

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MRC PERMIAN COMPANY
AND MATADOR PRODUCTION COMPANY FOR
RESCISSION OF API NOS. ASSIGNED TO SEVEN
APPLICATIONS FOR PERMIT TO DRILL ISSUED
TO COG OPERATING LLC, LEA COUNTY, NEW
MEXICO.

Case No. 20145

APPLICATION

MRC Permian Company ("MRC") and Matador Production Company ("Matador") apply for an order rescinding API Nos. for seven applications for permit to drill ("APDs") issued to COG Operating LLC ("COG") by the Bureau of Land Management, which if not rescinded would inevitably lead to 160 acres of land leased by MRC being stranded and undeveloped. In support of its application, MRC and Matador state:

1. COG has obtained federal APDs for the following wells located in Township 25 South, Range 35 East, N.M.P.M, Lea County, New Mexico:

- (a) Fez Fed. Com. Well No. 601H, with a 320 acre horizontal spacing unit comprised of the E2/W2 of Section 9 and the E/2W/2 of Section 4 (API No. 30-025-45274);
- (b) Fez Fed. Com. Well No. 602H, with a 320 acre horizontal spacing unit comprised of the E2/W2 of Section 9 and the E/2W/2 of 4 (API No. 30-025-45275);
- (c) Fez Fed. Com. Well No. 603H, with a 320 acre horizontal spacing unit comprised of the W2/W2 of Section 9 and the W/2W/2 of Section 4 (API No. 30-025-45276);
- (d) Fez Fed. Com. Well No. 701H, with a 320 acre horizontal spacing unit comprised of the E2/W2 of Section 9 and the E/2W/2 of Section 4 (API No. 30-025-45277);
- (e) Fez Fed. Com, Well No. 702H, with a 320 acre horizontal spacing unit comprised of the W2/W2 of Section 9 and the W/2W/2 of Section 4 (API No. 30-025-45278);

Pooling applications for the above four wells have been filed with the Division by Matador concurrently with this application. All applications will be scheduled for the December 6, 2018 Examiner hearing. However, for the reasons stated below, Matador will be filing a motion for an emergency order and a request that it be heard by the Division within the next week.

4. MRC and Matador have been informed that COG intends to commence the COG Fez Fed. Wells as early as mid-November 2018.

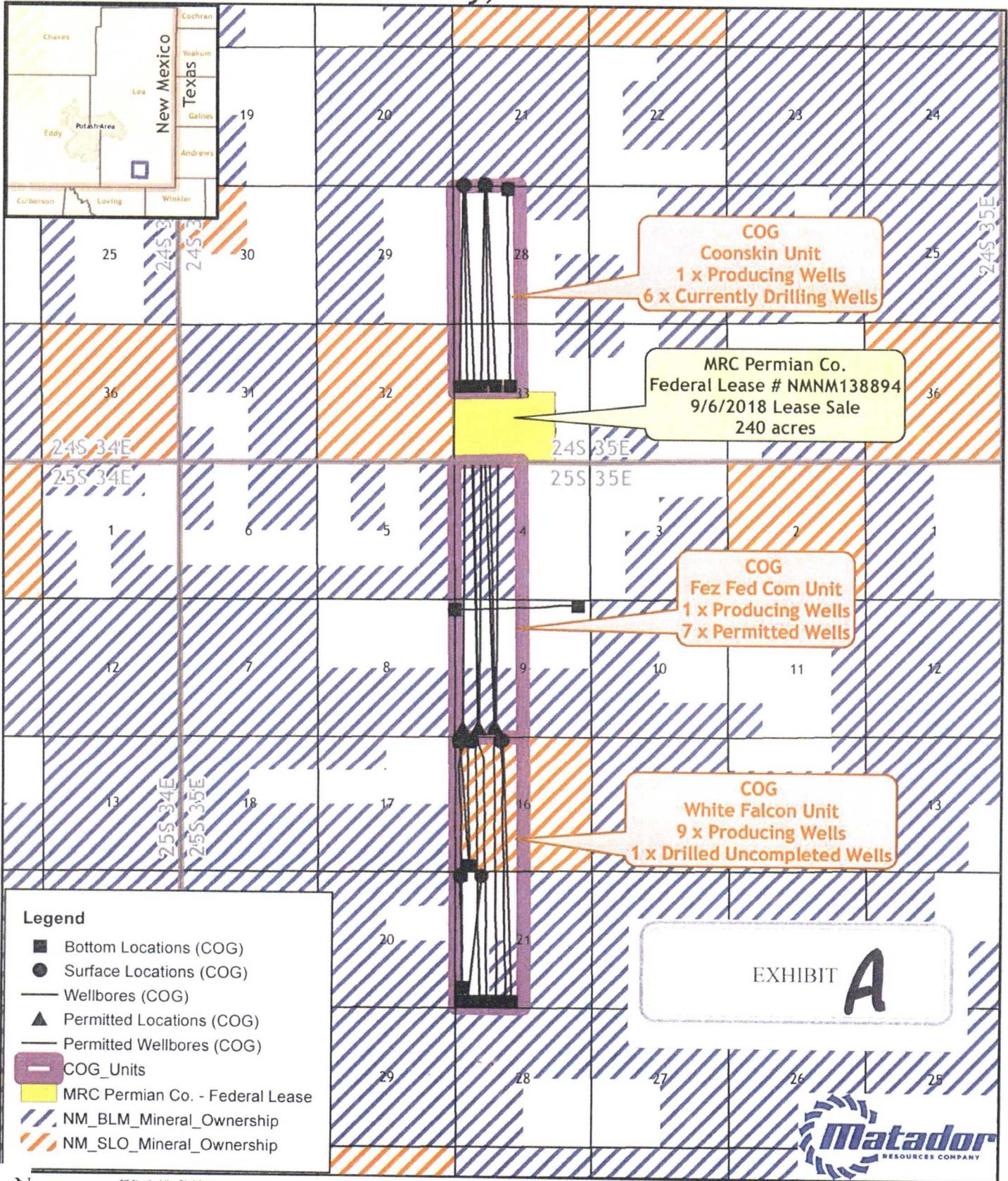
5. If COG is allowed to drill the COG Fez Fed. Wells before Matador/MRC's pooling applications are heard, the correlative rights of MRC will be violated because MRC's acreage will be stranded and MRC will be unable to develop and produce its reserves. Working interest owners will not drill 80 acre horizontal wells. Thus, waste will also occur.

