

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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION TO
AMEND RULES OF THE COMMISSION CONCERNING THE DRILLING, SPACING,
AND OPERATION OF HORIZONTAL WELLS AND RELATED MATTERS BY
AMENDING VARIOUS SECTIONS OF RULES 19.15.2, 19.15.4, 19.15.15, AND 19.15.16
NMAC; STATEWIDE.**

CASE NO. 15957

MARATHON OIL PERMIAN LLC'S PRE-HEARING STATEMENT

Marathon Oil Permian LLC ("Marathon") submits this Pre-Hearing Statement for the above-referenced case pursuant to the rules of the Oil Conservation Commission.

APPEARANCES

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STATEMENT OF CASE

Applicant the New Mexico Oil Conservation Division (“NMOCD” or “Division”) seeks an order amending the rules for horizontal wells contained in Parts 19.15.2; 19.15.4; 19.15.15; and 19.15.16 NMAC. Marathon is an operator and owner of working interests within the State of New Mexico which has a substantial interest in the development of horizontal wells within the State. Marathon seeks minor modifications to NMOCD’s proposed amendments to expressly allow requests for multiple initial horizontal wells within a proposed horizontal spacing unit in compulsory pooling applications. Such multi-well proposals have been requested and granted by the Division in numerous cases. Marathon’s proposed modification will simply codify the Division’s current administrative practice.

Marathon respectfully requests that the language of 19.15.16.15.A.11(c) as proposed by the Division be modified to state that:

Operators may propose to drill multiple initial wells within a horizontal spacing unit, and such wells shall not be considered infill wells under the regulations. The provisions of 19.15.13.10 NMAC and 19.15.13.11 NMAC shall apply to any proposal to drill an infill horizontal well in a horizontal spacing unit subject to a compulsory pooling order unless the order approves the drilling of multiple initial horizontal wells or the order includes specific provisions for such additional wells.

Marathon further requests that 19.15.16.15.A.8 be modified to state that:

Nothing herein shall preclude the approval of simultaneously drilling multiple wells within a horizontal spacing unit. Except for infill horizontal wells, and multi-lateral horizontal wells, each horizontal well shall be dedicated to a standard horizontal spacing unit or an approved non-standard horizontal spacing unit.

Marathon intends to present technical and non-technical evidence at hearing which establishes that these changes are in the best interest of reducing waste, promoting better recovery of reserves and protecting correlative rights.

PROPOSED EVIDENCE

APPLICANT:

<u>WITNESS</u>	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
Jacob Rotolo , Engineer	Approx. 20 min.	5

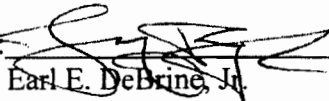
Mr. Rotolo is a reservoir engineer for Marathon. He has worked as both a production and reservoir engineer for approximately 8 years for various oil and gas production companies. Much of his prior work experience has been in the Permian Basin in both Texas and New Mexico. Mr. Rotolo has received a Bachelor's degree in Petroleum Engineering from Louisiana State University. He will provide testimony concerning the increasing trend to drill wells using the same drilling rig, and conduct simultaneous completion operations in order to maximize recovery in the underlying formations. This testimony will confirm that allowing for the drilling of multiple initial wells will help reduce waste in the reservoir, optimize recovery, and incentivize operators to fully develop acreage in a manner that better protects correlative rights.

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

**MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.**

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CERTIFICATE OF SERVICE


I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail on April 3, 2018:

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19.15.16 Drilling and Production

This is an amendment to 19.15.16 NMAC, amending Sections 1, 3, 7, 14, 15 and 20 Effective XX/XX/XXXX.

19.15.16.1 ISSUING AGENCY: [~~Energy, Minerals and Natural Resources Department, Oil Conservation Division~~] Oil Conservation Commission. [19.15.16.1 NMAC – Rp, 19.15.3.1 NMAC, 12/2/2008; A, XX/XX/201X]

19.15.16 STATUTORY AUTHORITY: 19.15.16 NMAC is adopted pursuant to the Oil and Gas Act, [~~NMSA 1978,~~] Section 70-2-6, Section 70-2-11 and Section 70-2-12 NMSA 1978. [19.15.16.3 nmac – Rp, 19.15.3.3 NMAC, 12/1/2008; A, XX/XX/201X]

19.15.16.7 DEFINITIONS: These definitions apply specifically to 19.15.16 NMAC. For additional definitions that may apply see 19.15.2 NMAC.

- A. **“Azimuth”** means the deviation in the horizontal plane of a well bore expressed in terms of compass degrees.
- B. **“Completed Interval”** means that portion of a well bore or lateral that is:
- 1) Cased, cemented and perforated;
 - 2) An open hole; or
 - 3) Isolated by a packer or other non-permeable means and open to the formation.
- C. **“Deviated well”** means a well bore that is intentionally deviated from vertical but not with an intentional azimuth.
- D. **“Directional well”** means a well bore that is intentionally deviated from vertical with an intentional azimuth but is not a horizontal well.
- E. **“First take point”** means the shallowest measured depth of the well bore, where the completed interval starts.



F. “Horizontal spacing unit” means the spacing unit dedicated to a horizontal well.

G. ~~[E.]~~ G. “Horizontal well” means a [directional] well bore with one or more laterals that extend a minimum of 100 feet [horizontally] laterally in the target zone. A well with multiple laterals from a common well bore in the same or different target zone for formations shall be considered one well.

H. “Infill horizontal well” means a horizontal well the completed interval or intervals of which are located wholly within the horizontal spacing unit dedicated to a previously drilled horizontal well completed in the same pool and that the operator designates as an infill horizontal well on form C-102.

I. ~~[F.]~~ I. “Kick-off point” means the point at which a direction or horizontal well is intentionally deviated from the vertical, or, in the case of a multi-lateral well, a separate lateral is intentionally diverted from the vertical portion of the well bore.

J. “Last take point” means the deepest measured depth of the well bore, where the completed interval ends.

~~[G.]~~ K. “Lateral” means [a] the portion of a directional or horizontal well past the point where the well bore has been intentionally [deviated] diverted from the vertical, or in the case of a multi-lateral well, the point at which a particular lateral has been intentionally diverted from the vertical portion of the well bore.

L. “Multi-lateral well” means a horizontal well with multiple laterals from a common well bore in the same or different target zones or formations.

~~[H. “Non-standard project area” means a project area that is not a standard project area.~~

~~[I.]~~ M. “Open hole” means that portion of a well bore or lateral that is:

1) Not cased, or

2) Cased, but the casing is not cemented in place, and is not otherwise isolated from the formation.

~~J. "Penetration point" means the beginning of the completed interval of a horizontal or other directional well or lateral.~~

~~K. "Production area" means the portion of a project area that lies within a window formed by plotting the measured distance from the project area's outer boundaries, inside of which a well bore can be drilled and produced in conformity with setback requirements from the outer boundary of a standard spacing unit for the applicable pool.~~

~~L. "Project area" means an area the operator designates on form C-102, well location and acreage dedication plat that comprises;~~

- ~~1) One or more complete, contiguous spacing units (in one section or in more than one section) that are developed by the horizontal well; or~~
- ~~2) An entire voluntary or statutory unit for an approved enhanced recovery or pressure maintenance project, an approved state exploratory unit, or a participating area in a federal unit.~~

~~M. "Standard project area" means a project area that;~~

- ~~1) Is described in Paragraph (2) of Subsection L of 19.15.16.7 NMAC;~~
- ~~2) Consists of a single spacing unit;~~
- ~~3) Consists of two or more spacing units within a single section that collectively comprise:
 - ~~a) the entire section, a half section or half section equivalent, or a quarter section or quarter section equivalent; or~~
 - ~~b) the north, south, east or west half of a half section or half section equivalent or of a quarter section or quarter section equivalent; or~~~~
- ~~4) consists of a combination of two or more otherwise standard project areas, if the resulting area is substantially in the form of a rectangle; provided that a project area consisting of three 40-acre units within a single section and excluding the fourth spacing unit is not a standard project area.~~

N. **“Terminus”** means the farthest point ~~[attained]~~ drilled along the well bore or lateral.

O. **“Tract”** means a legal subdivision of the United States public survey substantially in the form of a square or rectangle.

P. **“Unitized area”** means any area where ownership of production from the relevant pool or formation is consolidated pursuant to an agreement, whether voluntary and filed in the county land records, or approved by federal or state authority, including but not limited to a statutory unit, an approved enhanced recovery unit, a participating area in a federal exploratory unit, a federal unit which does not provide for participating areas, a state exploratory unit or a communitized unit if all interests in the communitized unit are committed to the communitization agreement.

~~[Q.]~~ Q. **“Vertical well”** means a well that does not have an intentional departure or course deviation from the vertical.

[19.15.16.7 NMAC – Rp, 19.15.3.111 NMAC, 12/1/2008; A, 2/15/2012; A, XX/XX/201X]

19.15.16.14 ~~[DEVIATION TESTS; DEVIATED, DIRECTIONAL AND HORIZONTAL WELLS] DEVIATION TESTS AND WELLBORE SURVEYS; VERTICAL, DEVIATED AND DIRECTIONAL WELLS:~~

~~A. Deviated well bores:~~

~~1) Deviation tests required.~~ An operator shall test a vertical or deviated well that is drilled or deepened at reasonably frequent intervals to determine the deviation from the vertical. The operator shall make the tests at least once each 500 feet or at the first bit change succeeding 500 feet. The operator shall file with the division a tabulation of deviation tests run, that is sworn to and notarized, with form C-104.

~~2) Excessive deviation.~~ When the deviation averages more than five degrees in a 500-foot interval, the operator shall include the calculations of the hole's maximum possible horizontal displacement. When the maximum possible horizontal displacement exceeds the distance to the appropriate unit's

~~nearest outer boundary line the operator shall run a directional survey to establish the location of the producing interval or intervals.~~

~~3) Unorthodox locations. If the results of the directional survey indicate that the producing interval is more than 50 feet from the approved surface location and closer than the minimum setback requirements to the applicable unit's outer boundaries, then the well is considered unorthodox. To obtain authority to produce the well, the operator shall file an application with the director with a copy to the appropriate division district office, and shall otherwise follow the normal process outlined in Subsection C of 19.15.13 NMAC to obtain approval of the unorthodox location.~~

~~4) Directional survey requirements. Upon the director's request, the operator shall directionally survey a vertical or deviated well. The operator shall notify the appropriate division district office of the approximate time the operator will conduct the directional survey. The operator shall file directional surveys run on a well with the division upon the well's completion. The division shall not assign an allowable to the well until the operator has filed the directional surveys.~~

B. Directional or horizontal well bores.

~~1) Directional drilling within a project area. The appropriate division district office may grant a permit to directionally drill a well bore if the producing interval is entirely within the producing area or an unorthodox location the division previously approved. Additionally, if the project area consists of a combination of drilling units and includes state, federal or tribal lands, the operator shall send a copy of form C-102 to the stand land office of the BLM, as applicable.~~

~~2) Unorthodox locations. If all or part of the directional well bore's completed interval is projected to be outside of the producing area, or if any portion of a directional well bore's completed interval, as drilled, is located more than 50 feet from its projected location as indicated on form C-102 filed with the application for permit to drill the well and is outside~~

~~of the producing area, the well's location is considered unorthodox. To obtain approval for the well's location, the operator shall file a written application in the Santa Fe office of the division in accordance with Subsection C of 19.15.15.13 NMAC.~~

~~**3) Allowables for project areas with multiple proration units.**~~

~~The division shall assign to a project area within a prorated pool an allowable equal to the applicable unit allowable for the pool multiplied by the number of standard spacing units or approved nonstandard spacing units that a horizontal well's or lateral's completed interval develops. If a project area includes a spacing unit or smaller project area dedicated to an existing well bore, unless the operators of all wells in the project area otherwise agree, the project area's allowable shall be computed by deducting the actual production from the existing well bore or well bores from the total allowable for the project area not to exceed the existing allowable for the well bore or well bores.~~

~~**4) Directional Surveys required.**~~

~~An operator shall run a directional survey on each well drilled pursuant to Subsection B of 19.15.16.14 NMAC. The operator shall notify the appropriate division district office of the approximate time the operator will conduct the directional survey. The operator shall file a directional survey run on a well with the division upon the wells' completion. The division shall not assign an allowable to the well until the operator files the directional survey. If the directional survey indicates that part of the producing interval is outside of the producing area, or, in the case of an approved unorthodox location, less than the approved set back requirements from the applicable unit's outer boundary, then the operator shall file an application with the director with a copy to the appropriate division district office and shall otherwise follow the normal process outlined in Subsection C of 1.15.15.13 NMAC to obtain approval of the unorthodox location.~~

~~**5) Re-entry of vertical or deviated well bores for directional drilling projects.**~~

~~These well bores are considered orthodox provided the surface location is orthodox and the producing~~

~~interval's location is within the tolerance allowed for deviated well bores under Paragraph (3) of Subsection A of 19.15.16.14 NMAC.~~

~~C. Additional Matters.~~

- ~~1) Directional Surveys that 19.15.16.14 NMAC requires shall have shot points no more than 200 feet apart and shall be run by competent surveying companies that are approved by the director. The division shall allow exceptions to the minimum shot point spacing provided the survey's accuracy is still within acceptable limits.~~
- ~~2) The director may set an application for administrative approval whereby the operator shall submit appropriate information and give notice as the director requests. The division may approve un protested applications administratively within 20 days after the division receives the application and supporting information. If the application is protested, or the director decides that a hearing is appropriate, the division may set the application for hearing.~~
- ~~3) The division shall grant permission to deviate or directionally drill a well bore for any reason or in a manner not provided for in 19.15.16.14 NMAC only after notice and opportunity for hearing.~~

A. Vertical and Deviated Well Bores.

- 1) Deviation tests required.** An operator shall test a vertical or deviated well that is drilled or deepened at reasonably frequent intervals to determine the deviation from the vertical. The operator shall make the tests at least once each 500 feet or at the first bit change succeeding 500 feet. The operator shall file with the division along with its form C-104 a tabulation of deviation tests run, that is sworn to and notarized.
- 2) Excessive Deviation.** When the deviation averages more than five degrees in a 500-foot interval, the operator shall include the calculations of the hole's maximum possible horizontal displacement. When the maximum possible horizontal displacement exceeds the distance to the appropriate unit's nearest outer boundary line the operator shall run a directional survey to establish the location of the well's completed interval.

- 3) **Unorthodox well locations.** If the results of the directional survey of a vertical or deviated well indicate that the completed interval is more than 50 feet from the approved surface location and closer than the minimum setback requirements to the applicable unit's outer boundary, then the well is considered unorthodox. To obtain authority to produce the well, the operator shall file an application with the division's Santa Fe office, and shall follow the process outlined in Subsection C of 19.15.15.13 NMAC to obtain approval of the unorthodox well location.
- 4) **Directional survey requirements.** Upon the director's request, the operator shall directionally survey a vertical or deviated well. The operator shall file directional surveys run on a well, in division-approved format, the division upon the well's completion. The division shall not approve a form C-104 for the well until the operator has filed the directional surveys.

B. Directional well bores.

- 1) **Directional drilling.** The appropriate division district office may grant a permit to directionally drill a well bore if every point of the completed interval is projected to be located at a distance greater than or equal to the minimum setback distance from the applicable spacing unit's outer boundaries or at an unorthodox well location the division previously approved.
- 2) **Unorthodox well location.** If all or part of a directional well's completed interval is projected to be located less than the minimum distance from the outer boundary of the wells' spacing unit, the well's location is considered unorthodox. To obtain approval for the wells location, the operator shall file an application in the division's Santa Fe office in accordance with Subsection C of 19.15.15.13 NMAC.
- 3) **Directional survey required.** An operator shall run a directional survey on each well drilled pursuant to Subsection B of 19.15.16.14 NMAC. The operator shall file a directional survey, in division-approved format, with the division upon the well's completion. The division shall not approve a form

C-104 for the well until the operator files the directional survey. The well's location will be considered unorthodox if the directional survey indicates that part of well's completed interval, as drilled, is located more than 50 feet from its projected location and closer to an outer boundary of the spacing unit than applicable minimum setback distance. For previously approved unorthodox well locations, the well's as drilled location is unorthodox if the directional survey indicates that nay part of the completed interval is locate more than 50 feet (or, if less, twenty-five percent of the previously authorized distance) closer to the outer boundary of the spacing unit than approved location.

- C. Directional survey specifications.** Directional surveys that 19.15.16.14 NMAC requires shall have shot points no more than 200 feet apart and shall be run by competent surveying companies. The division shall allow exceptions to the minimum shot point spacing provided the survey's accuracy is still within acceptable limits.
[19.15.16.14 NMAC – Rp, 19.15.3.111 NMAC, 12/1/2008; A, 2/15/2012; A, XX/XX/201X]

19.15.16.15 [~~SPECIAL RULES FOR~~] HORIZONTAL WELLS:

- A. ~~Directional and horizontal well consent requirement.~~** ~~An operator shall not file an application for permit to drill nor commence drilling of a horizontal or directional well until the operator has either:~~
- ~~1) Received the consent of at least one lessee or owner of an unleased mineral interest in each tract (in the target pool or formation) in which any part of the well's completed interval will be located; or~~
 - ~~2) Obtained a compulsory pooling order from the division.~~
- B. ~~Setbacks.~~**

- ~~1) Horizontal wells drilled in project areas as defined in Subsection L of 19.15.16.7 NMAC shall have setbacks from the outer boundaries of the project area the same is if the well were drilled in a single spacing unit for the pool.~~

~~2) Subject to the provisions of Paragraph (2) of Subsection B of 19.15.16.14 NMAC, every point of the completed interval must meet the minimum setback requirement from the outer boundaries of the project area, or an exception must be approved for a nonstandard location.~~

~~3) No internal setbacks are required within the project area.~~

~~4) A horizontal wells' surface location may be outside the setbacks or outside the project area provided, that the completed interval is entirely within the project area and complies with the applicable setback requirements.~~

~~C. Existing and subsequent wells in project areas.~~

~~1) Existing wells in spacing units or project areas that are included in a newly designated project area remain dedicated to their existing spacing units or project areas and are not part of the new project area unless otherwise agreed by all working interest owners in the existing and newly designated project area.~~

~~2) Subject to the terms of any applicable joint operating agreement, subsequent wells with a completed interval in a horizontal well's project area may be drilled only with the approval of all working interest owners in the project area, or by order of the division after notice to all working interest owners in the project area and opportunity for hearing.~~

~~D. Pool rules.~~ ~~Provision of statewide rules or special pool orders in effect on February 15, 2012 that limit the number of wells that may simultaneously produce from the portion of a pool or area underlying a spacing unit, or a particular portion of spacing unit, do not apply to horizontal wells. Without limitation of any other right or remedy, an owner or operator of a tract in the same pool as a project area, that is not included in the project area, who contends that a horizontal well in the project area is impairing, or will impair, the owner's or operator's correlative rights may file an application with the division. The division, after notice and hearing, may grant such relief as it determines to be necessary and appropriate, including, but not limited to, imposing a limitation on the rate or amount of production from the project area.~~

E. Formation of project areas.

- ~~1) Except as provided in Paragraphs (2) and (3) of Subsection E of 19.15.16.15 NMAC, a project area may be formed by filing a form C 102 designating the proposed project area, and simultaneously mailing or delivering a copy thereof to the New Mexico state land office if the proposed project area includes state trust lands.~~
- ~~2) Before designating a nonstandard project area, the operator shall give 20 days' notice by certified mail, return receipt requested, to affected persons, as defined in Subparagraph (a) of Paragraph (2) of Subsection A of 19.15.4.12 NMAC, in all spacing units that;
 - ~~a) Are excluded for the project area, if the project area would be a standard project area except for the exclusion of one spacing unit; or~~
 - ~~b) Adjoin the project area, in all other cases.~~~~
- ~~3) The notice shall state that the affected persons may protest the designation of a nonstandard project area by mailing a protest to the operator within 20 days after mailing of notice as provided in Paragraph (2) of Subsection E of 19.15.16.15 NMAC. Within seven business days after receiving a protest of the proposed nonstandard project area, the operator shall notify the division of the protest, and the division shall set the matter for hearing. Unless otherwise authorized by the division, the operator shall not commence drilling in the proposed nonstandard project area until the protest has been determined by division order.~~
- ~~4) No project area may be designated that lies partly within, and partly outside of, a state exploratory unit, or a federal exploratory unit or participating area if the project area includes state trust lands, without the written consent of the commissioner of public lands.~~

~~F. Consolidation of project area. If a horizontal well is dedicated to a project area in which there is a more than one owner of any interest in the mineral estate, the operator of the horizontal well shall cause~~

~~the project area to be consolidated by voluntary agreement or, if applicable, compulsory pooling before the division may approve a request for form C-104 for the horizontal well]~~

A. Well spacing.

(1) Standard horizontal spacing units for horizontal oil wells.

