

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 RMR OPERATING, LLC
TO ALLOW TWO OPERATORS WITHIN A
SPACING UNIT, LEA COUNTY, NEW MEXICO.

Case No. 14,774

AFFIDAVIT OF ALAN W. BARKSDALE

COUNTY OF DALLAS)
) ss.
STATE OF TEXAS)

Alan W. Barksdale, being duly sworn upon his oath, deposes and states:


1. I am over the age of 18, and have personal knowledge of the matters stated herein.
2. I am the Chairman and Chief Executive Officer of Red Mountain Resources, Inc. ("Red Mountain"). I am also President of Black Rock Capital, Inc. ("Black Rock") and RMR Operating, LLC ("RMR"), which are wholly owned subsidiaries of Red Mountain.
3. Black Rock owns all of the oil and gas leasehold interests of Red Mountain, and RMR operates all of Red Mountain/Black Rock's operated properties.
4. Black Rock owns 100% of the working interest in the N½ of Section 16, Township 26 South, Range 36 East, N.M.P.M., from the surface to the base of the Delaware formation, pursuant to an assignment recorded at Lea County Records Book 1738, page 175, a true and correct copy of which is attached hereto as **Exhibit A**.
5. The N½ of Section 16 is subject to State of New Mexico Oil and Gas Lease VB-1089, as shown in the online printout from the State Land Office attached hereto as **Exhibit B**. The lease was issued on January 1, 2007 and expires on December 31, 2011.
6. On October 27, 2011, RMR filed with the Division an Application for Permit to Drill ("APD") its Medicine Man State Well No. 1 to test the Sioux Tansill-Yates-Seven Rivers Pool at a location 1650 feet from the north line and 990 feet from the west line (SW¼NW¼) of Section 16. **Exhibit C**.
7. The APD was not approved by the Division because Draco Energy, Inc. ("Draco") is listed in the Division's records as operator of the Maralo 16 State Well No. 2, located in the same quarter-quarter section as RMR's proposed well. **Exhibit D**. The Maralo 16 State Well

Oil Conservation Division
Case No. _____
Exhibit No. 1

No. 2 was completed in the Sioux Tansill-Yates-Seven Rivers. Division records show that Draco filed a Notice of Intent to plug and abandon the Maralo 16 State Well No. 2 in April 2007, but the well has not been plugged.

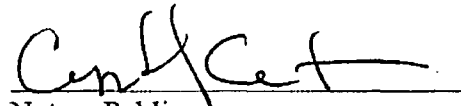
8. Draco's well was drilled under a now-expired state oil and gas lease, as listed on the Midland Map Co. land plat attached hereto as **Exhibit E**. Thus, Draco owns no working interest in the N½ of Section 16.

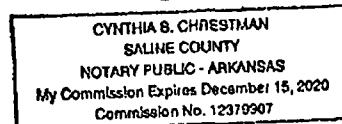
9. RMR has complied with Rule NMAC 19.15.15.12 by notifying Draco of its intent to file with the Division the APD for the Medicine Man State Well No. 1. **Exhibit F**. However, due to the expiring oil and gas lease RMR requests an order from the Division approving it as operator in the SW¼NW¼ of Section 16 so that it can timely commence operations to maintain the subject lease in effect.


Alan W. Barksdale

SUBSCRIBED AND SWORN TO before me this 14th day of December, 2011 by Alan W. Barksdale.

My Commission Expires: Dec. 15, 2020


Notary Public



33359

ASSIGNMENT OF LEASEHOLD WORKING INTEREST IN OIL & GAS LEASES

STATE OF NEW MEXICO

§

§

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF LEA

§

THAT, Peregrine Production LLC, 3201 N. Pecos, Suite 202, Midland, TX 79705. Zenith Energy LLC, 3201 N. Pecos, Suite 202, Midland, TX 79702, Mitchell Exploration Inc., 6212 Homestead, Midland, TX 79707 and Greg Rasmussen and Pam Rasmussen, 4911 Island Drive, Midland, TX 79707 hereinafter collectively refereed to as ASSIGNOR'S for and in consideration of the sum of Ten Dollars (\$10.00), cash in hand paid, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby grant, transfer, assign and convey unto

Black Rock Capital, Inc.
2515 McKinney, Suite 900
Dallas, Tx. 75201

(hereinafter collectively "ASSIGNEE")

100% of ASSIGNOR'S right, title, and interest in and to the leasehold working interest in and under the oil and gas leases (the "Subject Leases") described on Exhibit "A", attached hereto and made a part hereof for all purposes, together with a like percentage of all contract rights relating thereto as described on Exhibit A, covering the lands described thereon ("Subject Lands"), and said Leases and Lands being collectively called the "Subject Interest". It is the intent of the ASSIGNOR'S TO CONVEY 100% OF THEIR RESPECTIVE WORKING INTEREST IN THE SUBJECT LANDS. It is expressly understood and agreed that Greg Rasmussen and Pam Rasmussen are reserving and excepting from this assignment all of their overriding royalty interest they may own in the subject lands and the override is not conveyed herein.

