

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

**APPLICATION OF PERCUSSION  
PETROLEUM OPERATING, LLC FOR A  
NON-STANDARD SPACING AND  
PRORATION UNIT, UNORTHODOX  
WELL LOCATION, AND COMPULSORY  
POOLING, EDDY COUNTY, NEW  
MEXICO.**

APR 17 2018 PH02:54

CASE NO. 16157

**APPLICATION**

Percussion Petroleum Operating, LLC ("Percussion") through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 160-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 32, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico; (2) pooling all uncommitted interests in the Red Lake, Glorieta-Yeso Pool (51120); and (3) approving an unorthodox well location. In support of its application, Percussion states:

1. Percussion Petroleum Operating, LLC (OGRID No. 371755) is a working interest owner in the proposed non-standard spacing unit and has the right to drill thereon.

2. Percussion proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Red Lake 32 State Com 2H Well**, which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 32 to a standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 32.

The final take point for the well will be at a location 100 feet from the west line and 360 feet from the south line of Section 32.

3. Accordingly, the completed interval for this well is closer than 330 feet to the outer boundary of the project area than required by the statewide rules for oil wells and, therefore, is unorthodox to the spacing and proration units to the west and southwest.

4. Percussion has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

5. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

6. In order to permit Percussion to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this non-standard spacing unit should be pooled and Percussion Petroleum Operating, LLC should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, Percussion requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 17, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 160-acre, more or less, spacing and proration unit comprised of the comprised of the S/2 S/2 of Section 32, Township 19 South, Range 17 East, NMPM, Eddy County, New Mexico;
- B. Pooling all uncommitted interests in the non-standard spacing and proration unit;

- C. Designating Percussion Petroleum Operating, LLC operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing Percussion to recover its costs of drilling, equipping and completing the well;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures;
- F. Imposing a 200% penalty for the risk assumed by Percussion in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well; and
- G. Approving an unorthodox well location.

Respectfully submitted,

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**ATTORNEYS FOR PERCUSSION PETROLEUM  
OPERATING, LLC**

CASE \_\_\_\_\_: **Application of Percussion Petroleum Operating, LLC for a non-standard spacing and proration unit, unorthodox well location, and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a 160-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 32, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico; (2) pooling all uncommitted interests in the Red Lake, Glorieta-Yeso Pool (51120); and (3) approving an unorthodox well location. Said non-standard unit is to be dedicated to applicant's proposed **Red Lake 32 State Com 2H Well**, which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 32 to a standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 32. The final take point for the well will be at a location 100 feet from the west line and 360 feet from the south line of Section 32. The last take point is unorthodox to the spacing and proration units to the west and southwest. 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 Percussion Petroleum Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 7 miles southeast of Artesia, New Mexico.