In lieu of an oil spacing unit described in Subsection A of 19.15.15.9 NMAC, the operator shall dedicate to each horizontal oil well a standard horizontal spacing unit that meets the following criteria.

(a) The horizontal spacing unit shall comprise one or more contiguous tracts that the horizontal oil well's completed interval penetrates, each of which consists of a governmental Quarter-quarter section or equivalent.

(b) In addition to tracts the horizontal oil well penetrates, the operator may include quarter-quarter sections or equivalent tracts in the standard horizontal spacing unit that are located within 330 feet of the proposed horizontal oil well's completed interval (measured along a line perpendicular to the proposed completed interval or its tangent).

(c) If, however, the perimeter of the area that includes all the tracts that the horizontal oil well penetrates encloses an area that is substantially rectangular, then the operator may not bring in additional tracts that would result in a non-rectangular horizontal spacing unit.

(d) A standard horizontal spacing unit that is rectangular and includes three quarter-quarter sections, or equivalent tracts, in the same section shall not exclude the fourth such tract in the same section unless that tract is already dedicated to a horizontal spacing unit for an existing or permitted horizontal oil well completed or to be completed in the same pool or formation..

(e) The horizontal spacing unit shall contain at least the minimum acreage required by existing or subsequently adopted special pool orders for a spacing unit in any pool where all or part of the horizontal oil well's completed interval is located.

(2) Exception for pools with larger spacing. If the horizontal oil well is located entirely or partially in a pool for which existing or subsequently adopted special pool orders prescribe oil spacing units larger than 40 acres then the horizontal spacing unit may, as an alternative to quarter-quarter sections comprise one or more tracts of the size and configuration so prescribed, provided that the standard horizontal spacing unit shall include only such tracts that are oriented in the same direction. If a horizontal oil well's completed interval is located within two or more pools for the same formation, and the operator elects to construct a standard horizontal spacing unit utilizing tracts of the size and configuration prescribed by special pool orders, the operator shall use tracts of the maximum tract size prescribed for any of the included pools.

(3) Standard horizontal spacing units for horizontal gas wells. In lieu of a gas spacing unit described in 19.15.15.10 NMAC, the operator shall dedicate to each horizontal gas well a standard horizontal spacing unit that meets all the following criteria:

(a) The horizontal spacing unit shall comprise one or more contiguous tracts that the horizontal gas well's completed interval penetrates, each of which consists of a governmental quarter section or equivalent.

(b) In addition to tracts the well penetrates, the operator may include quarter sections or equivalent tracts in the standard horizontal spacing unit that are located within 330 feet of the proposed horizontal gas well's completed interval (measured along a line perpendicular to the proposed completed interval or its tangent).

(c) If, however, the of the perimeter of the area that includes all the tracts that the horizontal gas well penetrates encloses an area that is substantially rectangular, then the operator may not bring in additional tracts that would result in a non-rectangular horizontal spacing unit.

(d). The horizontal spacing unit shall contain at least the minimum acreage required by 19.15.15.10 NMAC or by existing or subsequently adopted special pool orders for a spacing unit in any pool where all or part of the horizontal gas well's completed interval is located.

(4) Exception for pools with larger spacing. If the horizontal gas well is located entirely or partially in an area or pool for which 19.15.15.10 NMAC or existing or subsequently adopted special pool orders prescribe gas spacing units

larger than 160 acres, then the horizontal spacing unit may, as an alternative to quarter sections, comprise one or more tracts of the size and configuration so prescribed, provided that the standard horizontal spacing unit shall include only such tracts that are oriented in the same direction. If a horizontal gas well's completed interval is located within two or more pools for the same formation, and the operator elects to construct a standard horizontal spacing unit utilizing tracts of the size and configurations prescribed by 19.15.15.10 NMAC or special pool orders, the operator shall use the maximum tract size prescribed for any of the included pools or.

(5) An operator shall not file an application for permit to drill nor commence the drilling of a horizontal oil or gas well until the operator has either:

(a) received the consent of at least one lessee or owner of each tract (in the target pool or formation) in which any part of the horizontal oil or gas well's completed interval will be located; or

(b) obtained a compulsory pooling order from the division for an appropriate horizontal spacing unit.

(6) Non-standard horizontal spacing units.

(a) **Administrative approval.** The division may approve non-standard horizontal spacing units for horizontal oil or gas wells after notice and opportunity for hearing, if necessary to prevent waste or protect correlative rights, in accordance with the procedures provided for director approval of non-standard spacing units in Paragraphs (2) through (5) of Subsection B of 19.15.15.11 NMAC.

(b) **Notice.** The operator shall give notice of any application for approval of a non-standard horizontal spacing unit, by certified mail, return receipt requested, to affected persons in all tracts that:

(i) are excluded from the horizontal spacing unit, if the horizontal spacing unit would be a standard horizontal spacing unit except for the exclusion of such tracts; or

(ii) adjoin the non-standard horizontal spacing unit, in all other cases.

(c) Form of notice. The notice shall comply with Paragraph (4) of Subsection B of 19.15.15.11 NMAC.

(d) Unless otherwise authorized by the division, the operator shall not commence drilling in the proposed non-standard spacing unit until the division issues a final order granting the application.

(7) State, federal or tribal lands. If the horizontal spacing unit includes state, federal or tribal minerals, the operator shall send a copy of form C-102 to the state land office or the BLM as applicable. No horizontal spacing unit may be designated that lies partly within, and partly outside of, a state exploratory unit, or a federal exploratory unit or participating area if the horizontal spacing unit includes state trust lands, without the written consent of the commissioner of public lands.

(8) Nothing herein shall preclude the approval of simultaneously drilling multiple wells within a horizontal spacing unit. Except for infill horizontal wells, and multi-lateral horizontal wells, each horizontal well shall be dedicated to a standard horizontal spacing unit or an approved non-standard horizontal spacing unit. Multi-lateral horizontal wells.

(a) Multiple laterals in the same pool or formation and oriented such that the completed interval of each lateral is located entirely within the boundaries of an existing horizontal spacing unit may be dedicated to the same horizontal spacing unit.

(b) Except as provided in Subparagraph (a) of Paragraph (9) of Subsection A of 19.15.16.15 NMAC, the operator of a multi-lateral horizontal well shall dedicate a separate horizontal spacing unit to each lateral.

(c) The division may grant exceptions to the requirements of Subparagraphs (a) and (b) of Paragraph (9) of Subsection A of 19.15.16.15 NMAC pursuant to Paragraph (6) of Subsection A of 19.15.16.15 NMAC.

(9) Unitized areas.

(a) For a horizontal well the completed interval of which is located wholly within in a unitized area or a single lease or tract with uniform ownership as to all oil and gas mineral interests in the objective formation, the horizontal spacing unit configuration requirements of Subparagraphs (c) and (d) of

Paragraph (1), and Subparagraph (c) Paragraph (2), of Subsection A of 19.15.16.15 NMAC do not apply.

(b) For purposes of Paragraph (10) of Subsection A of 19.16.15 NMAC, a tract including all or part of two or more federal leases but not included in a federal unit or communitized unit shall not constitute a tract with uniform ownership.

(11) Existing and subsequent wells in horizontal spacing units.

(a) Existing wells. Existing wells in spacing units, horizontal or otherwise, that are wholly or partially included in a new horizontal spacing unit remain dedicated to their existing spacing units and are not part of the new horizontal spacing unit unless otherwise agreed by all working interest owners in the existing and new spacing units. If all owners (and BLM or state land office, if federal or state minerals are included, and the appropriate governmental authority if tribal minerals are included, in the old or new spacing unit) agree to rededicate the existing well to the new horizontal spacing unit, the operator shall file an amended form C-102 reflecting the re-dedication, and shall attach a certificate to the effect that all owners have agreed in writing thereto.

(b) Subsequent wells in existing spacing units. Subject to the terms of any applicable operating agreement, or to 19.15.13 NMAC or any applicable compulsory pooling order as to any compulsory pooled interests:

(i) any subsequent well, horizontal or otherwise, that will have a completed interval partially in an existing well's spacing unit, and in the same pool or formation, may be drilled only with the approval of, or, in the absence of approval, pursuant to a division order after notice to, all operators and working interest owners in the existing and new well's spacing units;

(ii) a horizontal well with a completed interval located wholly within an existing well's horizontal spacing unit, if not designated as an infill horizontal well, may be drilled only with the approval of, or, in the absence of approval, pursuant to a division order after notice to, all operators and working interest owners in the existing and new well's spacing units; and

(c) Operators may propose to drill multiple initial wells within a horizontal spacing unit, and such wells shall not be considered infill wells under the regulations. The provisions of 19.15.13.10 NMAC and 19.15.13.11 NMAC shall apply to any proposal to drill an infill horizontal well in a horizontal spacing unit subject to a compulsory pooling order unless the order approves

the drilling of multiple initial horizontal wells or the order includes specific provisions for such additional wells.

(e) The provisions of Subsection B of 19.15.15.12 NMAC shall apply to notices required to non-consenting owners pursuant to Items (i) or (ii) of Subparagraph (b) of Paragraph (11) of Subsection A of 19.15.16.15 NMAC.

(12) Pooling of horizontal spacing units. Whenever the operator of any horizontal well shall dedicate thereto lands comprising a standard or approved non-standard horizontal spacing unit in which there are two or more separately owned parcels of land, or royalty interests or undivided interests in oil or gas minerals which are separately owned, or any combination thereof, that have not been previously pooled for oil and gas production from the horizontal spacing unit, the operator shall obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands before producing the horizontal well.

(13) Protests. Without limitation of any other right or remedy an owner of a tract that adjoins a proposed or existing horizontal spacing unit but is not included therein who contends that a horizontal well in the adjoining horizontal spacing unit is impairing, or will impair, the owner's correlative rights may file a protest with the division. The division, after notice and hearing, may grant such relief as it determines to be necessary and appropriate, including, but not limited to, imposing a limitation on the rate or amount of production from the adjoining horizontal spacing unit.

B. Setbacks.

(1) Generally. The following setback distances shall apply to each horizontal well:

(a) The distance in the horizontal plane from any point in the completed interval to any outer boundary of the horizontal spacing unit, measured along a line perpendicular to the completed interval or to the tangent thereof, shall be a minimum of 330 feet for an oil well or 660 feet for a gas well.

(b) The first and last take point of a horizontal well shall be no closer than 100 feet for an oil well or 330 feet for a gas well, in the horizontal plane, to any outer boundary of the horizontal spacing unit.

(2) District office to approve. The appropriate division district office may grant a permit for a horizontal well provided every point in the well's completed interval complies with the setback requirements described above, or is located at an unorthodox well location the division has approved.

(3) Surface location. A horizontal well's surface location may be farther from the horizontal spacing unit boundaries than the applicable minimum setback or outside the boundaries of the horizontal spacing unit, provided the completed interval is located at an orthodox, or division-approved unorthodox, well location within the horizontal spacing unit.

(4) Internal setbacks. No internal setbacks are applicable within the horizontal spacing unit.

(5) Unorthodox well locations. The horizontal well's location is considered unorthodox if:

(a) any part of the horizontal well's completed interval is projected to be closer to an outer boundary of the horizontal spacing unit than allowed by Paragraph (1) of Subsection B of 19.15.16.15 NMAC, or other applicable rule or special pool order.,

(b) a directional survey shows that the horizontal well's first or last take point, as drilled, is located closer to the outer boundary of the horizontal spacing unit than allowed by Subparagraph (b) of Paragraph (1) of Subsection B of 19.15.16.15 NMAC: or

(c) a directional survey shows that any part of the horizontal well's completed interval, as drilled, is more than 50 feet from its projected location and closer to the outer boundary of the horizontal spacing unit than allowed by Subparagraph (a) of Paragraph (1) of Subsection B of 19.15.16.15 NMAC or other applicable rule or special pool order.

(6) Approval of variances. If any variance of the horizontal well's as-drilled location from the horizontal well's projected location is 50 feet or less, the division's district office may approve the as-drilled location by approving the operator's amended form C-102, without necessity for notice or hearing. If the horizontal well's projected location was orthodox, the variance is more than 50 feet, and the as-drilled location is unorthodox, the operator shall obtain approval from the division's Santa Fe office of the unorthodox well location before

producing the well. For previously approved unorthodox well locations, if a directional survey shows that any part of the completed interval is located more than 50 feet (or, if less, twenty-five percent of the previously authorized distance) closer to the outer boundary of the horizontal spacing unit than the approved location, the operator shall obtain approval from the division's Santa Fe office of the as-drilled location before producing the horizontal well.

(7) **Unitized areas.** For a horizontal well the completed interval of which is located wholly within in a unitized area or a single lease or tract with uniform ownership as to all oil and gas mineral interests in the objective formation, the setbacks prescribed in Subsection B of 19.15.16.15 NMAC apply only to the outer boundaries of the unitized area, area of uniform ownership or of any uncommitted tract or partially committed tract, instead of the outer boundaries of the horizontal spacing unit.

C. Allowables.

(1) **Oil allowables and gas-oil ratios.** The division shall assign to a horizontal oil well in an oil pool an oil allowable equal to the amount of oil that the horizontal oil well can produce. If any non-marginal proration unit exists in the same pool as a horizontal oil well% the division shall assign to each oil well located in the unit an allowable equal to its productive capacity unless the division determines after notice and hearing, that a reduced allowable must be assigned to the non-marginal unit to prevent waste. Production of gas or oil from any horizontal oil well shall not be limited by a limiting gas-oil ratio as provided in Subsection A of 19.15.20.13 NMAC.

(2) **Gas allowables.** The division shall assign to a horizontal gas well completed in a prorated gas pool an allowable equal to the amount of gas the horizontal gas well can produce. If any non-marginal gas proration unit exists in the same pool as a horizontal gas well, the division shall assign a top proration unit allowable for gas to such unit that is equal to the amount of gas than the unit can produce.

(3) **Effective dates.** Paragraphs (1) and (2) of Subsection C of 19.15.16.15 NMAC shall apply to all pools and areas of the state commencing on the first day of the first month after [date of adoption], but shall cease to apply to any particular pool on the date of any order, hereafter issued following notice and hearing, whereby the division or commission determines that reduced allowables for such pool are necessary to prevent waste.

D. Other matters.

(1) Directional survey requirements. The operator of each horizontal well shall run a directional survey and file the directional survey, in a division-approved format, upon the well's completion. Directional surveys shall have shot points no more than 200 feet apart and shall be run by competent surveying companies. The division shall allow exceptions to the minimum shot point spacing provided the survey's accuracy is still within acceptable limits.

(2) Downhole commingling.

(a) Pools or laterals in the same formation. Provisions of 19.15.12.11 NMAC requiring approval for downhole commingling do not apply to commingling of oil or gas within a single lateral of a horizontal well bore that is produced from adjacent pools within the same formation, or from multiple laterals of a single well bore that are completed in the same pool or formation and dedicated to the same horizontal spacing unit.

(b) Other multi-lateral wells. Except as provided in Subparagraph (a) of Paragraph (2) of Subsection D of 19.15.16.15 NMAC, horizontal wells with multiple laterals shall only be produced pursuant to division-approved downhole commingling authority obtained pursuant to 19.15.12.11 NMAC, unless pool segregation is maintained until the fluids reach the wellhead.

(3) Conflicts with existing rules or special pool orders. Provisions of statewide rules or special pool rules in effect on February 1, 2017, save and except the special provisions for the Purple Sage; Wolfcamp (Gas) Pool in ordering paragraphs (1) through (7) of division order 1Z-14262, that conflict with any of any provisions in 19.15.16.15 NMAC do not apply to horizontal wells. Special pool orders or amendments thereto adopted after [date of adoption] shall prevail over rules as provided in 19.15.2.9 NMAC.

(4) Transitional provisions. Any horizontal well drilled, commenced or permitted prior to (date of adoption) shall retain as its horizontal spacing unit the standard or non-standard spacing unit or project area originally dedicated thereto. If that area is not a standard horizontal spacing unit as provided in Subsection A of 19.15.16.15 NMAC, that area is hereby approved as a nonstandard horizontal spacing unit for the horizontal well so drilled, commenced or permitted.

[19.15.16.15 NMAC - Rp, 19.15.3.112 NMAC, 12/1/2008; 19.15.16.15 NMAC - N, 2/15/2012; A, XX/XX/201X)

19.15.16.20 ALLOWABLES AND AUTHORIZATION TO TRANSPORT OIL AND GAS:

A. The division may assign an allowable to a newly completed or re-completed well or a well completed in an additional pool or issue an operator authorization to transport oil or gas from the well if the operator:

(1) has filed a complete form C-104;

(2) has provided a sworn and notarized tabulation of all deviation tests the operator has run on the well, and directional surveys with calculated bottom hole location, in accordance with the requirements of 19.16.15.14 NMAC or 19.15.16.15 NMAC;

(3) has dedicated a standard spacing unit or horizontal spacing unit for the pool in which the well is completed, a standard spacing unit or horizontal spacing unit has been communitized or pooled and dedicated to the well or the division has approved a non-standard spacing unit or horizontal spacing unit; and

(4) [~~is in compliance~~] complies with [~~subsection~~] Subsection A of 19.15.5.9 NMAC.

B. The allowable the division assigns to an oil well is effective at 7:00 a.m. on the completion date, provided the division receives form C-104 during the month of completion. The date of completion shall be that date when new oil is delivered into the stock tanks. Unless otherwise specified by special pool orders, the allowable the division assigns to a gas well is effective at 7:00 a.m. on the date of connection to a gas transportation facility, as evidenced by an affidavit of connection from the transporter to the division, or the date of receipt of form C-104 by the division, whichever date is later.

[19.15.16.20 NMAC — Rn, 19.15.16.19 NMAC, 02/15/2012; A, XX/XX/201X]

NEW MEXICO OIL CONSERVATION COMMISSION

Notice of Proposed Rulemaking

The New Mexico Oil Conservation Commission (Commission) hereby gives notice of the following proposed rulemaking (Case No. 15957).

The New Mexico Oil Conservation Division ("OCD") proposes to amend 19.15.2, 19.15.4, 19.15.14, 19.15.15, and 19.15.16 NMAC as follows to make changes concerning the drilling, spacing and operation of horizontal wells, and related matters:

19.15.2.7 NMAC. OCD proposes to amend 19.15.2.7 to add a new definition of "affected persons" and amend the definitions of "mineral interest owners" and "proration unit".

19.15.4.12 NMAC. OCD proposes to amend 19.15.4.12 to clarify the notice requirements for applications for non-standard well locations and non-standard spacing and proration units.

19.15.14 and 19.15.15 NMAC. OCD proposes to amend 19.15.14.8 and 19.15.15.8 to conform cross-references to proposed revisions of 19.15.16 NMAC.

19.15.16 NMAC. OCD proposes to amend 19.15.16 NMAC to comprehensively revise the requirements for horizontal wells. Changes include adding definitions of "first take point" and "last take point", "infill horizontal well", "multi-lateral well", and "unitized area", and repeal definitions of "penetration point", "producing area", "project area", and "standard project area".

19.15.16.14 NMAC will be amended to provide for distinct rules of "directional" as opposed to "horizontal" wells. The rules for directional wells will not be significantly changed, but will no longer apply to horizontal wells.

19.15.16.15 NMAC will be amended to collect in a single section those rules that apply to horizontal wells and proposes revisions to comprehensively regulate such wells. These changes include establishing standard horizontal spacing units and procedures for OCD approval of nonstandard horizontal spacing units. The proposed changes also provide minimum setback distances for horizontal wells from horizontal spacing unit boundaries and authorize horizontal wells to produce at maximum efficient rates to prevent waste of oil and gas.

