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WRITER:

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October 5, 2018

VIA HAND DELIVERY

Case 20090

Florene Davidson
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Llano Energy, LLC Application

Dear Florene:

Enclosed please find: (i) for filing, the original and one (1) copy of an application by Llano Energy, LLC ("Llano") for compulsory pooling, and (ii) a proposed hearing notice. I will email the proposed hearing notice to you in Word format.

As stated in the application, Llano requests that the application be put on the Division's November 15, 2018 hearing docket.

Thank you for your assistance.

Very truly yours,

Gary W. Larson

GWL:jwl
Enclosures

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

**APPLICATION OF LLANO ENERGY,
LLC FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 20090

APPLICATION

Pursuant to NMSA § 70-2-17, Llano Energy, LLC (“Llano”) applies for an order pooling all uncommitted mineral interests in the San Andres formation in a 160-acre horizontal spacing unit comprised of the E/2 E/2 of Section 21, Township 12 South, Range 38 East in Lea County, New Mexico. In support of its application, Llano states:

1. Llano is a working interest owner in the E/2 E/2 of Section 21 and has the right to drill a well thereon.
2. The horizontal spacing unit will be dedicated to the proposed 07S #1-H well, which will be horizontally drilled from a surface location in Unit A of Section 28 to a bottom hole location in Unit A of Section 21, Township 12 South, Range 38 East.
3. The completed interval for the 07S #1-H well will be orthodox.
4. Llano has contracted with Special Energy Corporation (“Special Energy”) to drill and operate the 07S #1-H well. Consequently, Llano requests that the Division designate Special Energy (OGRID No. 138008) as the operator of the well and the horizontal spacing unit.
5. Llano has undertaken diligent, good-faith efforts to obtain voluntary agreements from all mineral interest owners in the horizontal spacing unit to participate in the drilling of the 07S #1-H well, but has been unable to obtain voluntary agreements from all of the mineral interest owners.

6. The pooling of those uncommitted mineral interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

7. In order to allow Llano to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interest owners in the horizontal spacing unit should be pooled and Special Energy should be designated the operator of the proposed horizontal well and horizontal spacing unit.

WHEREFORE, Llano requests that this application be set for hearing on November 15, 2018 and that, after notice and hearing, the Division enter an order:

A. Pooling all uncommitted mineral interests in the San Andres formation in the E/2 E/2 of Section 21, Township 12 South, Range 38 East;

B. Designating Special Energy as the operator of the 07S #1-H well and the horizontal spacing unit;

C. Authorizing Llano to recover its costs of drilling, equipping, and completing the 07S #1-H well;

D. Considering the cost of drilling and completing the well and allocating the cost among the uncommitted mineral interest owners;

E. Approving the actual operating charges and costs of supervision during drilling and after completion, together with a provision for adjusting the rates pursuant to the COPAS accounting procedure; and

F. Imposing a 200% penalty for the risk assumed by Llano in drilling and completing the 07S #1-H well against any mineral interest owner who does not voluntarily participate in the drilling of the well.

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A handwritten signature in cursive script, appearing to read "Gary W. Larson", is written over a horizontal line.

Gary W. Larson

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