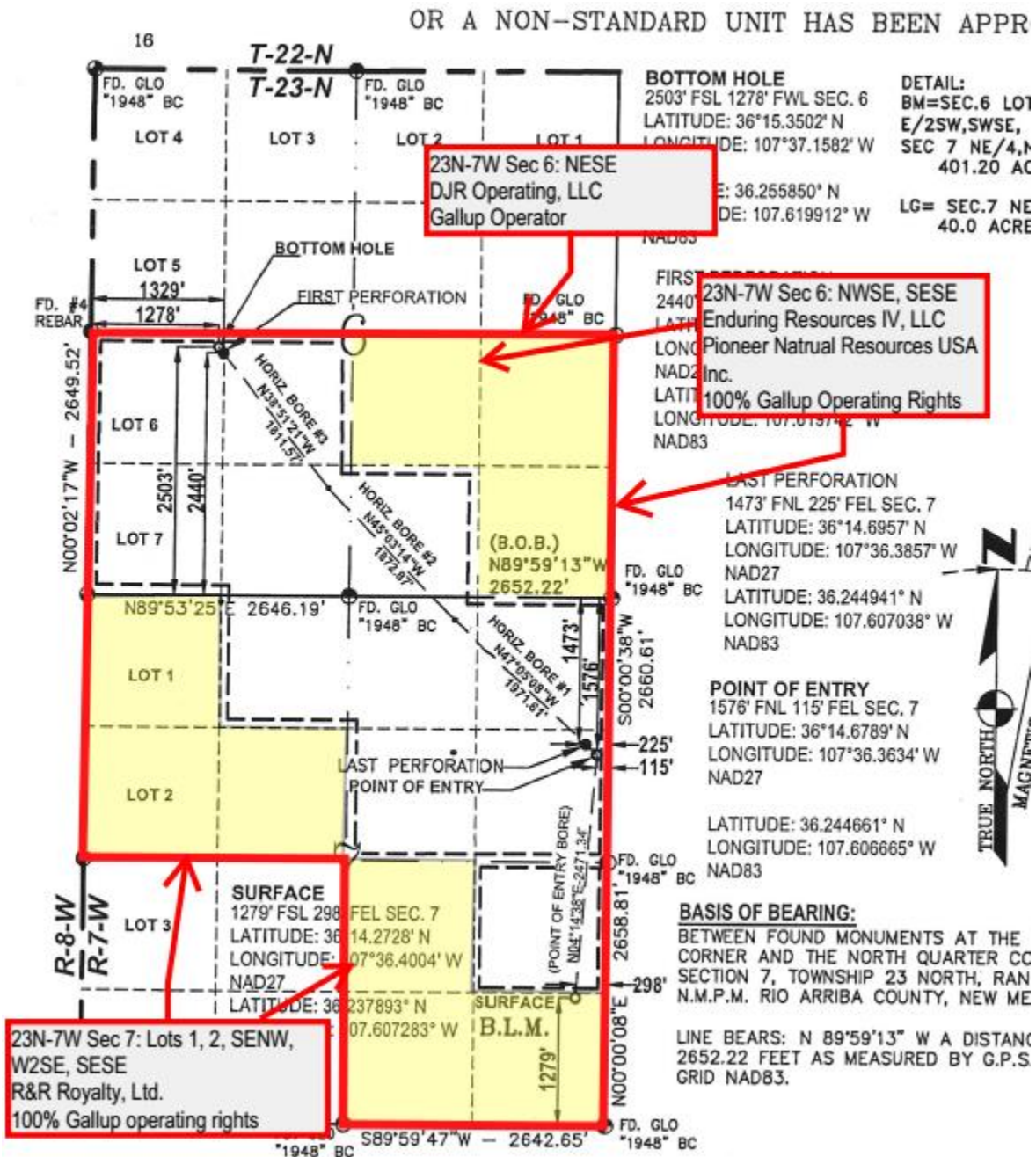


Exhibit “D”

Affected Persons

Enduring Resources, LLC
Attn: Land Department
1050 17th Street, Suite 2500
Denver, CO 80265

Certified Mailing 70160600000071481849

Enduring Resources IV, LLC
Attn: Land Department
1050 17th Street, Suite 2500
Denver, CO 80265

Certified Mailing 70120470000212081179

DJR Operating, LLC
Attn: Land Department
1600 Broadway, Suite 1960
Denver, CO 80202

Certified Mailing 70120470000212081186

R&R Royalty, Ltd.
500 N. Shoreline, Suite 322
Corpus Christi, TX 78401

Certified Mailing 70120470000212081193

Pioneer Natural Resources USA Inc.
Attn: Land Department
1401 17th Street, Suite 1200
Denver, CO 80202

Certified Mailing 70120470000212081209

COPY PROVIDED TO:

Bureau of Land Management
Farmington District Office
6251 College Blvd. – Suite A
Farmington, NM 87402

Certified Mailing 7009250000150761490



July 26, 2018

VIA CERTIFIED MAIL (_____)

[Title]

[Title 2]

