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

APPLICATION OF LEGACY RESERVES
OPERATING, LP FOR APPROVAL OF
AN OVERLAPPING HORIZONTAL WELL
SPACING UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. _____

APPLICATION

Legacy Reserves Operating, LP ("Applicant") (OGRID No. 240974), through its 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 640-acre, more or less, horizontal well spacing unit in the Bone Spring formation comprised of the E/2 of Section 31, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico, and the E/2 of Section 6, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico, and (b) pooling all uncommitted mineral interests in this overlapping horizontal well spacing unit. In support of its application, Applicant states:

1.   Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.

2.   Applicant proposes to initially dedicate the above-referenced spacing unit to the proposed **Emerald Federal Com #403H well**, **Emerald Federal Com #404H well**, **Emerald Federal Com #504H well**, **Emerald Federal Com #505H well**, and **Emerald Federal Com #506H well**, all to be horizontally drilled from surface locations in the SE/4 of Section 6, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico, to bottom hole locations in the NE/4 of Section 31, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico.

1

3.   This 640-acre, more or less, horizontal well spacing unit will overlap the following existing vertical wells covering portions of the subject acreage:

- A 40-acre, more or less, vertical well spacing unit comprised of the SW/4 NE/4 of Section 31, Township 18 South, Range 33 East, dedicated to the Gazelle 31 Federal #001 well (API: 30-025-34317);

- A 40-acre, more or less, vertical well spacing unit comprised of the NE/4 SE/4 of Section 31, Township 18 South, Range 33 East, dedicated to the Gazelle 31 Federal #003 well (API: 30-025-35339); and

- A 40-acre, more or less, vertical well spacing unit comprised of the SW/4 SE/4 of Section 6, Township 19 South, Range 33 East, dedicated to the Nellis Federal #002 well (API: 30-025-25782).

4.   Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all working interest owners in the subject spacing unit.

5.   The approval of this overlapping spacing unit and 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 September 1, 2022, 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 Applicant operator of this 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,

HOLLAND & HART LLP

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3