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December 4, 2017

VIA EMAIL & FEDERAL EXPRESS

Ms. Florene Davidson
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 15946

RE: Application for Approval of the La Jara Mancos Unit, etc.

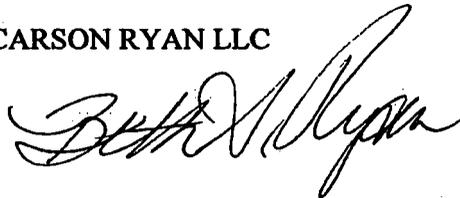
Dear Ms. Davidson:

On behalf of Robert L. Bayless, Producer LLC, enclosed please find an original and two copies of the Application of Robert L. Bayless, Producer LLC for Approval of the La Jara Mancos Unit, Creation of a New Pool for Horizontal Development within the Unit Area and for Allowance of 660 Foot Setbacks from the Exterior of the Proposed Unit, Rio Arriba County, New Mexico, together with a proposed Advertisement. Please set this matter for the January 25, 2017 Examiner hearing. Thank you.

Should you have any questions or concerns, please do not hesitate to contact me.

Very truly yours,

CARSON RYAN LLC



Elizabeth A. Ryan

BAR/
Enclosures

STATE OF NEW MEXICO RECEIVED OCD
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION
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**APPLICATION OF ROBERT L. BAYLESS, PRODUCER LLC
FOR APPROVAL OF THE LA JARA MANCOS UNIT,
CREATION OF A NEW POOL FOR HORIZONTAL
DEVELOPMENT WITHIN THE UNIT AREA,
AND FOR ALLOWANCE OF 660 FOOT SETBACKS FROM
THE EXTERIOR OF THE PROPOSED UNIT,
RIO ARRIBA COUNTY, NEW MEXICO.**

CASE NO. 15946

APPLICATION

Robert L. Bayless, Producer LLC ("Bayless"), pursuant to N.M.A.C. 19.15.20.14, hereby makes application for an order (1) approving its La Jara Mancos Unit; (2) creating a new pool for horizontal wells within that unit area; and (3) allowing for 660 foot setbacks from the exterior of the proposed Unit with no internal setback for horizontal gas wells. In support of this Application, Bayless states:

1. The proposed "Unit Area" for the La Jara Mancos Unit consists of 10,878.58 acres, more or less, of federal and fee lands situated in Rio Arriba County, New Mexico, specifically:

TOWNSHIP 29 NORTH, RANGE 4 WEST, N.M.P.M.

Section 1: All
Section 2: All
Section 11: All
Section 12: All
Section 13: All
Section 14: All
Section 20: All
Section 21: All
Section 22: All
Section 23: All
Section 24: All
Section 25: All

Section 26: All
Section 27: All
Section 28: All
Section 29: All
Section 32: All

See Plat of Unit Area attached hereto as *Exhibit A*.

2. Once approved, Bayless will be the designated operator under the proposed Unit Agreement for the Development and Operation of the La Jara Mancos Unit Area, Rio Arriba, County, New Mexico ("Unit Agreement"). The unitized interval includes all formations from the top of the Mancos Shale Formation down to the base of the Mancos Shale Formation, specifically described in the Unit Agreement as: all oil and gas in the Mancos Shale Formation, including genetically related rocks below the stratigraphic equivalent of the top of the Mancos Shale Formation, which is the base of the Point Lookout Sandstone of the Mesaverde Group, at a measured depth of 6,824 feet down to the stratigraphic equivalent of the base of the Mancos Shale Formation, which is the top of the Dakota Sandstone, at a measured depth of 8,586 feet as encountered in the San Juan 29-4 Unit No. 24 Well in the NE/4 of Section 8, Township 29 North, Range 4 West, N.M.P.M. (API #30-039-22844) (the "Unitized Interval").

3. Bayless is the majority interest owner in the Unit Area. Bayless has met with interest owners within the proposed Unit Area and is still in the process of obtaining the necessary approvals of the Unit Agreement in order to provide effective control of unit operations.

