

**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 320-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation comprised of the E2W2 of Section 34, Township 18 South, Range 34 East and the E2W2 of Section 3, Township 19, South, Range 34 East, 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 **Art Smith State Com 112H** and the **Art Smith State Com 122H** wells to be horizontally drilled from a surface location in the NW4 of Section 34, with first take points in the NE4NW4 (Unit C) of Section 34 and last take points in the SE4SW4 (Unit N) of Section 3.
4. This proposed horizontal well spacing unit will overlap the following existing or proposed horizontal well spacing units in the Bone Spring formation:

- A 160-acre horizontal well spacing unit comprised of the E2W2 of Section 3 currently dedicated to the Tres Primos 3 State 1H (30-025-40977) operated by COG Operating LLC and assigned to the Scharb: Bone Spring Pool (55610).
- A 160-acre horizontal well spacing unit comprised of the E2W2 of Section 34 proposed by MRC for the Art Smith State Com 132H well to be drilled in a different interval of the Bone Spring formation.

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% penalty 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 320-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation comprised of the E2W2 of Section 34, Township 18 South, Range 34 East and the E2W2 of Section 3, Township 19, South, Range 34 East, 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 **Art Smith State Com 112H** and **Art Smith State Com 122H** wells to be horizontally drilled from a surface location in the NW4 of Section 34, with first take points in the NE4NW4 (Unit C) of Section 34 and last take points in the SE4SW4 (Unit N) of Section 3. This proposed horizontal well spacing unit will overlap the following existing or proposed horizontal well spacing units:

- a 160-acre horizontal well spacing unit comprised of the E2W2 of Section 3 currently dedicated to the Tres Primos 3 State 1H (30-025-40977) operated by COG Operating LLC and assigned to the Scharb: Bone Spring Pool (55610).
- A 160-acre horizontal well spacing unit comprised of the E2W2 of Section proposed by MRC for the Art Smith State Com 132H well to be drilled in a different interval of the Bone Spring formation.

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 22 miles west of Hobbs, New Mexico.