Assignor does hereby bind itself, its heirs, successors and assigns, to warrant and forever defend all and singular title to the Subject Leases unto Assignee, Assignee's successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by through or under Assignor, but not otherwise. Assignor conveys the Subject Leases free and clear of any outstanding mortgage, deed of trust, lien or encumbrance created by Assignor, but not otherwise.

In addition to this Assignment, Assignor shall execute, acknowledge, and deliver to Assignee, in a timely manner and without further consideration, any documents or instruments that Assignee may reasonably require, including, without limitation, further assignments or conveyances required by any state or federal authority, deeds and consents to further evidence the assignment and conveyance of the Subject Leases by Assignor to Assignee.


This Assignment is made and accepted specifically subject to the terms and conditions of (i) the oil and gas leases, and (ii) that certain Participation and Area of Mutual Interest Agreement dated 6-1-2011, by and between Black Rock Capital, Inc. and Peregrine Production, LLC, et al. Assignee agrees to take over 100% of rights and obligations of those certain Term Assignments of Oil & Gas Leases from Devon Energy Production Company L.P. dated April 25, 2011 and Chesapeake Exploration LLC dated June 1, 2011 covering the subject lands and agrees to indemnify and hold harmless ASSIGNOR'S from any and all liability or obligations accruing therefrom after the effective date herein.

TO HAVE AND TO HOLD the same unto the ASSIGNEE, its heirs, administrators, executors, devisees, trustees, successors, and assigns, according to the terms, covenants, and conditions of the Subject Leases, the ASSIGNEE to perform all such terms, covenants, and conditions thereof as to the Subject Lands, as well as all of the terms, covenants, and conditions hereof.

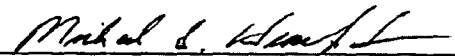
IN WITNESS WHEREOF, this instrument is executed as of the date set forth in the acknowledgment below, but EFFECTIVE for all purposes as of 6-27-2011 at 7:00 am MST.

ASSIGNOR:

PEREGRINE PRODUCTION LLC


By: Kirk E. Smith, President

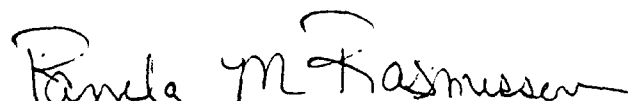
ZENITH ENERGY LLC


By: Michael S. Heathington, Managing Member

MITCHELL EXPLORATION INC.

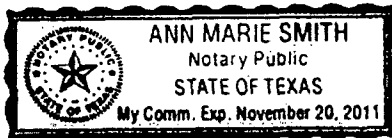

By: Stephen T. Mitchell, President

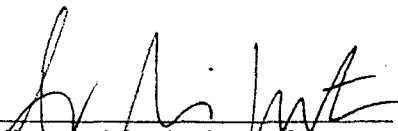

GREG RASMUSSEN


PAM RASMUSSEN

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

This instrument was acknowledged before me, this 18th day of July, 2011
by Kirk E. Smith, as President of Peregrine Production, LLC.

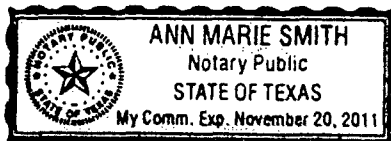


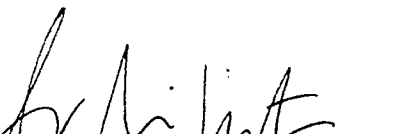


Notary Public in and for the State of Texas
My Commission Expires 11.20.11

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

This instrument was acknowledged before me, this 18th day of July, 2011
by Michael S. Heathington, as managing member of Zenith Energy LLC.

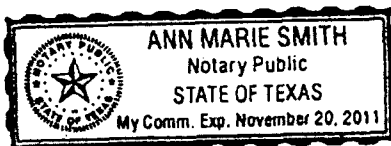


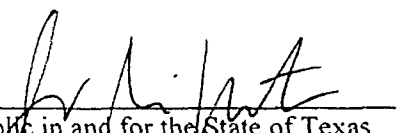


Notary Public in and for the State of Texas
My Commission Expires 11.20.11

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

This instrument was acknowledged before me, this 18th day of July, 2011
by Stephen T. Mitchell as President of Mitchell Exploration Inc.





