

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

**AMENDED APPLICATION OF XTO ENERGY INC.
FOR APPROVAL OF EXPANSION OF THE
JAMES RANCH UNIT, EDDY COUNTY,
NEW MEXICO.**

CASE NO. 15844 (de novo)

XTO's PRE-HEARING STATEMENT

XTO Energy Inc. (XTO), the applicant in the above-referenced case, submits this Pre-Hearing Statement pursuant to the rules of the Oil Conservation Commission.

APPEARANCES

CASE APPLICANT

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ATTORNEY

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DE NOVO APPLICANT

MRC Permian Company
MRC Permian LKE Company, LLC

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APPLICANT'S STATEMENT OF THE CASE

The James Ranch Unit was originally approved by the Oil Conservation Commission under Order R-279 in 1953. The Unit includes all depths and in 1979 was contracted to comprise approximately 15,094 acres of federal, state and fee lands in Eddy County, New Mexico. The Unit

is comprised of primarily federal and state lands within know potash reserves, therefore requiring drilling islands for development.

In August of 2017, following discussions with the Bureau of Land Management, the New Mexico State Land Office and the working interest owners in the affected acreage, XTO filed an application with the Division to expand the James Ranch Unit by approximately 13,223.68 acres. The expanded Unit will be bound to the North and the West by the Big Eddy Unit. Following a hearing before Division Examiners in November of 2017, the Division issued Order R-279-B, approving the expansion of the James Ranch Unit.

MRC Permian Company and MRC Permian LKE Company, LLC's (collectively, "MRC"), own the working interest in Federal Lease NMNM-0355544 covering 1,120 acres in Sections 11 and 12 in Township 22 South, Range 29 East, on the western edge of the expanded area. MRC has filed a de novo appeal of the Division's order because it desires the 1,120-acre federal lease excluded from the 28,317-acre expanded Unit. *See* Order No. R-279-B at ¶ 9 (noting the reasons for MRC's objections). As XTO stated at that hearing and the Division reiterated, the James Ranch Unit is a *voluntary unit*. The working interest MRC holds in this federal lease is not being forced by XTO or Division Order R-279-B into the unit. MRC remains free to participate in, or propose development of, this federal lease on a unitized or lease basis.

The Bureau of Land Management has approved inclusion of MRC's federal lease into the expanded unit area. The New Mexico State Land Office, which has a 160-acre lease (VB-2408) comprised of the S/2 NW/4 and the N/2 SW/4 of Section 11 contiguous to MRC's federal lease, has approved inclusion of this state tract in the expanded unit area. XTO has received approval by the other working interest owners in the expanded unit area. The inclusion of Sections 11 and 12 in the expanded unit area is not only desired by the Bureau of Land Management, the New Mexico State Land Office and the remaining working interest owns, but necessary to allow the

acreage to be efficiently and effectively developed under a unitized plan of operation within known potash reserves. Since MRC's working interest remains free to participate or not participate on a unitized or lease basis in the development of Sections 11 and 12, no reason exists to exclude that acreage from the boundary of the expanded unit.

APPLICANT'S PROPOSED EVIDENCE

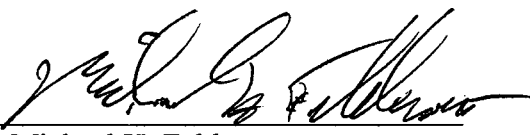
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Kenneth Hilger, Landman	Approx. 15	Approx. 10
Tom Anderson, Geologist	Approx. 10	Approx. 5

PROCEDURAL MATTERS

XTO has provided with this prehearing statement Exhibits 1 through 16, which comprise the exhibits utilized at the Division hearing.

Respectfully submitted,

HOLLAND & HART LLP

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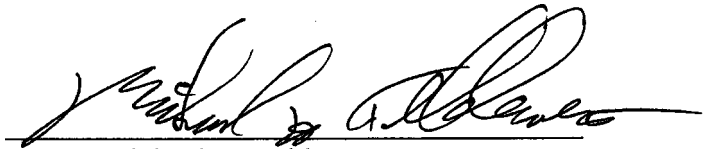
ATTORNEY FOR XTO ENERGY INC.

CERTIFICATE OF SERVICE

I hereby certify that on October 4, 2018, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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Attorney for MRC Permian Company and MRC Permian LKE Company, LLC

A handwritten signature in black ink, appearing to read "Michael H. Feldewert", is written over a horizontal line.

Michael H. Feldewert