

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

Case No. 14316

EXHIBIT

1

**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 RSC RESOURCES LIMITED
PARTNERSHIP FOR A NON-STANDARD OIL
SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.**

Case No. 14,316

VERIFIED STATEMENT OF KIRK E. SMITH

Kirk E. Smith, being duly sworn upon his oath, deposes and states:

1. I am a contract landman for RSC Resources Limited Partnership, and have personal knowledge of the matters stated herein.
2. Pursuant to Division Rule NMAC 19.15.4.12.A(1), the following information is submitted in support of the application filed herein:
 - (a) No opposition is expected because the working interest owners being pooled have been contacted regarding the proposed well, and have simply not yet decided whether to join in the well or farm out their interests.
 - (b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order approving a non-standard oil spacing and proration unit (project area) comprised of Lot 1, NE/4NW/4, and N/2NE/4 (the N/2N/2 equivalent) of Section 31, Township 16 South, Range 28 East, NMPM, to form a non-standard 162.68-acre oil spacing and proration unit (project area) for any and all formations or pools developed on 40-acre spacing within that vertical extent, and pooling all mineral interests in the Wolfcamp formation (Undesignated Dog Canyon-Wolfcamp Pool) underlying the non-standard unit. The unit is to be dedicated to the Lucky Wolf "31" Fed. Com. Well No. 1, a horizontal well to be drilled at a surface location 330 feet from the north line and 150 feet from the west line of Section 30. The well will penetrate the Wolfcamp formation at an orthodox location 330 feet from the north line and approximately 330 feet from the west line, and have a terminus 330 feet from the north line and 330 feet from the east line, of Section 31.
 - (c) The parties being pooled, their working interests in the well unit, and their addresses, are set forth in Exhibit B.

Oil Conservation Division
Case No. 1
Exhibit No. 1

(d) A copy of the proposal letter sent to the uncommitted working interest owners are attached hereto as Exhibit C. In addition, I have had had telephone discussions with the parties being pooled. Applicant has made a good faith effort to obtain the voluntary joinder of the working interest owners in the well unit.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against any non-consenting working interest owner.

(f) Overhead charges of \$7000/month for a drilling well, and \$700/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant also requests that the order contain a provision adjusting the rates pursuant to the COPAS accounting procedure.


(g) Applicant requests that it be designated operator of the well.

(h) Attached as Exhibit D is a listing of working interest owners or operators offsetting the non-standard well unit.

VERIFICATION

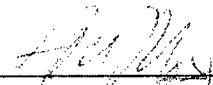
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

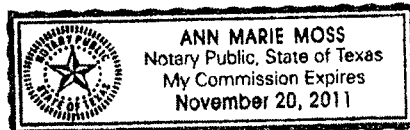
Kirk E. Smith, being duly sworn upon his oath, deposes and states that: He is a contract landman for RSC Resources Limited Partnership; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

