

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF ASCENT ENERGY, LLC
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT, COMPULSORY POOLING,
AND ONE UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO.

Case No. 16233APPLICATION

Ascent Energy, LLC applies for an order (i) approving a 320-acre non-standard oil spacing and proration unit in the Bone Spring formation comprised of the $W\frac{1}{2}W\frac{1}{2}$ of Section 28 and the $W\frac{1}{2}W\frac{1}{2}$ of Section 33, Township 20 South, Range 33 East, N.M.P.M., Lea County, New Mexico, (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and (iii) approving one unorthodox well location, and in support thereof, states:

1. Applicant is an interest owner in the $W\frac{1}{2}W\frac{1}{2}$ of Section 28 and the $W\frac{1}{2}W\frac{1}{2}$ of Section 33, and has the right to drill a well or wells thereon.
2. Applicant proposes to drill the following seven wells to test the Bone Spring formation:
 - (a) the Gavilon Fed. Com. Well No. 201H;
 - (b) the Gavilon Fed. Com. Well No. 303H;
 - (c) the Gavilon Fed. Com. Well No. 304H;
 - (d) the Gavilon Fed. Com. Well No. 401H;
 - (e) the Gavilon Fed. Com. Well No. 503H;
 - (f) the Gavilon Fed. Com. Well No. 504H; and
 - (g) the Gavilon Fed. Com. Well No. 602H.

Applicant seeks to dedicate the $W\frac{1}{2}W\frac{1}{2}$ of Section 28 and the $W\frac{1}{2}W\frac{1}{2}$ of Section 33 to the wells to form a non-standard 320-acre oil spacing and proration unit (project area) in the Bone Spring formation.

The wells are all horizontal wells, with surface locations in the $SW\frac{1}{4}SW\frac{1}{4}$ of Section 33, and bottomhole locations in the $NW\frac{1}{4}NW\frac{1}{4}$ of Section 28. The producing interval of the Gavilon Fed. Com. Well No. 504H is at an unorthodox location, and encroaches on the $E\frac{1}{2}W\frac{1}{2}$ of Section 28 and the $E\frac{1}{2}W\frac{1}{2}$ of Section 33. All other wells are located at orthodox well locations.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the Bone Spring formation in the $W\frac{1}{2}W\frac{1}{2}$ of Section 28 and the $W\frac{1}{2}W\frac{1}{2}$ of Section 33 for the purposes set forth herein.

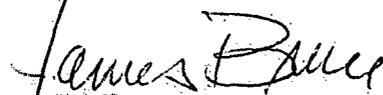
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the wells or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the Bone Spring formation in the $W\frac{1}{2}W\frac{1}{2}$ of Section 28 and the $W\frac{1}{2}W\frac{1}{2}$ of Section 33, pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard unit and the pooling of all mineral interests in the Bone Spring formation underlying the $W\frac{1}{2}W\frac{1}{2}$ of Section 28 and the $W\frac{1}{2}W\frac{1}{2}$ of Section 33, as well as approval of the unorthodox well location, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 28 and the W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 33;
- B. Pooling all mineral interests in the Bon Spring formation underlying the W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 28 and the W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 33;
- C. Designating applicant as operator of the wells;
- D. Approving the unorthodox well location;
- E. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- F. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- G. Setting a 200% charge for the risk involved in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Ascent Energy, LLC

PROPOSED ADVERTISEMENT

Case No. 16233:

Application of Ascent Energy, LLC for approval of a non-standard spacing and proration unit, compulsory pooling, and one unorthodox well location, Lea County, New Mexico. Applicant seeks an order approving a 320-acre non-standard spacing and proration unit (project area) in the Bone Spring formation comprised of the W/2W/2 of Section 28 and the W/2W/2 of Section 33, Township 20 South, Range 33 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the non-standard spacing and proration unit. The unit will be dedicated to the Gavilon Fed. Com. Well No. 201H, Gavilon Fed. Com. Well No. 303H, Gavilon Fed. Com. Well No. 304H, Gavilon Fed. Com. Well No. 401H, Gavilon Fed. Com. Well No. 503H, Gavilon Fed. Com. Well No. 504H, and Gavilon Fed. Com. Well No. 602H, horizontal Bone Spring wells with surface locations in the SW/4SW/4 of Section 33, and botomhole locations in the NW/4NW/4 of Section 28. The producing interval of each well will be orthodox, except for the Gavilon Fed. Com. Well No. 504H, which will be at an unorthodox location encroaching upon the E/2W/2 of Section 28 and the E/2W/2 of Section 33. 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 miles east-southeast of Halfway, New Mexico.

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