

**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 ASCENT ENERGY, LLC
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.**

Case No. 20243

VERIFIED STATEMENT OF LEE ZINK

Lee Zink, being duly sworn upon his oath, deposes and states:

1. I am a landman for Ascent Energy, LLC ("Ascent"), and have personal knowledge of the matters stated herein. I have been qualified by the Division as an expert petroleum landman.

2. Pursuant to NMAC 19.15.4.12.A(1), the following information is submitted in support of the compulsory pooling application filed herein:

(a) The purpose of this application is to force pool working interest owners into the Wolfcamp horizontal spacing unit described below, and in wells to be drilled in the units.

(b) No opposition is expected because the interest owner being pooled has been contacted regarding the proposed well, but have failed or refused to voluntarily commit their interests to the wells. All interest owners are locatable.

(c) The wells are in the proposed Red Hornet Development Area, a development area approved by the Bureau of Land management for drilling in the potash area. A plat outlining the Development Area is attached as Attachment A.

(d) A plat outlining the Wolfcamp unit being pooled is attached hereto as Attachment B. Ascent seeks an order pooling all mineral interests in the Wolfcamp formation underlying the N/2S/2 of Section 23 and the N/2S/2 of Section 24, Township 20 South, Range 30 East, NMPM. The unit will be dedicated to the Red Hornet Fed Com Well Nos. 702.

The party being pooled is XTO Holdings LLC.

(e) There are no depth severances in the Wolfcamp formation.

EXHIBIT

1

- (f) Attachment C is a well proposal sent to XTO Holdings LLC for the subject wells. Ascent has had numerous contacts with XTO Holdings LLC.
- (g) Ascent has made a good faith effort to obtain the voluntary joinder of the working interest owners in the proposed well.
- (h) Ascent has the right to pool the overriding royalty owners in the well unit.
- (i) Attachment D contains the Authorization for Expenditure for the proposed well. The estimated costs of the wells set forth therein are fair and reasonable, and comparable to the costs of other wells of similar depth and length drilled in this area of Eddy County.
- (j) Ascent requests overhead and administrative rates of \$7500/month for a drilling well and \$750/month for a producing well. These rates are fair, and comparable to the rates charged by other operators for wells of this type in this portion of Eddy County. They are also the rates set forth in the Joint Operating Agreement for the well unit. Ascent requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.
- (k) Ascent requests that the maximum cost plus 200% risk charge be assessed against non-consenting working interest owners.
- (l) Ascent requests that it be designated operator of the well.
- (m) The attachments to this affidavit were prepared by me, or compiled from Company business records.
- (n) The granting of this application is in the interests of conservation and the prevention of waste.

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

Lee(Zink)