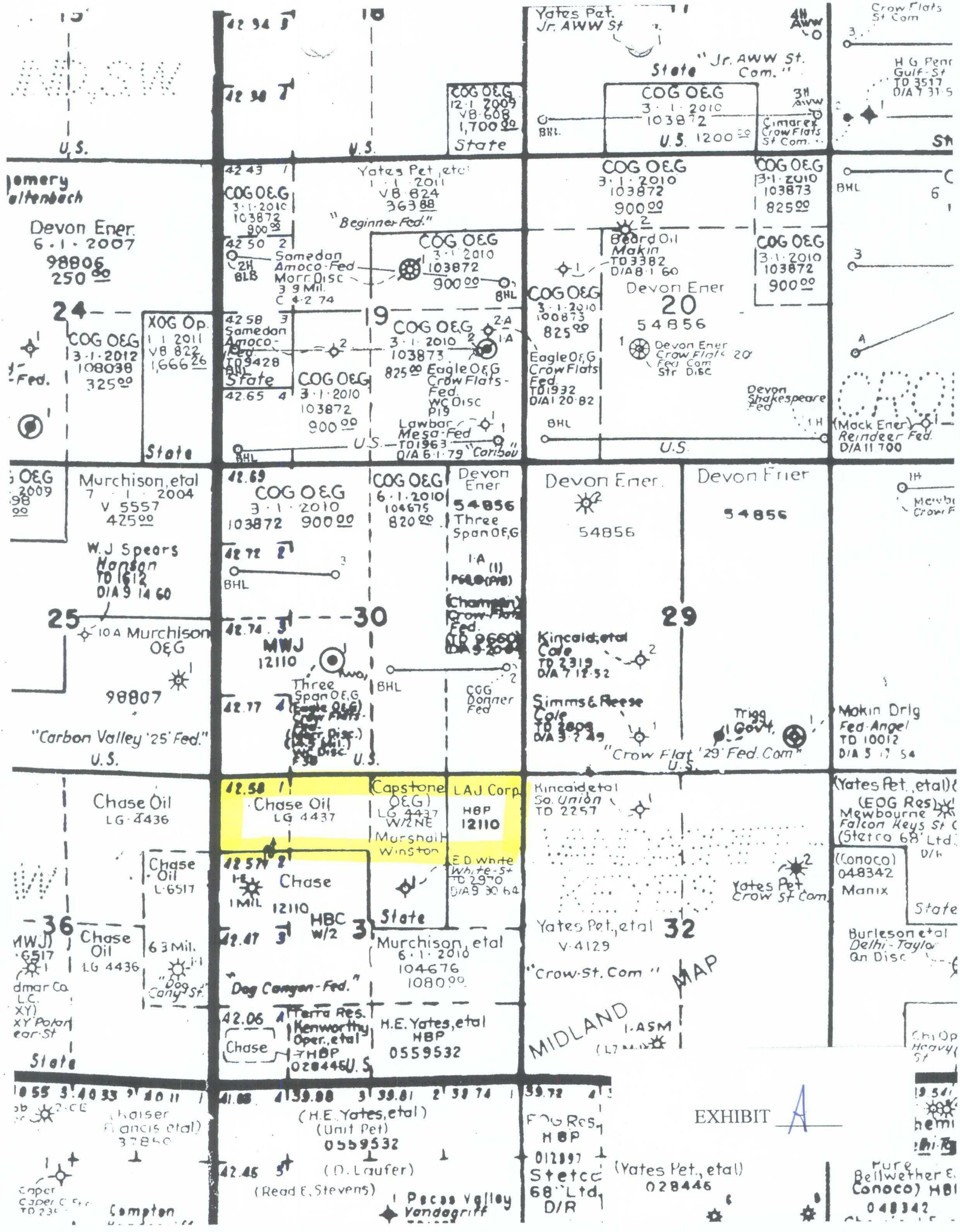

Kirk E. Smith

SUBSCRIBED AND SWORN TO before me this 11th day of May, 2009 by Kirk E. Smith.

My Commission Expires: 11-20-11


Notary Public





EXHIBIT

A

N2N2-31 16-28 Eddy NM

Unit WI Summary

162.68 gross acres

Unit WI	Net Acres	
---------	-----------	--

RSC Resources, LP 6824 Island Circle Midland, Tx. 79707	0.681885133	110.9290734	signed RSC JOA
---	-------------	-------------	----------------

Peregrine Production, LLC P.O. Box 1944 Midland, Tx. 79702	0.292236486	47.51103154	signed RSC JOA
--	-------------	-------------	----------------

Cal Mon Oil Company 500 W. Texas Avenue, Suite 1200 Midland, Tx. 79701	0.011728275	1.907955777	signed RSC JOA
--	-------------	-------------	----------------

Monaghan Living Trust 500 W. Texas Avenue, Suite 1200 Midland, Tx. 79701	0.001393484	0.226691977	signed RSC JOA
--	-------------	-------------	----------------

Hill Investment Ltd. P.O. Box 1568 Cedar Park, Tx. 78630	0.00115	0.187082	
--	---------	----------	--

H-S Minerals and Realty, Ltd. P.O. Box 27284 Aurstin, Tx. 78755-2284	0.00115	0.187082	
--	---------	----------	--

Mary Chambers #2 Stone Creek Brownwood, Tx. 76801	0.00010578	0.01720829	
---	------------	------------	--

Burton Crain 18126 Cerca Piedra San Antonio, Tx. 78259	0.00010578	0.01720829	
--	------------	------------	--

Hill Revocable Trusts 3343 Locke Avenue, #103 Fort Worth, Tx. 76107	0.010245062	1.666666686	Signed JDA
---	-------------	-------------	------------

total :	1	162.68	
---------	---	--------	--

EXHIBIT

B

RSC Resources, L.P.

