

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

**APPLICATION OF MRC PERMIAN COMPANY
FOR APPROVAL OF AN OVERLAPPING HORIZONTAL
WELL SPACING UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

MRC Permian Company (“MRC” or “Applicant”), through undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order (a) approving a standard 323.81-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation comprised of the E2E2 of Section 35, Township 18 South, Range 34 East; and Lot 1, SE4NE4 and E2SE4 (E2E2 equivalent) of irregular Section 2, Township 19 South, Range 34 East and, NMPM, Lea County, New Mexico, and (b) pooling all uncommitted mineral interests in this horizontal well spacing unit. In support of its application, MRC states:

1. Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Applicant seeks to designate Matador Production Company (OGRID No. 228937) as the operator of the proposed overlapping horizontal spacing unit.
3. Applicant seeks to initially dedicate the above-referenced horizontal spacing unit to the proposed **Mark McKinley State Com 114H** and the **Mark McKinley State Com 124H** wells to be horizontally drilled from a surface location in the SE4 of Section 26, with first take points in the NE4NE4 (Unit A) of Section 35 and last take points in the SE4SE4 (Unit P) of irregular Section 2.

4. This proposed horizontal well spacing unit will overlap the following existing spacing units producing from the Bone Spring formation:

- A 160-acre horizontal well spacing unit comprised of the S2S2 of Section 35 currently dedicated to the Butter Cup 35 State Com 1H (30-025-40634) operated by Franklin Mountain Energy 3, LLC and assigned to the Airstrip: Bone Spring Pool (960);
- A 160-acre horizontal well spacing unit comprised of N2S2 of Section 35 currently dedicated to the Butter Cup 35 State Com 2H (30-025-40642) operated by Franklin Mountain Energy 3, LLC and assigned to the Airstrip: Bone Spring Pool (960);
- A 200-acre horizontal well spacing unit comprised of S2N2 of Section 35 and the SW4NW4 (Unit E) of Section 36, currently dedicated to the Tin Cup 36 State Com 2H (30-025-40422) operated by Franklin Mountain Energy 3, LLC and assigned to the Airstrip: Bone Spring Pool (960); and
- A 163.81-acre horizontal well spacing unit comprised of Lot 1, SENE and E2SE4 (E2E2 equivalent) of irregular Section 2, currently dedicated to the King Cobra 2 State 1H (30-025-40388) operated by COG Operating LLC and assigned to the Scharb; Bone Spring Pool (55610).

5. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all interest owners in the subject spacing unit.

6. The approval of this overlapping horizontal spacing unit and the pooling of interests will allow Applicant to obtain a just and fair share of the oil and gas underlying the subject lands, avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 4, 2024, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving the overlapping horizontal well spacing unit and pooling all uncommitted interests therein;
- B. Designating Matador Production Company as operator of this overlapping horizontal spacing unit and the horizontal wells to be drilled thereon;
- C. Authorizing Applicant to recover its costs of drilling, completing, and equipping the wells;
- D. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- E. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

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ATTORNEYS FOR **MRC PERMIAN COMPANY**

CASE _____: **Application of MRC Permian Company for Approval of an Overlapping Horizontal Well Spacing Unit and Compulsory Pooling, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order (a) approving a standard 323.81-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation comprised of the E2E2 of Section 35, Township 18 South, Range 34 East; and Lot 1, SE4NE4 and E2SE4 (E2E2 equivalent) of irregular Section 2, Township 19 South, Range 34 East and, NMPM, Lea County, New Mexico, and (b) pooling all uncommitted mineral interests in this horizontal well spacing unit. Said unit will be initially dedicated to the proposed **Mark McKinley State Com 114H** and **Mark McKinley State Com 124H** wells to be horizontally drilled from a surface location in the SE4 of Section 26, with first take points in the NE4NE4 (Unit A) of Section 35 and last take points in the SE4SE4 (Unit P) of Section 2. This proposed horizontal well spacing unit will overlap the following existing spacing units producing from the Bone Spring formation:

- A 160-acre horizontal well spacing unit comprised of the S2S2 of Section 35 currently dedicated to the Butter Cup 35 State Com 1H (30-025-40634) operated by Franklin Mountain Energy 3, LLC;
- A 160-acre horizontal well spacing unit comprised of N2S2 of Section 35 currently dedicated to the Butter Cup 35 State Com 2H (30-025-40642) operated by Franklin Mountain Energy 3, LLC;
- A 200-acre horizontal well spacing unit comprised of S2N2 of Section 35 and the SW4NW4 (Unit E) of Section 36, currently dedicated to the Tin Cup 36 State Com 2H (30-025-40422) operated by Franklin Mountain Energy 3, LLC; and
- A 163.81-acre horizontal well spacing unit comprised of Lot 1, SENE and E2SE4 (E2E2 equivalent) of irregular Section 2, currently dedicated to the King Cobra 2 State 1H (30-025-40388) operated by COG Operating LLC.

Also, to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, actual operating costs and charges for supervision, designation of Matador Production Company as operator of the wells, and a 200% charge for risk involved in drilling said wells. The subject area is located approximately 24 miles west of Hobbs, New Mexico.