My Commission Expires: 8/1/2021

Notary Public



Red Hornet Development Area
Township 20 South, Range 30 East

Section 23: S2

Section 24: S2

640.00 Gross Acres

Eddy County, NM



Red Hornet Development Area



Ascent Leases

Ascent Energy, LLC

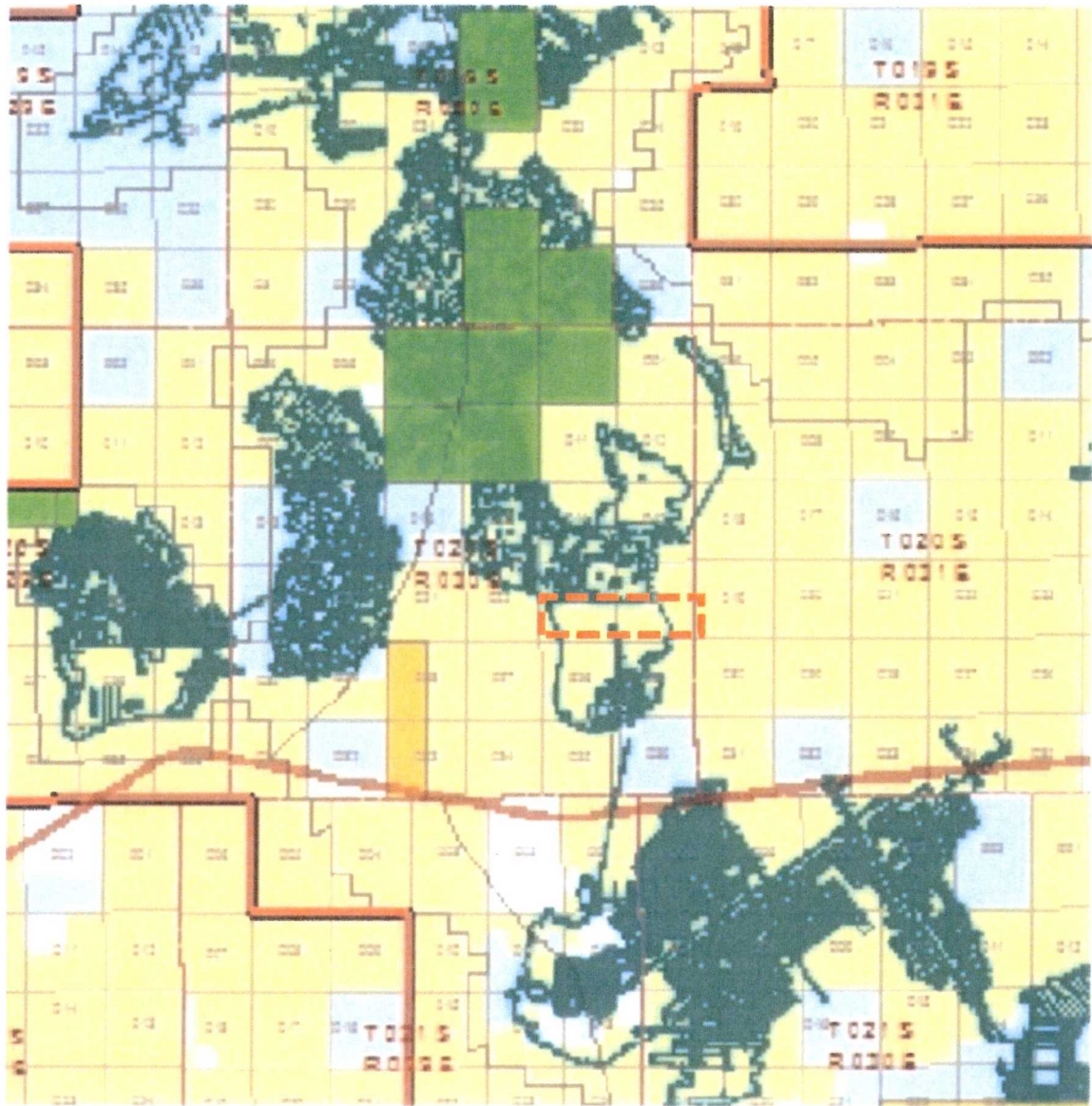


Exhibit

Location Map
T20S-R30E

Case No.

BLM Carlsbad Field Office Development Areas



Red Hornet Development Area
T20S-R30E
Section 23: S2
Section 24: S2
640.00 acres

Ascent Energy, LLC



Exhibit


BLM Development Area Map

Case No.