6824 Island Circle
Midland, Tx. 79707
(432) 553-1849
(432) 683-5266 (fax)
rsc.l.p@sbcglobal.net

12-9-08

Addressee : SEE EXHIBIT "A"

sent via certified mail

Re: Proposed Drilling Operation
Lucky Wolf 31 Fed Com No. 1H
Surface ; 330' FNL and 330' FEL
Bottom hole : 330' FNL and 330' FWL
Unit description : T-16-S, R-28-E, Section 31 : N2N2
Eddy County, NM.

Gentlemen,

RSC Resources, L.P. ("RSC"), in association with Peregrine Production, LLC, owns a leasehold interest in the referenced lands. RSC is a registered operator in the State of New Mexico. RSC proposes the drilling and completion of a well at the cited location.

RSC plans to drill a horizontal well to a total measured depth of 11,000 feet, to test the Wolfcamp Formation. The estimated DHC will be \$ 1,983,000; CC \$ 1,790,000; CWC \$ 3,773,000.

As an alternative to joining in this proposed operation, RSC is willing to discuss a Farm Out of your interest.

Please be advised that RSC must initiate Compulsory Pooling efforts if you do not join in the proposed operation or agree to an alternative arraignment concerning your leasehold.

Please indicate your election below. Should you have any questions or comments concerning this matter, please contact the undersigned or Kirk E. Smith, Peregrine Production, LLC at (432) 683-5266.

Sincerely,
RSC Resources, L.P.

Randy S. Cate

cc; K.E. Smith

_____ elect to participate in proposed operation

_____ elect non-consent to proposed operation

EXHIBIT

C

EXHIBIT "A"

Addressee's

Chase Oil Corporation
P.O. Box 1767
Artesia, NM. 88210

Kenworthy Operating Co.
6317 S. 33rd W. Ave., #135
Tulsa, OK 74132

Cal-Mon Oil Company
500 W. Texas, Suite 1200
Midland, TX 79701-4281

Theila L. Smith
1354 N. Castle Road
Sonoma, CA 95476

Thelma Bernice Houston
1681 Corisca Drive
Yuba City, CA 95993

Glenn E. Houston
1965 Cole Court
Yuba City, CA 95993

Todd R. Houston
73109 Desert Greens
Palm Desert, CA 92260

Kenneth C. Smith
525 11th Avenue, #1308
San Diego, CA 92101

Reid W. Smith
8104 Pinon Place
Bozeman, MT 59718

Monaghan Living Trust
500 W. Texas, Suite 1200
Midland, TX 79701

Bill Allison
10 E. Independence
Shawnee, OK. 74801

Fred Allison III
203 W. Wall Street, Suite 500
Midland, Tx. 79701

Joel Castello Profit Sharing Trust
P.O. Box 8426
Midland,. Tx. 79708

Mary Chambers
#2 Stone Creek
Brownwood, Tx. 76801

Flynt Chancellor
P.O. Box 1821
Midland, Tx. 79702

Burton Crain
18126 Cerca Piedra
San Antonio, Tx. 78259

Bobby Gleason
4004 85th Place
Lubbock, Tx. 79423

Al Mersiovsky
3609 85th Place
Lubbock, Tx. 79423

Wayne Newkumet Profit Sharing
Plan
P.O. Box 11330
Midland, Tx. 79702

Tierra Prometida, Inc.
P.O. Box 4848
Horseshoe Bay, Tx. 78657

END EXHIBIT "A"

RSC REROURCES, L.P.
AUTHORITY FOR EXPENDITURE
DRILLING & COMPLETION

12/09/08

Well Name: Lucky Wolf 31 Fed Com No. 1H Depth & Objective: 11,000' Wolfcamp
Surf: 330' FNL & 330' FEL, Sec. 31-T16S-R28E, Eddy County, New Mexico
BHL: 330' FNL & 330' FWL, Sec. 31-T16S-R28E, Eddy County, New Mexico

