

**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 CAZA PETROLEUM, LLC
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.**

Case No. 16360 (re-opened)

VERIFIED STATEMENT OF JOHN E. BROWN

John E. Brown, being duly sworn upon his oath, deposes and states:

1. I am a landman for Caza Petroleum, LLC ("Caza"), and have personal knowledge of the matters set forth herein. I have been qualified by the Division as an expert petroleum landman.

2. Pursuant to NMAC 19.15.4.12.A(1), the following information is submitted in support of the compulsory pooling application filed herein:

(a) The purpose of this application is to force pool working interest owners into the Wolfcamp horizontal spacing unit described below, and in the wells to be drilled in the unit.

(b) No opposition is expected because the interest owners' being pooled have been contacted regarding the proposed wells, but have simply failed or refused to voluntarily commit their interests to the wells.

(c) A plat outlining the unit being pooled is attached hereto as Attachment A. Caza seeks an order pooling all mineral interests in a 640 acre horizontal spacing unit in the Wolfcamp formation comprised of the N/2 of Section 22 and the N/2 of Section 21, Township 23 South, Range 27 East, N.M.P.M., Eddy County, New Mexico. The unit will be dedicated to the Forehand Ranch 22-21 State Com. Well No. 2H and the Forehand Ranch 22-21 State Com. Well No. 4H, to be drilled to a depth sufficient to test the Wolfcamp formation. They are horizontal wells, with a first and last take points shown on the C-102a attached as Attachment A.

Applicant seeks to make each well the "first" well under a pooling order so that it can drill both wells and then frac them simultaneously.

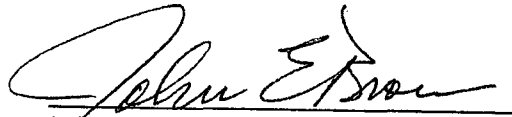


- (d) The parties being pooled and their interests are set forth in Attachment B. Their current and correct addresses are also set forth. Caza has searched public records and internet records to determine these addresses. None of the letters sent to the interest owners have been returned as undeliverable.
- (e) Attachment C is a copy of the proposal letter sent to the working interest owners for Well No. 4H. In addition to this letter, I have had numerous phone calls and e-mails with the interest owners except for Haycor, Inc., which has not responded to our contacts. Also, a form Joint Operating Agreement has been sent to all working interest owners.
- (f) Caza has made a good faith effort to locate all interest owners and to obtain the voluntary joinder of the working interest owners in the proposed wells.
- (g) Caza has the right to pool the overriding royalty owners in the well unit.
- (h) Attachment D contains the Authorizations for Expenditure for Well No. 4H. The estimated cost of the well set forth therein is fair and reasonable, and comparable to the cost of other wells of similar depth and length drilled in this area of Eddy County.
- (i) Caza requests overhead and administrative rates of \$7500/month for a drilling well and \$750/month for a producing well. These rates are fair, and comparable to the rates charged by other operators for wells of this type in this portion of Eddy County. They are also the rates set forth in the Joint Operating Agreement for the well unit. Caza requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.
- (j) Caza requests that the maximum cost plus 200% risk charge be assessed against non-consenting working interest owners.
- (k) Caza requests that it be designated operator of the wells.
- (l) The attachments to this affidavit were prepared by me, or compiled from company business records.
- (m) The granting of this application is in the interests of conservation and the prevention of waste.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF HARRIS)

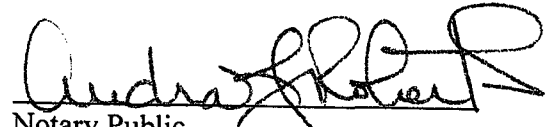
John E. Brown, being duly sworn upon his oath, deposes and states that: He is a landman for Caza Petroleum, LLC; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.



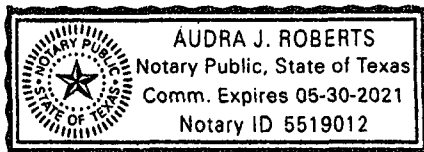
John E. Brown

SUBSCRIBED AND SWORN TO before me this 9th day of January, 2019 by John E. Brown.