Purpose of Proposed Rule. The proposed changes will adapt the spacing and setback requirements for horizontal wells to the unique nature of those wells, and maximize such wells' efficiency by eliminating unnecessary restrictions on production, and also clarify matters that are uncertain in existing rules.

Legal Authority. These amendments are authorized by the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, and specifically Section 70-2-11(A), (which authorizes the adoption of rules to carry out the purposes of the Act), Section 70-2-12(A) (which authorizes the Commission to prorate production of crude petroleum oil and natural gas) and Section 70-2-12(B)(10) (which authorizes the Commission to fix the spacing of wells). The rulemaking proceeding will be governed by the Commission's rule on rulemaking, 19.15.3 NMAC.

The full text of the proposed rule amendments is available from Commission Clerk, Florene Davidson at (505) 476-3458 or can be viewed on the Rules page at the Oil Conservation Division's website at <http://www.emnrd.state.nm.us/ocd>, or at Oil Conservation Division offices in Santa Fe, Hobbs, Artesia, or Aztec.

NOTICE OF HEARING

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

The State of New Mexico, through its Oil Conservation Division, hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 a.m. on **October 26, 2017**, in Porter Hall, 1st floor, Wendell Chino Building, 1220 South St. Francis Drive, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability who needs a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact Florene Davidson at (505) 476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by **October 16, 2017**. Public documents can be provided in various accessible formats. Members of the public may obtain copies of the docket by contacting Ms. Davidson at the phone number indicated above. Also, the docket will be posted on the Oil Conservation Division website at www.emnrd.state.nm.us/OCD/. A party who plans on using projection equipment at a hearing must contact Ms. Davidson seven business days prior to the hearing requesting the use of the projection equipment. Wireless internet is available; however, the party must provide its own laptop computer.

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

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

Case No. 15857: Application of COG Operating LLC for a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order (i) creating a 343.26-acre, more or less, non-standard oil spacing and proration unit (project area) comprised of Lots 2, 3, and 4 in Section 19, Lots 1, 2, 3, and 4 in Section 30, and Lots 1 and 2 in Section 31, Township 26 South, Range 32 East, NMPM, in Eddy County, and (ii) pooling all mineral interests in the Wolfcamp formation underlying this acreage. The project area is to be dedicated to applicant's **Copperhead 31 Fee #20H well** (API No. 30-015-44319), which will be horizontally drilled from a surface location in Lot 2 of Section 31 to a bottom hole location in Lot 2 of Section 19, Township 26 South, Range 29 East. The completed interval for the well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of COG Operating LLC as the operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The proposed project area is located approximately fifteen (15) miles south of Malaga, New Mexico.

Case No. 15858: Application of Devon Energy Production Company L.P. for a Non-Standard Oil Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order approving a 160-acre non-standard oil spacing and proration unit comprised of the W/2 E/2 of Section 21, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation, underlying the non-standard unit. The unit will be dedicated to Applicant's proposed **Gaicho 21 Fed 5H well** to be drilled from and approximate surface location 275 feet from the south line and 1,800 feet from the east line of Section 21 to a bottomhole location 330 feet from the north line and 1,700 feet from the east line of Section 21. Also to be considered will be the cost of drilling and completing the well, the allocation of the cost, the designation of Applicant as Operator and a 200% charge



for the risk involved in drilling and completing the well. The well and lands are located approximately ¼ mile west of the intersection of Highway 32 and San Simon Road.

Case No. 15859: *Application of Devon Energy Production Company L.P. for a Non-Standard Oil Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.* Applicant seeks an order approving a 160-acre non-standard oil spacing and proration unit comprised of the E/2 E/2 of Section 21, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. The unit will be dedicated to Applicant's proposed **Gaucha 21 Fed 6H well** to be drilled from an approximate surface location 175 feet from the south line and 185 feet from the east line of Section 21 to a bottomhole location 330 feet from the north line and 380 feet from the east line of Section 21. Also to be considered will be the cost of drilling and completing the well, the allocation of the cost, the designation of Applicant as Operator and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately ¼ mile west of the intersection of Highway 32 and San Simon Road.

Case No. 15860: *Application of DGP Energy, LLC for approval of a unit agreement, Lea County, New Mexico:* Applicant seeks approval of the Unit Agreement for the Gold Wolf Unit Area, comprising 1,115.52 acres of state lands comprising the N/2 and SE/4 of Section 24, Township 16 South, Range 34 East, NMPM and all of Section 19, Township 16 South, Range 35 East, NMPM. The proposed unit area is centered approximately 9-1/2 miles west-southwest of Lovington, New Mexico.

Case No 15861: *Application of Mewbourne Oil Company for a non-standard gas spacing and proration unit and compulsory pooling, Eddy County, New Mexico.* Mewbourne Oil Company seeks an order approving a 479.88-acre non-standard gas spacing and proration unit in the Wolfcamp formation underlying Lots 1 and 2, S/2 NE/4, and SE/4 (the E/2) of Section 6 and the NE/4 of Section 7, Township 24 South, Range 28 East, NMPM, and pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit. The unit will be dedicated to (i) The **Motley 6/7 W0AH Fed. Com. Well No. 1H**, to be drilled to a depth sufficient to test the Wolfcamp formation. The well is a horizontal well, with a surface location in Lot 1 of Section 6 and a terminus in the SE/4 NE/4 of Section 7. The beginning and end of the producing interval will be orthodox; and (ii) The **Motley 6/7 W2AH Fed. Com. Well No. 2H** to be drilled to a depth sufficient to test the Wolfcamp formation. The well is a horizontal well, with a surface location in Lot 1 of Section 6 and a terminus in the SE/4 NE/4 of Section 7. The beginning and end of the producing interval will be orthodox. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 3-1/2 miles west-northwest of Malaga, New Mexico.

Case No. 15862: *Application of Mewbourne Oil Company for a non-standard gas spacing and proration unit and compulsory pooling, Eddy County, New Mexico.* Mewbourne Oil Company seeks an order approving a 480-acre non-standard gas spacing and proration unit in the Wolfcamp formation underlying the E/2 of Section 11 and the NE/4 of Section 14, Township 26 South, Range 29 East, NMPM, and pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit. The unit will be dedicated to: (i) the **Fuller 14/11 W2HA Fed. Well No. 3H**, to be drilled to a depth sufficient to test the Wolfcamp formation. The well is a horizontal well, with a surface location in the SE/4 NE/4 of Section 14 and a terminus in the NE/4 NE/4 of Section 11. The beginning and end of the producing interval will be orthodox; and (ii) the **Fuller 14/11 W1HA Fed. Well No. 2H** to be drilled to a depth sufficient to test the Wolfcamp formation. The well is a horizontal well, with a surface location in the SE/4 NE/4 of Section 14 and a terminus in the NE/4 NE/4 of Section 11. The beginning and end of the producing interval will be orthodox. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 14 miles southeast of Malaga, New Mexico.

Case No. 15863: Application of Mewbourne Oil Company for a non-standard gas spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 480-acre non-standard gas spacing and proration unit in the Wolfcamp formation underlying the SE/4 of Section 14 and the E/2 of Section 23, Township 26 South, Range 29 East, NMPM, and pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit. The unit will be dedicated to: (i) the **Fuller 14/23 W2IP Fed. Well No. 4H**, to be drilled to a depth sufficient to test the Wolfcamp formation. The well is a horizontal well, with a surface location in the SE/4 NE/4 of Section 14 and a terminus in the SE/4 SE/4 of Section 23. The beginning and end of the producing interval will be orthodox; and (ii) the **Fuller 14/23 W1IP Fed. Well No. 1H** to be drilled to a depth sufficient to test the Wolfcamp formation. The well is a horizontal well, with a surface location in the SE/4 NE/4 of Section 14 and a terminus in the SE/4 SE/4 of Section 23. The beginning and end of the producing interval will be orthodox. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 15 miles southeast of Malaga, New Mexico.

Case No. 15864: Application of Devon Energy Production Company, L.P. for cancelation or suspension of applications for permit to drill issued to XTO Energy Inc., Eddy County, New Mexico. Applicant seeks an order canceling or suspending twenty-four (24) applications for permit to drill issued to XTO Energy Inc. for proposed horizontal Bone Spring and Wolfcamp wells located in Section 24 and the N/2 of Section 25, Township 23 South, Range 29 East, N.M.P.M. The proposed wells are located approximately 4-1/2 miles northeast of Harroun, New Mexico.

Case No. 15865: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre, more or less, spacing and proration unit comprised of the W/2 W/2 of Section 34, Township 21 South, Range 34 East, NMPM, Lea County New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Gramma Ridge East 34 State 3BS No. 2H Well**, which will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) to a standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 34. The completed interval for the well will remain within the 330-foot offset as required by the Statewide rules for oil wells. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 18 miles west of Eunice, New Mexico.

Case No 15866: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre, more or less, spacing and proration unit comprised of the E/2 W/2 of Section 34, Township 21 South, Range 34 East, NMPM, Lea County New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Gramma Ridge East 34 State 3BS No. 3H Well**, which will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 34. The completed interval for the well will remain within the 330-foot offset as required by the Statewide rules for oil wells. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 18 miles west of Eunice, New Mexico.

Case No. 15867: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre, more or less, spacing and proration unit comprised of the W/2 E/2 of Section 34, Township 21 South, Range 34 East, NMPM, Lea County New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Grama Ridge East 34 State 3BS No. 8H Well**, which will be drilled horizontally from a surface location in the SE/4 SE/4 (Unit P) to a standard bottom hole location in the NW/4 NE/4 (Unit B) of Section 34. The completed interval for the well will remain within the 330-foot offset as required by the Statewide rules for oil wells. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 18 miles west of Eunice, New Mexico.

Case No. 15868: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre, more or less, spacing and proration unit comprised of the E/2 E/2 of Section 34, Township 21 South, Range 34 East, NMPM, Lea County New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Grama Ridge East 34 State 3BS No. 9H Well**, which will be drilled horizontally from a surface location in the SE/4 SE/4 (Unit P) to a standard bottom hole location in the NE/4 NE/4 (Unit A) of Section 34. The completed interval for the well will remain within the 330-foot offset as required by the Statewide rules for oil wells. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 18 miles west of Eunice, New Mexico.

Case No. 15869: Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 318.88-acre spacing and proration unit comprised of the N/2 N/2 of Section 1 and the N/2 N/2 of Section 2, Township 25 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be project area for two proposed initial wells, to be drilled and completed simultaneously: the proposed **Corral Fly "02-01" State No. 21H Well** and the proposed **Corral Fly "02-01" State No. 22H Well**. These wells will be horizontally drilled from a surface location in the NW/4 NW/4 (Lot 4) of Section 2 to a standard bottom hole location in the NE/4 NE/4 (Lot 1) of Section 1. The completed interval for the **Corral Fly "02-01" State No. 21H Well** will remain within the 330-foot standard offset required by the Division's rules. The completed interval for the **Corral Fly "02-01" State No. 22H Well** will be unorthodox. OXY will apply administratively for approval of an unorthodox location for the **Corral Fly "02-01" State No. 22H Well**. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the wells and a 200% charge for risk involved in drilling said well. Said area is located approximately 9 miles southeast of Malaga, N.M.

Case No. 15870: Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 320-acre spacing and proration unit comprised of the S/2 N/2 of Section 1 and the S/2 N/2 of Section 2, Township 25 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to

be dedicated to applicant's proposed **Corral Fly "02-01" State No. 23H Well**, which will be horizontally drilled from a surface location in the SW/4 NW/4 (Unit E) of Section 2 to a standard bottom hole location in the SE/4 NE/4 (Unit H) of Section 1. The completed interval for this well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 9 miles southeast of Malaga, N.M.

Case No. 15871: Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 320-acre spacing and proration unit comprised of the N/2 S/2 of Section 1 and the N/2 S/2 of Section 2, Township 25 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be the project area for two proposed initial wells, to be drilled and completed simultaneously: the proposed **Corral Fly "02-01" State No. 24H Well** and the proposed **Corral Fly "02-01" State No. 25H Well**. These wells will be horizontally drilled from a surface location in the NW/4 SW/4 (Unit L) of Section 2 to a standard bottom hole location in the NE/4 SE/4 (Unit I) of Section 1. The completed interval for the **Corral Fly "02-01" State No. 24H Well** will remain within the 330-foot standard offset required by the Division's rules. The completed interval for the **Corral Fly "02-01" State No. 25H Well** will be unorthodox. OXY will apply administratively for approval of an unorthodox location for the **Corral Fly "02-01" State No. 25H Well**. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the wells and a 200% charge for risk involved in drilling said well. Said area is located approximately 9 miles southeast of Malaga, N.M.

Case No. 15872: Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 320-acre spacing and proration unit comprised of the N/2 S/2 of Section 1 and the N/2 S/2 of Section 2, Township 25 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Corral Fly "02-01" State No. 26H Well**, which will be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 2 to a standard bottom hole location in the SE/4 SE/4 (Unit P) of Section 1. The completed interval for this well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 9 miles southeast of Malaga, N.M.

Case No. 15844: Amended Application Of XTO Energy Inc. For Approval Of The Expansion of the James Ranch Unit, Eddy County, New Mexico. Applicant seeks approval to expand the geographic area of the James Ranch Unit by 13,223.68 acres of land. Said Unit currently consists of approximately 15,094.41 acres of Federal, Fee, and State Acreage in Eddy County, New Mexico. The total unit acreage will include 28,318.09 acres. XTO seeks to expand the Unit to include the following Federal and State lands situated in Eddy County, New Mexico:

Township 21 South - Range 30 East N.M.P.M.

Section 25: All
Section 26: All
Section 27: S/2
Section 33: All

Section 34: W/2; NE/4
Section 31: Lots 1-8; E/2W/2; E/2
Section 32: All
Section 34: SE/4

Township 22 South - Range 29 East N.M.P.M.

Section 1: Lots 1-4; S/2N/2; S/2
Section 11: All
Section 12: All
Section 13: All
Section 14: All

Township 22 South - Range 30 East N.M.P.M.

Section 18: Lots 1-4; E/2W/2; E/2
Section 7: Lots 1-4; E/2W/2; E/2
Section 6: Lots 1-7; SE/4NW/4; E/2SW/4; SE/4; S/2NE/4
Section 5: Lots 1-4; S/2N/2; S/2
Section 4: Lots 1-4; S/2N/2; S/2
Section 3: Lots 1-4; S/2N/2; S/2
Section 10: All
Section 9: All
Section 8: All
Section 17: W/2NW/4

The unitized interval includes all depths. The James Ranch Unit Expansion Area is approximately 20 miles east of Carlsbad, New Mexico.

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 27th day of September, 2017.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**

**David R. Catanach
Director, Oil Conservation Division**

S E A L

NOTICE OF HEARING

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

The State of New Mexico, through its Oil Conservation Division, hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 a.m. on **March 8 2018**, in Porter Hall, 1st floor, Wendell Chino Building, 1220 South St. Francis Drive, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability who needs a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact Florene Davidson at (505) 476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by **February 27, 2018**. Public documents can be provided in various accessible formats. Members of the public may obtain copies of the docket by contacting Ms. Davidson at the phone number indicated above. Also, the docket will be posted on the Oil Conservation Division website at www.emnrd.state.nm.us/OCDD/. A party who plans on using projection equipment at a hearing must contact Ms. Davidson seven business days prior to the hearing requesting the use of the projection equipment. Wireless internet is available; however, the party must provide its own laptop computer.

STATE OF NEW MEXICO TO:

**All named parties and persons
having any right, title, interest
or claim in the following cases
and notice to the public.**

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

Case No. 15998: Application of Marathon Oil Permian LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order approving a non-standard spacing and proration unit in the Wolfcamp formation, comprised of the W/2 of Section 13, Township 23 South, Range 32 East, NMPM, Lea County, New Mexico, and the pooling of all uncommitted mineral interests located within the proration unit. This proposed non-standard spacing and proration unit will be the project area for the **Ballista Federal 23-32-13 WA 6H, Ballista Federal 23 32 13 WXY 3H** and the **Ballista Federal 23 32 13 WXY 12H** wells, to be horizontally drilled. The perforations for these wells will be orthodox. Also to be considered will be the cost of drilling and completing said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Marathon as operator of the wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 26 miles east northeast of Malaga, New Mexico.

Case No. 15999: Application of Marathon Oil Permian LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order to create a non-standard spacing and proration unit covering the Bone Spring formation, which is comprised of the W/2 E/2 of Section 11, Township 23 South, Range 32 East, NMPM, Lea County, New Mexico, and the pooling of all uncommitted mineral interests located within the proration unit. This proposed non-standard spacing and proration unit will be the project area for the **Urraca Federal Com 23 32 11 SB 15H well**, to be horizontally drilled. The producing area for this well will be orthodox. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the actual operating costs and charges for

supervision, designation of Marathon as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 26 miles east northeast of Malaga, New Mexico.

Case No. 16000: Application of Marathon Oil Permian LLC for a non-standard spacing and proration unit and compulsory pooling Lea County, New Mexico. Applicant seeks an order to create a non-standard spacing and proration unit covering the Bone Spring formation, which is comprised of the E/2 E/2 of Section 11, Township 23 South, Range 32 East, NMPM, Lea County, New Mexico, and the pooling of all uncommitted mineral interests located within the proration unit. This proposed non-standard spacing and proration unit will be the project area for the **Urraca Federal Com 23 32 11 SB 22H** well, to be horizontally drilled. The producing area for this well will be orthodox. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Marathon as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 26 miles east northeast of Malaga, New Mexico.

Case No. 15965 (readvertised): Application of Mewbourne Oil Company for a non-standard gas spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 640-acre non-standard gas spacing and proration unit (project area) in the Wolfcamp formation comprised of the N/2 of Section 23 and the N/2 of Section 24, Township 25 South, Range 28 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Wolfcamp formation underlying the non-standard unit. The unit will be dedicated to the **Oxbow 23/24 W1DA Fed. Com. Well No. 1H** and the **Oxbow 23/24 W2DA Fed. Com. Well No. 2H**, horizontal wells with surface locations in the NW/4 NW/4 of Section 23, and bottomhole locations in the NE/4 NE/4 of Section 24. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 10-1/2 miles southeast of Malaga, New Mexico.

Case No. 15966 (readvertised): Application of Mewbourne Oil Company for a non-standard gas spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 640-acre non-standard gas spacing and proration unit (project area) in the Wolfcamp formation comprised of the S/2 of Section 23 and the S/2 of Section 24, Township 25 South, Range 28 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Wolfcamp formation underlying the non-standard unit. The unit will be dedicated to the **Oxbow 23/24 W2LI Fed. Com. Well No. 1H** and the **Oxbow 23/24 W1LI Fed. Com. Well No. 2H**, horizontal wells with surface locations in the NW/4 SW/4 of Section 23, and bottomhole locations in the NE/4 SE/4 of Section 24. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 11 miles southeast of Malaga, New Mexico.

Case No. 15967 (readvertised): Application of Mewbourne Oil Company for a non-standard gas spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 640-acre non-standard gas spacing and proration unit (project area) in the Wolfcamp formation comprised of the N/2 of Section 25 and the N/2 of Section 26, Township 25 South, Range 28 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Wolfcamp formation underlying the non-standard unit. The unit will be dedicated to the **Oxbow 26/25 W2DA Fed. Com. Well No. 1H** and the **Oxbow 26/25 W1DA Fed. Com. Well No. 2H**, horizontal wells with surface locations in the NW/4 NW/4 of Section 26, and bottomhole locations in the NE/4 NE/4 of Section 25. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 11 miles southeast of Malaga, New Mexico.

Case No. 15991 (readvertised): Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order pooling all mineral interests in the Wolfcamp formation underlying the S/2 of Section 32, Township 23 South, Range 28 East, NMPM. The unit will be dedicated to (i) the **Zeppelin 32 W2LI State Com. Well No. 2H**, a horizontal well with a surface location in the NW/4 SW/4, and a bottomhole location in the NE/4 SE/4, of Section 32, and (ii) the **Zeppelin 32 W0LI State Com. Well No. 1H**, a horizontal well with a surface location in the NW/4 SW/4, and a bottomhole location in the NE/4 SE/4 of Section 32. The producing intervals of the wells will be orthodox. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 2 miles south of Loving, New Mexico.