INTANGIBLE COSTS	BCP	ACP	TOTAL
Survey, Staking, ROW, Permits	15,000	2,000	17,000
Roads & Location, Pits, Remediate	60,000	42,000	102,000
Rig - \$14,000/day, 45 :3	630,000	42,000	672,000
Completion Unit-\$4500/d	0,000	67,500	67,500
Fuel & Power	100,000	15,000	115,000
Mud, Water, Chemicals	120,000	25,000	145,000
Bits, Tools	100,000	10,000	110,000
Cement, Casing Crews, Testing	45,000	45,000	90,000
Float Equipment, Centralizers	5,000	3,000	8,000
Logging, Perforating, Wireline	40,000	40,000	80,000
Closed Loop Mud System	120,000	0,000	120,000
Mud Logging Unit	24,000	0,000	24,000
Directional Drilling	160,000	0,000	160,000
Stimulation, Treating	0,000	700,000	700,000
Rentals	90,000	20,000	110,000
Trucking, Rig Mobilization	100,000	5,000	105,000
Welding, Roustabout Crews	30,000	8,000	38,000
Water Disposal, Clean-up	22,000	20,000	42,000
Contract Labor, Supervision	50,000	5,000	55,000
Company Supervision	15,000	5,000	20,000
Miscellaneous, Other	25,000	25,000	50,000
Contingency	100,000	70,000	170,000
TOTAL INTANGIBLES	1,851,000	1,149,500	3,000,500

TANGIBLE COSTS			
Surface Casing, 500' 13.375"	25,000		25,000
Intermediate Casing, 2300' 9.625"	75,000		75,000
Production Casing, 11,200' 5.5"		240,000	240,000
Tubing, 6,700' 2.875"		40,000	40,000
Wellhead Equipment	15,000	6,000	21,000
Pumping Unit, Engine		120,000	120,000
Rods, Pump		60,000	60,000
Gas Compressor		0,000	0,000
Tanks		35,000	35,000
Heater Treater, Separator, Dehy		25,000	25,000
Packers, Anchors, Hangers		35,000	35,000
Flow lines, Fittings, Valves		20,000	20,000
Meters, Electrical		8,500	8,500
Miscellaneous, Other	5,000	11,000	16,000
Contingency	12,000	40,000	52,000
TOTAL TANGIBLES	132,000	640,500	772,500

TOTAL WELL COSTS	1,983,000	1,790,000	3,773,000
-------------------------	------------------	------------------	------------------

Prepared By: Randall Cate

This AFE is an estimate. Actual costs will vary and may be significantly higher. By signing you agree to pay your share of the actual costs.

Company : _____
BY: _____
Printed Name: _____
Title: _____
Date: _____

RSC Resources, L.P.

6824 Island Circle
Midland, Tx. 79707
(432) 553-1849
(432) 683-5266 (fax)
rsc.l.p@sbcglobal.net

4-8-09

Addressee : SEE EXHIBIT "A"

Re: Proposed Drilling Operation
Lucky Wolf 31 Fed Com No. 1H
Surface ; 330' FNL and 150' FWL
Bottom hole : 330' FNL and 330' FEL
Unit description : T-16-S, R-28-E, Section 31 : N2N2
Eddy County, NM.

Gentlemen,

RSC Resources, L.P. ("RSC"), in association with Peregrine Production, LLC, owns a leasehold interest in the referenced lands. RSC is a registered operator in the State of New Mexico. RSC proposes the drilling and completion of a well at the cited location.

RSC plans to drill a horizontal well to a total measured depth of 11,200 feet, to test the Wolfcamp Formation. The estimated DHC will be \$ 1,796,000; CC \$ 1,249,000; CWC \$ 3,045,000.

As an alternative to joining in this proposed operation, RSC is willing to discuss a Farm Out of your interest.

Please be advised that RSC must initiate Compulsory Pooling efforts if you do not join in the proposed operation or agree to an alternative arrangement concerning your leasehold.