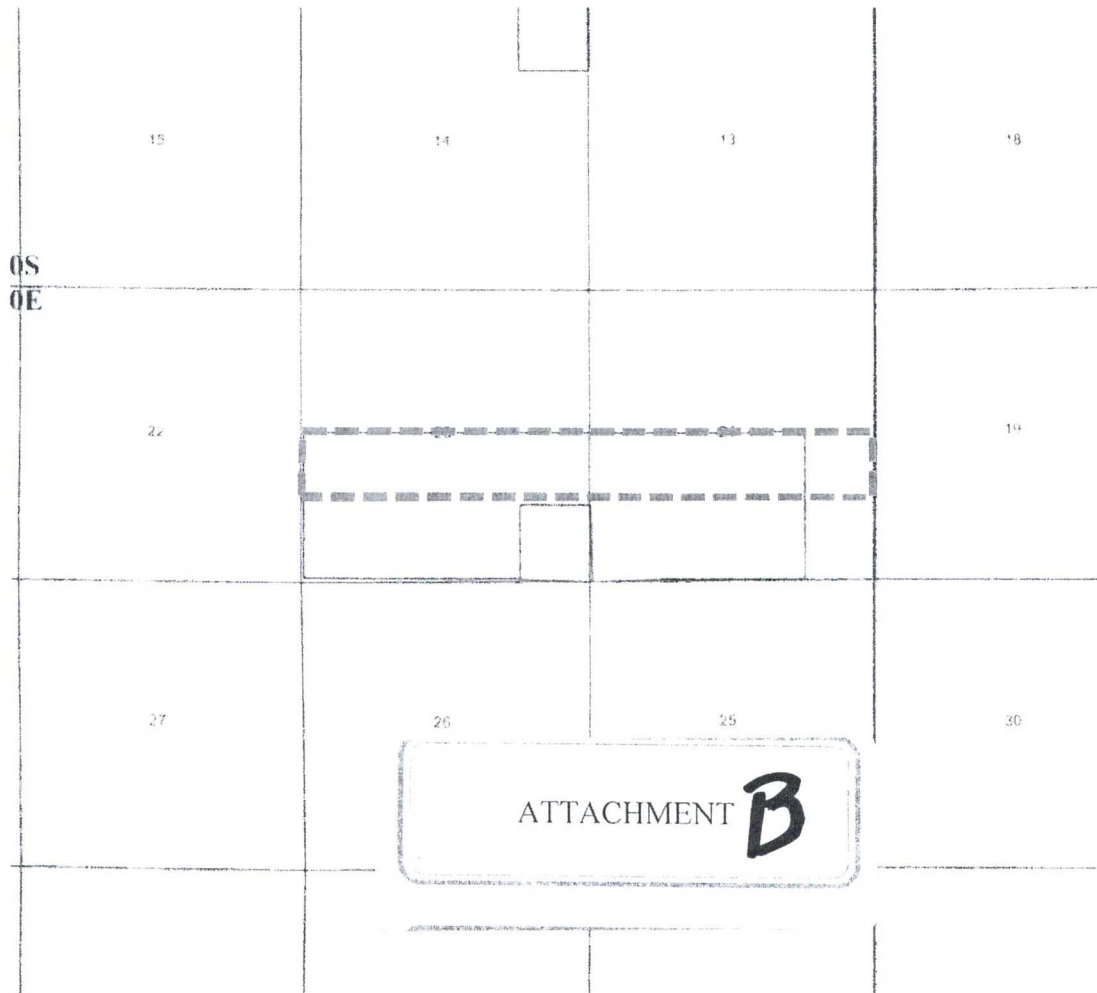
Summary of Progress

Red Hornet Development Area Wells

- 5/30/2018 – BLM on-site. Ascent received BLM approval for Red Hornet drill islands. Red Hornet well pad sites were staked and surveyed.
- 6/18/2018 – Ascent mailed out Notification of Development Area for the Red Hornet Development Area.

Ascent Energy, LLC	
Exhibit	
Summary of Progress	
Case No.	

Red Hornet Pooling Unit
Township 20 South, Range 30 East
 Section 23: N2S2
 Section 24: N2S2
 320.00 Gross Acres
 Eddy County, NM



Working Interest for: Red Hornet Fed Com #502H, Red Hornet Fed Com #602H, and Red Hornet Fed Com #702H

Ascent Energy, LLC	87.50%
XTO Holdings, LLC	<u>12.50%</u>
Total	100%

Ascent Energy, LLC
Exhibit
T20S-R30E
Case No.



September 19, 2018

XTO Holdings LLC
22777 Springwoods Village Pkwy
Spring, Texas 77389
Attn: Land Dept. Loc. 115

RE: Red Hornet Development Area
T20S-R30E
Sec. 23: N2S2
Sec. 24: N2S2
320 Gross Acres, more or less
Eddy County, New Mexico

ATTACHMENT

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Dear Working Interest Owner:

Ascent Energy, LLC ("Ascent") hereby proposes the drilling, completing and equipping the following wells to XTO Holdings LLC ("XTO") located in Sections 23 and 24 of T20S-R30E, Eddy County, New Mexico (the "Wells").

- 1) Red Hornet Fed Com #502H (the "502H Well") to test the Bone Spring formation at a total vertical depth of 9,034 and a total measured depth of 19,728. The proposed surface location of the 502H Well is 1,074' FSL, 51' FEL, T20S-R30E Sec. 24 with a bottom hole location of 1,980' FSL, 100' FWL, T20S-R30E Sec. 23.