Case No. 15914 (readvertised): Application of Mewbourne Oil Company for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 479.88-acre non-standard spacing and proration unit in the Wolfcamp formation underlying Lots 1, 2, S/2 NE/4, and SE/4 (the E/2) of Section 6 and the NE/4 of Section 7, Township 24 South, Range 29 East, NMPM, and pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit. The unit will be dedicated to (i) the **Pecos Valley W2AH Fed. Com. Well No. 1H**, a horizontal well with a surface location in Lot 1 of Section 6, and a terminus in the SE/4 NE/4 of Section 7, and (ii) the **Pecos Valley W0AH Fed. Com. Well No. 2H**, a horizontal well with a surface location in Lot 1 of Section 6, and a terminus in the SE/4 NE/4 of Section 7. The producing interval of each well will be orthodox. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 3-1/2 miles northeast of Malaga, New Mexico.

Case No. 16001: Application of Mewbourne Oil Company for a non-standard gas spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 480-acre non-standard gas spacing and proration unit in the Wolfcamp formation underlying the W/2 of Section 36 and the SW/4 of Section 25, Township 24 South, Range 28 East, NMPM, and pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit. The unit will be dedicated to: (i) the **Fleetwood 36/25 W0ML State Com. Well No. 1H**, a horizontal well with a surface location in the SW/4 SW/4 of Section 36 and a terminus in the NW/4 SW/4 of Section 25; and (ii) the **Fleetwood 36/25 W2ML State Com. Well No. 2H**, a horizontal well with a surface location in the SW/4 SW/4 of Section 36 and a terminus in the NW/4 SW/4 of Section 25. The beginning and end of the producing interval in each well will be orthodox. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 4 miles south-southeast of Malaga, New Mexico.

Case No. 16002: Application of Mewbourne Oil Company for a non-standard gas spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 640-acre non-standard gas spacing and proration unit (project area) in the Wolfcamp formation comprised of the N/2 of Section 9 and the N/2 of Section 8, Township 24 South, Range 28 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Wolfcamp formation underlying the non-standard unit. The unit will be dedicated to the **Chicago 9/8 W0HE Fee Com. Well No. 1H** and the **Chicago 9/8 W2HE Fee Com. Well No. 2H**, horizontal wells with surface locations in the SE/4 NE/4 of Section 9, and bottomhole locations in the SW/4 NW/4 of Section 8. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the

risk involved in drilling and completing the wells. The unit is located approximately 2 miles west-northwest of Malaga, New Mexico.

Case No. 16003: Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order pooling all mineral interests in the Wolfcamp formation underlying the E/2 of Section 28, Township 23 South, Range 28 East, NMPM. The unit will be dedicated to (i) the **Night Ranger 28 W2AP Fee Well No. 1H**, a horizontal well with a surface location in the NE/4 NE/4, and a bottomhole location in the SE/4 SE/4, of Section 28, and (ii) the **Night Ranger 28 W0AP Fee Well No. 2H**, a horizontal well with a surface location in the NE/4 NE/4, and a bottomhole location in the SE/4 SE/4, of Section 28. The producing intervals of the wells will be orthodox. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 3-1/2 miles east-southeast of Black River Village, New Mexico.

Case No. 15978: Amended Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), Rio Arriba County, New Mexico, to permit it to complete and simultaneously produce five Mesaverde gas wells within the same spacing unit, three wells within a quarter section (E/2 of Section 14), and two wells in the same quarter-quarter section (SE/4 NE/4, Unit H). Hilcorp further seeks approval for the proposed locations of the **San Juan 28-7 Unit 233G Well** (API No. 30-039-27005) and the **San Juan 28-7 Unit 233E Well** (API No. 30-039-2291) in the Mesaverde formation within the E/2 of Section 14, Township 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, and authorization to simultaneously complete and produce the San Juan 28-7 Unit 233G Well and the San Juan 28-7 Unit 233E Well from the Blanco-Mesaverde Gas Pool. Said area is located approximately 25 miles east of Bloomfield, NM.

Case No. 16004: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), San Juan County, New Mexico, to permit it to complete and simultaneously produce five Mesaverde gas wells in the same standard 324.69-acre, more or less, spacing and proration unit, and three wells within the same quarter section. Hilcorp further seeks approval for the proposed location of the **San Juan 28-6 Unit 164 Well** (API No. 30-039-20479) in the Mesaverde formation with a surface location in the W/2 of Section 34, Township 28 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, and authorization to simultaneously complete and produce the San Juan 28-6 Unit 164 Well from the Blanco-Mesaverde Gas Pool. Said area is located approximately 25 miles east of Bloomfield, NM.

Case No. 16005: Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre, more or less, spacing and proration unit comprised of the S/2 N/2 of Section 22, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico; and (2) pooling record title owners in the San Andres formation (Red Lake; San Andres Pool (Pool Code 97253)). Said non-standard unit is to be dedicated to applicant's **Collier 22 State Com No. 43H Well**. This is a horizontal well that has been drilled from a surface location in the SW/4 NW/4 (Unit E) to a standard bottom hole location in the SE/4 NE/4 (Unit H) of Section 22. The completed interval for this well is within the 330-foot offset as required by the Statewide rules for oil wells. Said area is located approximately 13 miles east of Artesia, New Mexico.

Case No. 16006: Application Of EOG Resources, Inc. For Approval Of A 640-Acre Non-Standard Spacing Unit, Lea County, New Mexico. Applicant in the above-styled cause seeks an order approving an approximately 640-acre non-standard spacing unit in the Wolfcamp formation comprised of the E/2 of Section 14 and the E/2 of Section 23, Township 26 South, Range 33 East, NMPM Lea County, New Mexico. This acreage has been placed in the Sanders Tank; Upper Wolfcamp Pool (Pool Code 98097) and is subject to the Division's general statewide rules for oil development. This subject area is located approximately 5 miles west of Andrews Place, New Mexico.

Case No. 16007: Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 640-acre non-standard spacing and proration unit comprised of the N/2 of Section 1 and the N/2 of Section 2, Township 25 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Wolfcamp formation underlying this acreage. Said non-standard unit is to be the project area for three proposed initial wells, to be drilled and simultaneously completed: the proposed Corral Fly "02-01" State No. 31H Well, the proposed Corral Fly "02-01" State No. 32H Well, and the proposed Corral Fly "02-01" State No. 33H Well. The three proposed horizontal wells will be pad drilled from a surface location in the NW/4 NW/4 (Lot 4) of Section 2. The Corral Fly "02-01" State No. 31H Well has a standard bottom hole location in the NE/4 NE/4 (Lot 4) of Section 1. The Corral Fly "02-01" State No. 32H Well and the Corral Fly "02-01" State No. 33H Well have standard bottom hole locations in the SE/4 NE/4 (Unit H) of Section 1. The completed interval for each well will remain within the 330-foot standard offset required by the Special Rules for the Purple Sage Wolfcamp Gas Pool (Pool Code 98220). Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the wells and a 200% charge for risk involved in drilling said wells. Said area is located approximately 9 miles southeast of Malaga, N.M.

Case No. 16008: Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 640-acre non-standard spacing and proration unit comprised of the S/2 of Section 1 and the S/2 of Section 2, Township 25 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Wolfcamp formation underlying this acreage. Said non-standard unit is to be the project area for two proposed initial wells, to be drilled and simultaneously completed: the proposed Corral Fly "02-01" State No. 34H Well and the proposed Corral Fly "02-01" State No. 35H Well. The two proposed horizontal wells will be pad drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 2. The Corral Fly "02-01" State No. 34H Well has a standard bottom hole location in the NE/4 SE/4 (Unit I) of Section 1. The Corral Fly "02-01" State No. 35H Well will have a standard bottom hole location in the SE/4 SE/4 (Unit P) of Section 1. The completed interval for each well will remain within the 330-foot standard offset required by the Special Rules for the Purple Sage Wolfcamp Gas Pool (Pool Code 98220). Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the wells and a 200% charge for risk involved in drilling said wells. Said area is located approximately 9 miles southeast of Malaga, N.M.

Case No. 16009: Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 319.91-acre spacing and proration unit comprised of the W/2 W/2 of Section 1 and the W/2 W/2 of Section 12, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be the project area for two proposed initial wells, to be drilled and completed simultaneously: the proposed Nimitz MDP1 "12" Federal Com No. 1H Well and the proposed Nimitz MDP1 "12" Federal Com No.

2H Well. The **Nimitz MDP1 "12" Federal Com No. 1H Well** will be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 12 to a standard bottom hole location in the NW/4 NW/4 (Lot 4) of Section 1. The **Nimitz MDP1 "12" Federal Com No. 2H Well** will be horizontally drilled from a surface location in the NE/4 NW/4 of Section 13 (Unit C) to a standard bottom hole location in the NW/4 NW/4 (Lot 4) of Section 1. The completed interval for the **Nimitz MDP1 "12" Federal Com No. 1H Well** will remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC. The completed interval for the **Nimitz MDP1 "12" Federal Com No. 2H Well** will be at a non-standard location. OXY has obtained administrative approval of a non-standard location for the **Nimitz MDP1 "12" Federal Com No. 2H Well**. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the wells and a 200% charge for risk involved in drilling said wells. Said area is located approximately 14 miles east of Malaga, N.M.

Case No. 16010: Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 319.99-acre spacing and proration unit comprised of the E/2 E/2 of Section 1 and the E/2 E/2 of Section 12, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be the project area for two proposed initial wells, to be drilled and completed simultaneously: the proposed **Nimitz MDP1 "12" Federal Com No. 6H Well** and the proposed **Nimitz MDP1 "12" Federal Com No. 7H Well**. The **Nimitz MDP1 "12" Federal Com No. 6H Well** and the **Nimitz MDP1 "12" Federal Com No. 7H Well** will be pad drilled horizontally from a surface location in the SE/4 SE/4 (Unit P) of Section 12 to a standard bottom hole location in the NE/4 NE/4 (Lot 1) of Section 1. The completed interval for the **Nimitz MDP1 "12" Federal Com No. 6H Well** will remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC. The completed interval for the **Nimitz MDP1 "12" Federal Com No. 7H Well** will be at a non-standard location. OXY has obtained administrative approval of a non-standard location for the **Nimitz MDP1 "12" Federal Com No. 7H Well**. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the wells and a 200% charge for risk involved in drilling said wells. Said area is located approximately 14 miles east of Malaga, N.M.

Case No. 16011: Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 319.96-acre non-standard spacing and proration unit comprised of the W/2 E/2 of Section 1 and the W/2 E/2 of Section 12, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Nimitz MDP1 "12" Federal Com No. 8H Well**, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 13 to a standard bottom hole location in the NW/4 NE/4 (Lot 2) of Section 1. The completed interval for this well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 14 miles east of Malaga, N.M.

Case No. 16012: Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 319.94-acre non-standard spacing and proration unit comprised of the E/2 W/2 of Section 1 and the E/2 W/2 of Section 12, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-

standard unit is to be dedicated to applicant's proposed **Nimitz MDP1 "12" Federal Com No. 9H Well**, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 13 to a standard bottom hole location in the NE/4 NW/4 (Lot 3) of Section 1. The completed interval for this well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 14 miles east of Malaga, N.M.

Case No. 16013: Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 160-acre non-standard spacing and proration unit comprised of the W/2 E/2 of Section 13, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Nimitz MDP1 "13" Federal Com No. 1H Well**, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) to a standard bottom hole location in the SW/4 SE/4 (Unit O) of Section 13. The completed interval for this well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 14 miles east of Malaga, N.M.

Case No. 16014: Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 160-acre spacing and proration unit comprised of the E/2 E/2 of Section 13, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be the project area for two proposed initial wells, to be drilled and completed simultaneously: the proposed **Nimitz MDP1 "13" Federal Com No. 2H Well** and the proposed **Nimitz MDP1 "13" Federal Com No. 3H Well**. Both wells will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 12 to a standard bottom hole location in the SE/4 SE/4 (Unit P) of Section 13. The completed interval for the **Nimitz MDP1 "13" Federal Com No. 3H Well** will remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC. The completed interval for the **Nimitz MDP1 "13" Federal Com No. 2H Well** will be at a non-standard location. OXY has obtained administrative approval of a non-standard location for the **Nimitz MDP1 "13" Federal Com No. 2H Well**. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the wells and a 200% charge for risk involved in drilling said wells. Said area is located approximately 14 miles east of Malaga, N.M.

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 7th day of February, 2018.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Heather Riley
Director, Oil Conservation Division

S E A L

NOTICE OF HEARING

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

The State of New Mexico, through its Oil Conservation Division, hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 a.m. on **February 8, 2018**, in Porter Hall, 1st floor, Wendell Chino Building, 1220 South St. Francis Drive, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability who needs a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact Florene Davidson at (505) 476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by **January 30, 2018**. Public documents can be provided in various accessible formats. Members of the public may obtain copies of the docket by contacting Ms. Davidson at the phone number indicated above. Also, the docket will be posted on the Oil Conservation Division website at www.emnrd.state.nm.us/OCD/. A party who plans on using projection equipment at a hearing must contact Ms. Davidson seven business days prior to the hearing requesting the use of the projection equipment. Wireless internet is available; however, the party must provide its own laptop computer.

STATE OF NEW MEXICO TO:

**All named parties and persons
having any right, title, interest
or claim in the following cases
and notice to the public.**

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

Case No. 15958: Application of Marathon Oil Permian LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order (1) creating a non-standard 480-acre, more or less, spacing and proration unit in the Wolfcamp formation, comprised of the W/2 of Section 6, Township 25 South, Range 29 East, and SW/4 of Section 31, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Wolfcamp formation underlying this proposed non-standard spacing and proration unit. This proposed non-standard spacing and proration unit will be the project area for the **Sweet Tea State, 24-29-31 WA 5H well**, to be horizontally drilled. The producing area for this well will be orthodox. Also to be considered will be the cost of drilling and completing said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Marathon as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 5 miles southeast of Malaga, New Mexico.

Case No. 15960: Application of Marathon Oil Permian LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order (1) creating a non-standard 240-acre, more or less, spacing and proration unit in the Bone Spring formation, comprised of the W/2 W/2 of Section 6, Township 25 South, Range 29 East, and W/2 SW/4 of Section 31, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Bone Spring formation underlying this proposed non-standard spacing and proration unit. This proposed non-standard spacing and proration unit will be the project area for the **Sweet Tea State, 24-29-31 TB 6H well**, to be horizontally drilled. The producing area for this well will be orthodox. Also to be considered will be the cost of drilling and completing said wells, the allocation of these costs as well as the actual

operating costs and charges for supervision, designation of Marathon as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 5 miles southeast of Malaga, New Mexico.

Case No. 15961: Application of Marathon Oil Permian LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order compulsory pooling all mineral interests in the Wolfcamp formation underlying the 320-acre spacing unit comprised of the W/2 of Section 26, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico. This proposed spacing and proration unit will be the project area for the **Jazz Flute Fee 23 28 26 WA 5H**, to be horizontally drilled. The producing area for this well will be orthodox. Also to be considered will be the cost of drilling and completing said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Marathon as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 1.5 miles east of Loving, New Mexico.

Case No. 15962: Application of Caza Petroleum, LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Caza Petroleum, LLC seeks an order approving a non-standard 240-acre spacing and proration unit in the Bone Spring formation comprised of the W/2 SW/4 of Section 8 and the W/2 W/2 of Section 17, Township 20 South, Range 35 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. The non-standard unit will be dedicated to applicant's **Desert Rose 17-8 Fed. Com. Well No. 1H**, to be horizontally drilled from a surface location in the SW/4 SW/4 of Section 17 to a bottom hole location in the NW/4 SW/4 of Section 8. The producing interval will be orthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Caza Operating, LLC as operator of the well, and a 200% charge for risk involved in drilling the well. The unit is located approximately 14 miles west-southwest of Monument, New Mexico.

Case No. 15963: Application of Mewbourne Oil Company for a non-standard gas spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 640-acre non-standard gas spacing and proration unit (project area) in the Wolfcamp formation comprised of the E/2 of Section 11 and the E/2 of Section 14, Township 26 South, Range 28 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Wolfcamp formation underlying the non-standard unit. The unit will be dedicated to the **Delaware Ranch 11/14 W2AP Fed. Com. Well No. 1H**, a horizontal well with a surface location in the NE/4 NE/4 of Section 11, and a terminus in the SE/4 SE/4 of Section 14. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 3-1/2 miles north-northwest of the intersection of U.S. Highway 285 with the New Mexico/Texas state line.

Case No. 15964: Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order pooling all mineral interests in the Wolfcamp formation underlying the W/2 of Section 11, Township 26 South, Range 28 East, NMPM. The unit will be dedicated to the **Delaware Ranch 11 W2NC Fee Well No. 1H** and the **Delaware Ranch 11 W1NC Fee Well No. 2H**, horizontal wells with surface locations in the SE/4 SW/4, and bottomhole locations in the NE/4 NW/4, of Section 11. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 4 miles north-northwest of the intersection of U.S. Highway 285 with the New Mexico/Texas state line.

Case No. 15965: Application of Mewbourne Oil Company for a non-standard gas spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 640-acre non-standard gas spacing and proration unit (project area) in the Wolfcamp formation comprised of the N/2 of Section 23 and the N/2 of Section 24, Township 25 South, Range 29 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Wolfcamp formation underlying the non-standard unit. The unit will be dedicated to the **Oxbow 23/24 W1DA Fed. Com. Well No. 1H** and the **Oxbow 23/24 W2DA Fed. Com. Well No. 2H**, horizontal wells with surface locations in the NW/4 NW/4 of Section 23, and bottomhole locations in the NE/4 NE/4 of Section 24. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 10-1/2 miles southeast of Malaga, New Mexico.

Case No. 15966: Application of Mewbourne Oil Company for a non-standard gas spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 640-acre non-standard gas spacing and proration unit (project area) in the Wolfcamp formation comprised of the S/2 of Section 23 and the S/2 of Section 24, Township 25 South, Range 29 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Wolfcamp formation underlying the non-standard unit. The unit will be dedicated to the **Oxbow 23/24 W2LI Fed. Com. Well No. 1H** and the **Oxbow 23/24 W1LI Fed. Com. Well No. 2H**, horizontal wells with surface locations in the NW/4 SW/4 of Section 23, and bottomhole locations in the NE/4 SE/4 of Section 24. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 11 miles southeast of Malaga, New Mexico.

Case No. 15967: Application of Mewbourne Oil Company for a non-standard gas spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 640-acre non-standard gas spacing and proration unit (project area) in the Wolfcamp formation comprised of the N/2 of Section 25 and the N/2 of Section 26, Township 25 South, Range 29 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Wolfcamp formation underlying the non-standard unit. The unit will be dedicated to the **Oxbow 26/25 W2DA Fed. Com. Well No. 1H** and the **Oxbow 26/25 W1DA Fed. Com. Well No. 2H**, horizontal wells with surface locations in the NW/4 NW/4 of Section 26, and bottomhole locations in the NE/4 NE/4 of Section 25. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 11 miles southeast of Malaga, New Mexico.

