BEFORE THE OIL CONSERVATION DIVISION EXAMINER HEARING SEPTEMBER 14, 2017

CASE No. 15414 (RE-OPENED)

RDX FEDERAL COM 28 WELL NO. 9H

EDDY COUNTY, NEW MEXICO





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

APPLICATION OF RKI EXPLORATION AND PRODUCTION, LLC TO RE-OPEN CASE NO. 15414 TO POOL RECORD TITLE OWNERS UNDER THE TERMS OF COMPULSORY POOLING ORDER NO. 14104, EDDY COUNTY, NEW MEXICO.

CASE NO. 15414 (re-opened)

AFFIDAVIT OF AARON YOUNG

| STATE OF OKLAHOMA |) |
|-------------------|------|
| |) ss |
| COUNTY OF TULSA |) |

Aaron Young, being first duly sworn on oath, states as follows:

- 1. My name is Aaron Young. I reside in Tulsa County, Oklahoma. I am a Landman employed by RKI Exploration and Production, LLC ("RKI"). I am familiar with the status of the lands in Section 28 and Irregular Section 33, Township 26 South, Range 30 East, NMPM, Eddy County, New Mexico. I have previously been qualified as an expert witness in petroleum land matters in front of the Oil Conservation Division.
- 2. Division Order R-14104, entered on December 21, 2015, created a 224.74-acre spacing and proration unit consisting of the W/2 W/2 of Section 28 and NW/4 NW/4 and Lot 4 of Irregular Section 33, Township 26 South, Range 30 East, NMPM, in Eddy County, New Mexico. This order further pooled the uncommitted interests in the Wolfcamp Formation (Brushy Draw; Wolfcamp Oil Pool (97136))¹ in this spacing and proration unit (the "Unit") and dedicated the Unit to the RDX Federal Com 28 Well No. 9H (API No. 30-015-43294), a horizontal well that has been drilled from a surface location 360 feet from the North line and 1345 feet from the West line (Unit C) of Section 28 to a bottom hole location 230 feet from the South line and 430 feet from the West line (Lot 4) of Irregular Section 33. Attachment A to this affidavit is a copy of Order R-14104.
- 3. Since the entry of Order R-14104, RKI has been unable to obtain the signatures of the record title owners on the federal communization agreements. The record title owners are either 1) deceased and their estates are not yet probated in New Mexico; or 2) deceased and their estates have not yet filed updated paperwork with the BLM. **Attachment B** lists the status of the estates of the record title owners and to whom notice has been provided.

EXHIBIT

¹ The well has since been reassigned to the Purple Sage Wolfcamp Pool (98220). However, pursuant to Paragraph 7, p. 8 of Order No. R-14262, the prior spacing unit established in Order R-14104 was retained.

- 4. RKI has undertaken good faith efforts to locate and obtain the signatures of the record title owners.
 - A. H.B. Wigzell is listed as a record title owner. He is deceased. His heirs collectively placed this interest into the Wigzell 2009 Trust. However, the Wigzell 2009 Trust has not yet filed the proper paper work with the BLM to transfer the Record Title Interest. RKI sent this interest owner a letter on July 7, 2017 attempting to obtain his signature. See <u>Attachment C</u>. RKI has been in contact with the Wigzell 2009 Trust numerous times, but no party has executed the communization agreement or transferred the interest to the Wigzell 2009 Trust.
 - B. Joe R. Henderson is deceased. Nothing in the Eddy County records indicates his possible heirs.
 - C. RKI has conducted a diligent search of the county records of Eddy County, as well as conducting searches and computer searches of phone directories, to attempt to ascertain information about possible heirs for Joe R. Henderson.
 - D. Notice of this application and hearing has been provided to the record title owners, to their estates, and to any heirs identified by RKI, in compliance with Division rules.
- 7. <u>Attachment D</u> is an affidavit and letter from my attorney at Holland & Hart providing notice of this hearing to the record title owner whom RKI seeks to pool.
- 8. <u>Attachment E</u> is an affidavit of publication in Eddy County directed to the unlocatable record title owner.
- 9. For these reasons, RKI respectfully requests that the record title owners be pooled pursuant to the terms of Order R-14104.

FURTHER AFFIANT SAYETH NOT.

Aaron Youn

SUBSCRIBED AND SWORN before me on this 13 day of 3 day.

Linda F. Milner
Notary Public in and for
STATE OF OKLAHOMA
Commission #05003058
Expires: March 28, 2021

Notary Public

My Commission Expires: 328 2021

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. 15414 ORDER NO. R-14104

APPLICATION OF RKI EXPLORATION AND PRODUCTION FOR A NON-STANDARD SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 3, 2015 before Examiner Michael McMillan, and December 17, 2015 before Examiner William V. Jones.

