

DATE: 6/27/16	RESPONSE	PREPARED: LRL	LOGGED IN: 6/28/16	TYPE: NSL	PLEL: 1618053739
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase] **NSL-**
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

James Bruce

Print or Type Name

Signature

Title

Date

e-mail Address

James Bruce
 6/15/16
 jamesbruce@aol.com

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

June 15, 2016

Michael McMillan
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. McMillan:

Pursuant to Division Rule NMAC 19.15.15.13, Atoka Operating, Inc. applies for approval of an unorthodox oil well location for the following well:

<u>Well name:</u>	Kinsolving 2 Well No. 1
<u>Surface location:</u>	1750 feet FNL and 180 feet FEL §2
<u>Well unit:</u>	SW¼NW¼ §1 and SE¼NE¼ §2, Township 13 South, Range 37 East, N.M.P.M., Lea County, New Mexico

This well is being drilled as a vertical well to test to test the Devonian formation (Southwest Gladiola-Devonian Pool). A C-102 for the well is attached hereto.

Order No. R-13939 (copy attached) approved the non-standard unit and an unorthodox location 1750 feet FNL and 30 feet FEL §2, and force pooled several interests into the well.¹ After further review of the geological and geophysical information, applicant has decided that the best location to test the top of the Devonian structure is at the proposed 1750 feet FNL and 180 feet FEL §2. The reservoir being tested lies in both the SW¼NW¼ §1 and SE¼NE¼ §2, thus the non-standard 80 acre unit is proper.

The NW¼ §1 is a single tract with common ownership, and the NE¼ §2 is a separate tract with common ownership. Thus, no interest owners in those tracts are adversely affected by the

¹ The well was to be commenced by December 31, 1015, but the Division approved a one year extension of the well commencement deadline. The Division order was obtained by JLA Resources Company. The applicant herein is the successor operator of the proposed well.

location. In addition, the well is further away from the SW¼ §1 than the minimum allowed by the pool rules, and no interest owner in that land is affected.

Therefore, the proposed well will have no adverse effect on any offset, and notice of this application has not been given to anyone.

Very truly yours,

A handwritten signature in cursive script, appearing to read "James Bruce".

James Bruce

Attorney for Atoka Operating, Inc.

District I
1826 N. French Dr., Hobbs, NM 88240
Phone (575) 363-6101 Fax (575) 323-0720

District II
911 S. First St., Artesia, NM 88210
Phone (575) 745-1232 Fax (575) 745-0720

District III
1000 Rio Brazos Rd., Artesia, NM 88210
Phone (505) 334-9175 Fax (505) 334-8170

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-3470 Fax (505) 476-3450

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form O-101
August 1, 2011
Permit 221756

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address ATOKA OPERATING, INC. 16200 Addison Road, Suite 155 Addison, TX 75001		2. OGRID Number 371356
4. Property Code 316281		3. API Number 30-025-43295
5. Property Name KINSOLVING 2		6. Well No 001

7. Surface Location										
UL - Lot	Section	Township	Range	Location	Feet From	N/S Line	Feet From	E/W Line	County	Lea
H	2	13S	37E		1750	N	150	E		

8. Proposed Bottom Hole Location										
UL - Lot	Section	Township	Range	Location	Feet From	N/S Line	Feet From	E/W Line	County	Lea
H	2	13S	37E	H	1750	N	150	E		

9. Pool Information	
KING DEVONIAN, NORTH	35920

Additional Well Information				
11. Work Type New Well	12. Well Type OIL	13. Casing Rotary	14. Lease Type Private	15. Ground Level Elevation 3872
16. Multiple N	17. Proposed Depth 12500	18. Formation Devonian	19. Connector	20. Spud Date 6/30/2016
Distance to Ground water		Distance from nearest fresh water well		Distance to nearest surface water

☒ We will be using a closed-loop system in lieu of lined pits

21. Proposed Casing and Cement Program						
Type	Hole Size	Casing Size	Casing Weight	Casing Depth	Section of Cement	Estimated TOC
Surf	17.5	13.375	48	400	450	0
Int1	11	8.625	32	4500	1200	0
Prod	7.375	5.5	20	12500	1200	4000

Casing/Cement Program: Additional Comments
Circulate cement on surface and intermediate and cement to tie back plus 500' on production casing.