6. Specifically, as reflected on Exhibit A, the COG Fez Fed. Wells are two-mile laterals that share a section line directly to the south of MRC's acreage, but which do not include MRC's acreage. MRC understands that COG intends to drill and complete all of the COG Fez Fed. Wells back-to-back, thus significantly depleting the reserves in these seven targets to the south of MRC's acreage in the near future.

7. In addition, as reflected on Exhibit A, MRC understands that COG is already in the process of drilling a six-well program in its Coonskin Unit (located directly to the north of MRC's acreage) using 1-1/2 mile laterals which do not include MRC's acreage. Accordingly, the reserves directly to the north of MRC's acreage will also be significantly depleted in the near future.

8. COG's current plans intentionally strand the western portion of MRC's leasehold acreage, with significant drilling on both sides of MRC's acreage scheduled to occur in the near future. This would make it unfeasible for MRC to drill wells either to the north or south in these

Lea County, New Mexico



GIS Standard Map Disclaimer:
This cartographic product is for informational purposes and may not have been prepared for, or be suitable for, legal, engineering, or surveying purposes. Users of this information should review or consult the primary data and information sources to ascertain the usability of the information.

1:60,000
1 inch = 5,000 feet



Southeast New Mexico

Map Prepared by: thudjins
Date: November 1, 2018
Filename: FederalAcreage_COG
Coordinate System: NAD 1927 StatePlane New Mexico East FIPS 3001
Projection: Transverse Mercator; Datum: North American 1927; Units: Foot US
Sources: IHS; ESRI

PROPOSED ADVERTISEMENT

Case No. _____:

Application of MRC Permian Company and Matador Production Company for rescission of API Numbers assigned to seven Applications for Permit to Drill issued to COG Operating LLC, Lea County, New Mexico. Applicants seek an order rescinding the API Numbers assigned to the following federal APDs obtained by COG Operating LLC for the following wells located in Township 25 South, Range 35 East, N.M.P.M, Lea County, New Mexico:

- (a) Fez Fed. Com. Well No. 601H, with a 320 acre horizontal spacing unit comprised of the E2/W2 of Section 9 and the E/2W/2 of Section 4 (API No. 30-025-45274);
- (b) Fez Fed. Com. Well No. 602H, with a 320 acre horizontal spacing unit comprised of the E2/W2 of Section 9 and the E/2W/2 of 4 (API No. 30-025-45275);
- (c) Fez Fed. Com. Well No. 603H, with a 320 acre horizontal spacing unit comprised of the W2/W2 of Section 9 and the W/2W/2 of Section 4 (API No. 30-025-45276);
- (d) Fez Fed. Com. Well No. 701H, with a 320 acre horizontal spacing unit comprised of the E2/W2 of Section 9 and the E/2W/2 of Section 4 (API No. 30-025-45277);
- (e) Fez Fed. Com, Well No. 702H, with a 320 acre horizontal spacing unit comprised of the W2/W2 of Section 9 and the W/2W/2 of Section 4 (API No. 30-025-45278);
- (f) Fez Fed Com. Well No. 703H, with a 320 acre horizontal spacing unit comprised of the W2/W2 of Section 9 and the W/2W/2 of Section 4 (API No. 30-025-45279); and
- (g) Fez Fed. Com. Well No. 704H, with a 320 acre horizontal spacing unit, comprised of the W2/W2 of Section 9 and the W/2W/2 of Section 4 (API No. 30-025-45280).

The wells are located approximately 10-1/2 miles west-northwest of Jal, New Mexico.