Case No. 15968: Application of RSC Resources, LP for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all interests in the Wolfcamp formation underlying Lots 3-7, SE/4 NW/4, and E/2 SW/4 (W/2 equivalent) of Section 6, Township 24 South, Range 29 East, NMPM in Eddy County, New Mexico. Applicant seeks to establish a standard 318.77-acre ± spacing and proration unit (project area) in the Purple Sage Wolfcamp Gas Pool (98220) in the W/2 of Section 6. The unit will be dedicated to six wells to be drilled by Applicant as follow:

(1) the **Harroun 6 Federal Com 1H** at a surface hole location of 15' FSL & 1852' FWL Section 31-T23S-R29E with an estimated bottom hole location of 330' FSL & 330' FWL Section 6-T24S-R29E to test the Wolfcamp formation at an approximate vertical depth of 10,800'. The well is planned to be drilled to an approximate total measured depth of 15,705'. The entry point into the Wolfcamp formation will be located approximately 330' FNL and 330' FWL of Section 6; (2) the **Harroun 6 Federal Com 2H** at a surface hole location of 15' FSL & 1802' FWL Section 31-T23S-R29E with an estimated bottom hole location of 330' FSL & 330' FWL Section 6-T24S-R29E to test the Wolfcamp formation at an approximate vertical depth of 9,800'. The well is planned to be drilled to an approximate total measured depth of 14,737'. The

entry point into the Wolfcamp formation will be located approximately 330' FNL and 330' FWL of Section 6; (3) the **Harroun 6 Federal Com 3H** at a surface hole location of 15' FSL & 1902' FWL Section 31-T23S-R29E with an estimated bottom hole location of 330' FSL & 2310' FWL Section 6-T24S-R29E to test the Wolfcamp formation at an approximate vertical depth of 10,800'. The well is planned to be drilled to an approximate total measured depth of 15,604'. The entry point into the Wolfcamp formation will be located approximately 330' FNL and 2310' FWL of Section 6; (4) the **Harroun 6 Federal Com 4H** at a surface hole location of 15' FSL & 1952' FWL Section 31-T23S-R29E with an estimated bottom hole location of 330' FSL & 2310' FWL Section 6-T24S-R29E to test the Wolfcamp formation at an approximate vertical depth of 9,800'. The well is planned to be drilled to an approximate total measured depth of 14,602'. The entry point into the Wolfcamp formation will be located approximately 330' FNL and 2310' FWL of Section 6; (5) the **Harroun 6 Federal Com 5H** at a surface hole location of 10' FNL & 1827' FWL Section 6-T24S-R29E with an estimated bottom hole location of 330' FSL & 1330' FWL Section 6-T24S-R29E to test the Wolfcamp formation at an approximate vertical depth of 10,800'. The well is planned to be drilled to an approximate total measured depth of 15,584'. The entry point into the Wolfcamp formation will be located approximately 330' FNL and 1330' FWL of Section 6; and (6) the **Harroun 6 Federal Com 6H** at a surface hole location of 10' FNL & 1927' FWL Section 6-T24S-R29E with an estimated bottom hole location of 330' FSL & 1330' FWL Section 6-T24S-R29E to test the Wolfcamp formation at an approximate vertical depth of 9,800'. The well is planned to be drilled to an approximate total measured depth of 14,588'. The entry point into the Wolfcamp formation will be located approximately 330' FNL and 1330' FWL of Section 6.

Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost, the designation of Guardian Operating Corporation as Operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately four and one-half miles east of Malaga, New Mexico.

Case No. 15851 (re-opened): Application of Chisholm Energy Operating, LLC to Re-Open Case No. 15851 To Pool the Interests Of An Additional Mineral Owner Under The Terms Of Compulsory Pooling Order R-14539, Lea County, New Mexico. Applicant in the above-styled cause seeks to amend Division Order R-14539 to include the pooling of an additional mineral interest in the Bone Spring formation underlying the W/2 W/2 of Section 32, Township 18 South, Range 33 East, NMPM, in Lea County, New Mexico. Said unit is dedicated to the **Gazelle 32 State Com 2BS No. 1H** and is located 32 miles west of Hobbs, New Mexico.

Case No. 15852 (re-opened): Application of Chisholm Energy Operating, LLC to Re-Open Case No. 15852 To Pool the Interests Of An Additional Mineral Owner Under The Terms Of Compulsory Pooling Order R-14540, Lea County, New Mexico. Applicant in the above-styled cause seeks to amend Division Order R-14540 to include the pooling of an additional mineral interest in the Bone Spring formation underlying the E/2 W/2 of Section 32, Township 18 South, Range 33 East, NMPM, in Lea County, New Mexico. Said unit is dedicated to the **Gazelle 32 State Com 2BS No. 2H** and is located 32 miles west of Hobbs, New Mexico.

Case No 15969: Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 320-acre, more or less, spacing and proration unit comprised of the E/2 W/2 of Section 24 and the E/2 W/2 of Section 25, Township 25 South, Range 26 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's two proposed initial wells: the proposed **Road Runner Fed Com No. 3H Well** and the proposed **Road Runner Fed Com No. 13H Well**, which will be drilled and simultaneously completed. These wells are stacked laterals and will be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 25 to a standard bottom hole location in the NE/4 NW/4 (Unit C) of Section 24. The completed interval for each well will remain within the 330-

foot offset as required by the Statewide rules for oil wells. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 10 miles southeast of White City, New Mexico.

Case No. 15970: Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 240-acre, more or less, non-standard spacing and proration unit comprised of the top of the Paddock member to the base of the Blinebry member of the Yeso formation underlying the S/2 S/2 of Section 4 and the S/2 SW/4 of Section 3, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests underlying the spacing unit. Said non-standard unit is to be dedicated to applicant's proposed **Shovel Head Federal Com No. 18H Well**, which will be horizontally drilled from a surface location in the in the SE/4 SE/4 (Unit P) of Section 5 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 3. The completed interval for this well will be unorthodox because it is closer than 330-foot to the outer boundary of the project area as required by the Statewide rules for oil wells. COG will seek administrative approval of the unorthodox location. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 1 mile south of Maljamar, New Mexico.

Case No. 15971: Application of Prime Rock Resources, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 320-acre, more or less, spacing and proration unit comprised of the E/2 W/2 of Section 20 and the E/2 W/2 of Section 29, Township 21 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Olive Woolly Bugger 20-29 Federal Com #1H**, which will be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 17 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 29. The completed interval for this well will remain within the 330-foot offset as required by the Statewide rules for oil wells. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Prime Rock Resources, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 26 miles Northeast of Loving, New Mexico.

Case No. 15972: Application of Chevron U.S.A. Inc. for approval of a salt water disposal well, Lea County, New Mexico. Applicant in the above-styled cause seeks an order authorizing injection for purposes of salt water disposal in the proposed **Maelstrom SWD No. 1 Well**, at a surface location 2050 feet from the South line and 1793 feet from the East line (Unit J) of Section 15, Township 26 South, Range 32 East, N.M.P.M., Lea County, New Mexico. The target injection interval is the Salado Draw/Silurian Limestone formation at a depth of approximately 17,400 feet to 19,100 feet. The maximum injection rate will be 50,000 BWPD at a maximum injection pressure of 2500 psig. Said well is located approximately 28 miles southwest of Jal, New Mexico.

Case No. 15973: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), Rio Arriba County, New Mexico, to permit it to complete and simultaneously produce three

Mesaverde gas wells within the same quarter section. Hilcorp further seeks approval for the proposed location of the **San Juan 27-5 Unit 138F Well** (API No. 30-039-26625), in the Mesaverde formation with a surface location within the E/2 of Section 19, Township 27 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, and authorization to simultaneously complete and produce the San Juan 27-5 Unit 138F Well from the Blanco-Mesaverde Gas Pool. Said area is located approximately 25 miles east of Bloomfield, NM.

Case No. 15974: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), Rio Arriba County, New Mexico, to permit it to complete and simultaneously produce three Mesaverde gas wells within the same quarter section. Hilcorp further seeks approval for the proposed location of the **San Juan 27-5 Unit 40F Well** (API No. 30-039-26528), in the Mesaverde formation with a surface location within the W/2 of Section 16, Township 27 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, and authorization to simultaneously complete and produce the San Juan 27-5 Unit 40F Well from the Blanco-Mesaverde Gas Pool. Said area is located approximately 25 miles east of Bloomfield, NM.

Case No. 15975: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), Rio Arriba County, New Mexico, to permit it to complete and simultaneously produce five Mesaverde gas wells in the same standard spacing and proration unit, and three wells in the same quarter section. Hilcorp further seeks approval for the proposed location of the **San Juan 27-5 Unit 108E Well** (API No. 30-039-23910) in the Mesaverde formation with a surface location in W/2 of Section 15, Township 27 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, and authorization to simultaneously complete and produce the San Juan 27-5 Unit 108E Well from the Blanco-Mesaverde Gas Pool. Said area is located approximately 25 miles east of Bloomfield, NM.

Case No. 15976: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), Rio Arriba County, New Mexico, to permit it to complete and simultaneously produce five Mesaverde gas wells in the same standard spacing and proration unit, and three wells in the same quarter section. Hilcorp further seeks approval for the proposed location of the **San Juan 28-6 Unit 119E Well** (API No. 30-039-29354) in the Mesaverde formation with a surface location in E/2 of Section 22, Township 28 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, and authorization to simultaneously complete and produce the San Juan 28-6 Unit 119E Well from the Blanco-Mesaverde Gas Pool. Said area is located approximately 25 miles east of Bloomfield, NM.

Case No. 15977: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), Rio Arriba County, New Mexico, to permit it to complete and simultaneously produce three Mesaverde gas wells within the same quarter section. Hilcorp further seeks approval for the proposed location of the **San Juan 30-6 Unit 129 Well** (API No. 30-039-26124), in the Mesaverde formation with a

surface location within the E/2 of Section 25, Township 30 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, and authorization to simultaneously complete and produce the **San Juan 30-6 Unit 129 Well** from the Blanco-Mesaverde Gas Pool. Said area is located approximately 25 miles east of Bloomfield, NM.

Case No. 15978: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), Rio Arriba County, New Mexico, to permit it to complete and simultaneously produce three Mesaverde gas wells within the same quarter section. Hilcorp further seeks approval for the proposed location of the **San Juan 28-7 Unit 233G Well** (API No. 30-039-27005), in the Mesaverde formation with a surface location within the E/2 of Section 14, Township 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, and authorization to simultaneously complete and produce the San Juan 28-7 Unit 233G Well from the Blanco-Mesaverde Gas Pool. Said area is located approximately 25 miles east of Bloomfield, NM.

Case No. 15979: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), Rio Arriba County, New Mexico, to permit it to complete and simultaneously produce five Mesaverde gas wells in the same standard spacing and proration unit, and three wells in the same quarter section. Hilcorp further seeks approval for the proposed location of the **San Juan 28-7 Unit 128 Well** (API No. 30-039-82375) in the Mesaverde formation with a surface location in E/2 of Section 12, Township 27 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, and authorization to simultaneously complete and produce the San Juan 28-7 Unit 128 Well from the Blanco-Mesaverde Gas Pool. Said area is located approximately 25 miles east of Bloomfield, NM.

Case No. 15980: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), Rio Arriba County, New Mexico, to permit it to complete and simultaneously produce five Mesaverde gas wells in the same standard spacing and proration unit, and three wells in the same quarter section. Hilcorp further seeks approval for the proposed location of the **San Juan 28-7 Unit 133G Well** (API No. 30-039-26699) in the Mesaverde formation with a surface location within the W/2 of Section 35, Township 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, and authorization to simultaneously complete and produce the San Juan 28-7 Unit 133G Well from the Blanco-Mesaverde Gas Pool. Said area is located approximately 25 miles east of Bloomfield, NM.

Case No. 15981: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), Rio Arriba County, New Mexico, to permit it to complete and simultaneously produce five Mesaverde gas wells in the same standard spacing and proration unit, and three wells in the same quarter section. Hilcorp further seeks approval for the proposed location of the **San Juan 28-7 Unit 159 Well** (API No. 30-039-20384) in the Mesaverde formation with a surface location within the E/2 of Section 22, Township 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, and authorization to

simultaneously complete and produce the San Juan 28-7 Unit 159 Well from the Blanco-Mesaverde Gas Pool. Said area is located approximately 25 miles east of Bloomfield, NM.

Case No. 15982: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico. Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), San Juan County, New Mexico, to permit it to complete and simultaneously produce five Mesaverde gas wells in the same standard spacing and proration unit, and three wells in the same quarter section. Hilcorp further seeks approval for the proposed location of the **Bolin Hardie 1 Well** (API No. 30-045-20126) in the Mesaverde formation with a surface location within the W/2 of Section 34, Township 29 North, Range 8 West, NMPM, San Juan County, New Mexico, and authorization to simultaneously complete and produce the Bolin Hardie 1 Well from the Blanco-Mesaverde Gas Pool. Said area is located approximately 25 miles east of Bloomfield, NM.

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 10th day of January, 2018.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**

**Matthias Sayer
Acting Director, Oil Conservation Division**

S E A L

NOTICE OF HEARING

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

The State of New Mexico, through its Oil Conservation Division, hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 a.m. on **March 22, 2018**, in Porter Hall, 1st floor, Wendell Chino Building, 1220 South St. Francis Drive, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability who needs a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact Florene Davidson at (505) 476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by **March 12, 2018**. Public documents can be provided in various accessible formats. Members of the public may obtain copies of the docket by contacting Ms. Davidson at the phone number indicated above. Also, the docket will be posted on the Oil Conservation Division website at www.emnrd.state.nm.us/OCD/. A party who plans on using projection equipment at a hearing must contact Ms. Davidson seven business days prior to the hearing requesting the use of the projection equipment. Wireless internet is available; however, the party must provide its own laptop computer.

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

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

Case No. 16019: Application of COG Operating LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order (i) creating a 240.01-acre, more or less, non-standard oil spacing and proration unit (project area) comprised of the E/2 W/2 of Section 1 and the E/2 NW/4 of Section 12, Township 24 South, Range 34 East, NMPM, in Lea County, and (ii) pooling all uncommitted mineral interests in the Bone Spring formation underlying this acreage. The project area is to be dedicated to applicant's **Mortarboard Federal Com #13H well**, which will be horizontally drilled from a surface location in Lot 3 of Section 1 to a bottom hole location in Unit F of Section 12, Township 24 South, Range 34 East. The completed interval for the well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of COG Operating LLC as the operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The proposed project area is located approximately sixteen (16) miles northwest of Jal, New Mexico.

Case No. 16020: Application of Mewbourne Oil Company for a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 320-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the N/2 N/2 of Section 24 and the N/2 N/2 of Section 23, Township 18 South, Range 30 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the non-standard unit. The unit will be dedicated to the **Virgo 24/23 B2AD Fed. Com. Well No. 1H**, a horizontal well with a surface location in the NE/4 NE/4 of Section 24, and a terminus in the NW/4 NW/4 of Section 23. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision,

designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 6 miles south-southeast of Loco Hills, New Mexico.

Case No. 16021: Application of Ascent Energy, LLC for approval of a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order approving a 160-acre non-standard spacing and proration unit (project area) in the Bone Spring formation comprised of the E/2 W/2 of Section 36, Township 19 South, Range 35 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the non-standard spacing and proration unit (project area). The unit is to be dedicated to the **Pistolero State Com. Well No. 502H**, a horizontal well with a surface location in the NW/4 NW/4, and a terminus in the SE/4 SW/4, of Section 36. The producing interval will be orthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 8-1/2 miles west of Monument, New Mexico.

Case No. 16022: Application of Ameredev Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 320-acre, more or less, spacing and proration unit comprised of the W/2 W/2 of Section 21 and the W/2 W/2 of Section 16, Township 26 South, Range 36 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests in the Wolfcamp formation underlying this acreage. Said non-standard unit is to be the project area for two proposed initial wells, to be drilled and completed simultaneously: the proposed **Camellia Fed Com 26-36-21 No. 111H Well** and the proposed **Camellia Fed Com 26-36-21 No. 121H Well**. These wells will be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 21 to a standard bottom hole location in the NW/4 NW/4 (Unit D) of Section 16. The completed interval for each well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing each well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Ameredev Operating, LLC as operator of the wells and a 200% charge for risk involved in drilling said wells. Said area is located approximately 7 miles southwest of Jal, NM.

Case No. 16023: Application of Ameredev Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 320-acre, more or less, spacing and proration unit comprised of the W/2 E/2 of Section 32 and the W/2 E/2 of Section 29, Township 25 South, Range 36 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests in the Wolfcamp formation underlying this acreage. Said non-standard unit is to be the project area for two proposed initial wells, to be drilled and completed simultaneously: the proposed **Redbud State Com 25-36-32 No. 105H Well** and the proposed **Redbud State Com 25-36-32 No. 115H Well**. These wells will be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) of Section 32 to a standard bottom hole location in the NW/4 NE/4 (Unit B) of Section 29. The completed interval for each well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing each well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Ameredev Operating, LLC as operator of the wells and a 200% charge for risk involved in drilling said wells. Said area is located approximately 6 miles southwest of Jal, NM.

Case No. 16024: Amended Application of BTA Oil Producers, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) authorizing a non-standard, 160-acre spacing unit in the Purple Sage Wolfcamp Gas Pool (98220); (2) combining that 160-acre non-standard spacing unit with a standard 320-acre spacing unit to create a 480-acre non-standard spacing and proration unit comprised of the W/2 of Section 29 and the NW/4 of Section 32, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico; and (3) pooling all

uncommitted interests in the Wolfcamp formation underlying this acreage. Said non-standard unit is to be the project area for two proposed initial wells, to be drilled and simultaneously completed: the proposed **BTA-Ogden 20509 32-29 Fed Com #5H Well** and the proposed **BTA-Ogden 20509 32-29 Fed Com #6H Well**. The **BTA-Ogden 20509 32-29 Fed Com #5H Well** has a standard surface location in the SE/4 NW/4 (Unit F) of Section 32 with a standard bottom hole location in the NE/4 NW/4 (Unit C) of Section 29. The **BTA-Ogden 20509 32-29 Fed Com #6H Well** will have a standard surface hole location in the SW/4 NW/4 (Unit E) of Section 32 with a standard bottom hole location in the NW/4 NW/4 (Unit D) of Section 29. The completed interval for each well will remain within the 330-foot standard offset required by the Special Rule for the Purple Sage Wolfcamp Gas Pool (Pool Code 98220). Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of BTA Oil Producers, LLC as operator of the wells and a 200% charge for risk involved in drilling said wells. Said area is located approximately 2 miles southwest of Loving, N.M.

Case No. 16025: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 240-acre, more or less, spacing and proration unit comprised of the W/2 W/2 of Section 14 and the W/2 NW/4 of Section 23, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation. Said non-standard unit is to be dedicated to applicant's proposed **Outland 14-23 State 2BS 2H Well**, which will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 14 to a standard bottom hole location in the SW/4 NW/4 (Unit E) of Section 23. The completed interval for this well will remain within the 330-foot offset as required by the Statewide rules for oil wells. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 16 miles west of Eunice, New Mexico.

Case No. 16026: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 240-acre, more or less, spacing and proration unit comprised of the E/2 W/2 of Section 14 and the E/2 NW/4 of Section 23, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico. Said non-standard unit is to be dedicated to applicant's proposed **Outland 14-23 State 2BS 3H Well**, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 14 to a standard bottom hole location in the SE/4 NW/4 (Unit F) of Section 23. The completed interval for this well will remain within the 330-foot offset as required by the Statewide rules for oil wells. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 16 miles west of Eunice, New Mexico.

Case No. 16027: Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 638.16-acre, more or less, spacing and proration unit comprised of the W/2 of Section 3 and the W/2 of Section 10, Township 24 South, Range 26 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Wolfcamp formation underlying this acreage. Said non-standard unit is to be a project area for three proposed initial wells, to be drilled and completed simultaneously: the proposed **Black River 3-10 Fed Com WCA No. 2H Well**, the proposed **Black River 3-10 Fed Com WCA No. 3H Well**, and the proposed **Black River 3-10 Fed Com WCA No. 4H Well**. These wells will be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 3 to bottom hole locations in the SW/4 SW/4 (Unit M) and the SE/4 SW/4 (Unit N) of Section

10. The completed intervals for these wells will remain within the 330-foot offset as required by the special rules for the Purple Sage-Wolfcamp Gas Pool adopted under Division Order R-14262. Also to be considered will be the timing of the drilling and completion of said wells, the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating, LLC as operator of the wells and a 200% charge for risk involved in drilling said wells. Said area is located approximately 12 miles southwest of Carlsbad, New Mexico.

Case No. 16028: Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 320-acre, more or less, spacing and proration unit comprised of the W/2 W/2 of Section 17 and the W/2 W/2 of Section 20, Township 24 South, Range 35 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's **Bonaid Fed Com No. 15H Well**, which will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 17 to a standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 20. The completed interval for this well is within the 330-foot offset as required by the Statewide rules for oil wells. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 12 miles northwest of Jal, New Mexico.

