

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



September 18, 2017

Mr. Brady Wilton
Rover Operating LLC
17304 Preston Road, Suite 740
Dallas, TX 75252

RE: Division Hearing Order No. R-13864; Second Extension of Deadline to Commence Injection

High Lonesome Queen Unit Waterflood Project

Order Date: July 22, 2014

Injection approved High Lonesome; Queen Pool (Pool Code 30780) for the following six wells:

1. **High Lonesome Queen Unit Well No. 1**
API No. 30-015-Pending; 1310' FNL & 10' FWL; Unit letter D, Section 16-16S-29E
2. **High Lonesome Queen Unit Well No. 2**
API No. 30-015-Pending; 1310' FNL & 1650' FEL; Unit letter B, Section 16-16S-29E
3. **High Lonesome Queen Unit Well No. 7**
API No. 30-015-Pending; 1980' FNL & 330' FEL; Unit letter H, Section 16-16S-29E
4. **High Lonesome Queen Unit Well No. 8**
API No. 30-015-Pending; 1980' FSL & 10' FWL; Unit letter L, Section 16-16S-29E
5. **High Lonesome Queen Unit Well No. 14**
API No. 30-015-Pending; 660' FSL & 1980' FWL; Unit letter N, Section 16-16S-29E
6. **High Lonesome Queen Unit Well No. 16**
API No. 30-015-Pending; 660' FSL & 660' FEL; Unit letter P, Section 16-16S-29E

Dear Mr. Wilton:

Reference is made to your request on behalf of Rover Operating LLC (the "operator" or "Rover") to extend the deadline stipulated in Division Order No. R-13864 (Division Case No. 15116) based on the approval date of July 22, 2016, to commence injection for the above referenced wells for an additional one year for reasons outlined in the attached correspondence.

The Division has previously issued a one-year extension of the July 22, 2016 deadline to July 22, 2017 with Alamo Permian Resources, LLC as the designated operator. Division finds that there has been a change of operator following the approval of the first extension and that Rover petitioned in writing for a second extension before the expiration of the first extension.

It is the Division's understanding from your request that there has been one significant change in the information provided in the application submitted for this hearing order. This change included a new operator of wells ("affected person") within the one-half mile radius of one of the proposed injection wells within the waterflood project. Rover has provided evidence of noticed of the approved waterflood project to this new operator. The Division was informed that there were no new wells that penetrate the approved injection interval completed within the Area of Review since the approval of the first extension.

The Division finds that granting this request to extend the division order approving a waterflood project is in the interest of conservation, will prevent waste, and will protect the environment.

The deadline to commence injection for the Division Order No. R-13864 is hereby extended until July 22, 2018. All requirements of the above referenced hearing order remain in full force and effect.

If you have any questions regarding this matter, please contact Phillip Goetze by phone at 505.476.3466 or by e-mail: phillip.goetze@state.nm.us.

Sincerely,



DAVID R. CATANACH
Director

DRC/prg

cc: Oil Conservation Division – Artesia District Office
Case No. 15116
Oil, Gas and Minerals Division – State Land Office



August 7, 2017

New Mexico Oil Conservation Division
Attention: Phillip Goetze: Engineering Bureau
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: High Lonesome Queen Unit
Extension on Injection

Dear Mr. Goetze,

In addition to the letter sent by Rover Operating, LLC, on July 12, 2017, regarding the request to extend the deadline to commence injection within the High Lonesome Queen Unit to establish a waterflood project as an enhanced oil recovery project pursuant to the Enhanced Oil Recovery Act, Rover Operating has reviewed the Area of Interest around the High Lonesome Queen Unit and has found that since the time last extension was granted on July 22, 2016, there have been no wells drilled or plugged within the Area of Review. Two wells within the Area of Review were acquired by Seller's & Fulton Oil, LLC (API numbers of those wells are: 30-015-34157 and 30-015-02754). The operator has been notified via a mailed letter stating that Rover Operating, LLC intends to develop the unit as a waterflood project, as it was originally intended. A copy of this letter is also being submitted to you for your records.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Brady Wilton", is written over a white background.

Brady Wilton
Operations Engineer
Rover Operating, LLC



August 1, 2017

Sellers & Fulton Oil, LLC
Attention: Mr. Eddie Sellers
422 W Main Street, Suite 5
Artesia, NM 88210

RE: High Lonesome Queen Unit
Section 15-16, T16N, R29E
Eddie County, New Mexico

Dear Mr. Sellers,

Rover Operating, LLC acquired the High Lonesome Queen Unit in 2016, and intends to develop the unit as an enhanced oil recovery project pursuant to the Enhanced Oil Recovery Act. The initial approval for the project was granted to Alamo Permian Resources, LLC on July 22, 2014. The High Lonesome Queen Unit encompasses all of Section 16, & the NW/4 SW4 of Section 15, Township 16 South, Range 29 East, Eddy County, New Mexico. As operator of this unit, Rover plans to commence injection by July 2018.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Brady Wilton", is written over the closing text.