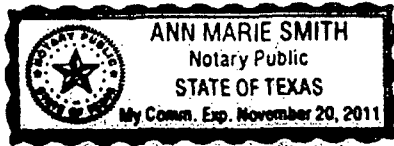
Notary Public in and for the State of Texas
My Commission Expires 11.20.11

STATE OF TEXAS

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§
§

COUNTY OF MIDLAND

This instrument was acknowledged before me, this 19th day of July, 2011
by Greg Rasmussen and Pam Rasmussen, husband and wife.



[Signature]
Notary Public in and for State of Texas
My Commission Expires 11.20.11

EXHIBIT "A"

Attached to and made a part of Assignment of Leasehold working Interest in Oil & Gas leases dated effective 6-27-2011, by and between Peregrine Production, LLC., etal as Assignor's, and Black Rock Capital. LLC, as Assignee.

Lessor : State of New Mexico
Lessee: Devon Energy Production Company, L.P.
Dated: 1-1-2007
Lease No.: VB 1089
Recorded : n/a
Lands Covered: Township 26 South, Range 36 East
Section 16 N2
Surface to the base of the Delaware formation at -5366 feet sub sea, as seen on that certain Compensated Neutron / Gamma Ray log for the COG Operating, LLC., Eagle Feather #2 well, located 660 feet FNL and 1630 feet FEL of Section 21, T26S, R36E, Lea County, New Mexico.
Lea County, New Mexico.

Lessor: State of New Mexico
Lessee: Devon Energy Production Company, L.P.
Dated: 8-1-2006
Lease No.: VB 0977
Recorded : n/a
Lands Covered: Township 26 South, Range 36 East
Section 28: E2
Surface to the base of the Delaware formation at -5366 feet sub sea, as seen on that certain Compensated Neutron / Gamma Ray log for the COG Operating, LLC., Eagle Feather #2 well, located 660 feet FNL and 1630 feet FEL of Section 21, T26S, R36E, Lea County, New Mexico.
Lea County, New Mexico.

Lessor: State of New Mexico Lease
Lessee: Steven W. Horn
Dated: 4-1-2007
Lease No.: VB 1387
Recorded : n/a
Lands Covered: Township 26 South, Range 36 East
Section 28: W2
Surface to the base of the Delaware formation at -5366 feet sub sea, as seen on that certain Compensated Neutron / Gamma Ray log for the COG Operating, LLC., Eagle Feather #2 well, located 660 feet FNL and 1630 feet FEL of Section 21, T26S, R36E, Lea County, New Mexico.
Lea County, New Mexico.

Lessor : State of New Mexico
Lease # : VB 987
Lessee : Devon Energy Production Company, LP
Dated : 8-1-06
Recorded : N/A
Description : Township 26 South Range 36 East
Section 33 : N2N2, Lots 1, 2, 3, 4, surface to the base of the
Delaware Formation only
Lea County, NM

Term Assignment(s) / Farmouts :

Assignor : Devon Energy Production Company, L.P.
Assignee : Peregrine Production, LLC
Dated effective : 4-25-11
Instrument : Term Assignment of Oil and Gas Lease
Recorded : Official Public Record Volume _____

Assignor : Chesapeake Exploration, LLC
Assignee : Peregrine Production, LLC
Dated effective : 6-1-11
Instrument : Farmout Agreement
Recorded : Official Public Record Volume _____

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

JUL 27 2011

at 11:47 o'clock A M
and recorded in Book 1738
Page 175
Pat Chappelle, Lea County Clerk
By [Signature] Deputy



33359

STATE LAND OFFICE DATA ACCESS[Home](#)[Select a different page.....](#)[Go Tech](#)[NM State Land Office](#)

list lease info

* Lease Prefix: * Number: * Assignment:

Example: A0 1234 0000

[Search](#)[Reset](#)[Printer Friendly](#)[Download](#)[Instructions](#)[Give Feedback](#)

8 Records found.

Lease Number:

VB-1089-0000

Company name: DEVON ENERGY PRODUCTION COMPANY, LP
Company ID: 6137
Assigned from: N/A
Total acres: 320.00
Prod stat: N/A

Lease term:

Lease term: FIVE(5) YEAR TERM, 3/16th ROYALTY
Issue date: 1/1/2007
Termination date: Active
Termination reason: N/A
Current term: Primary Term

Billing information:

