

**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 360-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation comprised of W/2 E/2 of Sections 16 and 21, and the NW/4 NE/4 of Section 28, Township 24 South, Range 35 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, MRC 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 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 overlapping horizontal spacing unit to the proposed **John Callahan Fed Com #113H** well, to be horizontally drilled from a surface location in the NW/4 NE/4 (Unit B) of Section 28 to a bottom hole location in the NW/4 NE/4 (Unit B) of Section 16.

4. This 360-acre horizontal well spacing unit will overlap the following existing and proposed horizontal well spacing units covering portions of the subject acreage:

- a. 160-acre, more or less, horizontal well spacing unit comprised of the W/2 E/2 of Section 16, Township 24 South, Range 35 East, dedicated to the Angus State 24-35 #454 (API: 30-025-43722);
- b. 360-acre, more or less, horizontal well spacing unit comprised of the W/2 E/2 of Sections 16 and 21, and the NW/4 NE/4 of Section 28, Township 24 South, Range 35 East, dedicated to the John Callahan Fed Com #103H (API: 30-025-PENDING);
- c. 360-acre, more or less, horizontal well spacing unit comprised of the W/2 E/2 of Sections 16 and 21, and the NW/4 NE/4 of Section 28, Township 24 South, Range 35 East, dedicated to the John Callahan Fed Com #137H (API: 30-025-PENDING) and the John Callahan Fed Com #223H (API: 30-025-PENDING); and
- d. 200-acre, more or less, horizontal well spacing unit comprised of the W/2 E/2 of Section 21, and the NW/4 NE/4 of Section 28, Township 24 South, Range 35 East, dedicated to the John Callahan Fed Com #133H (API: 30-025-PENDING) John Callahan Fed Com #203H (API: 30-025-PENDING).

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 August 3, 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 Matador Production Company as operator of this overlapping horizontal spacing unit and the horizontal well to be drilled thereon;
- C. Authorizing Applicant to recover its costs of drilling, completing, and equipping the well;
- 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 well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART LLP

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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 360-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation comprised of W/2 E/2 of Sections 16 and 21, and the NW/4 NE/4 of Section 28, Township 24 South, Range 35 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 **John Callahan Fed Com #113H** well, to be horizontally drilled from a surface location in the NW/4 NE/4 (Unit B) of Section 28 to a bottom hole location in the NW/4 NE/4 (Unit B) of Section 16. This 360-acre horizontal well spacing unit will overlap the following existing and proposed horizontal well spacing units covering portions of the subject acreage:

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- 360-acre, more or less, horizontal well spacing unit comprised of the W/2 E/2 of Sections 16 and 21, and the NW/4 NE/4 of Section 28, Township 24 South, Range 35 East, dedicated to the John Callahan Fed Com #137H (API: 30-025-PENDING) and the John Callahan Fed Com #223H (API: 30-025-PENDING); and
- 200-acre, more or less, horizontal well spacing unit comprised of the W/2 E/2 of Section 21, and the NW/4 NE/4 of Section 28, Township 24 South, Range 35 East, dedicated to the John Callahan Fed Com #133H (API: 30-025-PENDING) John Callahan Fed Com #203H (API: 30-025-PENDING).

Also, to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, actual operating costs and charges for supervision, designation of Matador Production Company as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 12 miles northwest of Jal, New Mexico.