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

APPLICATION OF ADVANCE ENERGY PARTNERS HAT MESA, LLC FOR A NON-STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

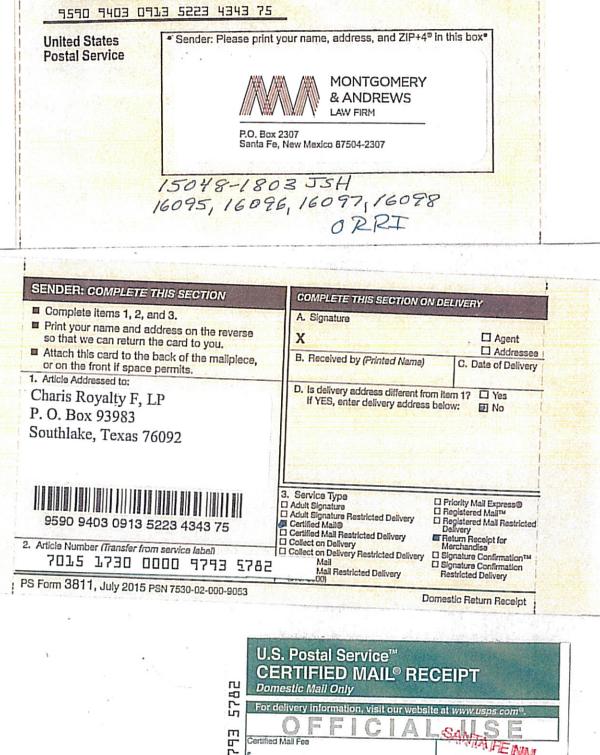
CASE Nos. 16095, 16096, 16097, 16098

3 of 4

ADVANCE ENERGY PARTNERS HAT MESA, LLC May 31, 2018

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| 1 | Bullhead Energy, LLC Sin 217 Rupert Street Fort Worth, Texas 76107 | |

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| 1. Article Addressed to: Bullhead Energy, LLC | D. Is delivery address different from item 1? Yes If YES, enter delivery address below: |
| 217 Rupert Street Fort Worth, Texas 76107 | |



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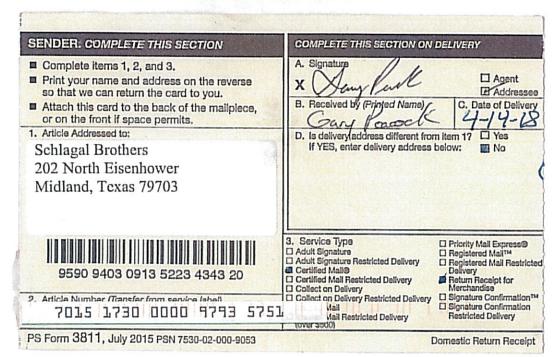
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| 1. Article Addressed to: Mike Petraitis, MSU P.O. Box 10886 Midland, Texas 79702 | D. Is delivery address different from Item 1? ↑ □ Yes ↑ ↑ If YES, enter delivery address below: □ No |
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J. SCOTT HALL
Cell: (505) 670-7362
Email: shall@montand.com

www.montand.com

April 10, 2018

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED

TO: ALL OFFSET OPERATORS ON ATTACHED LIST

Re: NMOCD Case No. 16096 - Woolhead #502H

Application of Advance Energy Partners Hat Mesa, LLC for a Non-Standard Oil Spacing and Proration Unit and Compulsory Pooling, Lea County,

New Mexico

Dear Sir or Madam:

This will advise that Advance Energy Partners Hat Mesa, LLC has filed an Application with the New Mexico Oil Conservation Division for an order approving a non-standard 240-acre± oil spacing and proration unit in the Bone Spring Formation (97895) comprised of the E/2 W2 of Section 20 and the E/2 SW/4 of Section 17, Township 21 South, Range 33 East, NMPM, Lea County, New Mexico, pooling all mineral interests underlying the non-standard unit from the top of the 1st Bone Spring Sand to the base of the 2nd Bone Spring Sand.

A copy of the Application for hearing is enclosed.

This Application will be set for hearing before a Division Examiner on May 3, 2018, at 8:15 a.m. at the New Mexico Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico. You are not required to attend this hearing, but as an owner of an interest that may be affected, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging this application at a later time. If you intend to attend the hearing and present testimony or evidence, you must enter your appearance and serve the Division, counsel for the Applicant and other parties with a pre-hearing statement at least four business days before the scheduled hearing date in accordance with Division Rule 19.15.4.13.