The estimated cost associated with the 502H Well is \$8,788,716, as outlined in the enclosed Authority for Expenditure dated September 13, 2018. Ascent's records indicate that XTO owns a 12.50% working interest in the 502H Well, and XTO's estimated costs is approximately \$1,098,590.

- 2) Red Hornet Fed Com #602H (the "602H Well") to test the Bone Spring formation at a total vertical depth of 10,282' and a total measured depth of 22,276'. The proposed surface location of the 602H Well is 998' FSL, 1,737' FWL, T20S-R31E Sec. 19 with a bottom hole location of 2,310' FSL, 100' FWL, T20S-R30E Sec. 23.

The estimated cost associated with the 602H Well is \$9,112,114, as outlined in the enclosed Authority for Expenditure dated September 13, 2018. Ascent's records indicate that XTO owns a 12.50% working interest in the 602H Well, and XTO's estimated costs is approximately \$1,139,014.

- 3) Red Hornet Fed Com #702H (the "702H Well") to test the Wolfcamp formation at a total vertical depth of 10,363' and a total measured depth of 22,357'. The proposed surface location of the 702H Well is 1,028' FSL, 1,737' FWL, T20S-R31E Sec. 19 with a bottom hole location of 1,650' FSL, 100' FWL, T20S-R30E Sec. 23.

The estimated cost associated with the 702H Well is \$9,744,277, as outlined in the enclosed Authority for Expenditure dated September 13, 2018. Ascent's records indicate that XTO owns a 12.50% working interest in the 702H Well, and XTO's estimated costs is approximately \$1,218,035.

In addition, Ascent proposes the Wells under the terms of a modified 2015 Horizontal AAPL Form 610 Operating Agreement ("OA") with the following basic terms.

- Contract Area:
Township 20 South, Range 30 East
Section 23: N2S2
Section 24: N2S2
- Ascent named as Operator
- 100%/300%/300% non-consent penalties
- \$8,000.00/\$800.00 drilling and producing overhead rates

Please indicate your election in the Wells and return a signed copy within thirty (30) days of receipt of this notice to Ascent. If XTO is interested in selling its interest in the Contract Area, please contact the undersigned at your earliest convenience.

Ascent looks forward to working with XTO on this matter and may file for compulsory pooling in the near future to pool any uncommitted working interest owners. If you have any questions or concerns, please do not hesitate to contact the undersigned at (720) 710-8923 or lzink@ascentenergy.us.

Very Truly Yours,


Lee Zink
Land Manager
Ascent Energy, LLC
1621 18th Street, Suite 200
Denver, CO 80202

Enclosure(s): Red Hornet Fed Com #502H AFE
Red Hornet Fed Com #602H AFE
Red Hornet Fed Com #702H AFE
Draft 2015 Horizontal AAPL Form 610 Operating Agreement (email only)

Well Election(s)

___ XTO hereby elects to participate in the proposed Red Hornet Fed Com 502H by paying its proportionate share of the costs outlined on the associated AFE.

___ XTO hereby elects not to participate in the proposed Red Hornet Fed Com 502H.

___ XTO hereby elects to participate in the proposed Red Hornet Fed Com 602H by paying its proportionate share of the costs outlined on the associated AFE.

___ XTO hereby elects not to participate in the proposed Red Hornet Fed Com 602H.

___ XTO hereby elects to participate in the proposed Red Hornet Fed Com 702H by paying its proportionate share of the costs outlined on the associated AFE.

___ XTO hereby elects not to participate in the proposed Red Hornet Fed Com 702H.

Working Interest Owner:

XTO Holdings LLC

By: _____

Title: _____

Date: _____

Ascent Energy, LLC

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE (AFE)

COST CENTER	Red Hornet Fed Com 702H	BUD YEAR	2019	DATE	September 13, 2018
AFE NO.		CATEGORY	D&C	SUPPLEMENT NO.	
FIELD	Rawhide	REGION	Delaware Basin	LEGAL:	20S 31E
OPERATOR	Ascent Energy, LLC	WELL NO.	702H	W.I.	
OBJECTIVE	Wolfcamp A	STATE	NM	MD/TVD	+/-22,360' / 10,365'
ESTIMATED PROJECT START DATE: 2Q2019					
DESCRIPTION: Drill a 11,725' lateral in the Wolfcamp A and frac with 62 stages. The first 1320' of the lateral will be uncompleted. Assumes 4 string design.					