NOW, on this 21st day of December, 2015, the Division Director, having considered the testimony, the record and the recommendations of Examiner McMillan,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) RKI Exploration and Production, LLC ("Applicant") seeks approval of a non-standard 224.74-acre, more or less, oil spacing and proration unit ("Unit") for oil production in the Wolfcamp formation, Brushy Draw; Wolfcamp (O); Wolfcamp Pool (Pool Code 97136) comprising the W/2 W/2 of Section 28, and NW/4 NW/4 and Lot 4 of Irregular Section 33, Township 26 South, Range 30 East, NMPM, Eddy County, New Mexico. Applicant further seeks the pooling of all uncommitted interests in the Unit.
- (3) The Unit will be dedicated to Applicant's RDX Federal Com. 28 Well No. 9H (the "subject well"; API No. 30-015-43294), a horizontal well drilled from a surface location 360 feet from the North line and 1345 feet from the West line (Unit C) of Section 28 to a terminus or bottomhole location 230 feet from the South line and 430 feet from the West line (Lot 4) of Irregular Section 33, Township 26 South, Range 30 East. The completed interval of the subject well will be orthodox.



- (4) The subject well is within the Brushy Draw; Wolfcamp (O); Pool (Pool Code 97136). Spacing in this pool is governed by Division Rule 19.15.15.9 (A) NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of six (6) adjacent quarter-quarter sections.
- (5) Applicant appeared at the hearing and presented land and geological evidence to the effect that:
 - (a) The Wolfcamp formation in this area is suitable for development by horizontal drilling;
 - (b) the proposed orientation of the horizontal well from North to South or South to North is appropriate for the proposed Unit;
 - (c) all quarter-quarter sections within the Unit are expected to be productive in the Wolfcamp formation, so that formation of the Unit, as proposed, will not impair correlative rights.
 - (d) subject well has been spud, but not completed;
 - (e) the subject well was originally placed in the Ross Draw; Wolfcamp (Gas) Pool; however, the Artesia District Office reassigned the subject well to the Brushy Draw; Wolfcamp (O) Pool;
 - (f) the API gravity of the pool in wells in proximity to the subject well is approximately 40 API, and the GOR is 4,744 cf/bbl;
 - (g) notice was provided for formation of the non-standard spacing unit to lessees or operators of surrounding tracts; and
 - (h) notice was provided for compulsory pooling within the Unit to all locatable interest owners subject to pooling proceedings;
- (6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes as follows:

- (7) The proposed non-standard unit should be approved in order to enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste and protecting 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 subject 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 a 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) RKI Exploration and Production, LLC should be designated the operator of the subject 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 subject well.
- (14) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7500 per month while drilling and \$7500 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 224.74-acre, more or less, oil spacing and proration unit is hereby established for oil production from the Wolfcamp formation, Brushy Draw; Wolfcamp (O); Pool consisting of the W/2 W/2 of Section 28, and NW/4 NW/4 and Lot 4 of Irregular Section 33, Township 26 South, Range 30 East, NMPM, Eddy County, New Mexico.
- (2) Pursuant to the application of RKI Exploration and Production, LLC, all uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation underlying the Unit, are hereby pooled.
- (3) The Unit shall be dedicated to Applicant's RDX Federal Com. 28 Well No. 9H (the "subject well"; API No. 30-015-43294), a horizontal well drilled from a surface location 360 feet from the North line and 1345 feet from the West line (Unit C) of Section 28 to a terminus or bottomhole location 230 feet from the South line and 430 feet from the West line (Lot 4) of Irregular Section 33, Township 26 South, Range 30 East. The completed location shall be orthodox.

- (4) Should the subject 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. If the subject well is not completed in all of the standard spacing units included in the proposed project area (or Unit), then the operator shall apply to the Division for an amendment to this Order to contract the Unit so that it includes only those standard spacing units in which the well is completed.
- (5) Upon final plugging and abandonment of the subject well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.
- (6) RKI Exploration and Production, LLC (OGRID No. 246289) is hereby designated the operator of the well and the Unit.
- (7) 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 subject well ("well costs").
- (8) 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."
- (9) 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 subject 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.
- (10) 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.