My Commission Expires: 5-30-21



Notary Public



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 Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

X AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-45372	Pool Code 98220	Pool Name Purple Sage; Wolfcamp
Property Code 320546	Property Name FOREHAND RANCH NORTH 22-21 STATE COM	Well Number 4H
OGRID No. 299049	Operator Name CAZA OPERATING, LLC	Elevation 3140'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	22	23-S	27-E		1440	NORTH	250	EAST	EDDY

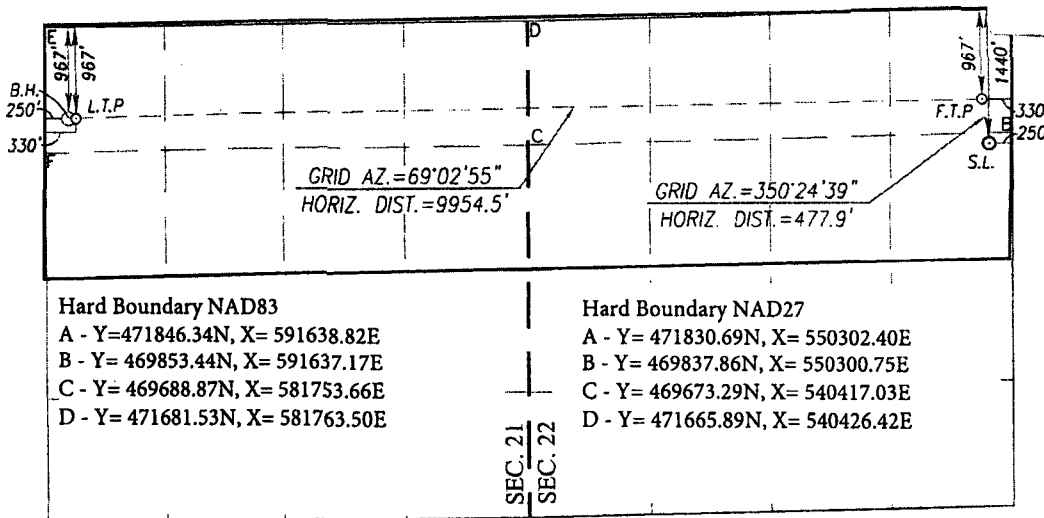
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	21	23-S	27-E		967	NORTH	250	WEST	EDDY

Dedicated Acres 640	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NC

ATTACHMENT **A**



OPERATOR CERTIFICATION

I hereby certify that the information 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 or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature: *[Signature]* Date: **12/24/2018**
Printed Name: **Steve Morris**
E-mail Address: **steve.morris@morcoreengineering.com**

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.

SEPTEMBER 21, 2018

Date of Survey
Signature & Seal of Professional Surveyor:

[Signature]
Certificate Number: **12641**
Ronald J. Eidson
LSL Ref: **18.13.1228** JWSC W.O.: **18.13.1228**

BOTTOM HOLE LOCATION
NAD 27 NME
Y = 470983.9 N
X = 540585.4 E
LAT. = 32.294783° N
LONG. = 104.201989° W

LAST TAKE POINT
NAD 27 NME
Y = 470983.1 N
X = 540505.4 E
LAT. = 32.294781° N
LONG. = 104.202248° W

FIRST TAKE POINT
NAD 27 NME
Y = 471148.3 N
X = 550456.0 E
LAT. = 32.295198° N
LONG. = 104.170044° W

GEODETTIC COORDINATES
NAD 27 NME
SURFACE LOCATION
Y = 470677.1 N
X = 550535.6 E
LAT. = 32.293902° N
LONG. = 104.169789° W

BOTTOM HOLE LOCATION
NAD 83 NME
Y = 471042.7 N
X = 581767.6 E
LAT. = 32.294902° N
LONG. = 104.202488° W

LAST TAKE POINT
NAD 83 NME
Y = 471041.9 N
X = 581687.6 E
LAT. = 32.294900° N
LONG. = 104.202747° W

FIRST TAKE POINT
NAD 83 NME
Y = 471207.1 N
X = 591638.3 E
LAT. = 32.295317° N
LONG. = 104.170542° W

GEODETTIC COORDINATES
NAD 83 NME
SURFACE LOCATION
Y = 470736.0 N
X = 591717.9 E
LAT. = 32.294022° N
LONG. = 104.170287° W

CORNER COORDINATES TABLE
NAD 27 NME

A - Y = 469470.1 N, X = 550784.5 E
B - Y = 470796.6 N, X = 550785.6 E
C - Y = 470675.2 N, X = 545534.6 E
D - Y = 472000.5 N, X = 545537.5 E
E - Y = 471947.4 N, X = 540253.0 E
F - Y = 470621.0 N, X = 540256.4 E

