

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

**APPLICATION OF 3R OPERATING, LLC
FOR APPROVAL OF STANDARD
HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO**

CASE NO. _____

APPLICATION

3R Operating, LLC, OGRID No. 331569 (“3R” or “Applicant”), through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, § 70-2-17, for an order (1) approving a 640-acre, more or less, standard horizontal spacing unit (“HSU”) composed of the S/2 of Sections 32 and 33, Township 23 South, Range 26 East, N.M.P.M. (the “Application Lands”), and (2) pooling all uncommitted mineral interests in the Bone Spring Formation, designated as an oil pool, underlying said HSU.

In support of its Application, 3R states the following:

1. 3R is a working interest owner in the Application Lands and has a right to drill wells thereon as the designated Operator of the Application Lands.
2. 3R seeks to dedicate all of the Application Lands to form a 640-acre, more or less, HSU.
3. 3R seeks to dedicate the above-referenced HSU to the following proposed wells:
 - A. **Crystal S 33 32 Fed Comm 503H** (API No. *Pending*), which is an oil well that will be horizontally drilled from a surface location in the SE/4 of Section 33, Township 23 South, Range 26 East, to a bottom hole location in the Bone Spring Formation in the NW/4 SW/4 (Unit L) of Section 32, Township 23 South, Range 26 East;

B. **Crystal S 33 32 Fed Com 504H** (API No. *Pending*), which is an oil well that will be horizontally drilled from a surface location in the SE/4 of Section 33, Township 23 South, Range 26 East, to a bottom hole location in the Bone Spring Formation in SW/4 SW/4 (Unit M) of Section 32, Township 23 South, Range 26 East;

4. The wells are orthodox in their location as defined by 19.15.16.15.(C) NMAC, and the take points and laterals comply with Statewide Rules for setbacks under 19.15.16.15.(C) NMAC.

5. 3R has sought in good faith but has been unable to obtain voluntary agreement from all interest owners in the Bone Spring Formation underlying the proposed spacing unit to participate in the drilling of the wells or to otherwise commit their interests to the wells.

6. The pooling of all interests in the Bone Spring Formation within the proposed unit will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

7. To provide for its just and fair share of the oil and gas underlying the subject lands, 3R requests that all uncommitted interests in this HSU be pooled and that 3R be designated as the operator of the proposed horizontal wells and HSU.

WHEREFORE, 3R requests this Application be set for hearing on February 13, 2025, before an Examiner of the Oil Conservation Division, and after notice and hearing as required by law, the Division enter an order:

- A. Approving the horizontal well spacing unit and pooling all uncommitted interests in the Bone Spring Formation underlying the HSU within the Application Lands;
- B. Approving the **Crystal S 33 32 Fed Comm 503H** and **Crystal S 33 32 Fed Com 504H** as the wells for the HSU.

- C. Designating 3R as operator of the HSU and the horizontal wells to be drilled thereon;
- D. Authorizing 3R to recover its cost of drilling, completing, and equipping 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 3R in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

BEATTY & WOZNIAK, P.C.

By: 

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Application of 3R Operating, LLC for Approving a Standard Horizontal Spacing Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Division: (1) approving a 640-acre, more or less, standard horizontal spacing and proration unit composed of all of the S/2 of Sections 32 and 33, Township 23 South, Range 26 East, N.M.P.M.; and (2) pooling all uncommitted mineral interests in the Bone Spring Formation, designated as an oil pool, underlying said unit. The proposed wells to be dedicated to the horizontal spacing unit are the: **Crystal S 33 32 Fed Comm 503H** (API No. Pending), which is an oil well that will be horizontally drilled from a surface location in the SE/4 of Section 33 to a bottom hole location in the Bone Spring Formation in the NW/4 SW/4 (Unit L) of Section 32 and **Crystal S 33 32 Fed Com 504H** (API No. Pending), which is an oil well that will be horizontally drilled from a surface location in the SE/4 of Section 33 to a bottom hole location in the Bone Spring Formation in SW/4 SW/4 (Unit M) of Section 32. The wells are orthodox in location, and the take points and laterals comply with Statewide Rules for setbacks. The wells and lands are located approximately 6 miles southwest from Carlsbad, New Mexico.