Brady Wilton
Petroleum Engineer
Rover Operating, LLC

Goetze, Phillip, EMNRD

From: Brady Wilton <bwilton@roverpetro.com>
Sent: Monday, August 7, 2017 8:14 PM
To: Sanchez, Daniel J., EMNRD; Goetze, Phillip, EMNRD
Cc: Amanda Barringer; Keri Clarke
Subject: RE: Rover Operating - High Lonesome Queen Unit

Daniel,

I apologize for the delay; I've been travelling for the back half of the day and am just now getting a chance to sit down and catch up on emails. We have sent the bonds in to get letters of credit on them and are expecting to have them back this week. We will get the bonds over to you guys as quickly as we can once we have them back.

Thank you,
Brady

From: Sanchez, Daniel J., EMNRD [<mailto:daniel.sanchez@state.nm.us>]
Sent: Monday, August 7, 2017 12:08 PM
To: Brady Wilton <bwilton@roverpetro.com>; Goetze, Phillip, EMNRD <Phillip.Goetze@state.nm.us>
Cc: Amanda Barringer <abarringer@roverpetro.com>; Keri Clarke <kclarke@roverpetro.com>
Subject: RE: Rover Operating - High Lonesome Queen Unit

Brady,

I just check Rover's compliance with Financial Assurance. Rover will need to provide additional bonding for the following wells prior to the ACOI being approved:

Humble #002, 30-015-02009;
State B #007, 30-015-22676;
State BKC #010, 30-015-05043;
Zait #001, 30-015-22653; and
Zait #004, 30-015-23062.

Daniel

From: Brady Wilton [<mailto:bwilton@roverpetro.com>]
Sent: Monday, August 7, 2017 10:59 AM
To: Goetze, Phillip, EMNRD <Phillip.Goetze@state.nm.us>
Cc: Amanda Barringer <abarringer@roverpetro.com>; Keri Clarke <kclarke@roverpetro.com>; Sanchez, Daniel J., EMNRD <daniel.sanchez@state.nm.us>
Subject: RE: Rover Operating - High Lonesome Queen Unit

Yessir, it was sent with a return receipt via certified mail. We just sent the letter out today and expect the receipt by the end of this week or early next week, which I will forward to you as soon as I have in my possession.

Thank you for taking care of this for us and please let me know if there is anything else I can or need to provide,

Brady

From: Goetze, Phillip, EMNRD [<mailto:Phillip.Goetze@state.nm.us>]
Sent: Monday, August 7, 2017 11:52 AM
To: Brady Wilton <bwilton@roverpetro.com>
Cc: Amanda Barringer <abarringer@roverpetro.com>; Keri Clarke <kclarke@roverpetro.com>; Sanchez, Daniel J., EMNRD <daniel.sanchez@state.nm.us>
Subject: RE: Rover Operating - High Lonesome Queen Unit

Mr. Wilton:

Your timing is impeccable. I was completing the draft for the extension when your e-mail arrived. One question I do have, did you send the letter to the new operator with a return receipt or similar tracking device to ensure the delivery of the notice? If not please resend the letter with a RR or mail confirmation. Meanwhile, the draft order will go to the Director when you can confirm if you sent the letter with tracking. Otherwise, Mr. Sanchez has informed me that Rover is in good standing removing any issues with the FA and 5:9 Compliance. PRG

Phillip Goetze, PG
Engineering Bureau, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive, Santa Fe, NM 87505
Direct: 505.476.3466
E-mail: phillip.goetze@state.nm.us



From: Brady Wilton [<mailto:bwilton@roverpetro.com>]
Sent: Monday, August 7, 2017 10:39 AM
To: Goetze, Phillip, EMNRD <Phillip.Goetze@state.nm.us>
Cc: Amanda Barringer <abarringer@roverpetro.com>; Keri Clarke <kclarke@roverpetro.com>
Subject: Rover Operating - High Lonesome Queen Unit

Mr. Goetze,

In regards to Rover's request to file an extension to commence injection into the High Lonesome Queen Unit, I have attached two documents: the first is an addition to the original letter (sent July 12, 2017) requesting the extension and the second is the letter that was sent to the new operator within the Area of Review around our unit.

Please let me know if there is anything else that we need to provide before our extension can be approved.

