

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

**APPLICATION OF LEGACY RESERVES
OPERATING LP FOR A HORIZONTAL SPACING
UNIT AND COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO**

Case No. _____

APPLICATION

Legacy Reserves Operating LP (“Legacy”) OGRID No. 294281 through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) creating a standard 240-acre, more or less, horizontal spacing and proration unit (“HSU”) composed of the W½E½ of Section 33, Township 18 South, Range 31 East, N.M.P.M., and W½NE¼ of Section 4, Township 19 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation, designated as an oil pool, underlying said unit.

In support of its Application, Legacy states the following:

1. Legacy is a working interest owner with the right to drill in the proposed HSU.
2. Legacy seeks to dedicate the above-referenced HSU to the following proposed horizontal wells:
 - a. **Jet Federal Com 401H Well**, an oil well, to be horizontally drilled from an approximate surface location in the NE¼NE¼ of Section 33, Township 18 South, Range 31 East, N.M.P.M., to a bottom hole location in the SW¼NE¼ of Section 4, Township 19 South, Range 31 East, N.M.P.M.

b. **Jet Federal Com 501H Well**, an oil well, to be horizontally drilled from an approximate surface location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 33, Township 18 South, Range 31 East, N.M.P.M., to a bottom hole location in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 4, Township 19 South, Range 31 East, N.M.P.M.

c. **Jet Federal Com 601H Well**, an oil well, to be horizontally drilled from an approximate surface location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 33, Township 18 South, Range 31 East, N.M.P.M., to a bottom hole location in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 4, Township 19 South, Range 31 East, N.M.P.M.

3. The wells are orthodox in their locations, and their take points and laterals comply with Statewide Rules for setbacks.

4. Legacy has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or in the commitment of their interests to the wells for their development within the proposed HSU.

5. The pooling of all interests in the Bone Spring formation within the proposed HSU, and creation of the HSU, will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights. In order to provide for its just and fair share of the oil and gas underlying the subject lands, Legacy requests that all uncommitted interests in this HSU be pooled and that Legacy be designated the operator of the proposed horizontal wells and HSU.

WHEREFORE, Legacy requests that this Application be set for hearing on April 6, 2023, 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 creation of a standard 240-acre, more or less, spacing and proration unit comprised of the W $\frac{1}{2}$ E $\frac{1}{2}$ of Section 33, Township 18 South, Range 31 East, N.M.P.M., and W $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 4, Township 19 South, Range 31 East, N.M.P.M., Eddy County, New Mexico;

- b. Pooling all uncommitted mineral interests in the Bone Spring formation underlying the proposed HSU.
- c. Approving the drilling of the following 1.5-mile wells in the HSU: (1) Jet Federal Com 401H Well, (2) Jet Federal Com 501H Well, and (3) Jet Federal Com 601H Well.
- d. Designating Legacy as operator of this HSU and the horizontal wells to be drilled thereon;
- e. Authorizing Legacy to recover its costs of drilling, equipping, and completing the wells;
- f. Approving actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- g. Setting a 200% charge for the risk assumed by Legacy in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Dated: February 14, 2023.

Respectfully submitted,

BEATTY & WOZNIAK, P.C.

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Application of Legacy Reserves Operating LP for a Horizontal Spacing Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Division: (1) creating a standard 240-acre, more or less, spacing and proration unit comprised of the W $\frac{1}{2}$ E $\frac{1}{2}$ of Section 33, Township 18 South, Range 31 East, N.M.P.M., and W $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 4, Township 19 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, 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: (1) Jet Federal Com 401H Well, to be horizontally drilled from an approximate surface location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 33, T18S-R31E, to a bottom hole location in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 4, Township 19 South, Range 31 East, N.M.P.M.; (2) Jet Federal Com 501H Well, to be horizontally drilled from an approximate surface location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 33, T18S-R31E, to a bottom hole location in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 4, Township 19 South, Range 31 East, N.M.P.M.; and (3) Jet Federal Com 601H Well, to be horizontally drilled from an approximate surface location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 33, T18S-R31E, to a bottom hole location in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 4, Township 19 South, Range 31 East, N.M.P.M. The wells are orthodox in location and the take points and laterals comply with Statewide Rules for setbacks; also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 28 miles northeast of Carlsbad, New Mexico.