

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

**APPLICATION OF READ & STEVENS, INC.
FOR APPROVAL OF AN OVERLAPPING
HORIZONTAL WELL SPACING
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Read & Stevens, Inc. (“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 320.75-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation comprised of the Lot 2, SW/4 NE/4 and the W/2 SE/4 of Section 3, and the W/2 E/2 of Section 10, Township 20 South, Range 34 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, Read & Stevens, Inc. states:

1. Applicant is a working interest owner in the proposed overlapping horizontal spacing unit and has the right to drill thereon.
2. Applicant seeks to designate Permian Resources Operating, LLC (OGRID No. 372165) as the operator of the proposed overlapping horizontal spacing unit.
3. Applicant seeks to initially dedicate the above-referenced overlapping horizontal spacing unit to the proposed **Riddler 3-10 Federal Com 113H, Riddler 3-10 Federal Com 125H, and Riddler 3-10 Federal Com 126H** wells, all to be horizontally drilled from a surface location in Lot 1 of Section 3 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 10.

4. This 320.75-acre horizontal well spacing unit will overlap the following existing horizontal well spacing units covering portions of the subject acreage:

- 160-acre, more or less, horizontal well spacing unit comprised of the W/2 E/2 of Section 3, Township 20 South, Range 34 East, dedicated to the North Lea 3 Fed Com #2H (API: 30-025-42227); and
- 160-acre, more or less, horizontal well spacing unit comprised of the W/2 E/2 of Section 10, Township 20 South, Range 34 East, dedicated to the North Lea 10 Fed Com #2H (API: 30-025-43680).

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 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 June 1, 2023, 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 Permian Resources Operating, LLC 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 READ & STEVENS, INC.

CASE _____: **Application of Read & Stevens, Inc. 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 320.75-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation comprised of the Lot 2, SW/4 NE/4 and the W/2 SE/4 of Section 3, and the W/2 E/2 of Section 10, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, and (b) pooling all uncommitted mineral interests in this overlapping horizontal well spacing unit. Said unit will be initially dedicated to the proposed **Riddler 3-10 Federal Com 113H, Riddler 3-10 Federal Com 125H, and Riddler 3-10 Federal Com 126H** wells, all to be horizontally drilled from a surface location in Lot 1 of Section 3 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 10. This 320.75-acre horizontal well spacing unit will overlap the following existing horizontal well spacing units covering portions of the subject acreage:

- 160-acre, more or less, horizontal well spacing unit comprised of the W/2 E/2 of Section 3, Township 20 South, Range 34 East, dedicated to the North Lea 3 Fed Com #2H (API: 30-025-42227); and
- 160-acre, more or less, horizontal well spacing unit comprised of the W/2 E/2 of Section 10, Township 20 South, Range 34 East, dedicated to the North Lea 10 Fed Com #2H (API: 30-025-43680).

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 Permian Resources Operating, LLC as operator of the wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 25 miles southwest of Hobbs, New Mexico.