Thank you,

Brady Wilton
Petroleum Engineer
Rover Petroleum, LLC
(469) 607-0083





New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

July 12, 2017

Attention: Phillip Goetze: Engineering Bureau

Dear Mr. Goetze,

Rover Operating, LLC, acquired the High Lonesome Queen Unit in 2016, and has recently been made aware of a July 22, 2017 deadline to commence injection to establish a waterflood project, as an enhanced oil recovery project pursuant to the Enhanced Oil Recovery Act. The initial approval for the project was granted to Alamo Permian Resource, LLC on July 22, 2014 with a two-year deadline to commence injection, and was granted a two-year extension for the project.

As the operator of the High Lonesome Queen Unit, encompassing all of Section 16, & the NW/4 SW/4 of Section 15, Township 16 South, Range 29 East, NMPM, Eddy County, New Mexico, Rover Operation, LLC, hereby requests a two year extension on the deadline to commence injection.

Rover's plan with the High Lonesome Queen Unit is to convert an existing producer within the unit to injection and begin injecting by July 2018. After the pilot injector is online and a steady injection rate is established, Rover will continue develop the unit by the addition of injectors, and some combination of conversions and new-drills, by July 2019. The target injection rate is 150 barrels of water injected per day per injector (for a total of 900 BWIPD by July 2019).

Rover is currently evaluating the existing wellbores on the unit to determine the best candidate to convert to injection and will begin filing the C-108 application once the candidate has been identified. Efforts are also being made to locate a water source from a third party, after which, a Produced Water Transfer Agreement will be worked out before beginning a BLM ROW application. This process is planned to be completed by July 2018, at which point Rover will commence injection into the High Lonesome Queen Unit waterflood project.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Brady Wilton", is written over a white background.

Brady Wilton
Operations Engineer
Rover Operating. LLC

Goetze, Phillip, EMNRD

From: Brady Wilton <bwilton@roverpetro.com>
Sent: Wednesday, July 12, 2017 4:40 PM
To: Goetze, Phillip, EMNRD
Cc: Keri Clarke; Amanda Barringer
Subject: Rover Petroleum - High Lonesome Queen Unit
Attachments: HLQU_Extension Request_July 2017.pdf

Mr. Goetze,

Please see the attached letter containing Rover Petroleum's request to file for an extension to commence injection within the High Lonesome Queen Unit waterflood, which Amanda Barringer and I will be meeting with you about next Wednesday, June 19th, to discuss.

Thank you, and looking forward to meeting with you next week,

Brady Wilton
Engineer
Rover Petroleum, LLC
17304 Preston Road, Suite 740
Dallas, TX 75252
(469) 607-0083



Goetze, Phillip, EMNRD

From: Goetze, Phillip, EMNRD
Sent: Monday, June 19, 2017 10:16 AM
To: 'Keri Clarke'
Cc: Amanda Barringer; Sanchez, Daniel J., EMNRD
Subject: RE: High Lonesome Queen Unit
Attachments: Station SWD #1 - Request for extension of C-108.pdf

Mr. Clarke:

I am in receipt of your e-mail regarding an extension for the High Lonesome WF Project. Attached is an example of a request for an extension used for a disposal well. Again, the two items to be identified in your review would be 1. any changes (since the original form C-108 application was submitted for the hearing) to the affected persons (typically the designated operator or mineral lease owners within the ½ mile radius of each well) and 2. any new AOR wells.

Since this is an ER project, the waterflood was approved under a single Division Order (Order No. R-13864) with Case No. 15116. The case file will have the original paperwork submitted for the hearing and is located at the following Imaging location:

<http://ocdimage.emnrd.state.nm.us/imaging/CaseFileView.aspx?CaseNo=15116&FilingDate=3/18/2014%2012:00:00%20AM>

The C-108 application is included as a PDF in the case file. This would be the baseline for comparing any new owners or AOR wells.

Please keep the Division informed of the progress and remember the July 22 deadline. Contact me with any additional question in this matter. PRG

Phillip Goetze, PG

Engineering Bureau, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive, Santa Fe, NM 87505
Direct: 505.476.3466
E-mail: phillip.goetze@state.nm.us



From: Keri Clarke [mailto:kclarke@roverpetro.com]
Sent: Monday, June 19, 2017 8:08 AM
To: Goetze, Phillip, EMNRD <Phillip.Goetze@state.nm.us>
Cc: Amanda Barringer <abarringer@roverpetro.com>
Subject: High Lonesome Queen Unit

Phillip

Here is the letter I received from Tyler Woodruff of Alamo. I am talking to our engineer about the work that will happen shortly. I will contact you when I receive it.

Regards

Keri Clarke
Vice President Land
Rover Operating LLC
17304 Preston Road, Suite 740
Dallas, Texas 75252
214-704 4377 Cell
469-399 5387 Office

