

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF MARATHON OIL PERMIAN LLC
FOR A NON- STANDARD SPACING AND PRORATION
UNIT AND COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.**

Case No. 16214

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Primero Operating, Inc. ("Primero") as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

Marathon Oil Permian LLC

APPLICANT'S ATTORNEY

Jennifer L. Bradfute

OPPONENT

Primero Operating, Inc.
P.O. Box 1433
Roswell, New Mexico 88202

OPPONENT'S ATTORNEY

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attention: Phelps White
(575) 626-7660

STATEMENT OF THE CASE

APPLICANT

Applicants seeks an order approving a non-standard spacing and proration unit in the Bone Spring formation comprised of the E/2SE/4 of Section 25 and the E/2E/2 of Section 36, Township 24 South, Range 28 East, N.M.P.M., and pooling interest owners underlying the well unit in the entire Bone Spring formation.

OPPONENT

Primero owns an interest in the proposed well unit as to the Bone Spring Avalon and First Bone Spring Sand intervals. It is believed that applicant's proposed well is a Second Bone Spring or Third Bone Spring well. Due to a depth severance in the Bone Spring (see attached assignment), Primero would not own an interest in production in the proposed well. Thus, pooling should not be granted as against Primero, and the application should be denied.

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

OPPONENT

POSSIBLE WITNESSES

EST. TIME

EXHIBITS

Jim Schultz
(landman)

15 min.

Approx. 2

Phelps White
(engineer)

15 min.

Approx. 2

PROCEDURAL MATTERS

A continuance of this matter is proper to allow the parties to negotiate about how pooling should occur with respect to Primero's interest.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

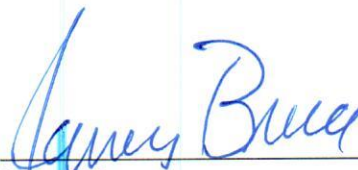
Attorney for Primero Operating, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 2nd day of August, 2018 by e-mail:

Jennifer L. Bradfute
jlb@modrall.com

Ocean Munds-Dry
omundsdry@concho.com



James Bruce

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

ASSIGNMENT, BILL OF SALE AND CONVEYANCE

STATE OF NEW MEXICO §
§
COUNTY OF EDDY §

KNOW ALL MEN BY THESE PRESENTS, THAT:

This Assignment, Bill of Sale and Conveyance (hereinafter referred to as "**Assignment**") is from **PRIMERO OPERATING, INC.**, whose address is P.O. Box 1433, Roswell, NM 88202, (hereinafter referred to as "**Assignor**"), to **CROWN OIL PARTNERS V, LP (35%)**, whose address is P.O. Box 50820, Midland, TX 79710, **CRUMP ENERGY PARTNERS II, LLC (35%)**, whose address is P.O. Box 50820, Midland, TX 79710, and **NADEL AND GUSSMAN DELAWARE, LLC (30%)**, whose address is 15 East Fifth Street, Suite 3300, Tulsa, Oklahoma 74103, (hereinafter collectively referred to as "**Assignee**").

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby SELLS, ASSIGNS, CONVEYS, and TRANSFERS unto Assignee, in the proportions set forth above, all of Assignor's right, title and interest in and to that certain oil, gas and mineral lease (hereinafter referred to as the "**Lease**"), described on Exhibit "A" attached hereto and made a part hereof for all purposes.

This Assignment is granted and accepted subject to the following:

1. Notwithstanding anything to the contrary, Assignor **SAVES AND EXCEPTS** and reserves unto itself all the following Wellbores and Wellbore interests, and any production therefrom:

Well Name:

Queen Lake 36 State #1

API#:

30-015-25806

2. This Assignment is subject to all existing leasehold burdens on the Lease which are of record as of the Effective Date.
3. This Assignment is delivered by Assignor and accepted by Assignee without representation or warranty of any kind, either express or implied, **EXCEPT** as to claims made by, through and under Assignor but not otherwise.

Reception: 1704340 Book: 1093 Page: 1083 Pages: 8

Recorded: 04/13/2017 10:30 AM Fee: \$25.00

Eddy County, New Mexico - Robin Van Natta, County Clerk



DR

BC Operating, Inc.
Attn.: DeeDee Walton
P. O. Box 50820
Midland, Texas 79710

4. This Assignment is delivered by Assignor to Assignee free and clear of all liens and encumbrances. Assignee assumes and is responsible for any and all liabilities and obligations, excluding any pre-closing liabilities, associated with the Lease arising after the Effective Date. Assignor retain all liabilities, claims and damages, including environmental liabilities, associated with the Lease arising prior to the Effective Date.
5. Assignor agree to execute and deliver any additional instruments, including, but not limited to notices, release and other documents, and will do all such other acts as may be necessary to more fully assign to Assignee, its successors and assigns, all of its respective rights and interest herein and hereby granted or intended to be granted.
6. As further consideration for the execution of this instrument by Assignor, Assignee agrees to all of the terms and provisions hereof and joins in the execution of this instrument to evidence this agreement.
7. The terms and provisions of this Assignment shall run with the land and shall inure to the benefit of and be binding upon the successors and assigns of both Assignor and Assignee.
8. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument; provided, however, this Agreement shall be binding on those parties executing same even though not executed by all parties. For recordation purposes, the separate signature pages and acknowledgments may be affixed to the body of an original instrument without the necessity of recording the entirety of each separate counterpart.
9. Assignor reserves and excepts unto them, their successors and assigns, an overriding royalty interest in production from the assigned premises equal to the positive difference between twenty-five percent (25.00%) and existing leasehold burdens on the lease, in and to all oil, gas and associated hydrocarbons produced, saved and sold from the assigned premises, said overriding royalty shall be free of the costs of development and operations, but shall bear and pay all applicable taxes assessed against the same and shall be subject to the pooling provision and free fuel to operator provisions contained in the Lease to the same extent as the Lessor's royalties are so subject. If it should develop that the Lease covers less than a full interest in the lands or that Assignor own less than a full interest in said Lease, then the overriding royalty reserved hereby shall be proportionately reduced to accord with the interest covered by said Lease and/or owned by Assignor therein. The overriding royalty interest may be pooled with any other lands, lease or leases in good faith, and said overriding royalty shall be computed by multiplying the overriding royalty interest by a fraction, being the numerator of which is the net lease acreage in said unit or project area and the denominator of which is the entire acreage of such unit or project area. Assignee and its successors and assigns shall have the right to pool or communitize the lease and the lands covered by the lease (or any part or parts thereof) and the overriding royalty interest reserved herein with other lands and leases without the consent or approval of Assignor.