Please indicate your election below. Should you have any questions or comments concerning this matter, please contact the undersigned or Kirk E. Smith, Peregrine Production, LLC at (432) 683-5266.

Sincerely,
RSC Resources, L.P.



Randy S. Cate

cc; K.E. Smith

_____ elect to participate in proposed operation

_____ elect non-consent to proposed operation

EXHIBIT "C"
Lucky Wolf "31" Fed. Com
No. 1

EXHIBIT "A"

Addressee's

Chase Oil Corporation
P.O. Box 1767
Artesia, NM. 88210

Cal-Mon Oil Company
500 W. Texas, Suite 1200
Midland, TX 79701-4281

Glenn E. Houston
1965 Cole Court
Yuba City, CA 95993

Todd R. Houston
73109 Desert Greens
Palm Desert, CA 92260

Monaghan Living Trust
500 W. Texas, Suite 1200
Midland, TX 79701

Mary Chambers
#2 Stone Creek
Brownwood, Tx. 76801

Burton Crain
18126 Cerca Piedra
San Antonio, Tx. 78259

Bobby Gleason
4004 85th Place
Lubbock, Tx. 79423

HS Minerals and Realty, Ltd.
P.O. Box 27284
Austin, Tx. 78755-2284

Hill Investments, Casody
Enterprises, L.L.C.
P.O. Box 1568
Cedar Park, Tx. 78630

Hill Trusts
3343 Locke Avenue, #103
Fort Worth, Tx. 76107

END EXHIBIT "A"

RSC REROURCES, L.P.
AUTHORITY FOR EXPENDITURE
DRILLING & COMPLETION

3/12/09

Well Name: Lucky Wolf 31 Fed Com No. 1H Depth & Objective: 11,200' Wolfcamp
Surf: 330' FNL & 150' FWL, Sec. 31-T16S-R28E, Eddy County, New Mexico
BHL: 330' FNL & 330' FEL, Sec. 31-T16S-R28E, Eddy County, New Mexico

<u>INTANGIBLE COSTS</u>	<u>BCP</u>	<u>ACP</u>	<u>TOTAL</u>
Survey, Staking, ROW, Permits	15,000	2,000	17,000
Roads & Location, Pits, Remediate	60,000	40,000	100,000
Rig - \$12000/day, 40 :4	480,000	48,000	528,000
Completion Unit-\$4000/d	0,000	48,000	48,000
Fuel & Power	100,000	15,000	115,000
Mud, Water, Chemicals	70,000	25,000	95,000
Bits, Tools	70,000	10,000	80,000
Cement, Casing Crews, Testing	45,000	45,000	90,000
Float Equipment, Centralizers	5,000	3,000	8,000
Logging, Perforating, Wireline	30,000	30,000	60,000
Closed Loop Mud System	100,000	0,000	100,000
Mud Logging Unit	24,000	0,000	24,000
Directional Drilling	120,000	0,000	120,000
Stimulation, Treating	0,000	400,000	400,000
Rentals	90,000	20,000	110,000
Trucking, Rig Mobilization	80,000	5,000	85,000
Welding, Roustabout Crews	30,000	8,000	38,000
Water Disposal, Clean-up	22,000	20,000	42,000
Contract Labor, Supervision	40,000	16,000	56,000
Company Supervision	15,000	5,000	20,000
Miscellaneous, Other	25,000	25,000	50,000
Contingency	100,000	70,000	170,000
<u>TOTAL INTANGIBLES</u>	<u>1,521,000</u>	<u>835,000</u>	<u>2,356,000</u>

<u>TANGIBLE COSTS</u>			
Surface Casing, 500' 13.375"	20,000		20,000
Intermediate Casing, 2000' 9.625"	60,000		60,000
Production Casing, 11,400' 7" & 4.5"	168,000	120,000	288,000
Tubing, 6,200' 2.875"		30,000	30,000
Wellhead Equipment	12,000	6,000	18,000
Pumping Unit, Engine		85,000	85,000
Rods, Pump		40,000	40,000
Gas Compressor		0,000	0,000
Tanks		25,000	25,000
Heater Treater, Separator, Dehy		25,000	25,000
Packers, Anchors, Hangers		25,000	25,000
Flow lines, Fittings, Valves		20,000	20,000
Meters, Electrical		8,000	8,000
Miscellaneous, Other	5,000	10,000	15,000
Contingency	10,000	20,000	30,000
<u>TOTAL TANGIBLES</u>	<u>275,000</u>	<u>414,000</u>	<u>689,000</u>

