

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

**APPLICATION OF LARIO OIL AND GAS COMPANY
FOR COMPULSORY POOLING AND APPROVAL
OF NON-STANDARD SPACING UNIT,
LEA COUNTY, NEW MEXICO**

CASE NO. _____

APPLICATION

In accordance with NMSA 1978, § 70-2-17 and NMAC 19.15.16.15(B)(5), Lario Oil & Gas Company (“Lario” or “Applicant”), through its undersigned attorneys, files this application with the Oil Conservation Division (“Division”) seeking an order to approve: (1) establishing a 960-acre, more or less, non-standard Bone Spring horizontal spacing unit comprised of the S/2 of Section 12 and all of Section 13 of Township 18 South, Range 34 East, Lea County, New Mexico (“Unit”); and (2) pooling all uncommitted mineral interests in the Bone Spring formation underlying the Unit. In support of this application, Lario states the following.

1. Applicant (OGRID No. 13089) is a working interest owner in the Unit and has the right to drill and operate a well thereon.
2. Applicant seeks to dedicate the Unit to the following proposed wells (“Wells”):
 - a. **Close Encounters State Com 101H (API 30-025-52808)**, to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NW/4 SW/4 (Unit L) of Section 12, Township 18 South, Range 34 East;
 - b. **Close Encounters State Com 102H (API 30-025-52809)**, to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NE/4 SW/4 (Unit K) of Section 12, Township 18 South, Range 34 East;

- c. **Close Encounters State Com 103H (API 30-025-52810)**, to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NW/4 SE/4 (Unit J) of Section 12, Township 18 South, Range 34 East;
 - d. **Close Encounters State Com 104H (API 30-025-52811)**, to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NE/4 SE/4 (Unit I) of Section 12, Township 18 South, Range 34 East;
 - e. **Close Encounters State Com 301H**, to be drilled from a surface hole location in the SE/4 SW/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 12, Township 18 South, Range 34 East;
 - f. **Close Encounters State Com 302H**, to be drilled from a surface hole location in the SE/4 SW/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 12, Township 18 South, Range 34 East;
 - g. **Close Encounters State Com 303H**, to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 12, Township 18 South, Range 34 East; and
 - h. **Close Encounters State Com 304H**, to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 12, Township 18 South, Range 34 East.
3. The wells will be drilled to a depth sufficient to test the Bone Spring formation. The wells will be horizontally drilled, and, if the non-standard unit application is

approved the completed intervals of the Wells are expected to be orthodox.

4. The completed intervals for the Wells are expected to be less than 330-feet from adjoining tracts, which will be a standard location if the non-standard unit application is approved.

5. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all of the interest owners in the Unit.

6. The pooling of interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

7. Approval of a non-standard horizontal spacing unit is necessary to prevent waste and protect correlative rights.

8. In order to permit Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in the Unit should be pooled and Applicant should be designated the operator of the proposed horizontal wells and the Unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 13, 2024, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving a non-standard horizontal spacing unit pursuant to 19.15.16.15(B)(5) NMAC;
- B. Pooling all uncommitted interests in the Unit;
- C. Approving the initial wells in the Unit;
- D. Designating Applicant as the operator of the Unit and the horizontal wells to be drilled thereon;
- E. Authorizing Applicant to recover its costs of drilling, equipping, and completing the wells;
- F. Approving the actual operating charges and costs of supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Imposing a 200% charge 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,

KEARNEY, MCWILLIAMS & DAVIS,
PLLC

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