CORNER COORDINATES TABLE
NAD 83 NME

A - Y = 469528.9 N, X = 591966.9 E
B - Y = 470855.4 N, X = 591968.0 E
C - Y = 470734.0 N, X = 586716.9 E
D - Y = 472059.4 N, X = 586719.8 E
E - Y = 472006.1 N, X = 581435.1 E
F - Y = 470679.7 N, X = 581438.6 E

FOREHAND RANCH NORTH 22-21 #4H WORKING INTEREST OWNERS

11/30/2018

Caza Petroleum, LLC Attn: Rich Albro 4 Greenspoint Place 16945 Northchase Drive, Suite 1430 Houston, Texas 77060	53.750000%
Chevron USA Inc. Attn: Kristin Hunter, Land Representative OBO MCBU Land Dept. 6301 Deauville Blvd. Midland, Texas 79706	24.203311%
MRC Explorers Resources, LLC 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240	1.035195%
MRC Spiral Resources, LLC 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240	1.035195%
Heyco Development Corporation P. O. Box 1933 Roswell, New Mexico	10.046016%
Yates Energy Corporation P. O. Box 2323 Roswell, New Mexico 88201	3.406931%
D. Van Matthew, MSU 2200 S. W. Freeway, Suite 500 Houston, Texas 77089	2.762500%
Harold Hees, MSU P. O. Box 7638 Corpus Christi, Texas	1.062500%
Howard Lorch, MSU 2203 Chilton Road Houston, Texas 77019	0.250000%
Tim Hogan, MSU 2 Michelle Lane Warren, New Jersey 07059	0.250000%

ATTACHMENT B

FOREHAND RANCH NORTH 22-21 #4H WORKING INTEREST OWNERS (con't)
11/30/2018

Haycor, Inc. 15723 Hermitage Oaks Drive Tomball, Texas 77375	0.01250%
Marathon Oil Permian, LLC Attn: Matt Brown 5555 San Felipe Room 3720 Houston, Texas 77056	0.510465%
Black Stone Energy Company Attn: Luke Mildren 1001 Fannin, Suite 2020 Houston, Texas 77002	0.510465%
Black Stone Natural Resources III-B, LP Attn: Luke Mildren 1001 Fannin, Suite 2020 Houston, Texas 77002	0.416667%
Roadrunner Oil & gas, LLC Attn: Cathy Green 1401 Ballinger Street Fort Worth, Texas 76102	0.012500%
Poco Oil Company 13103 Holston Hills Drive Houston, Texas 77069	0.170155%
Shyla Corporation 3101 Richmond Avenue, Suite 210 Houston, Texas 77098	0.127616%
Frederick W. Zimmerman, d/b/a Island Resources 6760 Portwest Drive Houston, Texas 77024	0.127617%

ATTACHMENT

FOREHAND RANCH NORTH 22-21 #4H WORKING INTEREST OWNERS

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**Caza
Petroleum**

AUTHORITY FOR EXPENDITURE
New Drilling, Recompletion & Re-Entry

APF Number: 52115
APF Date: 11/26/2018

Well Name:	Forehand Ranch N. 22-21-4H	County, State:	Eddy, New Mexico	New Drill	X	Oil	
Location:	Sect 22 - T23S - R27E	Field:	Purple Sage Wolfcamp	Recompletion		Gas	
Well:	1440'FNL 250'FEL Sec 22	Formation:	Wolfcamp Z	Re-Entry		Injection	
Depth:	1594'FNL 270'FNL Sec 21	Production Depth:	9,705'TVD -19,750'MD	Development	X	Exploratory	