10. Notwithstanding anything to contrary contained herein, after the date of the execution hereof, if the Assignor is determined, by decree, legal proceeding and/or title opinion by a third-party attorney, to own a greater or lesser amount of ownership than originally contemplated herein, then the Assignor or Assignee, within 30 days of said discovery, will pay one another the proportionate difference between the original ownership contemplated herein and the new amount of ownership. This ownership adjustment shall also proportionately effect the percentage of overriding royalty reserved hereunder.

IN WITNESS WHEREOF, this instrument is executed to be effective as of the 1st day of January, 2017 ("**Effective Date**").

[SIGNATURE PAGES TO FOLLOW]

ASSIGNOR:

PRIMERO OPERATING, INC.

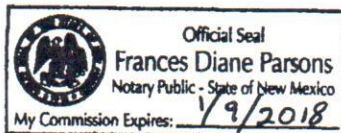
By: [Signature]
Phelps White
PRESIDENT

ACKNOWLEDGEMENT

STATE OF New Mexico
COUNTY OF Chaves

BEFORE ME, the undersigned authority, on this day appeared Phelps White known to me to be the person whose name is subscribed to the foregoing instrument as PRESIDENT of **Primero Operating, Inc.**, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, on behalf of said corporation.

Given under my hand and seal of office this 8 day of March,
2017.



ID# 1103483

Frances Diane Parsons
Notary Public

ASSIGNEES:**CROWN OIL PARTNERS V, LP,**

By: Black Crown Oil Company

Its: General Partner

By:

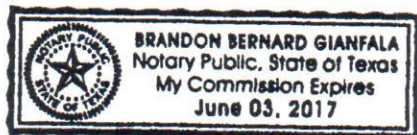

Brandon Black, Vice President**ACKNOWLEDGMENT**

STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day appeared Brandon Black known to me to be the person whose name is subscribed to the foregoing instrument as Vice President of Black Crown Oil Company, a Texas corporation, as General Partner of **Crown Oil Partners V, LP**, a Texas limited partnership, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, on behalf of said limited partnership.

Given under my hand and seal of office this 10th day of MARCH,
2017.


Notary Public

ASSIGNEES:

CRUMP ENERGY PARTNERS II, LLC,

By: 
William Crump, President **ba**

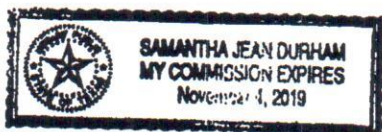
ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day appeared William Crump known to me to be the person whose name is subscribed to the foregoing instrument as President of **Crump Energy Partners II, LLC**, a Delaware limited liability company, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, on behalf of said limited liability company.

Given under my hand and seal of office this 3rd day of April,
2017.



Samantha Jean Durham
Notary Public
ID# 128791814

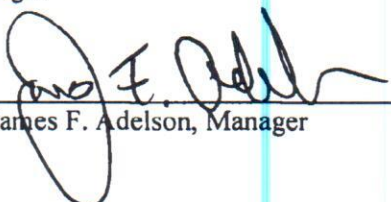
ASSIGNEES:

NADEL AND GUSSMAN DELAWARE, LLC,

By: Nadel and Gussman Management, LLC

Its: Manager

By:


James F. Adelson, Manager

ACKNOWLEDGMENT

STATE OF Oklahoma
COUNTY OF Tulsa

BEFORE ME, the undersigned authority, on this day appeared James F. Adelson known to me to be the person whose name is subscribed to the foregoing instrument as **Manager of Nadel and Gussman Management, LLC, the sole Manager of Nadel and Gussman Delaware, LLC**, an Oklahoma limited liability company, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, on behalf of said limited liability company.

Given under my hand and seal of office this 14th day of March,
2017.

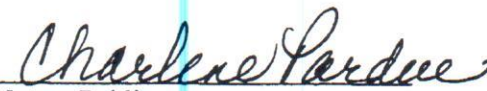

Notary Public

Exhibit "A"

Attached to and made a part of that certain Assignment, Bill of Sale and Conveyance effective the 1st day of January, 2017, by and between Primero Operating, Inc. as Assignor, and Crown Oil Partners V, LP, et al., as Assignees.

Lease:

Lessor: State of New Mexico

Lessee: HNG Oil Company

Date: November 1, 1978

Serial No.: LG-5998-0004

Recording: N/A

Description: Township 24 South, Range 28 East, N.M.P.M.

Section 36: Southeast Quarter (SE/4)

Eddy County, New Mexico.

LESS AND EXCEPT the depths from the surface to 7300 ft. subsurface, being the base of the Bone Spring Lime as seen on the Composite Gearhart Dual Laterolog and Schlumberger Dual Induction Log run on August 27th, 1984, of the Craft '25' Com #1 Well, API# 30-015-24922, located in Section 25, Township 24 South, Range 28 East, Eddy County, New Mexico.

End of Exhibit "A"