22. Proposed Blowout Prevention Program			
Type	Working Pressure	Test Pressure	Manufacturer
Annular	5000	10000	Unknown
Double Ram	5000	10000	Unknown

23. I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify I have complied with 19.15.14.9 (A) NMAC <input checked="" type="checkbox"/> and/or 19.15.14.9 (B) NMAC <input checked="" type="checkbox"/> if applicable.	OIL CONSERVATION DIVISION	
Signature: Printed Name: Electronically filed by Ella Kidd Title: Email Address: ekidd@nsoil.net Date: 5/31/2016	Approved By: Paul Kautz Title: Geologist Approved Date: 6/22/2016 Conditions of Approval Attached	
Date: 5/31/2016 Phone: 972-497-9053		

DISTRICT I
1623 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
DISTRICT II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
DISTRICT III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025 43295	Pool Code 27760	Pool Name SOUTHWEST GLADIOLA-DEVONIAN
Property Code	Property Name KINSOLVING 2	Well Number 1
GRID No	Operator Name ATOKA OPERATING, INC.	Elevation 3872'

Surface Location

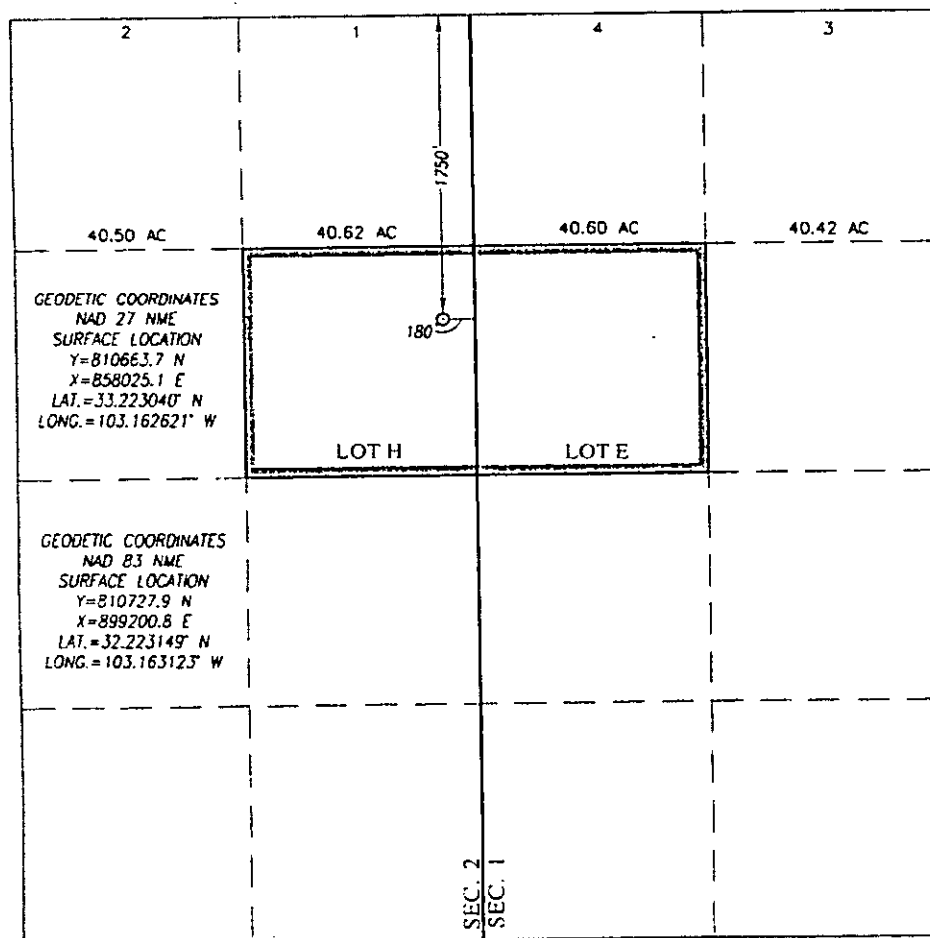
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	2	13-S	37-E		1750	NORTH	180	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 80	Joint or Infill	Consolidation Code	Order No. R-13939
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____

E-mail Address _____

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

MARCH 10, 2015

Date of Survey
Signature & Seal of Professional Surveyor:

Ronald J. Eidson 5/18/2016
Certificate Number Gary G. Eidson 12641
Ronald J. Eidson 3239
ACK JWSC W.O. 16 11 0340

Lowe, Leonard, EMNRD

From: jamesbruc@aol.com
Sent: Wednesday, June 29, 2016 9:34 AM
To: Lowe, Leonard, EMNRD
Subject: Atoka Operating NSL application
Attachments: Atoka-C-102.pdf

Leonard: Attached is the C-102 you asked for.

Let me know if you need anything else.

Jim Bruce

too small to read.

Harry
(NSP) (R-

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:

CASE NO. 15225
ORDER NO. R-13939

APPLICATION OF JLA RESOURCES COMPANY FOR A NON-STANDARD
OIL SPACING AND PRORATION UNIT, UNORTHODOX OIL WELL
LOCATION, AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 30, 2014, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze, and on November 20, 2014, before Examiner William V. Jones.