4. Over 98% of the mineral acreage in the proposed Unit Area is federal and 1.47% is fee minerals.

5. Bayless has received pre-approval of the Unit Agreement from the Bureau of Land Management. *See BLM Designation Letter* attached hereto as *Exhibit B*.

6. Bayless has an upcoming meeting with the New Mexico Oil Conservation Division's District 3 Office regarding this Application.

7. Pursuant to the terms of the proposed Unit Agreement, the entire Unit Area will be developed and operated as a single Participating Area, therefore constituting a single project area for horizontal wells, in accordance with 19.15.16.7.L(2) NMAC, and as such, internal setbacks within the Unit Area will not apply to unit wells under the Division's rules.

8. Pursuant to 19.15.20.14 NMAC, after notice and hearing, the Division may approve the combining of contiguous developed proration units into a unitized area.

9. The Unit Area is currently subject to the Special Rules and Regulations for the Basin-Mancos Gas Pool (Pool Code 97232) adopted in 2008 under Division Order R-12984.

10. Rule C of the Special Rules for the Basin-Mancos Gas Pool require gas wells to be located no closer than 660 feet to the outer boundary of a spacing unit, or in this case, the outer boundary of the Unit Area, and no closer than 10 feet to any section, quarter section, or interior quarter-quarter section line or subdivision inner boundary.

11. Consistent with the statewide rules for horizontal gas wells, in order to allow for the most efficient horizontal well development pattern for the production of gas and associated condensate, and to effectively drain the reserves in the unitized formation underlying the Unit Area, Bayless requests that the Division create a new pool for horizontal development within the Unit Area that covers the Unitized Interval and allows for 660 foot setbacks for horizontal gas wells with no internal setbacks within the Unit Area.

12. Notice of this Application has been provided to the affected parties in the spacing units offsetting the proposed Unit Area which includes the Jicarilla Apache Tribe, as well as all

working interest, overriding royalty, and mineral and royalty interest owners within the proposed Unit Area.

13. Bayless has also caused notice of this Application to be published in a local newspaper of general circulation in Rio Arriba County, New Mexico.

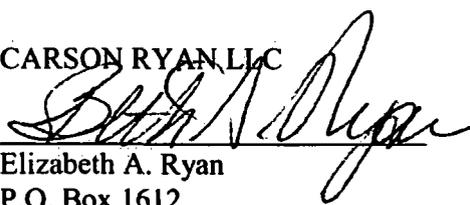
14. Applicant does not oppose operators in offsetting spacing units drilling horizontal gas wells in the Unitized Interval with completed intervals as close as 660 feet to the exterior boundary of the Unit.

15. Approval of this Application and the creation of a new pool for horizontal development in the Unit Area will be in the best interest of conservation, the preservation of waste, and the protection of correlative rights.

WHEREFORE, Robert L. Bayless, Producer LLC requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on January 25, 2017, and that after notice and hearing this Application be approved.

Respectfully submitted,

CARSON RYAN, LLC


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Attorneys for

Robert L. Bayless, Producer LLC

Case No. 15946

Application of Robert L. Bayless, Producer LLC For Approval of the La Jara Mancos Unit, Creation of a New Pool For Horizontal Development Within the Unit Area, and For Allowance of 660 Foot Setbacks From The Exterior of the Proposed Unit, Rio Arriba County, New Mexico. Applicant seeks approval for its La Jara Mancos Unit consisting of 10,878.58 acres, more or less, of federal and fee lands situated in all or parts of Sections 1-2, 11-14, and 20-24, 25-29 and Section 32 of Township 30 North, Range 15 West, N.M.P.M., Rio Arriba County, New Mexico. The Unitized Interval includes all formations from the top of the Mancos Shale Formation to the base of the Mancos Shale Formation. In addition, Applicant seeks an order creating a new pool for horizontal wells which would extend from the top of the Mancos Shale Formation to the base of the Mancos Shale Formation within the proposed Unit Area that will allow for horizontal gas development with 660 foot setbacks from the exterior of the proposed Unit boundary and with no internal setbacks. The subject acreage is approximately five miles north of Fruitland, New Mexico.

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