Jones, William V, EMNRD

From: Davidson, Florene, EMNRD
Sent: Tuesday, November 20, 2018 11:29 AM
To: Brooks, David K, EMNRD; Jones, William V, EMNRD; Brancard, Bill, EMNRD
Subject: Case number

The case number for Matador's application for an emergency order is 20145.

Jones, William V, EMNRD

From: jamesbruc@aol.com
Sent: Friday, January 4, 2019 12:34 PM
To: Davidson, Florene, EMNRD; Jones, William V, EMNRD; McMillan, Michael, EMNRD; Lowe, Leonard, EMNRD
Cc: jlkessler@hollandhart.com; mfeldewert@hollandhart.com; glarson@hinklelawfirm.com; eryan@concho.com; dmb@modrall.com; jsullivan@slo.state.nm.us; epadillapl@qwestoffice.net; smcmillan@montand.com; dlm@gknet.com
Subject: [EXT] Continuances and dismissals

Please dismiss MRC/Matador Cases 20108-20111 and 20145.

Please continue Novo Cases 20173-20180 to February 7.

Please dismiss Matador Cases 16061-16068.

Please continue Mewbourne Cases 16492-16495 to February 7.

Please continue Rover Cases 16354 and 16355 to March 7.

Please continue Mewbourne Cases 16492-16495 to February 7.

Please continue Mewbourne Cases 20053 and 20054 to January 24.

Please continue HPPC Case 16455 to February 7.

Please continue Mewbourne Case 16450 to January 24.

Please continue Cimarex Cases 16487 and 16488 to February 7.

Please continue Tap Rock Case 16489 to January 24.

No one objects to these requests.

Jim

11/10/19 NOTICE DOCKET

costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Case No. 20145: Application of MRC Permian Company and Matador Production Company for rescission of API Numbers assigned to seven Applications for Permit to Drill issued to COG Operating LLC, Lea County, New Mexico. Applicants seek an order rescinding the API Numbers assigned to the following federal APDs obtained by COG Operating LLC for the following wells located in Township 25 South, Range 35 East, N.M.P.M, Lea County, New Mexico:

- (a) Fez Fed. Com. Well No. 601H, with a 320 acre horizontal spacing unit comprised of the E2/W2 of Section 9 and the E/2W/2 of Section 4 (API No. 30-025-45274);
- (b) Fez Fed. Com. Well No. 602H, with a 320 acre horizontal spacing unit comprised of the E2/W2 of Section 9 and the E/2W/2 of 4 (API No. 30-025-45275);
- (c) Fez Fed. Com. Well No. 603H, with a 320 acre horizontal spacing unit comprised of the W2/W2 of Section 9 and the W/2W/2 of Section 4 (API No. 30-025-45276);
- (d) Fez Fed. Com. Well No. 701H, with a 320 acre horizontal spacing unit comprised of the E2/W2 of Section 9 and the E/2W/2 of Section 4 (API No. 30-025-45277);
- (e) Fez Fed. Com, Well No. 702H, with a 320 acre horizontal spacing unit comprised of the W2/W2 of Section 9 and the W/2W/2 of Section 4 (API No. 30-025-45278);
- (f) Fez Fed Com. Well No. 703H, with a 320 acre horizontal spacing unit comprised of the W2/W2 of Section 9 and the W/2W/2 of Section 4 (API No. 30-025-45279); and
- (g) Fez Fed. Com. Well No. 704H, with a 320 acre horizontal spacing unit comprised of the W2/W2 of Section 9 and the W/2W/2 of Section 4 (API No. 30-025-45280).

The wells are located approximately 10-1/2 miles west-northwest of Jal, New Mexico.

Case No. 20148: Application of Mewbourne Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all uncommitted mineral interests in the Bone Spring formation in a standard 240-acre horizontal spacing unit comprised of the W/2 NW/4 of Section 25 and the W/2 W/2 of Section 24, Township 21 South, Range 34 East in Lea County. The horizontal spacing unit will be dedicated to the proposed **Dolly Varden 25/24 B2ED State Com #1 H** well, which will be horizontally drilled from a surface location in Unit E in Section 25 to a last take point in Unit D in Section 24, Township 21 South, Range 34 East. The completed interval for the well will be orthodox. Also to be considered will be the costs of drilling and completing the well and the allocation of the costs, the designation of Mewbourne Oil Company as the operator of the well, and a 200% charge for the risk involved in drilling and completing the wells. The location of the well is approximately 12.5 miles west of Eunice, New Mexico.

Case No. 20149: Application of Mewbourne Oil Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all uncommitted mineral interests in the Bone Spring formation in a standard 240-acre horizontal spacing unit comprised of the W/2 W/2 of Section 26 and the W/2 SW/4 of Section 23, Township 21 South, Range 34 East in Lea County. The horizontal spacing unit will be dedicated to the proposed **Inland 26/23 B2ML State Com #1H and Inland 26/23 B3ML State Com #2 H** wells, both of which will be horizontally drilled from a surface location in Unit M in Section 26 to last take point in Unit L in Section 23, Township 21 South, Range 34 East. The completed intervals for both wells will be orthodox. Also to be considered will be the costs of drilling and completing the wells and the