Very truly yours, 1. Sout 4a4

J. Scott Hall

JSH/dml Enclosure

cc: Paul Burdick, Advance Energy Partners Hat Mesa, LLC (w/enc., via email)

REPLY TO:

325 Paseo de Peralta Santa Fe, New Mexico 87501 Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307 Santa Fe, New Mexico 87504-2307

EXHIBIT A

OCD Case No. 16096 (Woolhead #502H)

OFFSET OPERATORS

COG Operating LLC
One Concho Center
600 West Illinois Avenue
Midland, TX 79701

The Allar Company P. O. Box 1567 Graham, TX 76450-3151

Marathon Oil Permian LLC 5555 San Felipe Houston, TX 77056

EOG Resources, Inc. 5509 Champions Drive Midland, TX 79706

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF ADVANCE ENERGY PARTNERS HAT MESA, LLC FOR A NON-STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

Case No. 16096

<u>APPLICATION</u>

Advance Energy Partners Hat Mesa, LLC applies for an order approving a 240-acre non-standard oil spacing and proration unit in the Bone Spring formation comprised of the E/2 W/2 of Section 20 and the E/2 SW/4 of Section 17, Township 21 South, Range 33 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit from the top of the 1st Bone Spring Sand to the base of the 2nd Bone Spring Sand, and in support thereof, states:

- 1. Applicant is an interest owner in the E/2 W/2 of Section 20 and the E/2 SW/4 of Section 17, and has the right to drill a well thereon.
- 2. Applicant proposes to drill its Wool Head #502H well to a depth sufficient to test the 2nd Bone Spring formation. Applicant seeks to dedicate the E/2 W/2 of Section 20 and the E/2 SW/4 of Section 17 to the well to form a non-standard 240-acre oil spacing and proration unit (project area) in the Bone Spring formation. The well is a 7000' horizontal well, with a surface location 100 feet from the south line and 2,310 feet from the west line of Section 20 and a bottom hole location 2,540 feet from the south line and 2,310 feet from the west line of Section 17.
- 3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the Bone Spring formation within the indicated depths in the E/2 W/2 of Section 20 and the E/2 SW/4 of Section 17 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 well 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 at the indicated depths in the E/2 W/2 of Section 20 and the E/2 SW/4 of Section 17, 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 E/2 W/2 of Section 20 and the E/2 SW/4 of Section 17 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHERFORE, Applicant requests that this application be set for hearing on May 3, 2018 and that, following 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 E/2 W/2 of Section 20 and the E/2 SW/4 of Section 17;
- B. Pooling all mineral interests in the Bone Spring formation at the indicated depths underlying E/2 W/2 of Section 20 and the E/2 SW/4 of Section 17;
 - C. Designating Applicant as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

1. Swan UGU
J. Scott Hall

Seth C. McMillan

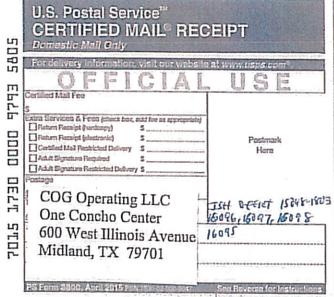
Post Office Box 2307

Santa Fe, NM 87504-2307

(505) 982-3873

Attorneys for Advance Energy Partners Hat Mesa, LLC Case No. 1609 : Application of Advance Energy Partners Hat Mesa, LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order approving a non-standard 240-acre± oil spacing and proration unit in the Bone Spring Formation (97895) comprised of the E/2 W2 of Section 20 and the E/2 SW/4 of Section 17, Township 21 South, Range 33 East, NMPM, Lea County, New Mexico, pooling all mineral interests underlying the non-standard unit from the top of the 1st Bone Spring Sand to the base of the 2nd Bone Spring Sand. The unit will be dedicated to Applicant's proposed Wool Head #502H well to be drilled from an approximate surface location 100 feet from the south line and 2,310 feet from the west line of Section 20, Township 21 South, Range 33 East to a bottomhole location 2,540 feet from the south line and 2,310 feet from the west line of Section 17, Township 21 South, Range 33 East, NMPM. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of Applicant and Operator of the well, and a 200% charge for the risk of drilling and completing the well. The well and lands are located approximately 2.5miles northeast of Hat Mesa, New Mexico.