INTANGIBLE DRILLING COSTS

ACCT.	DESCRIPTION	Rate	Units	DRYHOLE	TOTAL WELL COST
8305 101	Location Cleanup & Damages			\$125,000	\$125,000
8305 102	Rig Move - MIRU, RDMO			\$100,000	100,000
8305 103	Rig Contractor-Daywork/FT	\$ 24,000	34	\$816,000	816,000
8305 104	Rig Contractor-Turnkey				0
8305 105	Power & Fuel			\$150,000	150,000
8305 106	Drill Fluids & Chemicals			\$200,000	200,000
8305 107	Bits, Reamer, Stabilizers			\$130,000	130,000
8305 108	Cement & Cementing Services			\$230,000	230,000
8305 109	Mud Logging			\$88,000	88,000
8305 110	Open Hole Logging			\$30,000	30,000
8305 111	Csg Crews & Tools			\$130,000	130,000
8305 112	Directional Tools & Service			\$235,000	235,000
8305 114	Form Eval - Well Testing DST - Coring, Sampling				0
8305 115	Tubular Inspection			\$20,000	20,000
8305 116	Equipment Rentals			\$350,000	350,000
8305 117	Contract Labor & Services			\$145,000	145,000
8305 118	Wellsite Consultants	\$ 2,000	68	\$136,000	136,000
8305 119	Company Supervision & Labor				0
8305 120	Transportation			\$20,000	20,000
8305 121	Mud,Cuttings & Water Disposal			\$120,000	120,000
8305 122	Insurance	1.9243	22,360	\$43,027	43,027
8305 123	Overhead			\$25,000	25,000
8305 124	Water & Water Well			\$55,000	55,000
8305 125	Unanticipated MjrExp (Fishing)				0
8305 126	Legal			\$50,000	50,000
8305 127	Outside Operated Other				0
8305 128	Permits			\$20,000	20,000
8305 129	Environmental & Safety			\$20,000	20,000
8305 130	Plugging				0
	SUBTOTAL			\$3,238,027	\$3,238,027
8305 199	CONTINGENCY (%) 0.00%			0	0
	SUB-TOTAL INTANGIBLE DRILLING COSTS			\$3,238,027	\$3,238,027

INTANGIBLE COMPLETION COSTS

ACCT.	DESCRIPTION	Rate	Units	COMPLETION	TOTAL WELL COST
8306 201	Location & Cleanup			\$10,000	\$10,000
8306 202	Power & Fuel			10,000	10,000
8306 203	Compl Fluids & Chemicals			45,000	45,000
8306 204	Bits, Reamer, Stabilizers				0
8306 205	Cement & Cementing Svcs				0
8306 206	Logging & Perforation Svcs			275,000	275,000
8306 207	Csg Crews & Tools-Drive Hammer				0
8306 208	Directional Tools & Svcs				0
8306 209	Formation Stimulatn Acid Frac			3,600,000	3,600,000
8306 210	Formation Evaluation				0
8306 211	Tubular Inspection				0
8306 212	Equipment Rentals			165,000	165,000
8306 213	Contract Labor & Services				0
8306 214	Wellsite Consultant	\$ 2,000	60	120,000	120,000
8306 215	Company Supervision & Labor				0
8306 216	Transportation			20,000	20,000
8306 217	Mud Cuttings & Water Disposal			15,000	15,000
8306 218	Insurance				0
8306 219	Overhead				0
8306 220	Water & Water Well	1.35	475000	641,250	641,250
8306 221	Unanticipated MajExp Fishing				0
8306 222	Coil Tubing Services			95,000	95,000
8306 223	Misc Supplies & Materials			35,000	35,000
8306 224	Flowback Testing			75,000	75,000
8306 225	Legal & Permits			5,000	5,000
8306 226	Environmental & Safety Costs				0
8306 227	Plugging				0
8306 228	Completion Rig	\$ -	0	30,000	30,000
	SUBTOTAL			\$5,141,250	\$5,141,250
8306 299	CONTINGENCY (%) 0.00%			0	0
	SUB-TOTAL INTANGIBLE COMPLETION COSTS			\$5,141,250	\$5,141,250
	SUB-TOTAL INTANGIBLE COSTS			\$3,238,027	\$8,379,277