- (11) The operator is hereby authorized to withhold the following costs and charges from production from each 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.
- (12) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.
- (13) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7500 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.
- (14) Except as provided in Paragraphs (11) and (13) above, all proceeds from production from the subject 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 under the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-31, as amended).
- (15) 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.
- (16) 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.
- (17) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

Case No. 15414 Order No. R-14104 Page 6 of 6

(18) 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 hereinabove designated.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

DAVID R. CATANACH

Director

Exhibit "B"

Record Title Owner- Deceased and estate not yet probated in New Mexico

Estate of Joe R. Henderson Box 2477 Midland, Texas 79702

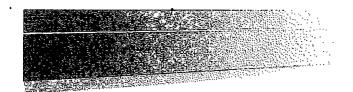
Record Title Owner- Deceased, probated, but not yet filed paperwork with BLM

Estate of H.B. Wigzell PO Box 237 Midland, Texas 79702

Heirs provided notice of hearing:

Wigzell 2009 Trust 404 Woodcrest Midland, Texas 79703







June 7, 2017

Certified Mail Return Receipt No. 70150640000662559918

Joe R. Henderson P.O. Box 2477 Midland, TX 79702

RE:

Communitization Agreement

RDX Federal Com 28-9H

W/2 W/2 of Section 28 & NW/4 NW/4, & Lot 4 of Section 33-T26S-R30E

Eddy County, New Mexico

Dear Mr. Henderson:

Please find enclosed a Communitization Agreement covering the Wolfcamp formation underlying the W/2 W/2 of Section 28 & NW/4 NW/4, & Lot 4 of Section 33-T26S-R30E, being the project area for the permitted RDX Federal Com 28-9H. Execution on your behalf, is required by the BLM as Record Title owner for Lease NM-035607.

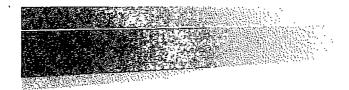
Please return (3) three fully executed and acknowledged original signature pages in the prepaid envelope at your earliest convenience. Please contact Aaron Young should you have any questions at 539.573.3531 or email aaron.young@wpxenergy.com.

Sincerely, RKI Exploration & Production LLC WPX Energy, Inc.

Bryarly Miles

Land Data Tech Lead - Permian Basin

Enclosure





July 7, 2017

Certified Mail Return Receipt No.7002.2030.0001.5417.1351

H.B. Wigzell 404 Woodcrest Drive Midland, TX 79703

RE:

Communitization Agreement RDX Federal Com 28-9H W/2 W/2 of Section 28 & NW/4 NW/4, & Lot 4 of Section 33-T26S-R30E Eddy County, New Mexico

Dear Mr. Wigzell:

Please find enclosed a Communitization Agreement covering the Wolfcamp formation underlying the W/2 W/2 of Section 28 & NW/4 NW/4, & Lot 4 of Section 33-T26S-R30E, being the project area for the permitted RDX Federal Com 28-9H. Execution on your behalf, is required by the BLM as Record Title owner for Lease NM-035607.

Please return (3) three fully executed and acknowledged original signature pages in the prepaid envelope at your earliest convenience. Please contact Aaron Young should you have any questions at 539.573.3531 or email aaron.young@wpxenergy.com.

Sincerely, RKI Exploration & Production LLC WPX Energy, Inc.

Bryarly Miles

Land Data Tech Lead - Permian Basin

Enclosure

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

APPLICATION OF RKI EXPLORATION AND PRODUCTION, LLC TO RE-OPEN CASE NO. 15414 TO POOL RECORD TITLE OWNERS UNDER THE TERMS OF COMPULSORY POOLING ORDER NO. 14104, EDDY COUNTY, NEW MEXICO.

CASE NO. 15414 (re-opened)

<u>AFFIDAVIT</u>

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

Jordan L. Kessler, attorney in fact and authorized representative of RKI Exploration and Production, LLC, the Applicant herein, being first duly sworn, upon oath, states that the above-referenced Application has been provided under the notice letters and proof of receipts attached hereto.

Jordan L. Kessler

SUBSCRIBED AND SWORN to before me this 13th day of September, 2017, by Jordan L. Kessler.







Jordan L. Kessler Associate Phone (505) 988-4421 Fax (505) 983-6043 JLKessler@hollandhart.com

August 25, 2017

<u>VIA CERTIFIED MAIL</u> CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of RKI Exploration and Production, LLC to Re-Open Case No. 15414 To Pool The Interests Of Record Title Owners Under The Terms Of Compulsory Pooling Order R-14104, Eddy County, New Mexico.

