

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

**APPLICATION OF 3R OPERATING LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. _____

APPLICATION

Pursuant to NMSA § 70-2-17, 3R Operating, LLC (“Applicant”) applies for an order pooling all uncommitted interests in the Bone Spring formation underlying a 240-acre, more or less, standard horizontal spacing unit comprised of the W/2 SW/4 of Section 25 and the W/2 W/2 of Section 36, Township 20 South, Range 35 East in Lea County, New Mexico. In support of its application, 3R Operating LLC, states the following.

1. Applicant (OGRID No. 331569) is a working interest owner in the horizontal spacing unit and has the right to drill thereon.
2. The horizontal spacing unit will be dedicated to the following wells (“Wells”):
 - a. **Morpheus 25-36 State 1BS Com #5H**, which will be drilled from a surface hole location in the NW/4 SW/4 (Unit L) of Section 25, Township 20 South, Range 35 East, to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 36, Township 20 South, Range 35 East; and
 - b. **Morpheus 25-36 State 2BS Com #1H**, which will be drilled from a surface hole location in the NW/4 SW/4 (Unit L) of Section 25, Township 20 South, Range 35 East, to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 36, Township 20 South, Range 35 East.
3. The completed intervals of the Wells will be orthodox.

4. Applicant has undertaken diligent, good faith efforts to obtain voluntary agreements from all interest owners to participate in the drilling of the Wells but has been unable to obtain voluntary agreements from all interest owners.

5. The pooling of uncommitted interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

6. In order to allow Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in the Unit should be pooled and Applicant should be designated the operator of the Wells and the Unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 4, 2023, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the Unit;
- B. Approving the Wells in the Unit;
- C. Designating Applicant as the operator of the Unit and the Wells to be drilled thereon;
- D. Authorizing Applicant to recover its costs of drilling, equipping, and completing the Wells;
- E. 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
- F. 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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