TANGIBLE DRILLING COSTS

ACCT.	DESCRIPTION	Rate	Units	DRYHOLE	TOTAL WELL COST
8308 301	Drive Pipe Conductor Casing	\$ -	0	\$20,000	\$20,000
8308 302	Surface Casing	\$ -	0	\$25,000	25,000
8308 303	Intermediate Casing	\$ -	0	\$60,000	60,000
8308 304	Intermediate Casing	\$ -	0	\$175,000	175,000
8308 305	Subs Flt Eqpt Centralizers Etc				0
8308 306	Casinghead Drilling Spool			\$60,000	60,000
8308 307	Sub Surface Equipment				0
8308 308	Outside Operated Other				0
	SUB-TOTAL TANGIBLE DRILLING COSTS			\$340,000	\$340,000

ATTACHMENT

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TANGIBLE COMPLETION COSTS

ACCT.	DESCRIPTION	Rate	Units	COMPLETION	TOTAL WELL COST
8309 401	Production Casing	\$ -	0	365,000	\$365,000
8309 402	Tubing	\$ -	0	45,000	45,000
8309 403	Subs Flt Egpt Centralizers Etc				0
8309 404	Sub Surface Equipment			30,000	30,000
8309 405	Xmas Tree Upper Section			60,000	60,000
8309 406	Outside Operated Other				0
SUB-TOTAL TANGIBLE COMPLETION COSTS				\$500,000	\$500,000
SUB-TOTAL TANGIBLE COSTS				\$340,000	\$840,000
SUB-TOTAL INTANGIBLE & TANGIBLE COSTS				\$3,578,027	\$5,641,250
					\$9,219,277

PRODUCTION EQUIPMENT COSTS

ACCT.	DESCRIPTION	Rate	Units	COMPLETION	TOTAL WELL COST
8311 501	Artificial Lift Equipment			\$15,000	\$15,000
8311 502	Prime Mover Electric Gas				0
8311 503	Sales Gathering Line				0
8311 504	Separation Equipment			50,000	50,000
8311 505	Oil Treating Heating Equipment				0
8311 506	Gas Treating Dehy Equipment				0
8311 507	Tanks			70,000	70,000
8311 508	Meters			55,000	55,000
8311 509	Electrical Equip Install			20,000	20,000
8311 510	Compressor				0
8311 511	Flowlines			50,000	50,000
8311 512	Labor			130,000	130,000
8311 513	Trucks Hauling Transportation				0
8311 514	Buildings				0
8311 515	Roads & Locations			10,000	10,000
8311 516	Manifolds & Headers			15,000	15,000
8311 517	Chemical Injection System				0
8311 518	Piping & Valves			50,000	50,000
8311 519	Welding				0
8311 520	Surface Pumps			5,000	5,000
8311 521	Filters				0
8311 522	Outside Operated Other				0
8311 523	Environmental & Safety			10,000	10,000
8311 524	Engineering Supervision			30,000	30,000
8311 525	Surface Facilities			15,000	15,000
SUB-TOTAL PRODUCTION EQUIPMENT				\$525,000	\$525,000
SUB-TOTAL INTANGIBLE COSTS (PAGE 1)				\$3,238,027	\$5,141,250
SUB-TOTAL TANGIBLE COSTS (PAGE 2)				\$340,000	\$840,000
GRAND TOTAL				\$3,578,027	\$6,166,250
LESS OUTSIDE INTERESTS				\$3,578,027	\$6,166,250
TOTAL NET COSTS				\$0	\$0

Notice to Nonoperator: Costs shown on this form are estimates only. Nonoperators should not consider these estimates as establishing any limit on monies which will be required to perform the proposed operation.

PREPARED BY		DATE	
APPROVED		DATE	
APPROVED		DATE	
APPROVED		DATE	

GROSS AFE AMOUNT - DRY HOLE	\$3,578,027
NET DRYHOLE AFE AMOUNT	\$0
NET ASSET TRANSFERS	\$0
CASH OUTLAY THIS AFE	\$0
PREVIOUS AFE'S ISSUED	\$0
TOTAL CASH OUTLAY	\$0

WORKING INTEREST APPROVAL

COMPANY	WORKING INTEREST	APPROVED BY	DATE