NOW, on this 3rd day of December, 2014, the Division Director, having considered the testimony, the record and the recommendations of Examiner Goetze,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) JLA Resources Company ("JLA" or "Applicant") seeks approval of a non-standard 80-acre oil spacing and proration unit (the "Unit") in the Devonian formation, Southwest Gladiola-Devonian Pool (Pool code 27760), comprised of the SW/4 of the NW/4 (Unit letter E) of Section 1, Township 13 South, Range 37 East, and the SE/4 of the NE/4 (Unit letter H) of Section 2, Township 13 South, Range 37 East, NMPM, Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Devonian formation that is in the Unit.

(3) The Unit will be dedicated to the Applicant's Kinsolving 2 Well No. 1 (the "proposed well"; API No. 30-025-pending) which is proposed to be drilled from an unorthodox location 1750 feet from the North line and 30 feet from the East line (Unit letter H) of Section 2. In addition to approval of the non-standard oil spacing and

proration unit and compulsory pooling, Applicant seeks approval of the unorthodox well location.

(4) The closest Devonian pool to the proposed well is the Southwest Gladiola-Devonian Pool (Pool code 27760). This Pool is governed by Special Rules and Regulations promulgated by Division Order No. R-1724, as amended by Order No. R-1724-A, where each well shall be located in a unit containing 80 acres, more or less, which consists of any two contiguous quarter-quarter sections of a single governmental quarter section and wells shall be located within 150 feet of the center of either quarter-quarter section in the 80-acre unit. The proposed 80-acre Unit consists of two adjacent quarter-quarter sections; however, the Unit is not within a single governmental quarter section. This location makes the Unit non-standard with respect to the Southwest Gladiola-Devonian Pool.

(5) Applicant appeared at the hearing through counsel and presented land and geologic evidence to the effect that:

- (a) Applicant's geological analysis indicates that the Devonian reservoir is a water-drive reservoir and can be most efficiently produced from the location of the highest structural elevation of the reservoir in the Unit;
- (b) Applicant's seismic information indicates that the proposed well location is at the highest structural elevation within the Unit resulting in an unorthodox well location;
- (c) the Applicant has leased all mineral interests in the NW/4 of Section 1, but there are unleased mineral interests in the NE/4 of Section 2;
- (d) Applicant requests that Sojourner Drilling Corporation be designated the operator of the well; and
- (e) Applicant provided notice of publication before hearing in a newspaper of general circulation in the county in which the property is located for the unlocatable interests.

(6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(7) Approval of the proposed non-standard unit and non-standard location will enable the Applicant to drill a well that will efficiently produce the reserves underlying the Unit, thereby preventing waste and will not impair correlative rights.

(8) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(9) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location.

(10) There are interest owners in the Unit that have not agreed to pool their interests.

(11) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(12) Sojourner Drilling Corporation should be designated the operator of the proposed well and of the Unit.

(13) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the proposed well.

(14) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,500 per month while drilling and \$750 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations."

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 80-acre oil spacing and proration unit (the "Unit") is hereby established for the Devonian formation in the Southwest Gladiola-Devonian Pool (Pool code 27760), comprised of the SW/4 of the NW/4 (Unit letter E) of Section 1, Township 13 South, Range 37 East, NMPM, and the SE/4 of the NE/4 of Section 2 (Unit letter H), Township 13 South, Range 37 East, NMPM, in Lea County, New Mexico.

(2) Pursuant to the application of JLA Resources Company, all uncommitted interests, whatever they may be, in the Devonian formation in the Unit are hereby pooled.

(3) The Unit shall be dedicated to the Applicant's Kinsolving 2 Well No. 1 (the "proposed well"; API No. 30-025-pending), proposed to be drilled at a non-standard location 1750 feet from the North line and 30 feet from the East line (Unit letter H) of Section 2.

(4) The unorthodox location of the proposed well in the Southwest Gladiola-Devonian Pool is hereby approved.

(5) The operator of the Unit shall commence drilling the proposed well on or before December 31, 2015, and shall thereafter continue drilling the proposed well with due diligence to test the Devonian formation.

(6) In the event the operator does not commence drilling the proposed well on or before December 31, 2015, Ordering Paragraphs (1) and (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(7) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence.

(8) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the Unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.

(9) Sojourner Drilling Corporation (OGRID 270717) is hereby designated the operator of the well and the Unit.

(10) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(11) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(12) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no

objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(13) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(14) The operator is hereby authorized to withhold the following costs and charges from production from the well:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(15) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(16) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7,500 per month while drilling and \$750 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

(17) Except as provided in Paragraphs (14) and (16) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A7-8A-28, as amended).