<u>TOTAL WELL COSTS</u>	<u>1,796,000</u>	<u>1,249,000</u>	<u>3,045,000</u>
--------------------------------	-------------------------	-------------------------	-------------------------

Prepared By: Randall Cate

This AFE is an estimate. Actual costs will vary and may be significantly higher. By signing you agree to pay your share of the actual costs.

Company : _____
BY: _____
Printed Name: _____
Title: _____
Date _____


[Home](#) | [Help](#) | [Sign In](#)
[Track & Confirm](#)
[FAQs](#)

Track & Confirm

Search Results

Label/Receipt Number: **7007 2560 0002 4798 2001**

Associated Label/Receipt:

Detailed Results:

- Delivered, April 11, 2009, 10:47 am, BROWNWOOD, TX 76801
- Acceptance, April 09, 2009, 4:53 pm, MIDLAND, TX 79701

Track & Confirm

Enter Label/Receipt Number.

Go >

< Back

Return to USPS.com Home >

Notification Options

Track & Confirm by email

Get current event information or updates for your item sent to you or others by email.

Go >

[Site Map](#)
[Contact Us](#)
[Forms](#)
[Gov't Services](#)
[Jobs](#)
[Privacy Policy](#)
[Terms of Use](#)
[National & Premier Accounts](#)

Copyright© 1999-2007 USPS. All Rights Reserved.