Case No. 16029: Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 320.89-acre, more or less, spacing and proration unit comprised of the E/2 W/2 of Section 4 and the E/2 W/2 of Section 9, Township 25 South, Range 35 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests in the WC-025 G-09 S243532M; Wolfbone Pool (Pool Code 98098) underlying this acreage. Said non-standard unit is to be a project area for three proposed initial wells, to be drilled and completed simultaneously: the proposed **Fez Fed Com No. 601H Well**, the proposed **Fez Fed Com No. 602H Well**, and the proposed **Fez Fed Com No. 701H Well**. These wells will be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 9 to bottom hole locations in the NE/4 NW/4 (Lot 3) of Section 4. The completed intervals for the **Fez Fed Com No. 601H Well** and the **Fez Fed Com No. 701H Well** will remain within the 330-foot offset as required by the Statewide rules for oil wells. The completed interval for the **Fez Fed Com No. 602H Well** will be unorthodox. COG has applied administratively for approval of an unorthodox location for the **Fez Fed Com No. 602H Well**. Also to be considered will be the timing of the drilling and completion of said wells, the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating LLC as operator of the wells and a 200% charge for risk involved in drilling said wells. Said area is located approximately 10 miles northwest of Jal, New Mexico.

Case No. 16030: Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 320.89-acre, more or less, spacing and proration unit comprised of the W/2 W/2 of Section 4 and the W/2 W/2 of Section 9, Township 25 South, Range 35 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests in the WC-025 G-09 S243532M; Wolfbone Pool (Pool Code 98098) underlying this acreage. Said non-standard unit is to be a project area for six proposed initial wells, to be drilled and completed simultaneously: the proposed **Fez Fed Com No. 603H Well**, the proposed **Fez Fed Com No. 604H Well**, the proposed **Fez Fed Com No. 702H Well**, the proposed **Fez Fed Com No. 703H Well**, the proposed **Fez Fed Com No. 704H Well**, and the proposed **Fez Fed Com No. 705H Well**. These wells will be horizontally drilled from a surface location in the SW/4 SW/4 (Unit

M) of Section 9 to bottom hole locations in the NW/4 NW/4 (Lot 4) of Section 4. The completed intervals for the **Fez Fed Com No. 603H Well**, the **Fez Fed Com No. 604H Well**, the **Fez Fed Com No. 703H Well**, the **Fez Fed Com No. 704H Well**, and the **Fez Fed Com No. 705H Well** will remain within the 330-foot offset as required by the Statewide rules for oil wells. The completed interval for the **Fez Fed Com No. 702H Well** will be unorthodox. COG has applied administratively for approval of an unorthodox location for the **Fez Fed Com No. 702H Well**. Also to be considered will be the timing of the drilling and completion of said wells, the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating LLC as operator of the wells and a 200% charge for risk involved in drilling said wells. Said area is located approximately 10 miles northwest of Jal, New Mexico.

Case No. 16031: Application of Fasken Oil & Ranch Ltd., For Approval Of An 80.81-Acre Non-Standard Oil Spacing And Proration Unit, Eddy County, New Mexico. Applicant seeks an order authorizing an 80.81-acre non-standard oil spacing and proration unit in the Avalon Wolfcamp Pool (Pool Code 71120) comprised of the W/2 NW/4 of Section 10, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico. This non-standard spacing and proration unit will be dedicated to the **Lake Shore SC 10 Federal Com No. 4 Well** (API No. 30-015-31569), a vertical well located 1310 feet from the north line and 1160 feet from the west line in the NW/4 NW/4 (Unit D) of said Section 10. This area is located approximately 3 miles north of the City of Carlsbad, New Mexico.

Case No. 16032: Application of Matador Production Company for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 154.28-acre, more or less, non-standard spacing and proration unit comprised of the W/2 W/2 of Section 31, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests underlying the non-standard spacing and proration unit in the Bone Spring formation. Said spacing and proration unit is to be dedicated to applicant's proposed **Airstrip 31 18 35 RN State Com No. 131H Well**, which will be horizontally drilled from a surface location in the SW/4 SW/4 (Lot 4) to a standard bottom hole location in the NW/4 NW/4 (Lot 1) of Section 31. The completed interval for this well will remain within the 330-foot offset as required by the Statewide rules for oil wells. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Matador Production Company as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 20 miles west of Hobbs, NM.

Case No. 16033: Application of Matador Production Company for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 160.53-acre, more or less, non-standard spacing and proration unit comprised of the W/2 E/2 of Section 31, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests underlying the non-standard spacing and proration unit in the Bone Spring formation. Said spacing and proration unit is to be dedicated to applicant's proposed **Airstrip 31 18 35 RN State Com No. 133H Well**, which will be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) to a standard bottom hole location in the NW/4 NE/4 (Unit B) of Section 31. The completed interval for this well will remain within the 330-foot offset as required by the Statewide rules for oil wells. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Matador Production Company as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 20 miles west of Hobbs, NM.

Case No. 16034: Application of Matador Production Company for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted mineral interests in the Wolfcamp formation underlying a 320.79-acre, more or less, spacing and proration unit comprised

of the S/2 of Section 20, Township 20 South, Range 29 East, Eddy County, New Mexico. Said spacing and proration unit is to be dedicated to applicant's proposed **Stebbins 20 Fed No. 204H Well**, which will be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) to a non-standard bottom hole location in the SE/4 SE/4 (Unit P) of Section 20. The completed interval for this well is unorthodox because it does not comply with the 660-foot setbacks for gas wells pursuant to the statewide rules. The Division has previously authorized the unorthodox location under Administrative Order NSL-7615. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Matador Production Company as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 12 miles northeast of Carlsbad, NM.

Case No. 16035: Application Of San Juan Resources, Inc. For Approval Of The McSimms Unit And For Allowance Of 330 Foot Setbacks From The Boundary Of The Unit, Rio Arriba County, New Mexico. Applicant seeks approval of the McSimms Unit consisting of approximately 5,428.10 acres of the following Federal and fee lands situated in Rio Arriba County, New Mexico:

TOWNSHIP 30 NORTH, RANGE 4 WEST, N.M.P.M.

Section 13:	All
Section 14:	All
Section 15:	E/2
Sections 23-26:	All
Sections 35-36:	All

The unitized interval is the stratigraphic equivalent of the Mancos formation defined at a depth of 6994 feet down to the base of the Mancos Formation at a measured depth of 8635 feet as encountered in the Carson SWD 1 well in Section 26, Township 30 North, Range 4 West, N.M.P.M. (API No. 30-039-26868). In addition, Applicant seeks an order authorizing wells to be located anywhere within the proposed Unit so long as the completed interval is no closer than 330 feet from the outer boundary of the proposed Unit. The subject acreage is located approximately 16 miles southwest of Dulce, New Mexico.

Case No. 16036: Application of OneEnergy Partners Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 320.87-acre, more or less, non-standard spacing and proration unit comprised of the E/2 W/2 of Section 2 and the E/2 W/2 of Section 11, Township 25 South, Range 35 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit. Said spacing and proration unit is to be dedicated to applicant's proposed **Blue Ribbon WCA Fed Com 1H Well**, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 2 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 11. The completed interval for this well will remain within the 330-foot standard offset required by the Statewide Rules set forth in 18.15.15 NMAC. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OneEnergy Partners Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 8 miles west of Jal, New Mexico.

Case No. 16037: Application of OneEnergy Partners Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 320.91-acre, more or less, non-standard spacing and proration unit comprised of the W/2 W/2 of Section 2 and the W/2 W/2 of Section 11, Township 25 South, Range 35 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted mineral interests in the Wolfcamp formation

underlying the non-standard spacing and proration unit. Said spacing and proration unit is to be dedicated to applicant's proposed **County Fair WCA Fed Com 1H Well**, which will be horizontally drilled from a surface location in the NW/4 NW/4 (Lot 4) of Section 2 to a standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 11. The completed interval for this well will remain within the 330-foot standard offset required by the Statewide Rules set forth in 18.15.15 NMAC. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OneEnergy Partners Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 8 miles west of Jal, New Mexico.

Case No. 16038: Application of OXY USA WTP Limited Partnership for authorization to approve a pilot pressure maintenance project in the Benson; Bone Spring Pool through its Smokey Bits State Com No. 2H well, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order authorizing a pilot pressure maintenance project in the Benson; Bone Spring Pool (Pool Code 5200) within the Second Bone Spring Sand formation to inject produced water through its **Smokey Bits State Com No. 2H well** (API No. 30-015-40196), with a surface location 1,575 feet from the North line and 75 feet from the West line (Unit E) of Section 36, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico. The maximum proposed daily injection rate will be 6,000 barrels per day with an average daily injection rate of 1,500 barrels per day. The proposed injection will occur within the Second Bone Spring formation at a depth of approximately 8,532 feet to 8,624 feet deep. The proposed project area is approximately 640 acres in size, consisting of said Section 36. The applicant requests administrative approval to convert future wells within the project area to injection pursuant to 19.15.26.8.F.3 NMAC. Applicant also requests authorization to set injection packers in the proposed injection well and all future injection wells within the project area more than 100 feet above the uppermost injection perforation. The maximum surface injection pressure will be 1,706 psi. Said well is located approximately 15 miles southwest of Maljamar, New Mexico.

Case No. 16039: Application of Helms Oil & Gas, LLC for approval of a commercial saltwater disposal well in Unit E, Section 20, T26S, R35E, Lea County, New Mexico, 1,980 feet FNL & 660 feet FWL. The target zone for disposal is the Upper Delaware (Bell Canyon and Cherry Canyon) from 5,620 feet to a maximum depth of 7,420 feet. Maximum injection pressure will be 1,124 psi with a maximum rate limited by such pressure. The area is located approximately 13 miles southwest of Jal, New Mexico.

Case No. 16040: Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Cano Petro of New Mexico, Inc., for Wells Operated in Chaves and Roosevelt Counties, New Mexico. The Oil Conservation Division Compliance and Enforcement Bureau ("Bureau"), through its undersigned attorney, hereby files this application with the Oil Conservation Division ("OCD" or "Division") pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Cano Petro of New Mexico, Inc. ("Operator") is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within 45 days and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Case No. 16041: Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Ram Energy LLC, for Wells Operated in Lea County, New Mexico. The Oil Conservation Division Compliance and Enforcement Bureau ("Bureau"), through its undersigned attorney, hereby files this application with the Oil Conservation Division ("OCD" or "Division") pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Ram Energy LLC, ("Operator") is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within 45

days and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Case No. 16042: *Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Westbrook Oil Corporation, for Wells Operated in Lea and Eddy Counties, New Mexico.* The Oil Conservation Division Compliance and Enforcement Bureau ("Bureau"), through its undersigned attorney, hereby files this application with the Oil Conservation Division ("OCD" or "Division") pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Westbrook Oil Corporation, ("Operator") is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within 45 days and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Case No. 16043: *Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Dwight A. Tipton, for Wells Operated in Chaves and Lea Counties, New Mexico.* The Oil Conservation Division Compliance and Enforcement Bureau ("Bureau"), through its undersigned attorney, hereby files this application with the Oil Conservation Division ("OCD" or "Division") pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Dwight A. Tipton, ("Operator") is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within 45 days and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Case No. 16044: *Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against MAR Oil and Gas Corporation, for Wells Operated in Lea and Guadalupe Counties, New Mexico.* The Oil Conservation Division Compliance and Enforcement Bureau ("Bureau"), through its undersigned attorney, hereby files this application with the Oil Conservation Division ("OCD" or "Division") pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator MAR Oil and Gas Corporation, ("Operator") is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within 45 days and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Case No. 16045: *Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Bradley McInroe dba Big Al Oil & Gas, for Wells Operated in Roosevelt and Lea Counties, New Mexico.* The Oil Conservation Division Compliance and Enforcement Bureau ("Bureau"), through its undersigned attorney, hereby files this application with the Oil Conservation Division ("OCD" or "Division") pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Bradley McInroe dba Big Al Oil & Gas, ("Operator") is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within 45 days and requiring producing wells

shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Case No. 16046: Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Bar V Barb, LLC, for Wells Operated in Chaves County, New Mexico. The Oil Conservation Division Compliance and Enforcement Bureau ("Bureau"), through its undersigned attorney, hereby files this application with the Oil Conservation Division ("OCD" or "Division") pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Bar V Barb, LLC, ("Operator") is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within 45 days and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Case No. 16047: Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Kevin O. Butler & Associates, Inc., for Wells Operated in Chaves, Eddy, and Lea Counties, New Mexico. The Oil Conservation Division Compliance and Enforcement Bureau ("Bureau"), through its undersigned attorney, hereby files this application with the Oil Conservation Division ("OCD" or "Division") pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Kevin O. Butler & Associates, Inc., ("Operator") is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within 45 days and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Case No. 16048: Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Cobalt Operating, LLC, for Wells Operated in Lea County, New Mexico. The Oil Conservation Division Compliance and Enforcement Bureau ("Bureau"), through its undersigned attorney, hereby files this application with the Oil Conservation Division ("OCD" or "Division") pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Cobalt Operating, LLC, ("Operator") is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within 45 days and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Case No. 16049: Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against GP II Energy, Inc., for Wells Operated in Eddy and Lea Counties, New Mexico. The Oil Conservation Division Compliance and Enforcement Bureau ("Bureau"), through its undersigned attorney, hereby files this application with the Oil Conservation Division ("OCD" or "Division") pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator GP II Energy, Inc., ("Operator") is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within 45 days and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the

violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 27th day of February, 2018.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**

**Heather Riley
Director, Oil Conservation Division**

S E A L

Ryan Gyllenband
Land Professional



Marathon Oil Permian LLC
5555 San Felipe Street
Houston, TX 77056
Telephone: 713.296.2453 Mobile: 281.684.7389
Fax: 713.513.4006
mrgyllenband@marathonoil.com

April 3, 2018

VIA CERTIFIED RETURN RECEIPT MAIL

EOG Y Resources, Inc.
Attn: Permian Land
P.O. Box 4362
Houston, TX 77210-4362

Re: Knife Fight 3H, 6H, 7H and 19H Well Proposals
Section 26, T24S-R34E
Lea County, New Mexico

Dear EOG Y Resources, Inc.:

Marathon Oil Permian LLC ("MRO") proposes the drilling of the following wells located in the east half of Section 26, 24S-34E, Lea County, New Mexico all to be drilled from the same surface pad location.

- Knife Fight Fee 24 34 26 WXY 3H with a proposed first take point located 2,310' FEL and 330' FNL of Section 26, 24S-34E, and a proposed last take point located 2,310' FEL and 330' FSL of Section 26, 24S-34E. The well will have a targeted interval located in the Wolfcamp XY Formation (~12,433' TVD) with a productive lateral length of approximately 4,614'. The total estimated drilling and completion cost is \$7,350,667 as shown in the attached AFE.
- Knife Fight Fee 24 34 26 WA 6H with a proposed first take point located 1,320' FEL and 330' FNL of Section 26, 24S-34E, and a proposed last take point located 1,320' FEL and 330' FSL of Section 26, 24S-34E. The well will have a targeted interval located in the Wolfcamp A Formation (~12,552' TVD) with a productive lateral length of approximately 4,616'. The total estimated drilling and completion cost is \$9,441,096, including a pilot hole as shown in the attached AFE.
- Knife Fight Fee 24 34 26 TB 7H with a proposed first take point located 990' FEL and 330' FNL of Section 26, 24S-34E, and a proposed last take point located 990' FEL and 330' FSL of Section 26, 24S-34E. The well will have a targeted interval located in the 3rd Bone Spring Formation (~12,301' TVD) with a productive lateral length of approximately 4,617'. The total estimated drilling and completion cost is \$7,397,073 as shown in the attached AFE.
- Knife Fight Fee 24 34 26 WXY 19H with a proposed first take point located 330' FEL and 330' FNL of Section 26, 24S-34E, and a proposed last take point located 330' FEL and 330' FSL of Section 26, 24S-34E. The well will have a targeted interval located in the Wolfcamp XY Formation (~12,473' TVD) with a productive lateral length of approximately 4,618'. The total estimated drilling and completion cost is \$7,350,667 as shown in the attached AFE.

These proposed locations and target depths are subject to change depending on any surface or subsurface concerns encountered. The AFEs represent an estimate of the costs that will be incurred to drill and complete the wells, but those electing to participate in the wells are responsible for their proportionate share of the actual costs incurred.

MRO proposes drilling the well under the terms of the 1989 AAPL JOA and a form of this JOA will be sent to you following this proposal. The JOA will have these general provisions:

- 100%/300%/300% non-consent penalty



- \$7,000/\$700 drilling and producing rates
- Contract area of E/2 Section 26, 24S-34E, covering all depths

The working interest breakdown of the proposed contact area is as follows:

Marathon Oil Permian LLC	47.078820%
EOG Y Resources, Inc.	9.028125%
MRC Permian Company	6.509375%
Energex Resources Corporation	4.218750%
Crown Oil Partners V, LP	2.243750%
Crump Energy Partners II, LLC	2.243750%
Sam L. Shackelford	2.243750%
Legion Petroleum, LLC	2.187500%
Robert E. Landreth	1.562500%
Unleased	22.693299%

If your election is to participate in the drilling and completion of the wells please sign and return a copy of this letter along with the enclosed AFE within thirty (30) days of receipt of this proposal.

If you do not wish to participate, Marathon proposes to acquire your interest via term assignment at the following terms:

- 3 year lease term
- \$2000 bonus consideration per net mineral acre
- Delivering a 75% NRI, proportionately reduced

This term assignment offer terminates December 15, 2017 and is subject to due diligence and title verification satisfactory to Marathon.

Should you have any questions regarding this or other matters, please don't hesitate to contact me at the above listed numbers.

Sincerely,

Ryan Gyllenband

____ EOG Y Resources, Inc. elects to participate in the drilling, completing, and equipping of the Knife Fight Fee 24 34 26 WXY 3H well.

____ EOG Y Resources, Inc. elects NOT to participate in the drilling, completing, and equipping of the Knife Fight Fee 24 34 26 WXY 3H well.

____ EOG Y Resources, Inc. elects to participate in the drilling, completing, and equipping of the Knife Fight Fee 24 34 26 WA 6H well.

____ EOG Y Resources, Inc. elects NOT to participate in the drilling, completing, and equipping of the Knife Fight Fee 24 34 26 WA 6H well.

____ EOG Y Resources, Inc. elects to participate in the drilling, completing, and equipping of the Knife Fight Fee 24 34 26 TB 7H well.

_____ EOG Y Resources, Inc. elects NOT to participate in the drilling, completing, and equipping of the Knife Fight Fee 24 34 26 TB 7H well.

_____ EOG Y Resources, Inc. elects to participate in the drilling, completing, and equipping of the Knife Fight Fee 24 34 26 WXY 19H well.

_____ EOG Y Resources, Inc. elects NOT to participate in the drilling, completing, and equipping of the Knife Fight Fee 24 34 26 WXY 19H well.

EOG Y Resources, Inc.

By: _____

Print Name: _____

Title: _____

Date: _____



AUTHORITY FOR EXPENDITURE
EXPLORATION & PRODUCTION

Drilling Project #
Pad Project #
DATE: 8/13/2017

Permian Asset Team		Location <u>24, 34, 26</u>	Rig <u>498</u>
Field	<u>0</u>	State	<u>NEW MEXICO</u>
Lease / Facility	<u>KNIFE FIGHT FEE 24 34 26 TB 7H</u>	County/Parish	<u>LEA</u>
Operator	<u>MARATHON OIL PERMIAN LLC</u>	Estimated Start Date	<u>20-Feb-2018</u>
		Estimated Completion Date	<u>22-Mar-2018</u>

Estimated Gross Cost This AFE: \$7,397,073

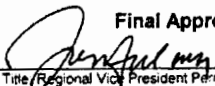
Project Description & Reason for Expenditure Drill, Complete, & Equip a Horizontal Well

This well is planned to be drilled and completed with multistage fracturing using plug and perf. The estimated cost of drilling, testing, completing, and equipping the well is \$7,397,073 as detailed in the provided authority for expenditure document. This will include installation of transitional and long term artificial lift systems.

The well will be drilled to a total vertical depth of 12,301' and a total measured depth of 17,300', with an estimated treatable lateral length of 4,617' and will be completed with an estimated 30 stages and approximately 2,500 lbs/ft of proppant.