Bill to: DEVON ENERGY PRODUCTION COMPANY, LP
Rent per acre: 1.00
Billing frequency: Annual
Minimum annual rent: 320.00
Last bill date: 12/2/2010
Next bill date: 1/1/2012
Escalation: 0.00

Land information:

Section	Township	Range	Unit Letter	Lot	Tract	Acreage	Link
16	26S	36E	A			40.00	[Land Details]
			B			40.00	[Land Details]
			C			40.00	[Land Details]
			D			40.00	[Land Details]
			E			40.00	[Land Details]
			F			40.00	[Land Details]
			G			40.00	[Land Details]
			H			40.00	[Land Details]

EXHIBIT **B**

District I1625 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 Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170**District IV**1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

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

Form C-101
August 1, 2011

Permit 139307

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

1. Operator Name and Address RMR OPERATING, LLC 415 W. Wall Street Midland, TX 79701		2. OGRID Number 281085
		3. API Number
4. Property Code 38890	5. Property Name MEDICINE MAN STATE	6. Well No. 001

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
E	16	26S	36E	E	1650	N	990	W	LEA

8. Pool Information

SIoux;TANSILL-YATES-SEVEN RIVERS	56610
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Additional Well Information

9. Work Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 2946
14. Multiple N	15. Proposed Depth 3846	16. Formation Yates	17. Contractor	18. Spud Date 12/15/2011
Depth to Ground water		Distance from nearest fresh water well		Distance to nearest surface water

19. Proposed Casing and Cement Program

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	12.25	8.625	32	1400	515	0
Prod	7.875	5.5	17	3846	330	0

Casing/Cement Program: Additional Comments

--

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
DoubleRam	3000	3000	

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

I further certify that the drilling pit will be constructed according to NMOC guidelines ☐, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Printed Name: Electronically filed by CYNTHIA S CHRESTMAN

Title:

Email Address: cynthia@redmountainresources.com

Date: 10/27/2011

Phone: 501-367-8137

OIL CONSERVATION DIVISION

Approved By:

Title:

Approved Date:

Expiration Date:

Conditions of Approval Attached

EXHIBIT

C

District I

1625 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 Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

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

Form C-102
August 1, 2011

Permit 139307

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number	2. Pool Code 56610	3. Pool Name SIOUX;TANSILL-YATES-SEVEN RIVERS
4. Property Code 38890	5. Property Name MEDICINE MAN STATE	6. Well No. 001
7. OGRID No. 281085	8. Operator Name RMR OPERATING, LLC	9. Elevation 2946

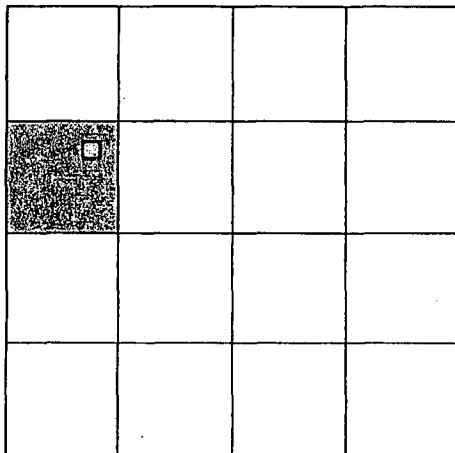
10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
E	16	26S	36E		1650	N	990	W	LEA

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 40.00		13. Joint or Infill		14. Consolidation Code		15. Order No.			

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 contained 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(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By: CYNTHIA S CHRESTMAN

Title:

Date: 10/27/2011

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.

Surveyed By: Gary Jones

Date of Survey: 9/20/2011

Certificate Number: 25328

Permit Conditions of Approval

Operator: RMR OPERATING, LLC , 281085

Well: MEDICINE MAN STATE #001

API:

OCD Reviewer	Condition
pkautz	requires proof of notification to second operator

Permit Comments

Operator: RMR OPERATING, LLC , 281085

Well: MEDICINE MAN STATE #001

API:

Created By	Comment	Comment Date
pkautz	Land s/S	10/28/2011

Well File Search - Select API Number to View

Please select the API Number you wish to view from the list below by clicking the radio button next to the API Number. Then click the "Continue" button to see the thumbnails for the API you selected. The search results are broken out by groups of 25 on each page. Switching pages can be done by clicking the "Next 25" or "Previous 25" links.