COMPLETE THIS SECTION ON DELIVERY SENDER: COMPLETE THIS SECTION A. Signature ■ Complete items 1, 2, and 3. ☐ Agent Print your name and address on the reverse X ☐ Addressee so that we can return the card to you. B. Received by (Printed Name) C. Date of Delivery Attach this card to the back of the malipiece, or on the front if space permits. 1. Article Addressed to: D. Is delivery address different from item 1? Yes COG Operating LLC If YES, enter delivery address below: One Concho Center 600 West Illinois Avenue Midland, TX 79701 Priority Mail Express® Registered Mail** Registered Mail Restricted Delivery Return Receipt for Merchandise 3. Service Type Service type Adult Signature Adult Signature Adult Signature Restricted Delivery Certified Mell® Certified Mell® Certified Mell® 9590 9403 0913 5223 4342 83 Collect on Delivery Collect on Delivery Restricted Delivery □ Signature Confirmation™ □ Signature Confirmation 2. Article Number (Transfer from service label) Cl Insured Mail Cl Insured Mail Restricted Delivery (over \$500) 7015 1730 0000 9793 5805 Restricted Delivery PS Form 3811, July 2015 PSN 7530-02-000-9053 Domestic Return Receipt U.S. Postal Service"



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| Complete items 1, 2, and 3. Print-your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailplece, or on the front if space permits. Article Addressed to: COG Operating LLC One Concho Center 600 West Illinois Avenue Midland, TX 79701 | A. Signature X | |
| 9590 9403 0913 5223 4342 83 2. Article Number (Transfer from service label) 7015 1730 0000 9793 5805 | 3. Service Type Adult Signature Adult Signature Restricted Delivery Certified Mail Restricted Delivery Collect on Delivery Collect on Delivery Collect on Delivery Restricted Delivery Insured Mail Insured Mail Restricted Delivery | ☐ Priority Mail Express®☐ Registered Mail™☐ Registered Mail Restricte Delivery☐ Return Receipt for Merchandise☐ Signature Confirmation™☐ Signature Confirmation Restricted Delivery |

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COMPLETE THIS SECTION ON DELIVERY SENDER: COMPLETE THIS SECTION A. Signature Complete items 1, 2, and 3. ☐ Agent Print your name and address on the reverse X ☐ Addressee so that we can return the card to you. C. Date of Delivery B. Received by (Printed Name) Attach this card to the back of the mailplace, or on the front if space permits. 1. Article Addressed to: If YES, enter delivery address below: Marathon Oil Permian LLC 5555 San Felipe Houston, TX 77056 13 Priority Mail Express® 13 Registered Mail¹³⁴ Service Type CI Adult Signature CI Adult Signature Registered Mall Restricted Delivery Return Receipt for Merchandiss nature Restricted Delivery El Certified Mail Restricted Delivery 9590 9403 0913 5223 4343 13 Collect on Delivery Collect on Delivery Collect on Delivery Restricted Delivery Insured Mail [] Signature ConfirmationTM gnature Confirmation 2. Article Number (Transfer from service label) Restricted Delivery Mail Restricted Delivery 7015 1730 0000 9793 5812 Domestic Return Receipt PS Form 3811, July 2015 PSN 7530-02-000-9053 U.S. Postal Service CERTIFIED MAIL RECEIPT 111 58 xira Services & Fees foreck box, exist for an appropriate [] Rotum Receipt (hardcopy) Postmark [] Return Receipt (electronic) Hore Certified Mail Restricted De 日 Adult Signature Required Adult Digrature Restricted Delivery S H offirt 15045-1803 Marathon Oil Permian LLC 96, 16097, 16098 5555 San Felipe 16095 Houston, TX 77056 PS Form 3800, April 2015 | N7 300 COMPLETE THIS SECTION ON DELIVERY SENDER: COMPLETE THIS SECTION Signature ■ Complete items 1, 2, and 3. ☐ Agent Print your name and address on the reverse ☐ Addressee so that we can return the card to you. C, Date of Delivery Received by (Printed Name) Attach this card to the back of the mailpiece, Churci or on the front if space permits. D. Is delivery address different from item 1? ☐ Yes 1. Article Addressed to: If YES, enter delivery address below: □ No Marathon Oil Permian LLC 5555 San Felipe Houston, TX 77056 ☐ Priority Mail Express® ☐ Registered Mail™ 3. Service Type ☐ Adult Signature Registered Mail Restricted Delivery Return Receipt for Merchandise Adult Signature Restricted Delivery Certified Mail® 9590 9403 0913 5223 4343 13 ☐ Certified Mail Restricted Delivery Collect on Delivery Collect on Delivery Restricted Delivery ☐ Signature Confirmation™ 2. Article Number (Transfer from service label) Signature Confirmation Mail Restricted Delivery