Prepared By AG PRADEEP, CAMILO ARIAS, JOSH SHANNON, MATT HENSCHEN, BILLY MOORE, LANE NEAL

Final Approval

 Date: 10/11/2017

Title: Regional Vice President Permian Asset Team

Participant's Approval

Name of Company _____

Signature: _____

Title _____ Date _____



MARATHON OIL PERMIAN LLC
 AUTHORITY FOR EXPENDITURE
 DETAIL OF ESTIMATED WELL COSTS

DATE 9/13/2017

DRILLING & LOCATION PREPARED BY CAMILLO ARIAS
 COMPLETION PREPARED BY JOSH SHANNON
 FACILITIES & ARTIFICIAL LIFT PREPARED BY MATT HENSCHEN

Asset Team PERMIAN
 Field RED HILLS FORMATION: 3RD BONE SPRINGS WILDCAT EXPLORATION
 Lease/Facility KNIFE FIGHT FEE TB 7H DEVELOPMENT RECOMPLETION
 Location LEA COUNTY X EXPLOITATION WORKOVER
 Prospect RED HILLS

Est Total Depth 17,300 Est Drilling Days 23.3 Est Completion Days 5.5

LOCATION COST - INTANGIBLE

GL CODE	DESCRIPTION	ESTIMATED COST
7001270	Location and Access	50,000
7001250	Land Broker Fees and Services	37,500
TOTAL LOCATION COST - INTANGIBLE		87,500

DRILLING COST - TANGIBLE

7012050	Conductor Pipe	30,000
7012050	Surface Casing	36,000
7012050	Intermediate Casing 1	149,000
7012050	Intermediate Casing 2	275,000
7012050	Production Casing	60,000
7012050	Drig Liner Hanger, Tieback Eq & Csg Accessories	65,000
7012550	Drilling Wellhead Equipment	65,000
7012040	Casing & Tubing Access	24,000
7012270	Miscellaneous MRO Materials	-
TOTAL DRILLING - TANGIBLE		704,000

DRILLING COST - INTANGIBLE

7019200	Drilling Rig Mob/Demob	37,500
7019220	Drilling Rig - day work/footage	465,000
7019040	Directional Drilling Services	195,500
7019020	Cement and Cementing Service Surface	30,000
7019020	Cement and Cementing Service Intermediate 1	40,000
7019020	Cement and Cementing Service Intermediate 2	50,000
7019020	Cement and Cementing Service Production	50,000
7019140	Mud Fluids & Services	75,000
7012310	Solids Control equipment	37,200
7012020	Bits	80,000
7019010	Casing Crew and Services	35,000
7016350	Fuel (Rig)	71,610
7019140	Fuel (Mud)	11,000
7001460	Water (non potable)	25,000
7019000	Well Logging Services	-
7019150	Mud Logging-geosteering	18,050
7019250	Stabilizers, Hole Openers, Underreamers (DH rentals)	15,000
7019110	Casing inspection/cleaning	8,000
7019110	Drill pipe/collet inspection services	18,000
7016180	Freight - truck	40,000
7001460	Water hauling and disposal (includes soil farming)	120,000
7001440	Vacuum Trucks	20,000
7000030	Contract Labor - general	35,000
7018150	Rental Tools and Equipment (surface rentals)	116,250
7018150	Rig Equipment and Misc.	6,975
7001110	Telecommunications Services	10,000
7001120	Consulting Services	90,675
7001400	Safety and Environmental	25,575
7018120	Rental Buildings (trailers)	-
7019910	Coring (sidewalls & analysis)	-
7011010	8% Contingency & Taxes	145,820
TOTAL DRILLING - INTANGIBLE		\$1,872,155

TOTAL DRILLING COST

\$2,576,155

COMPLETION - TANGIBLE

7012580	Tubing	87,500
7012040	Tubing Accessories (nipple, wireline entry)	15,000
7012550	Wellhead Equip	20,000
7012360	Packers - Completion Equipment	38,850
TOTAL COMPLETION - TANGIBLE		\$161,350

Asset Team PERMIAN
 Field RED HILLS FORMATION: 3RD BONE SPRINGS
 Lease/Facility KNIFE FIGHT FEE TB 7H

COMPLETION - INTANGIBLE

GL CODE	DESCRIPTION	ESTIMATED COST
701270	Location and Access (dress location after rig move, set anchors)	20,000
7019220	Drilling Rig During Completion	21,600
7019140	Mud Fluids & Services	-
7019030	Coiled Tubing Services (3 runs)	90,000
7019240	Snubbing Services	30,000
7019270	Pulling/Swab Units	11,520
7016350	Fuel (from drig)	-
7019010	Casing Crew and Services	-
7019020	Cement and Cementing Services	-
7019080	Well Testing Services (flow hand & equip)	66,500
7019320	Fracturing Services	2,000,000
7019330	Perforating	132,000
7019360	Wireline Services	-
7001460	Water Hauling & Disposal (frac fluids)	600,000
7016180	Freight - Truck (haul pipe; drig & compl)	30,000
7018150	BOP Rental & Testing	-
7018150	Rental Tools and Equipment (incl drig; lightplant,hydra-walk)	-
7018150	CT Downhole Rental Equipment (ie. Bit, BHA)	45,000
7000030	Contract Labor - general	20,000
7001110	Telecommunications Services	15,000
7001400	Safety and Environmental	-
7001120	Consulting Services	24,000
7019150	Zipper Manifold	57,600
7019300	Frac Stack Rentals	30,000
7016190	Freight (Transportation Services)	-
7018150	Equipment Rental (w/o operator, frac tanks, lightplants)	80,000
7018120	Rental Buildings (trailers)	40,000
7000030	Contract Labor - Pumping (pump-down pumps)	42,000
7011010	BN Contingency & Taxes	281,326
TOTAL COMPLETION - INTANGIBLE		\$3,636,546

TOTAL COMPLETION COST \$3,797,896

SURFACE EQUIPMENT - TANGIBLE

7012350	Misc. Piping, Fittings & Valves	82,821
7006640	Company Labor & Burden	-
7000030	Contract Labor - General	66,368
7001110	Telecommunication equip (Telemetry)	-
7012410	Line Pipe & Accessories	25,847
7012270	Miscellaneous Materials (containment system)	41,091
7008060	SCADA	-
7016180	Freight - truck	-
7001190	Contract Engineering	27,792
7012290	Metering and instrumentation	239,430
7012290	M&E Materials	-
7012200	Gas Treating	-
7012200	Dehydration	-
7012010	Compressor	-
7012350	Power	-
7012610	Vapor Recovery Unit	-
7012440	Separator & other pressure vessels	101,137
7012500	Tanks	136,189
7012100	Heater Treater	12,406
7012640	Flare & Accessories	16,675
7000010	Electrical Labor	27,792
7000010	Mechanical Labor	-
7012480	Rod Pumping unit & Pad	-
7012180	Pumping Unit Engine	-
7012350	Electrical Power (electrical cooperative construction costs)	22,234
TOTAL SURFACE EQUIPMENT - TANGIBLE		\$799,782

TOTAL SURFACE EQUIPMENT COST \$ 799,782

ARTIFICIAL LIFT

7006640	Company Labor	7,500
7012180	Gas Lift Equipment	-
7012480	Rod Pumping, Sucker Rods & Rod Pump	-
7012140	Elect Sub Pumps (ESP)	78,000
7019350	Well Services-Well/Wellhead Services	22,500
7012270	Materials & Supplies-Tangible	13,000
7012550	Surface Wellhead Equipment	6,500
7012390	Pig Launchers/Receivers & Rel Equip	-
7011010	BN Contingency & Taxes	6,240
TOTAL ARTIFICIAL LIFT		135,740

TOTAL ARTIFICIAL LIFT COST \$ 135,740

SUMMARY OF ESTIMATED DRILLING WELL COSTS

	TOTAL COST
TOTAL LOCATION COST	\$ 87,500
TOTAL DRILLING COST	\$ 2,576,155
TOTAL COMPLETIONS COST	\$ 3,797,896
TOTAL SURFACE EQUIPMENT COST	\$ 799,782
TOTAL ARTIFICIAL LIFT COST	\$ 135,740
GRAND TOTAL COST	\$7,397,073



Drilling Project #
Pad Project #
DATE: 8/13/2017

Permian Asset Team	
Field	0
Lease / Facility	KNIFE FIGHT FEE 24 34 26 WXY 3H
Operator	MARATHON OIL PERMIAN LLC
Location	24 34 26 RIG 498
	State NEW MEXICO
	County/Parish LEA
	Estimated Start Date 14-May-2018
	Estimated Completion Date 13-Jun-2018
Estimated Gross Cost This AFE: \$7,350,667	

Project Description & Reason for Expenditure: Drill, Complete, & Equip a Horizontal Well

This well is planned to be drilled and completed with multistage fracturing using plug and perf. The estimated cost of drilling, testing, completing, and equipping the well is \$7,350,667 as detailed in the provided authority for expenditure document. This will include installation of transitional and long term artificial lift systems.

The well will be drilled to a total vertical depth of 12,433' and a total measured depth of 18,212', with an estimated treatable lateral length of 4,614' and will be completed with an estimated 30 stages and approximately 2,500 lbs/ft of proppant.

Prepared By: AG PRADEEP, CAMILO ARIAS, JOSH SHANNON, MATT HENSCHEN, BILLY MOORE, LANE NEAL

Final Approval

[Signature] Date: 10/11/2017
 Title: Regional Vice President, Permian Asset Team

Participant's Approval

Name of Company _____
 Signature _____
 Title _____ Date _____



MARATHON OIL PERMIAN LLC
 AUTHORITY FOR EXPENDITURE
 DETAIL OF ESTIMATED WELL COSTS

DATE 9/13/2017

DRILLING & LOCATION PREPARED BY CAMILO ARIAS
 COMPLETION PREPARED BY JOSH SHANNON
 FACILITIES & ARTIFICIAL LIFT PREPARED BY MATT HENSCHEN

Asset Team PERMIAN
 Field RED HILLS FORMATION: WOLFCAMP Y WILDCAT EXPLORATION
 Lease/Facility KNIFE FIGHT FEE 24 34 26 WXY 3H DEVELOPMENT RECOMPLETION
 Location LEA COUNTY X EXPLOITATION WORKOVER
 Prospect RED HILLS

Est Total Depth 18,212 Est Drilling Days 23.3 Est Completion Days 5.5

LOCATION COST - INTANGIBLE

GL CODE	DESCRIPTION	ESTIMATED COST
7001270	Location and Access	50,000
7001250	Land Broker Fees and Services	37,500
TOTAL LOCATION COST - INTANGIBLE		87,500

DRILLING COST - TANGIBLE

7012050	Conductor Pipe	30,000
7012050	Surface Casing	36,000
7012050	Intermediate Casing 1	149,000
7012050	Intermediate Casing 2	283,000
7012050	Production Casing	60,000
7012050	Drig Liner Hanger, Tieback Eq & Csg Accessories	65,000
7012550	Drilling Wellhead Equipment	65,000
7012040	Casing & Tubing Access	24,000
7012270	Miscellaneous MRO Materials	-
TOTAL DRILLING - TANGIBLE		712,000

DRILLING COST - INTANGIBLE

7019200	Drilling Rig Mob/Demob	37,500
7019220	Drilling Rig - day work/footage	466,000
7019040	Directional Drilling Services	195,500
7019020	Cement and Cementing Service Surface	30,000
7019020	Cement and Cementing Service Intermediate 1	40,000
7019020	Cement and Cementing Service Intermediate 2	50,000
7019020	Cement and Cementing Service Production	50,000
7019140	Mud Fluids & Services	75,000
7012310	Solids Control equipment	37,280
7012020	Bits	80,000
7019010	Casing Crew and Services	35,000
7016350	Fuel (Rig)	71,764
7019140	Fuel (Mud)	13,000
7001460	Water (non potable)	25,000
7019000	Well Logging Services	-
7019150	Mud Logging-geosteering	18,050
7019250	Stabilizers, Hole Openers, Underreamers (DH rentals)	15,000
7019110	Casing Inspection/cleaning	8,000
7019110	Drill pipe/collar inspection services	18,000
7016180	Freight - truck	40,000
7001460	Water hauling and disposal (includes soil farming)	120,000
7001440	Vacuum Trucks	20,000
7000030	Contract Labor - general	35,000
7018150	Rental Tools and Equipment (surface rentals)	116,500
7018150	Rig Equipment and Misc.	6,990
7001310	Telecommunications Services	10,000
7001320	Consulting Services	90,870
7001400	Safety and Environmental	25,630
7018120	Rental Buildings (trailers)	-
7019310	Coring (sidewalls & analysis)	-
7011010	8% Contingency & Taxes	146,405
TOTAL DRILLING - INTANGIBLE		\$1,874,489

TOTAL DRILLING COST

\$2,586,489

COMPLETION - TANGIBLE

7012580	Tubing	87,500
7012040	Tubing Accessories (nipple, wireline entry)	15,000
7012550	Wellhead Equip	20,000
7012560	Packers - Completion Equipment	38,850
TOTAL COMPLETION - TANGIBLE		\$161,350

Asset Team PERMIAN
 Field RED HILLS FORMATION: WOLFCAMP V
 Lease/Facility KNIFE FIGHT FEE WXY 3H

COMPLETION - INTANGIBLE

GL CODE	DESCRIPTION	ESTIMATED COST
7001270	Location and Access (dress location after rig move, set anchors)	20,000
7019220	Drilling Rig During Completion	23,600
7019140	Mud Fluids & Services	-
7019030	Coiled Tubing Services (3 runs)	90,000
7019240	Snubbing Services	30,000
7019270	Pulling/Swab Units	11,520
7016350	Fuel (from drlg)	-
7019010	Casing Crew and Services	-
7019020	Cement and Cementing Services	-
7019080	Well Testing Services (flow hand & equip)	66,500
7019920	Fracturing Services	2,000,000
7019330	Perforating	132,000
7019360	Wireline Services	-
7001460	Water Hauling & Disposal (frac fluids)	600,000
7016180	Freight - Truck (haul pipe, drlg & comp)	30,000
7018150	BOP Rental & Testing	-
7018150	Rental Tools and Equipment (incl drlg, lightplant, hydro-walk)	-
7018150	CT Downhole Rental Equipment (ie. BIT, BHA)	45,000
7000030	Contract Labor - general	20,000
7001110	Telecommunications Services	15,000
7001400	Safety and Environmental	-
7001120	Consulting Services	24,000
7018150	Zupper Manifold	57,600
7019300	Track Stack Rentals	30,000
7016190	Freight (Transportation Services)	-
7018150	Equipment Rental (w/o operator, frac tanks, lightplants)	80,000
7018120	Rental Buildings (trailers)	40,000
7000030	Contract Labor - Pumping (pump-down pumps)	42,000
7011010	8% Contingency & Taxes	281,326
TOTAL COMPLETION - INTANGIBLE		\$3,636,546

TOTAL COMPLETION COST

\$3,797,896

SURFACE EQUIPMENT - TANGIBLE

7012350	Misc. Piping, Fittings & Valves	82,821
7006640	Company Labor & Burden	-
7000030	Contract Labor - General	66,368
7001110	Telecommunication equip (Telemetry)	-
7012410	Line Pipe & Accessories	25,847
7012270	Miscellaneous Materials (containment system)	41,091
7008060	SCADA	-
7016180	Freight - truck	-
7001190	Contract Engineering	27,792
7012290	Metering and Instrumentation	239,430
7012290	IBE Materials	-
7012200	Gas Treating	-
7012200	Dehydration	-
7012010	Compressor	-
7012350	Power	-
7012610	Vapor Recovery Unit	-
7012440	Separator & other pressure vessels	101,137
7012500	Tanks	136,189
7012100	Heater Treater	12,406
7012640	Flare & Accessories	16,675
7000010	Electrical Labor	27,792
7000010	Mechanical Labor	-
7012480	Rod Pumping unit & Pad	-
7012180	Pumping Unit Engine	-
7012350	Electrical Power (electrical cooperative construction costs)	22,234
TOTAL SURFACE EQUIPMENT - TANGIBLE		\$799,782

TOTAL SURFACE EQUIPMENT COST

\$ 799,782

ARTIFICIAL LIFT

7006640	Company Labor	2,500
7012180	Gas Lift Equipment	38,000
7012480	Rod Pumping, Sucker Rods & Rod Pump	-
7012140	Elect Sub Pumps (ESP)	-
7019350	Well Services-Well/Wellhead Services	20,000
7012270	Materials & Supplies-Tangible	13,000
7012550	Surface Wellhead Equipment	5,500
7012390	Pig Launchers/Receivers & Rel Equip	-
7011010	8% Contingency & Taxes	-
TOTAL ARTIFICIAL LIFT		79,000

TOTAL ARTIFICIAL LIFT COST

\$ 79,000

SUMMARY OF ESTIMATED DRILLING WELL COSTS

TOTAL LOCATION COST	\$ 87,500
TOTAL DRILLING COST	\$ 2,586,489
TOTAL COMPLETION COST	\$ 3,797,896
TOTAL SURFACE EQUIPMENT COST	\$ 799,782
TOTAL ARTIFICIAL LIFT COST	\$ 79,000
GRAND TOTAL COST	\$7,350,667



MARATHON OIL PERMIAN LLC
AUTHORITY FOR EXPENDITURE
EXPLORATION & PRODUCTION

Drilling Project #
0 1/0/1900
DATE: 7/24/2017

Permian Asset Team		Location	0	Rig	480
Field	0			State	NEW MEXICO
Lease / Facility	KNIFE FIGHT FEE 24 34 26 WA 6H			County/Parish	EDDY
Operator	MARATHON OIL PERMIAN LLC			Estimated Start Date	19-Mar-2018
				Estimated Completion Date	3-May-2018
Estimated Gross Cost This AFE:		\$9,441,096			

Project Description & Reason for Expenditure Drill, Complete, & Equip a Horizontal Well

This well is planned to be drilled and completed with multistage fracturing using plug and perf. The estimated cost of drilling, testing, completing and equipping the well is \$9,441,096 as detailed in the provided authority for expenditure document. This will include installation of transitional and long term artificial lift systems.

The well will be drilled to a total vertical depth of 12,552' and a total measured depth of 18,281', with an estimated treatable lateral length of 4,616' and will be completed with an estimated 30 stages and approximately 2,500 lbs/ft of proppant with Pilot Hole and Coring Tests.