13 Records Found

Displaying Screen 1 of 1

<input type="radio"/>	API Number	ULSTR	Footages
<input type="radio"/>	3002509847	M -16-26S-36E	660 FSL & 660 FWL
	Well Name & Number: MARALO SV 16 STATE No. 006		
	Operator: MARALO LLC		
<input type="radio"/>	3002509848	J -16-26S-36E	1980 FSL & 1980 FEL
	Well Name & Number: MARALO 16 STATE No. 005		
	Operator: DRACO ENERGY, INCORPORATED		
<input type="radio"/>	3002526546	D -16-26S-36E	660 FNL & 660 FWL
	Well Name & Number: MARALO 16 STATE No. 001		
	Operator: DRACO ENERGY, INCORPORATED		
<input type="radio"/>	3002526644	E -16-26S-36E	1980 FNL & 660 FWL
	Well Name & Number: MARALO 16 STATE No. 002		
	Operator: DRACO ENERGY, INCORPORATED		
<input type="radio"/>	3002526645	C -16-26S-36E	660 FNL & 1980 FWL
	Well Name & Number: MARALO SV 16 STATE No. 003		
	Operator: MARALO LLC		
<input type="radio"/>	3002526646	F -16-26S-36E	1980 FNL & 1980 FWL
	Well Name & Number: MARALO 16 STATE No. 004		
	Operator: DRACO ENERGY, INCORPORATED		
<input type="radio"/>	3002526751	N -16-26S-36E	660 FSL & 1980 FWL
	Well Name & Number: MARALO 16 STATE No. 007		
	Operator: DRACO ENERGY, INCORPORATED		
<input type="radio"/>	3002526752	K -16-26S-36E	1980 FSL & 1980 FWL
	Well Name & Number: MARALO 16 STATE No. 008		
	Operator: DRACO ENERGY, INCORPORATED		
<input type="radio"/>	3002526753	L -16-26S-36E	1980 FSL & 660 FWL
	Well Name & Number: MARALO 16 STATE No. 009		
	Operator: DRACO ENERGY, INCORPORATED		
<input type="radio"/>	3002526805	O -16-26S-36E	660 FSL & 1980 FEL
	Well Name & Number: MARALO 16 STATE No. 010		
	Operator: DRACO ENERGY, INCORPORATED		
<input type="radio"/>	3002526806	M -16-26S-36E	660 FSL & 760 FWL
	Well Name & Number: MARALO 16 STATE No. 006Y		
	Operator: DRACO ENERGY, INCORPORATED		
<input type="radio"/>	3002526922	C -16-26S-36E	710 FNL & 1980 FWL
	Well Name & Number: MARALO 16 STATE No. 003Y		
	Operator: DRACO ENERGY, INCORPORATED		
<input type="radio"/>	3002538272	J -16-26S-36E	1650 FSL & 1600 FEL
	Well Name & Number: EAGLE FEATHER STATE No. 001		
	Operator: COG OPERATING LLC		

13 Records Found

Displaying Screen 1 of 1

[Continue](#)[Go Back](#)EXHIBIT **D**



November 15, 2011

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Draco Energy, Inc.
P.O. Box 11404
Midland, Texas 79702

Re: RMR Operating, LLC
Medicine Man State Well No. 1
Well Unit E: SW¼ NW¼ of Section 16, Township 26 South, Range 36 East,
N.M.P.M., Lea County, New Mexico

To Whom It May Concern:

RMR Operating, LLC ("RMR") will file an Application for Permit to Drill ("APD") the above well with the Oil Conservation Division ("OCD") within the next 20 days. The proposed well has a location 1,650 feet from the north line and 990 feet from the west line of Section 16, and will test the Tansill, Yates, Queen and 7 Rivers formations.

Draco Energy, Inc. is listed in the OCD's records as the operator of the existing Maralo 16 State Well No. , located in the same quarter-quarter section as RMR's proposed well. OCD Rule NMAC 19.15.15.12 requires RMR to notify you of its intent to file the APD. If you object to the approval of the APD you must notify the OCD in writing no later than 20 days from the date of this letter (the OCD's address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505). If you do not object to approval of the APD, we ask that you sign the waiver below and return it to us. Thank you.

Very truly yours,

RMR Operating, LLC

Alan W. Barksdale, President

Draco Energy, Inc. hereby waives any objection to the APD for the proposed _____
State Well No. 1.

Draco Energy, Inc.

By: _____

Date: _____

RED MOUNTAIN RESOURCES, INC.
2515 McKinney Avenue, Suite 900
Dallas, TX 75201

415 West Wall Street, Suite 1710
Midland, TX 79701

1720 Knight Road, Suite 311
Lafayette, LA 70506

214.871.0400 Phone
214.871.0406 Fax

cc: Oil; Gas and Minerals Division (via certified mail)
Commissioner of Public Lands
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501