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HAND-DELIVERY AND EMAIL

Florene Davidson
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505
florene.davidson@state.nm.us

Case 16098

Re: Application of Advance Energy Partners Hat Mesa, LLC for a Non-Standard Oil Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico - Wool Head #504H

Dear Ms. Davidson:

Enclosed please find for filing the original and one copy of an Application regarding the above matter. Also enclosed is the proposed advertisement which will be emailed to you in Word format. Please set this matter for hearing on the May 3, 2018 examiner docket.

Thank you.

Very truly yours,

J. Scott Hall

Enclosures

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

REPLY TO:

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

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. 16098

APPLICATION

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 E/2 of Section 20 and the E/2 SE/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 E/2 of Section 20 and the E/2 SE/4 of Section 17, and has the right to drill a well thereon.
2. Applicant proposes to drill its **Wool Head #504H** well to a depth sufficient to test the 2nd Bone Spring formation. Applicant seeks to dedicate the E/2 E/2 of Section 20 and the E/2 SE/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 330 feet from the east line of Section 20 and a bottom hole location 2,540 feet from the south line and 330 feet from the east 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 E/2 of Section 20 and the E/2 SE/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 E/2 E/2 of Section 20 and the E/2 SE/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 E/2 of Section 20 and the E/2 SE/4 of Section 17 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, 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 E/2 of Section 20 and the E/2 SE/4 of Section 17;

B. Pooling all mineral interests in the Bone Spring formation at the indicated depths underlying E/2 E/2 of Section 20 and the E/2 SE/4 of Section 17;

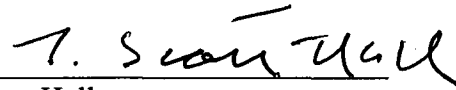
C. Designating Applicant as operator of the well;

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,

A handwritten signature in black ink, reading "J. Scott Hall". The signature is written in a cursive style with a horizontal line underneath the name.

J. Scott Hall
Seth C. McMillan
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*Attorneys for Advance Energy Partners
Hat Mesa, LLC*

Case No. 16098: *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 E2 of Section 20 and the E/2 SE/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 #504H** well to be drilled from an approximate surface location 100 feet from the south line and 330 feet from the east line of Section 20, Township 21 South, Range 33 East to a bottomhole location 2,540 feet from the south line and 330 feet from the east 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 2.5 miles northeast of Hat Mesa, New Mexico.