No FEAR Act EEO Data

FOIA

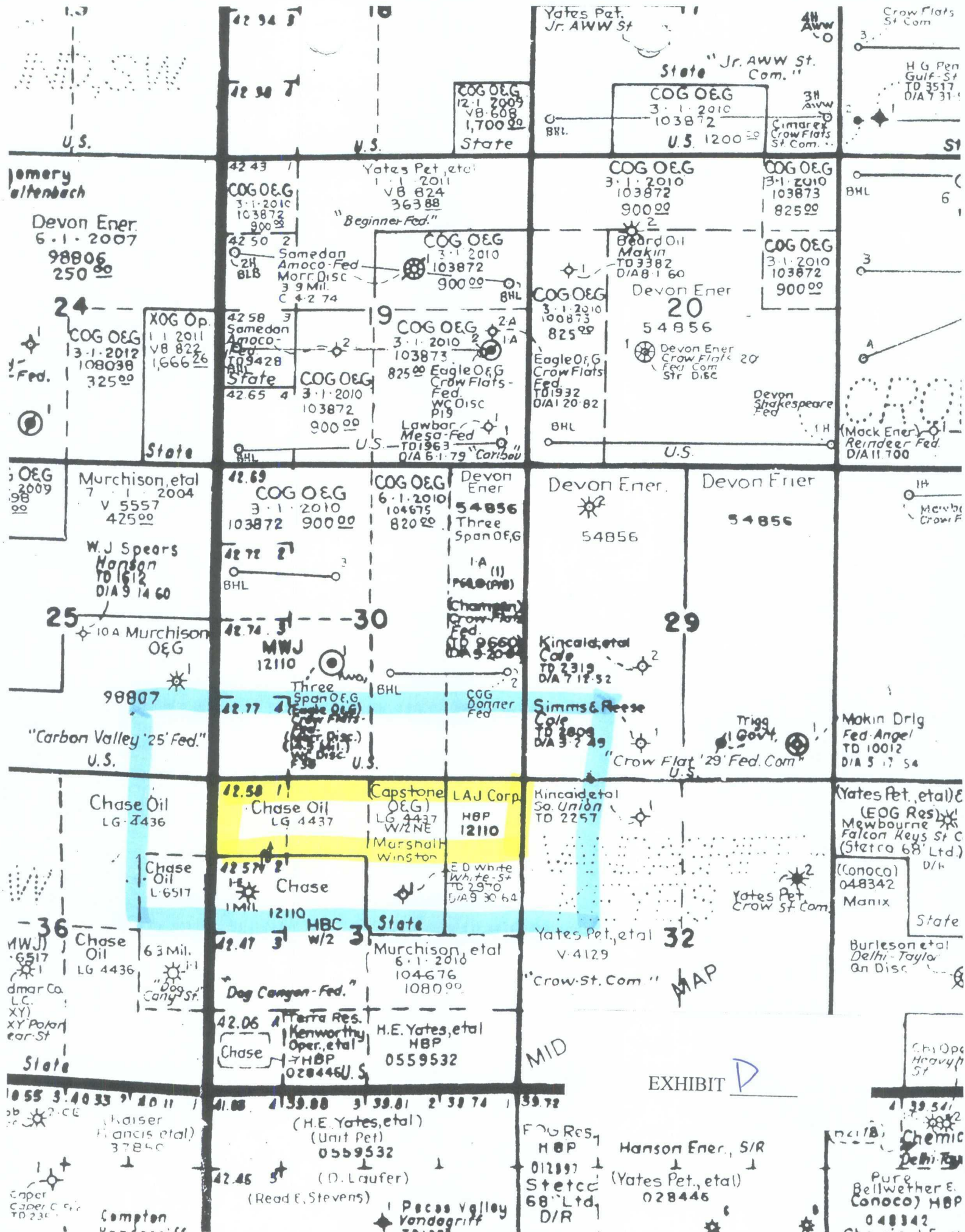

[USPS Information](#)
[Customer Support](#)

[International Services](#)
[Domestic Mail](#)

U.S. Postal Service™	
CERTIFIED MAIL™ RECEIPT	
(Domestic Mail Only; No Insurance Coverage Provided)	
For delivery information visit our website at www.usps.com	
OFFICIAL USE	
Postage	\$ 0.59
Certified Fee	\$2.70
Return Receipt Fee (Endorsement Required)	\$2.20
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage	\$5.49
Sent To Mary Chambers #2 Stone Creek Brownwood, Tx. 76801	
Street, Apt. No. or PO Box No. City, State, ZIP	
PS Form 3800, August 2008	

7007 2560 0002 4798 2001

0702
07
Postmark Here
APR-9-2009
04/09/2009



N $\frac{1}{2}$ N $\frac{1}{2}$ §31-16S-28E
Offset Operators or Lessees

SE $\frac{1}{4}$ SE $\frac{1}{4}$ §25-16S-27E

Murchison Oil & Gas, Inc.
Devon Energy Production Company, L.P.

Lot 4 and SE $\frac{1}{4}$ SW $\frac{1}{4}$ §30-16S-28E

RSC Resources Limited Partnership
Eagle Oil & Gas, Ltd.

SW $\frac{1}{4}$ SE $\frac{1}{4}$ §30-16S-28E

COG Operating, LLC

SE $\frac{1}{4}$ SE $\frac{1}{4}$ §30-16S-28E

RSC Resources Limited Partnership

SW $\frac{1}{4}$ SW $\frac{1}{4}$ §29-16S-28E

Devon Energy Production Company, L.P.
Sargon Investments One Ltd.
William Wallace

W $\frac{1}{2}$ NW $\frac{1}{4}$ §32-16S-28E

Yates Petroleum Corporation

SE $\frac{1}{4}$ NE $\frac{1}{4}$ §31-16S-28E

Judson Operating, Ltd.
LAJ Exploration
Sigmar, Inc.

SW $\frac{1}{4}$ NE $\frac{1}{4}$ §31-16S-28E

Cal-Mon Oil Company
Marshall & Winston, Inc.
Capstone Oil & Gas Co., L.P.

S $\frac{1}{2}$ NW $\frac{1}{4}$ §31-16S-28E

Chase Oil Corporation
JKM Energy, LLC

E $\frac{1}{2}$ NE $\frac{1}{4}$ §36-16S-27E

Chase Oil Corporation
JKM Energy, LLC
Stratco Operating Co., Inc.
Marks and Garner Production Ltd. Co.