Prepared By: LANE NEAL, AG PRADEEP CAMILO ARIAS, JOSH SHANNON, & BILLY MOORE

Final Approval

[Signature] Date 10/11/2017

Title: Regional Vice President Permian Asset Team

Participant's Approval

Name of Company _____

Signature: _____

Title: _____ Date: _____



MARATHON OIL PERMIAN LLC
 AUTHORITY FOR EXPENDITURE
 DETAIL OF ESTIMATED WELL COSTS

DATE 7/26/2017
 DRILLING & LOCATION PREPARED BY CAMILLO ARIAS
 COMPLETION PREPARED BY JOSH SHANNON
 FACILITIES & ARTIFICIAL LIFT PREPARED BY MATT HENSCHEN

Asset Team	<u>PERMIAN</u>			
Field	<u>0</u>	FORMATION: <u>WOLFCAMP A</u>	<u>WILDCAT</u>	<u>EXPLORATION</u>
Lease/Facility	<u>KNIFE FIGHT FEE 24 34 26 WA GH</u>		<u>DEVELOPMENT</u>	<u>RECOMPLETION</u>
Location	<u>LEA COUNTY</u>		<u>X</u> <u>EXPLOITATION</u>	<u>WORKOVER</u>
Prospect	<u>RED HILLS</u>			

Est Total Depth 38,203 Est Drilling Days 37.8 Est Completion Days 5.5

LOCATION COST - INTANGIBLE

GL CODE	DESCRIPTION	ESTIMATED COST
<u>7001270</u>	<u>Location and Access</u>	<u>50,000</u>
<u>7001250</u>	<u>Land Broker Fees and Services</u>	<u>37,500</u>
TOTAL LOCATION COST - INTANGIBLE		<u>87,500</u>

DRILLING COST - TANGIBLE

<u>7012050</u>	<u>Conductor Pipe</u>	<u>30,000</u>
<u>7012050</u>	<u>Surface Casing</u>	<u>16,089</u>
<u>7012050</u>	<u>Intermediate Casing 1</u>	<u>149,215</u>
<u>7012050</u>	<u>Intermediate Casing 2</u>	<u>275,000</u>
<u>7012050</u>	<u>Production Casing</u>	<u>86,040</u>
<u>7012050</u>	<u>Drig Liner Hanger, Tieback Eq & Csg Accessories</u>	<u>65,000</u>
<u>7012550</u>	<u>Drilling Wellhead Equipment</u>	<u>65,000</u>
<u>7012040</u>	<u>Casing & Tubing Access</u>	<u>24,000</u>
<u>7012270</u>	<u>Miscellaneous MRO Materials</u>	<u>-</u>
TOTAL DRILLING - TANGIBLE		<u>728,343</u>

DRILLING COST - INTANGIBLE

<u>7019200</u>	<u>Drilling Rig Mob/Demob</u>	<u>37,500</u>
<u>7019220</u>	<u>Drilling Rig - day work/footage</u>	<u>756,000</u>
<u>7019040</u>	<u>Directional Drilling Services</u>	<u>282,500</u>
<u>7019020</u>	<u>Cement and Cementing Service</u> Surface	<u>74,000</u>
<u>7019020</u>	<u>Cement and Cementing Service</u> Intermediate 1	<u>40,000</u>
<u>7019020</u>	<u>Cement and Cementing Service</u> Intermediate 2	<u>50,000</u>
<u>7019020</u>	<u>Cement and Cementing Service</u> Production	<u>50,000</u>
<u>7019140</u>	<u>Mud Fluids & Services</u>	<u>105,000</u>
<u>7012310</u>	<u>Solids Control equipment</u>	<u>63,380</u>
<u>7012020</u>	<u>Bits</u>	<u>95,000</u>
<u>7019010</u>	<u>Casing Crew and Services</u>	<u>35,000</u>
<u>7016350</u>	<u>Fuel (Rig)</u>	<u>116,424</u>
<u>7019140</u>	<u>Fuel (Mud)</u>	<u>26,000</u>
<u>7001460</u>	<u>Water (non potable)</u>	<u>25,000</u>
<u>7019000</u>	<u>Well Logging Services</u>	<u>460,000</u>
<u>7019150</u>	<u>Mud Logging-geosteering</u>	<u>118,050</u>
<u>7019250</u>	<u>Stabilizers, Hole Openers, Underreamers (DH rentals)</u>	<u>25,000</u>
<u>7019110</u>	<u>Casing Inspection/cleaning</u>	<u>8,000</u>
<u>7019110</u>	<u>Drill pipe/collar inspection services</u>	<u>23,000</u>
<u>7016180</u>	<u>Freight - truck</u>	<u>60,000</u>
<u>7001460</u>	<u>Water hauling and disposal (includes soil farming)</u>	<u>145,000</u>
<u>7001440</u>	<u>Vacuum Trucks</u>	<u>20,000</u>
<u>7000030</u>	<u>Contract Labor - general</u>	<u>70,000</u>
<u>7018150</u>	<u>Rental Tools and Equipment (surface rentals)</u>	<u>196,500</u>
<u>7018150</u>	<u>Rig Equipment and Misc.</u>	<u>41,990</u>
<u>7001110</u>	<u>Telecommunications Services</u>	<u>18,500</u>
<u>7001120</u>	<u>Consulting Services</u>	<u>159,020</u>
<u>7001400</u>	<u>Safety and Environmental</u>	<u>41,580</u>
<u>7018110</u>	<u>Rental Buildings (trailers)</u>	<u>-</u>
<u>7019310</u>	<u>Coring (sidewalk & analysis)</u>	<u>543,400</u>
<u>7011010</u>	<u>1% Contingency & Taxes</u>	<u>264,731</u>
TOTAL DRILLING - INTANGIBLE		<u>\$3,948,575</u>

TOTAL DRILLING COST

\$4,676,918

COMPLETION - TANGIBLE

<u>7012580</u>	<u>Tubing</u>	<u>87,500</u>
<u>7012040</u>	<u>Tubing Accessories (nipple, wireline entry)</u>	<u>15,000</u>
<u>7012550</u>	<u>Wellhead Equip</u>	<u>20,000</u>
<u>7012560</u>	<u>Packers - Completion Equipment</u>	<u>38,850</u>
TOTAL COMPLETION - TANGIBLE		<u>\$161,350</u>

Asset Team PERMIAN
 Field 0 FORMATION: WOLFCAMP A
 Lease/Facility KNIFE FIGHT FEET 6H

COMPLETION - INTANGIBLE

GL CODE	DESCRIPTION	ESTIMATED COST
7002270	Location and Access (dress location after rig move, set anchors)	20,000
7019220	Drilling Rig During Completion	21,600
7019140	Mud Fluids & Services	-
7019030	Coiled Tubing Services (3 runs)	90,000
7019240	Snubbing Services	30,000
7019270	Pulling/Swab Units	11,520
7016350	Fuel (from drig)	-
7019010	Casing Crew and Services	-
7019020	Cement and Cementing Services	-
7019080	Well Testing Services (flow hand & equip)	66,500
7019320	Fracturing Services	2,000,000
7019330	Perforating	132,000
7019360	Wireline Services	-
7001460	Water Hauling & Disposal (frac fluids)	600,000
7016180	Freight - Truck (haul pipe; drig & compl)	30,000
7018150	BOP Rental & Testing	-
7018150	Rental Tools and Equipment (Incl drig, lightplant,hydra-walk)	-
7018150	CT Downhole Rental Equipment (ie. Bts, BHA)	45,000
7000030	Contract Labor - general	20,000
7001110	Telecommunications Services	15,000
7001400	Safety and Environmental	-
7001120	Consulting Services	24,000
7018150	Zipper Manifold	57,600
7019300	Frack Stack Rentals	30,000
7016190	Freight (Transportation Services)	-
7018150	Equipment Rental (w/o operator, frac tanks, lightplants)	80,000
7018110	Rental Buildings (trailers)	40,000
7000030	Contract Labor - Pumping (pump-down pumps)	42,000
7011010	3% Contingency & Taxes	281,326
TOTAL COMPLETION - INTANGIBLE		\$3,636,546

TOTAL COMPLETION COST

\$3,797,896

SURFACE EQUIPMENT - TANGIBLE

7012350	Misc. Piping, Fittings & Valves	82,421
9005027	Company Labor & Burden	-
7000030	Contract Labor - General	66,368
7001110	Telecommunication equip (Telemetry)	-
7012410	Line Pipe & Accessories	25,847
7012270	Miscellaneous Materials (containment system)	41,091
7008060	SCADA	-
7016180	Freight - truck	-
7001190	Contract Engineering	27,792
7012290	Metering and Instrumentation	239,430
7012290	I&E Materials	-
7012200	Gas Treating	-
7012200	Dehydration	-
7012010	Compressor	-
7012250	Power	-
7013610	Vapor Recovery Unit	-
7012440	Separator & other pressure vessels	101,137
7012900	Tanks	136,189
7012100	Heater Treater	12,406
7012640	Flare & Accessories	16,675
7000010	Electrical Labor	27,792
7000010	Mechanical Labor	-
7012480	Rod Pumping unit & Pad	-
7012180	Pumping Unit Engine	-
7012350	Electrical Power (electrical cooperative construction costs)	22,234
TOTAL SURFACE EQUIPMENT - TANGIBLE		\$799,782

TOTAL SURFACE EQUIPMENT COST

\$ 799,782

ARTIFICIAL LIFT

	Company Labor	2,500
7012180	Gas Lift Equipment	38,000
7012480	Rod Pumping, Sucker Rods & Rod Pump	-
7012140	Elect Sub Pumps (ESP)	-
7019350	Well Services-Well/Wellhead Services	20,000
7012270	Materials & Supplies-Tangible	13,000
7012550	Surface Wellhead Equipment	5,500
7012390	Pig Launchers/Receivers & Rel Equip	-
7011010	10% Contingency & Taxes	-
TOTAL ARTIFICIAL LIFT		79,000

TOTAL ARTIFICIAL LIFT COST

\$ 79,000

SUMMARY OF ESTIMATED DRILLING WELL COSTS

TOTAL COST

TOTAL LOCATION COST	\$ 87,500
TOTAL DRILLING COST	\$ 4,676,918
TOTAL COMPLETIONS COST	\$ 3,797,896
TOTAL SURFACE EQUIPMENT COST	\$ 799,782
TOTAL ARTIFICIAL LIFT COST	\$ 79,000
GRAND TOTAL COST	\$9,441,096

Drilling Project # _____
 Pad Project # _____
 DATE: 9/13/2017

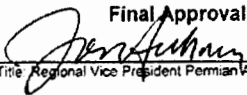
Permian Asset Team		Location <u>0</u>	Rig <u>498</u>
Field <u>0</u>		State <u>NEW MEXICO</u>	
Lease / Facility <u>KNIFE FIGHT FEE 24 34 28 WXY 19H</u>		County/Parish <u>LEA</u>	
Operator <u>MARATHON OIL PERMIAN LLC</u>		Estimated Start Date <u>16-Apr-2018</u>	
		Estimated Completion Date <u>16-May-2018</u>	
Estimated Gross Cost This AFE: <u>\$7,350,667</u>			

Project Description & Reason for Expenditure: Drill, Complete, & Equip a Horizontal Well

This well is planned to be drilled and completed with multistage fracturing using plug and perf. The estimated cost of drilling, testing, completing, and equipping the well is \$7,350,667 as detailed in the provided authority for expenditure document. This will include installation of transitional and long term artificial lift systems.

The well will be drilled to a total vertical depth of 12,473' and a total measured depth of 18,232', with an estimated treatable lateral length of 4,618' and will be completed with an estimated 30 stages and approximately 2,500 lbs/ft of proppant.

Prepared By AG PRADEEP, CAMILO ARIAS, JOSH SHANNON, MATT HENSCHEN, BILLY MOORE, LANE NEAL

Final Approval

 Title: Regional Vice President Permian Asset Team Date: 10/11/2017

Participant's Approval

Name of Company _____

Signature _____

Title: _____ Date: _____



MARATHON OIL PERMIAN LLC
 AUTHORITY FOR EXPENDITURE
 DETAIL OF ESTIMATED WELL COSTS

DATE 9/13/2017

DRILLING & LOCATION PREPARED BY CAMILO ARIAS
 COMPLETION PREPARED BY JOSH SHANNON
 FACILITIES & ARTIFICIAL LIFT PREPARED BY MATT HENSCHEN

Asset Team PERMIAN
 Field RED HILLS FORMATION: WOLFCAMP Y
 Lease/Facility KNIFE FIGHT FEE 24 34 26 WXY 19H
 Location LEA COUNTY
 Prospect RED HILLS

WILDCAT
 DEVELOPMENT
 EXPLOITATION

EXPLORATION
 RECOMPLETION
 WORKOVER

Est Total Depth 38,232 Est Drilling Days 23.3 Est Completion Days 5.5

LOCATION COST - INTANGIBLE

GL CODE	DESCRIPTION	ESTIMATED COST
7001270	Location and Access	50,000
7001250	Land Broker Fees and Services	37,500
TOTAL LOCATION COST - INTANGIBLE		87,500

DRILLING COST - TANGIBLE

7012050	Conductor Pipe	30,000
7012050	Surface Casing	35,000
7012050	Intermediate Casing 1	149,000
7012050	Intermediate Casing 2	283,000
7012050	Production Casing	60,000
7012050	Drig Liner Hanger, Tieback Eq & Csg Accessories	65,000
7012550	Drilling Wellhead Equipment	65,000
7012040	Casing & Tubing Access	24,000
7012270	Miscellaneous MRO Materials	-
TOTAL DRILLING - TANGIBLE		712,000

DRILLING COST - INTANGIBLE

7019200	Drilling Rig Mob/Demob	37,500
7019220	Drilling Rig - day work/footage	466,000
7019040	Directional Drilling Services	195,500
7019020	Cement and Cementing Service Surface	30,000
7019020	Cement and Cementing Service Intermediate 1	40,000
7019020	Cement and Cementing Service Intermediate 2	50,000
7019020	Cement and Cementing Service Production	50,000
7019140	Mud Fluids & Services	75,000
7012310	Solids Contrl of equipment	37,280
7012020	Bits	80,000
7019010	Casing Crew and Services	35,000
7016350	Fuel (Rig)	71,764
7019140	Fuel (Mud)	11,000
7001460	Water (non potable)	25,000
7019000	Well Logging Services	-
7019150	Mud Logging-geosteering	18,050
7019250	Stabilizers, Hole Openers, Underreamers (DH rentals)	15,000
7019110	Casing Inspection/cleaning	8,000
7019110	Drill pipe/collar inspection services	18,000
7016180	Freight - truck	40,900
7001460	Water hauling and disposal (includes soil farming)	120,000
7001460	Vacuum Trucks	20,000
7000030	Contract Labor - general	35,000
7018150	Rental Tools and Equipment (surface rentals)	118,500
7018150	Rig Equipment and Misc.	6,990
7001110	Telecommunications Services	10,000
7001120	Consulting Services	90,870
7001400	Safety and Environmental	25,430
7018120	Rental Buildings (trailers)	-
7019310	Coring (sidewalls & analysis)	-
7011010	8% Contingency & Taxes	146,405
TOTAL DRILLING - INTANGIBLE		\$1,874,489

TOTAL DRILLING COST \$2,586,489

COMPLETION - TANGIBLE

7012580	Tubing	87,500
7012040	Tubing Accessories (nipple, wireline entry)	15,000
7012550	Wellhead Equip	20,000
7012560	Packers - Completion Equipment	38,850
TOTAL COMPLETION - TANGIBLE		\$161,350

Asset Team PERMIAN
 Field RED HILLS FORMATION: WOLFCAMP Y
 Lease/Facility KNIFE FIGHT FEE WXY 19H

COMPLETION - INTANGIBLE

GL CODE	DESCRIPTION	ESTIMATED COST
7001270	Location and Access (dress location after rig move, set anchors)	20,000
7019220	Drilling Rig During Completion	21,600
7019140	Mud Fluids & Services	-
7019030	Coiled Tubing Services (3 runs)	90,000
7019240	Snubbing Services	30,000
7019270	Pulling/Swab Units	11,520
7016350	Fuel (from drlg)	-
7019010	Casing Crew and Services	-
7019020	Cement and Cementing Services	-
7019080	Well Testing Services (flow hand & equip)	66,500
7019320	Fracturing Services	2,000,000
7019330	Perforating	132,000
7019360	Wireline Services	-
7001460	Water Hauling & Disposal (frac fluids)	600,000
7018180	Freight - Truck (haul pipe; drlg & compl)	30,000
7018150	BOP Rental & Testing	-
7018150	Rental Tools and Equipment (Incl drlg; lightplant,hydra-walk)	-
7018150	CT Downhole Rental Equipment (ie. Bt, BHA)	45,000
7000030	Contract Labor - general	20,000
7001110	Telecommunications Services	15,000
7001400	Safety and Environmental	-
7001120	Consulting Services	24,000
7018150	Zipper Manifold	57,600
7019300	Frac Stack Rentals	30,000
7016190	Freight (Transportation Services)	-
7018150	Equipment Rental (w/o operator, frac tanks, lightplants)	80,000
7018120	Rental Buildings (trailers)	40,000
7000030	Contract Labor - Pumping (pump-down pumps)	42,000
7011010	8% Contingency & Taxes	281,326
TOTAL COMPLETION - INTANGIBLE		\$3,636,546

TOTAL COMPLETION COST

\$3,797,896

SURFACE EQUIPMENT - TANGIBLE

7012350	Misc. Piping, Fittings & Valves	82,821
7006640	Company Labor & Burden	-
7000030	Contract Labor - General	66,368
7001110	Telecommunication equip (Telemetry)	-
7012410	Line Pipe & Accessories	25,847
7012270	Miscellaneous Materials (containment system)	41,091
7008060	SCADA	-
7016180	Freight - truck	-
7001190	Contract Engineering	27,792
7012290	Metering and instrumentation	239,430
7012290	I&E Materials	-
7012200	Gas Treating	-
7012200	Dehydration	-
7011010	Compressor	-
7012350	Power	-
7012610	Vapor Recovery Unit	-
7012440	Separator & other pressure vessels	101,137
7012500	Tanks	136,189
7012100	Heater Treater	12,406
7012640	Flare & Accessories	16,675
7000010	Electrical Labor	27,792
7000010	Mechanical Labor	-
7012480	Rod Pumping unit & Pad	-
7012180	Pumping Unit Engine	-
7012350	Electrical Power (electrical cooperative construction costs)	22,234
TOTAL SURFACE EQUIPMENT - TANGIBLE		\$799,782

TOTAL SURFACE EQUIPMENT COST

\$ 799,782

ARTIFICIAL LIFT

7006640	Company Labor	2,500
7012180	Gas Lift Equipment	38,000
7012480	Rod Pumping, Sucker Rods & Rod Pump	-
7012140	Elect Sub Pumps (ESP)	-
7019350	Well Services-Well/Wellhead Services	20,000
7012270	Materials & Supplies-Tangible	13,000
7012550	Surface Wellhead Equipment	5,500
7012390	Pig Launchers/Receivers & Rel Equip	-
7011010	8% Contingency & Taxes	-
TOTAL ARTIFICIAL LIFT		79,000

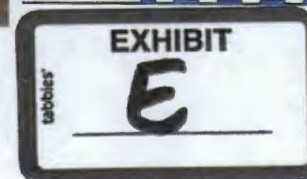
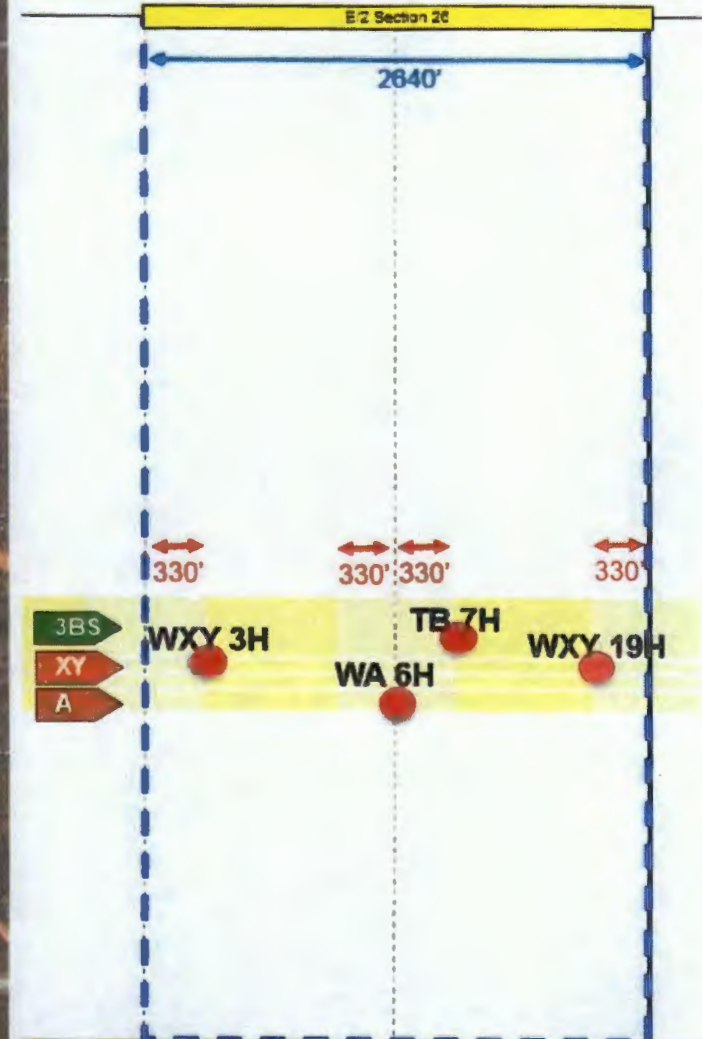
TOTAL ARTIFICIAL LIFT COST

\$ 79,000

SUMMARY OF ESTIMATED DRILLING WELL COSTS

TOTAL LOCATION COST	\$ 87,500
TOTAL DRILLING COST	\$ 2,586,489
TOTAL COMPLETIONS COST	\$ 3,797,896
TOTAL SURFACE EQUIPMENT COST	\$ 799,782
TOTAL ARTIFICIAL LIFT COST	\$ 79,000
GRAND TOTAL COST	\$7,350,667

Sample Development Plan



Sample Development Plan