RDX Federal Com 28 No. 9H Well

Ladies & Gentlemen:

This letter is to advise you that RKI Exploration and Production, LLC has filed the enclosed application with the New Mexico Oil Conservation Division. This application will be set for hearing before a Division Examiner at 8:15 a.m. on September 14, 2017. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter please contact Aaron Young, at (539) 573-3531 or aaron.young@wpxenergy.com.

Sincerely,

ordan L. Kessler

ATTORNEY FOR RKI EXPLORATION AND

PRODUCTION, LLC

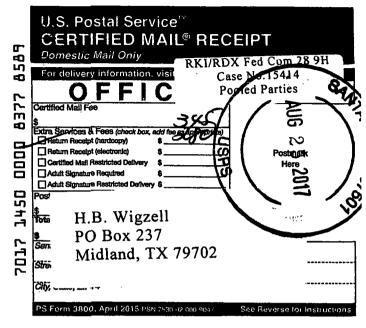
RKI/RDX Fed Com 28 9H Pooled Parties- Case No. 15414 (4)

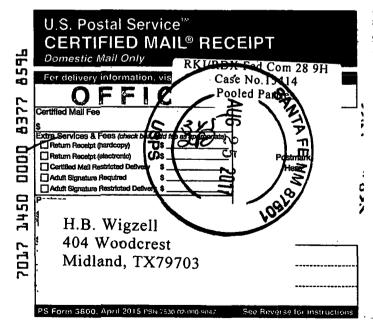
H.B. Wigzell PO Box 237 Midland, TX 79702

H.B. Wigzell 404 Woodcrest Midland, TX79703

Wigzell 2009 Trust 404 Woodcrest Midland, TX 79703

Joe R. Henderson Box 2477 Midland, TX 79702





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| SENDER: COMPLETE THIS SECTION | COMPLETE THIS SECTION ON DELIVERY |
| 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 maliplece, or on the front if space permits. | A. Signature X |
| 1. Article Addressed to: | D. Is delivery address different from item 1? Yes If YES, enter delivery address below: No |
| H.B. Wigzell 404 Woodcrest | |
| Midland TX79703 | |
| and the second | |
| 9590 9402 2950 7094 2963 31 — | 3. Service Type □ Adult Signature □ Adult Signature Restricted Delivery □ Certified Mail® □ Certified Mail Restricted Delivery □ Collect on Delivery |
| 2. Article Number (Transfer from service label) | ☐ Collect on Delivery Restricted Delivery ☐ Signature Confirmation id Mail ☐ Signature Confirmation |
| 7017 1450 0000 8377 8596 | d Mail Restricted Delivery Restricted Delivery \$500) |
| PS Form 3811, July 2015 PSN 7530-02-000-9053 | Domestic Return Receipt |



Affidavit of Publication

State of New Mexico. County of Eddy, ss.

Danny Fletcher, being first duly sworn, on oath says:

That he is the Publisher of the Carlsbad Current-Argus, newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof on the date as follows, to wit:

August 29

2017

That the cost of publication is \$122.17 and that payment thereof has been made and will be assessed as **p**ourt costs.

Subscribed and sworn to before m day of - X

My commission Expires 2

Notary Public



August 29, 2017

STATE OF NEW MEXICO

ta Fe, New Mexico, before an examiner duly appoint for the hearing. If you are an individual with a disa bility who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxillary aid or service to attend or participate in the hearing, please contact: Florene Da-vidson at 505-476-3458 or through the New Mexico Relay 3458 or through the New Mexico Relay Network, 1-800-659-1779 by September 4, 2017: Public docu-ments including the agenda and minutes, can be provided in accessible various forms. Please contact Florene Davidson if a summary or other type of accessible

STATE OF NEW MEXICO TO: All named parties and persons having any right, title, interest or claim in the following cases and notice to the public.

form is needed.

(NOTE: 'All land de scriptions herein refer to the New Mexico Principal Meridian Meridian whether or not so stated.)

To: H.B. Wigzell, his heirs and devisees, Wigzell 2009 Trust, Joe R. Henderson, his heits and devisees,

Case No. 15414 (re-opened): Applica-tion of RKI Explora-ENERGY, MINERALS
AND NATURAL
RESOURCES
DEPARTMENT
OIL CONSERVATION
DIVISION
SANTA FE, NEW MEXICO
The State of New Mexico through its Oil Conservation Division

The State of New Mexico Applicant in the above-styled cause seeks to tion and Production, Conservation Division styled cause seeks to hereby, gives notice amend Division Order pursuant to law and R-14104 to include the the Rules and Regula. ty, New Mexico. Said unit is dedicated to the RDX Federal Com-28 No. 9H Well and is located 10.5 miles southwest of Ross Place, New Mexico.