[Address]

[Address 2]

Re: Notice of Application for Non-Standard Location and Non-Standard Spacing Unit for drilling of the Federal 2307 7P Com #1H (API 30-039-31366), to be drilled as a horizontal wellbore with a spacing unit in the Basin Mancos Gas Pool (Pool ID 97232) and the Lybrook Gallup Oil Pool (Pool ID 42289) and comprised of Lots 6 and 7, E2SW and SWSE of Section 6 and the NENW, NE and NESE of Section 7, Township 23 North, Range 7 West, N.M.P.M., Rio Arriba County, New Mexico

To Whom It May Concern:

LOGOS Operating, LLC (“LOGOS”), as operator for LOGOS Resources II, LLC, intends to drill the Federal 2307 7P Com #1H (API 30-039-31366) (the “**Subject Well**”) as a horizontal well with a dedicated spacing unit comprised of the Gallup formation underlying Lots 6 and 7, E2SW and SWSE of Section 6 and the NENW, NE and NESE of Section 7, Township 23 North, Range 7 West, N.M.P.M., Rio Arriba County, New Mexico (the “**Spacing Unit**”). The Spacing Unit includes lands within the Basin Mancos Gas Pool (Pool ID 97232) and the Lybrook Gallup Oil Pool (Pool ID 42289). The Subject Well will be permitted as an Infill Horizontal Well, as defined in 19.15.16.7.H, to LOGOS’s proposed Federal 2307 7P Com #2H.

In order to efficiently develop the Spacing Unit under generally utilized spacing in the area, consistent with the rules governing oil well spacing under 19.15.16 NMAC, and to prevent the substantial waste that would occur as a result of utilization of the well spacing rules for gas wells under 19.15.16 NMAC, LOGOS proposes the drilling of the Subject Well at the location depicted on the plat attached to this letter as Exhibit “A” and within the Spacing Unit. It is reasonably anticipated that the Subject Well will produce volumes of gas and oil that are well below 100,000 cubic feet of gas to one barrel of oil, which is the cutoff specified in 19.15.2.7.G.6 NMAC for defining a “gas well” in absence of production from a gas pool. Despite the Spacing Unit lying partially within an oil pool, the general development of the Gallup in the area under oil well spacing despite several surrounding spacing units lying wholly or partly within the Basin Mancos Gas Pool, and the expected gas-to-oil ratio well below the traditional definition of a gas well, it is possible that the Subject Well may be deemed a gas well under 19.15.2 NMAC because a part of the Spacing Unit lies within the Basin Mancos Gas Pool. Accordingly, although the Spacing Unit and location of the Subject Well would be standard for an oil well under 19.15.16 NMAC, the Application for Non-Standard Location and Non-Standard Spacing Unit is being submitted in the event the recently adopted provisions of 19.15.16 NMAC require treatment of the Subject Well as a gas well.

Under the recently adopted provisions of Section 19.15.16 NMAC, the Spacing Unit is non-standard for a gas well because it excludes the N2SE and SESE of Section 6 and Lots 1 and 2, SENW, W2SE and SESE of Section 7, Township 23 North, Range 7 West, N.M.P.M. A depiction of the standard spacing unit under 19.15.16 NMAC is shown on Exhibit “B” attached to this letter, with the excluded tracts

LOGOS Operating, LLC

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shaded yellow thereon. The Spacing Unit would be a standard spacing unit under the provisions of Section 19.15.16 NMAC governing oil wells.

Further, under the recently adopted provisions of Section 19.15.16 NMAC, the proposed location of the completed interval of the Subject Well is unorthodox for a gas well because it encroaches upon the adjacent tracts to a distance of at least 330' along a line perpendicular to the wellbore and at least 100' along a line drawn directly north/south or east/west from the common boundary of the encroached-upon quarter section, or portion thereof not included in the Spacing Unit, and the Spacing Unit. The depicted location for the Subject Well would be orthodox for an oil well under Section 19.15.16 NMAC.

LOGOS's examination reflects that you are the operator of the Gallup formation or the owner of operating rights in the Gallup formation in all or part of one or more encroached upon quarter section offsetting the Spacing Unit and/or in a portion of a quarter section excluded from the Spacing Unit. This letter is intended to provide notice of LOGOS's intention to form the Spacing Unit as a non-standard spacing unit and to permit the Subject Well in a non-standard location. Under 19.15.15.11 NMAC and 19.15.15.13 NMAC, you are required to notify the New Mexico Oil Conservation Division ("NMOCD") in writing of a written protest of LOGOS's application for non-standard spacing unit and non-standard location within 20 days of the NMOCD's receipt of this application.

If any further information is necessary or to further discuss the necessity of this Application, please contact Christopher Jeffus at 505-324-4141 or at cjeffus@logosresourcesllc.com. Thank you for your consideration of this matter.

Sincerely,
LOGOS Operating, LLC

Christopher Jeffus
Vice President – Land/Legal

Exhibit "C"

Depiction of Encroached Upon Quarter Sections

NOTE: All lands depicted below lie within Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