Drilling/Completion Description	Code	Drilling Intangibles	Code	Completion Intangibles	Total Cost
Permits and Signs	1-01	\$7,931			\$7,931
Damages	1-02	\$33,311	3-02	\$17,449	\$50,760
Road/Pipeline Easement and ROW	1-03		3-48		
Location and Roads	1-04	\$157,817	3-75	\$16,391	\$174,208
Pits and Liner	1-05	\$49,914	3-74		\$49,914
Spill Clean up and Restoration	1-06		3-61	\$26,438	\$26,438
Drilling Turnkey	1-07				
Drilling Footage	1-08				
Drilling Daywork	1-09	\$648,448	3-38		\$648,448
Bits	1-10	\$102,578	3-80	\$5,288	\$107,865
Transport Rig In and Out	1-11	\$19,564			\$19,564
Well Testing Equipment/ Flowback			3-40	\$104,693	\$104,693
Coring	1-13				
Mud Logging	1-14	\$47,696			\$47,696
Overhead Engineering Planning/ W ell	1-03	\$5,711	3-04		\$5,711
Water	1-16	\$78,837	3-72	\$522,141	\$600,977
Fuel	1-17	\$347,661	3-48	\$447,423	\$795,084
Mud and Chemicals	1-18	\$195,638	3-71	\$179,775	\$375,413
Pipe Inspection and Tests	1-19	\$28,146	3-09	\$10,657	\$38,803
Rental Equipment	1-20	\$90,109	3-47		\$90,109
Casing Crew Surface	1-21	\$8,291			\$8,291
Welding	1-22	\$8,989	3-77	\$26,438	\$35,426
Surface Hole Cement	1-23	\$29,084			\$29,084
Directional Drilling	1-24	\$367,702			\$367,702
Engineering Supervisor	1-25	\$28,041			\$28,041
Geological Supervisors	1-26	\$4,759			\$4,759
Insurance	1-27	\$10,007	3-07	\$15,863	\$25,869
Consultants	1-28	\$126,184	3-82	\$112,624	\$238,808
Miscellaneous	1-29	\$6,345	3-80	\$26,438	\$32,783
Equipment Repairs	1-30		3-20	\$8,989	\$8,989
Plugging	1-31		3-05		
Survey and Stake Location	1-32	\$8,460	3-03		\$8,460
Cement Intermediate Casing	1-33	\$25,338			\$25,338
Special Services	1-34		3-86		
Title Curative	1-35		3-34		
Wireline	1-36	\$15,499	3-43	\$297,158	\$312,656
Contingency 10%	1-37	\$365,365	3-31	\$846,303	\$1,211,668
Fishing Service	1-38		3-05		
Forklift	1-39	\$6,134	3-46	\$27,759	\$33,893
Fishing Equipment	1-40		3-06		
OCD Hearings	1-41				
Title Opinion	1-42	\$16,900	3-35		\$16,900
Whipstock Service	1-43		3-07		
Completion Unit	1-44		3-38	\$53,933	\$53,933
Closed Loop System	1-45	\$79,448	3-09		\$79,448
Unitization - Geological	1-46		3-10		
Unitization - Legal	1-47		3-11	\$10,575	\$10,575
Whipstock Service	1-43		3-70	\$296,100	\$296,100
Casing Crew Intermediate	1-49	\$15,630			\$15,630
Casing Crew Production	1-50	\$15,646	3-73		\$15,646
Water Well	1-51				
Arch Survey	1-52		3-60		
Swab Unit/ Snubbing Unit			3-01	\$53,933	\$53,933
Perforating	1-54		3-42		
BOPE Testing	1-55	\$14,276	3-05	\$17,360	\$31,636
Contract Service and Equipment	1-56	\$43,364	3-70	\$296,100	\$339,464
Telecommunications	1-54	\$5,082	3-42	\$539	\$5,622
Repairs - Labor and Material	1-59		3-67		
Potable Water	1-60	\$15,773	3-08		\$15,773
Roustabout Service	1-60		3-79	\$148,896	\$148,896
Water Disposal	1-61		3-45	\$105,750	\$105,750
Safety Equipment Rental	1-62		3-68		
Onsite Housing	1-63	\$21,031	3-68	\$12,584	\$33,615
Waterline Rental	1-64		3-12	\$177,660	\$177,660
Mud Disposal	1-65	\$82,503	3-13	\$105,750	\$188,253
Downhole Rental Equipment	1-66		3-46	\$51,500	\$51,500
Surface Rental Equipment	1-67	\$99,921	3-03	\$76,140	\$176,061
Mud Cleaning Equipment	1-68	\$137,475	3-14		\$137,475
Cement Liner/Production Casing	1-69	\$102,234	3-57		\$102,234
Transportation/ Trucking	1-70	\$35,955	3-63	\$17,015	\$52,970
Abstract	1-71		3-33		
Light Towers and Generators	1-72	\$63,092	3-15	\$16,656	\$79,748
Frac Tank Rental	1-74	\$4,584	3-21	\$24,428	\$29,012
Coil Tubing Unit			3-45		
Hydrotesting			3-06		
Reverse Unit			3-17	\$89,348	\$89,348
Tubing Rental/ Repairs			3-18	\$14,805	\$14,805
Manlift	1-48		3-48	\$17,766	\$17,766
Pressure Control			3-19	\$211,500	\$211,500
Crane or Mast Truck	1-44		3-79		
Cement Squeeze	1-83		3-16		
Laydown Truck	1-80		3-88	\$19,035	\$19,035
Pumping Service	1-81		3-89		
Stimulation	1-88		3-45	\$4,441,500	\$4,441,500
Acidization			3-44	\$12,690	\$12,690
Floet Equipment	1-91	\$39,614	3-81		\$39,614
Legal and Professional Service	1-92		3-82	\$10,575	\$10,575
Chemicals and Treating			3-81	\$132,188	\$132,188
Completion Fluids			3-42	\$21,150	\$21,150
Total		\$3,616,084		\$9,127,298	\$12,743,382