(18) Any unleased mineral interests shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(19) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this order shall thereafter be of no further effect.

(20) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

(21) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein above designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Scott Dawson

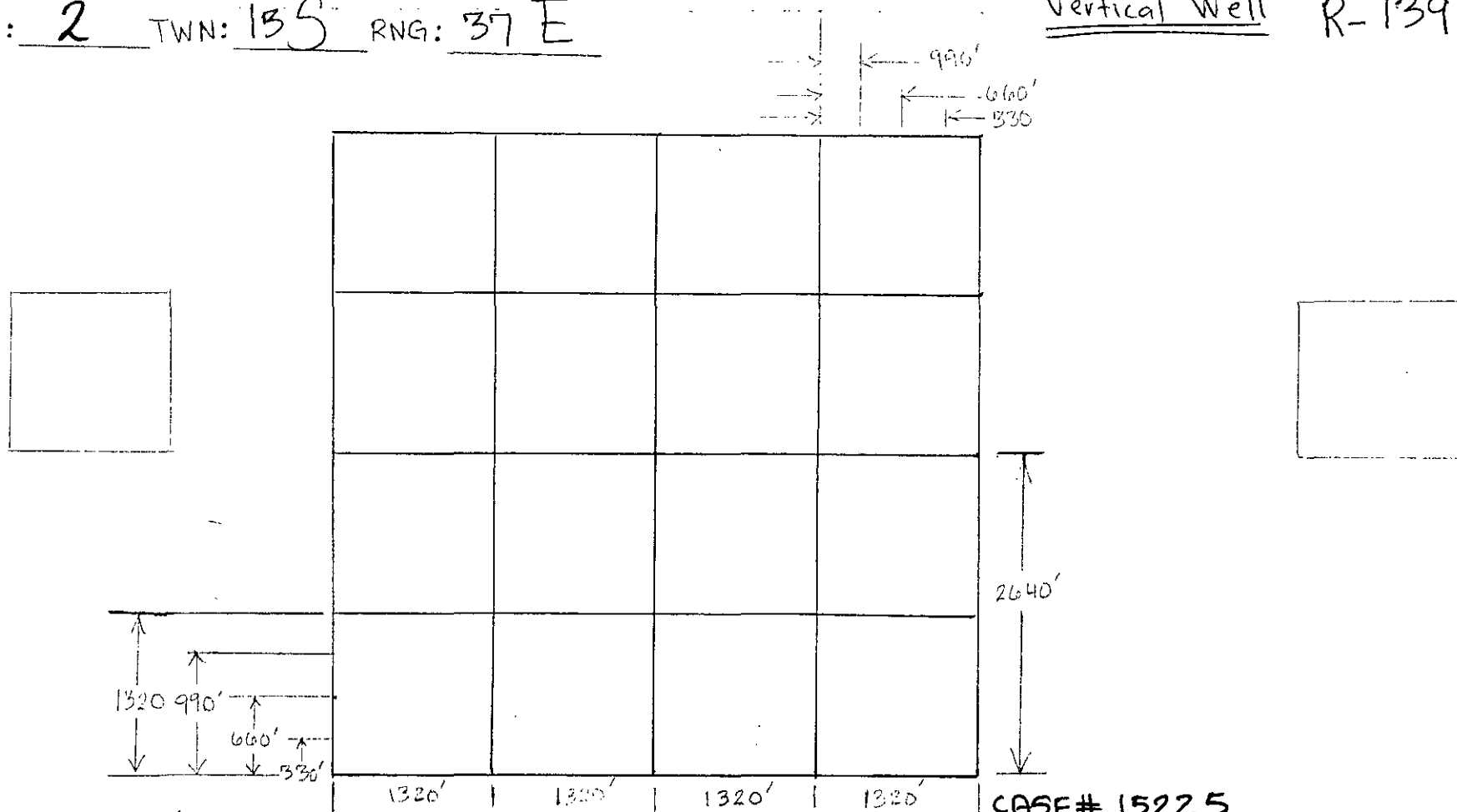
for SAMI BAILEY
Director

NSL: _____ OPERATOR: Atoka Operating [371356] API: 300-025-43295

POOL: KING; DEVONIAN, NORTH [35920] WELL NAME: Kinsolving 2 Well No. 1

SEC: 2 TWN: 13S RNG: 37E

Vertical Well R-13939



S.L. → 1750' FNL & 180' FEL

P₁ →

P₂ →

B.L. →

CASE# 15225
R-13939

~~GAS: 320' ACRE SPACING
660' SET BACK
(933 HYP)~~

~~OIL: 40' ACRE SPACING
330' SET BACK
(466) HYP~~

DATE RECEIVED: 6/27/16 + 21 DAYS ⇒ 7/7/16 ^{NOW}

OR