PS Form 3811, July 2015 PSN 7530-02-000-9053

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Domestic Return Receipt

Restricted Delivery

COMPLETE THIS SECTION ON DELIVERY SENDER: COMPLETE THIS SECTION A. Signature Complete items 1, 2, and 3. ☐ Agent Print your name and address on the reverse ☐ Addressee so that we can return the card to you. B. Received by (Printed Name) C. Date of Delivery Attach this card to the back of the mailplece, or on the front if space permits. 1 Articla Artdrassad to: If YES, enter delivery address below: EOG Resources, Inc. 5509 Champions Drive Midland, TX 79706 Service Type CI Priority Mail Express® ☐ Registered Mall™ Adult Signature ☐ Registered Mall Restricted Delivery Adult Signature Restricted Delivery Certified Mail® Certified Mail Restricted Delivery 9590 9403 0913 5223 4343 06 Return Receipt for Merchandise Collect on Delivery Collect on Delivery Restricted Delivery ☐ Signature Confirmation[™] ☐ Signature Confirmation 2. Article Number (Transfer from service label) Restricted Delivery 7015 1730 0000 9793 5829 **Restricted Delivery** Domestic Return Receipt PS Form 3811, July 2015 PSN 7530-02-000-9053 U.S. Postal Service™ CERTIFIED MAIL® RECEIPT Domestic Mail Only Certified Mail Fee 979 xira Services & Fees (check box, and fee as appropriate) Return Receipt (hardcopy) Postmark Return Receipt (electronic) Here Certified Mail Restricted Delivery Adult Signature Required Actuat Signature Restricted Delivery 5 JSH 6#5=+ 15148-1009 EOG Resources, Inc. 5509 Champions Drive 16096, 16097 16095 Midland, TX 79706 707 COMPLETE THIS SECTION ON DELIVERY SENDER: COMPLETE THIS SECTION A. Signature ☐ Agent Complete items 1, 2, and 3. ☐ Addressee ■ Print your name and address on the reverse Date of Delivery so that we can return the card to you. Received By (Brinted Name) Attach this card to the back of the mailpiece, or on the front if space permits. D. Is delivery address different from item 1? If YES, enter delivery address below: 1 Article Addressed to: EOG Resources, Inc. 5509 Champions Drive Midland, TX 79706

☐ Signature Confirmation™
☐ Signature Confirmation
☐ Restricted Delivery 2. Article Number (Transfer from service label) Restricted Delivery 7015 1730 0000 9793

9590 9403 0913 5223 4343 06

Domestic Return Receipt

3. Service Type ☐ Adult Signature

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

APPLICATION OF ADVANCÉ ENERGY PARTNERS HAT MESA, LLC FOR A NON-STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

Case No. 16097

AFFIDAVIT OF NOTICE

| STATE OF NEW MEXICO |) | |
|---------------------|---|----|
| |) | SS |
| COUNTY OF SANTA FE |) | |

J. Scott Hall, attorney and authorized representative of Advance Energy Partners Hat Mesa, LLC, the Applicant in this matter, being first duly sworn, upon oath states that he sent copies of the Application in this matter to the parties as specified on the attached Exhibit A.

J. Scott HALL

SUBSCRIBED AND SWORN to before me this 30th day of May, 2018.

Notary Public

My Commission Expires:



ADVANCE ENERGY PARTNERS
HAT MESA, LLC
OCD CASE Nos. 16095, 16096, 16097, 16098
Exhibit No. 12
NM Oil Conservation Division
Hearing - May 31, 2018

EXHIBIT A

OCD Case No. 16097 (Woolhead #503H)

PARTIES TO BE POOLED

Chevron U.S.A. Inc. 1400 Smith Street Houston, TX 77002

Chevron U.S.A. Inc. Attn: Kristen Hunter, Land Representative 6301 Deauville Blvd. Midland, TX 79706

Devon Energy Production Company, L.P. 333 W. Sheridan Avenue Oklahoma City, OK 73102-5015

OVERRIDING ROYALTY INTEREST OWNERS

Bullhead Energy, LLC 217 Rupert Street Fort Worth, Texas 76107

Charis Royalty F, LP P. O. Box 93983 Southlake, Texas 76092

Schlagal Brothers 202 North Eisenhower Midland, Texas 79703

Mike Petraitis, MSU P.O. Box 10886 Midland, Texas 79702

OFFSET OPERATORS

COG Operating LLC One Concho Center 600 West Illinois Avenue Midland, TX 79701

The Allar Company P. O. Box 1567 Graham, TX 76450-3151

Marathon Oil Permian LLC 5555 San Felipe Houston, TX 77056

EOG Resources, Inc. 5509 Champions Drive Midland, TX 79706

Bullhead Energy, LLC 217 Rupert Street Fort Worth, TX 76107

Ascent Energy LLC 1621 18th Street, Suite 200 Denver, Colorado 80202

Centennial Resources Production LLC 1001 Seventeenth Street, Suite 1800 Denver, Colorado 80202