ATTACHMENT D



**Caza
Petroleum**

AUTHORITY FOR EXPENDITURE
New Drilling, Recompletion & Re-Entry

AFE Number: 52115
AFE Date: 11/26/18

Well Name:	Forehand Ranch N. 22-21-4H	County, State:	Eddy, New Mexico	New Drill:	<input checked="" type="checkbox"/>	Oil
Location:	Sect 22 - T23S - R27E	Field:	Purple Sage Wolfcamp	Recompletion:	<input type="checkbox"/>	Gas
SHL:	1440'FSL 250'FEL Sec 22	Horizon:	Wolfcamp Z	Re-Entry:	<input type="checkbox"/>	Injector
BHL:	1694'FNL 270'FWL Sec 21	Projected Depth:	9,705'TVD -19,750'MD	Development:	<input checked="" type="checkbox"/>	Exploratory

Tangibles Description	Code	Drilling Tangibles	Code	Completion Tangibles	Total Cost
Production Casing	2-31	\$373,853	4-66		\$373,853
Conductor	2-32	\$8,502			\$8,502
Surface Casing	2-33	\$85,721			\$85,721
Intermediate Casing	2-34	\$304,481			\$304,481
Tubing			4-68	\$54,853	\$54,853
Well Head	2-36	\$33,311	4-63		\$33,311
Other Tangible Equipment	2-37				
Liner	2-40		4-80		
Packers/ Bridge Plugs	2-43		4-55	\$109,610	\$109,610
Whipstock	2-67		4-57		
Couplings and Fittings	2-61		4-69	\$237,938	\$237,938
Turnkey Battery Installation			4-01		
Scab Liner			4-35		
Labor Construction			4-38	\$5,288	\$5,288
Sleeves			4-37		
Meter Station			4-38	\$5,816	\$5,816
Tank Containment			4-39	\$37,013	\$37,013
Gas Production Unit			4-40		
In Line Heater			4-41	\$11,633	\$11,633
Tubing Subs			4-42		
Gas Measurement Equipment			4-43		
Dehydrator			4-45		
SWD System			4-62	\$26,438	\$26,438
Tree, Tubing Wellhead Assembly			4-64	\$9,042	\$9,042
Downhole Equipment			4-69	\$5,816	\$5,816
Rods			4-62		
Pumping Unit			4-61		
Treater			4-60	\$11,685	\$11,685
Flowline and Fittings			4-64	\$10,575	\$10,575
Tankage			4-66	\$206,213	\$206,213
Separator			4-66	\$11,685	\$11,685
Downhole Pump			4-63		
Gas Lift			4-66	\$10,681	\$10,681
Compressors			4-67	\$14,805	\$14,805
Miscellaneous			4-68	\$10,575	\$10,575
Fencing			4-71	\$5,816	\$5,816
Gas Pipeline			4-82	\$2,644	\$2,644
Flare System			4-83	\$14,805	\$14,805
Transfer Pump			4-85	\$10,575	\$10,575
Liner Hanger			4-81		
Meters and Controls			4-70	\$63,450	\$63,450
Total Drilling Tangibles		\$805,868		\$876,953	\$1,682,821
		\$4,421,952		\$10,004,251	\$14,426,203

Prepared By: Tony B. Sam

Date: 11/27/18

Company Approval:

Date:

Land:

COO:

Acct:

Pres:

Joint Owner Interest:

Amount:

Joint Owner:

Joint Owner Approval:

By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Joint Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

By:

Date: