

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

**IN THE MATTER OF THE  
APPLICATION OF LRE OPERATING, LLC  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 14819-24**

**AFFIDAVIT OF CHARLES REAGAN**

STATE OF TEXAS                    }  
  }ss  
COUNTY OF HARRIS               }

AFFIANT, CHARLES L. REAGAN, first being duly sworn on oath states:

1. I am a Petroleum Landman, residing in Houston, Texas, and am employed by LRE Operating, LLC, the applicant in this case, in that capacity.
2. I have previously testified before the New Mexico Oil Conservation Division and had my credentials as a petroleum landman accepted as a matter of record.
3. I am familiar with all land matters associated with land matters concerning this application, including mineral and oil and gas leasehold ownership, and pooling requirements of the New Mexico Oil Conservation Division.
4. Applicant seeks an order pooling all mineral interests from the surface of the earth to an approximate depth of 5,100 feet sufficient to test the Yezo formation with its Southern Union 30 State #1 Well, underlying the SW/4 NE/4 of Section 30, Township 17 South, Range 28 East, N.M.P.M. Eddy County, New Mexico.
5. Exhibit 1 attached hereto is a list of working interest ownership and percentage of interest in the proposed well.
6. Exhibit 2 attached hereto is a summary of contacts and communications with interest owners listed on Exhibit 1 and their responses.
7. In my opinion LRE Operating, LLC has made a diligent and good faith effort to obtain the voluntary joinder of all mineral interest owners in the proposed spacing and proration unit, and should any owners who have not consented to drilling of the Southern Union 30 State # 1 well join in the drilling of the well, we will notify the Division of that joinder.

OCD Case# 14824  
LRE Operating, LLC  
July 11, 2012  
Ex# 1

8. LRE Operating LLC requests the following with respect to operation of the well:

- a. That LRE Operating LLC be named the operator of the well;
- b. That the order of the Division provide for a risk factor charge of the maximum cost plus 200%;
- c. That the order of the Division provide for overhead charges of:
  - drilling rate of \$7,650.00 per month; and
  - producing rate of \$765.00 per month.

9. The foregoing overhead rates are equivalent to those charged by operators in the area for wells of the depth proposed for the Southern Union 30 State #1 well, and further request that the rates be adjusted under the COPUS accounting procedure.

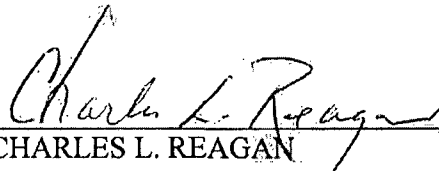
10. All parties being pooled were notified shown by the Affidavit of Ernest L. Padilla.

11. All interest owners were also notified of the hearing also shown by the Affidavit of Ernest L. Padilla.

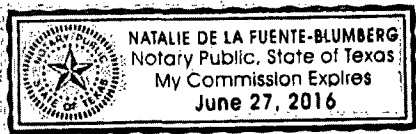
12. Exhibits 1 and 2 were prepared by me or under my supervision.

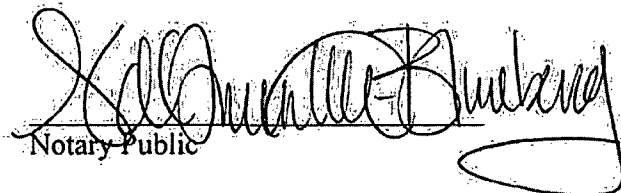
13. In my opinion granting of this application is in the best interest of conservation and prevention of waste of oil and gas resources.

FURTHER AFFIANT SAYETH NAUGHT.

  
CHARLES L. REAGAN

SWORN TO AND SUBSCRIBED to before me this 11<sup>th</sup> day of July, 2012  
by CHARLES L. REAGAN.



  
Notary Public

My Commission Expires:

June 27, 2016

**EXHIBIT 1**

Lime Rock Resources A, L.P.	25.0000%	(operator)
Apache Corporation	25.0000%	(verbally agreed to participate)
Chisos, Ltd	12.5000%	(signed)
**Conoco Phillips	11.2500%	(signed)
Cross Border Resources	12.5000%	(reviewing well proposal and AFE)
*Magnum Hunter Production, Inc.	<u>13.7500%</u>	(signed)
	100.000%	

\*Magnum Hunter Production, Inc. now Cimarex has signed

\*\*Magnum Hunter Production, Inc. entered into an exploration agreement with Conoco Phillips and signs for Conoco

**EXHIBIT "2"**

**Southern Union 30 G State #1 Well  
Contact Spreadsheet with Cross Border Resources  
SW/4 of the NE/4 of Section 30, 17S, 28E, Eddy County, Texas**

<b>Date</b>	<b>Contact</b>	<b>Communication</b>	<b>Details</b>
5/10/12	Lawrence Risley	Telephone	Called Lawrence Risley, ("LR"), and left message concerning our Southern Union 30 State #1 Well
5/14/12	Lawrence Risley	Fed Ex	Sent Cross Border Resources a Well Proposal Letter and AFE, dated 5/14/12 by Fed Ex proposing the Southern Union 30 State #1 Well
5/16/12	Lawrence Risley	Telephone	Called LR to confirm receipt of WPL. Left message. Didn't hear back
5/22/12	Lawrence Risley	Telephone	Called LR to confirm receipt of WPL. Left message. Didn't hear back
6/1/12	Cross Border Resources	Telephone	Spoke with receptionist at Cross Border and she stated LR wasn't in, and that she would have someone call me about the proposal
6/21/12	Cross Border Resources	Telephone	Spoke with receptionist at Cross Border and she stated LR was no longer with the company and that she would have someone call me
7/6/12	Cross Border Resources	Telephone	Spoke with receptionist at Cross Border told her I hadn't heard back from anyone. Got the name of the landman handling this area.
7/6/12	Hunter Kennedy	Telephone	Called and left a message for Hunter Kennedy
7/10/12	Hunter Kennedy	Telephone	Spoke with Hunter Kennedy and he stated they would probably participate. At the request of Hunter Kennedy I resent the Well Proposal Letter and AFE, along with title info.
7/11/12	Hunter Kennedy	Telephone	Spoke with Hunter Kennedy and he stated he would review the proposal with his boss and try to get me an executed Well Proposal Letter and AFE

**EXHIBIT "2"**

## Southern Union 30 G State #1 Well

## Contact Spreadsheet with Apache, Corp.

SW/4 of the NE/4 of Section 30, 17S, 28E, Eddy County, Texas

[illegible]