

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

**APPLICATIONS OF PRIDE ENERGY COMPANY
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Case Nos. 23944-23945

**APPLICATIONS OF MRC PERMIAN COMPANY
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Case Nos. 24074-24076, 24101-24102

PRE-HEARING STATEMENT

Applicant Pride Energy Company (“Applicant” or “Pride”) provides this Pre-Hearing Statement as required by the rules of the Division.

APPEARANCES

APPLICANT

PRIDE ENERGY COMPANY

APPLICANT’S ATTORNEY:

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OPPOSING PARTY(IES)

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STATEMENT OF THE CASE

Competing applications for compulsory pooling are evaluated by comparing the following factors:

- a. Geologic evidence presented by each party as it relates to the proposed well location and the potential of each proposed prospect to efficiently recover the oil and gas reserves underlying the property.
- b. Risk associated with the parties' respective proposals for the exploration and development of the property.
- c. Negotiations between the competing parties prior to the applications to force pool to determine if there was a "good faith" effort.
- d. Ability of each party to prudently operate the property and thereby prevent waste.
- e. Differences in well cost estimates (AFEs) and other operational costs presented by each party for their respective proposal.
- f. Mineral interest ownership held by each party at the time the application is heard.
- g. Ability of the applicants to timely locate well sites and to operate on the surface.

Order No. R-20223, ¶ 28. A comparison of the foregoing factors reveals that Pride's proposals will most efficiently develop the hydrocarbons underlying the subject acreage, protect correlative rights, and prevent waste.

Pertinent factors relating to these competing applications include factors (c)-(g). As applied here:

- c. As established in Pride's exhibits, Pride has persistently attempted to reach agreement on a joint operating agreement ("JOA") with MRC Permian Company ("MRC/Matador"). However, MRC/Matador has been dilatory in responding to Pride's requests that MRC/Matador consider proposed changes to the JOA. MRC/Matador only began to consider Pride's requests after these cases were set for a contested hearing. Pride has acted in good faith, notwithstanding MRC/Matador's refusal to timely respond to Pride's efforts to reach a compromise.
- d. Pride has been drilling wells in New Mexico for over 25 years and has drilled multiple horizontal multi-well units. Pride Energy Company's staff and consulting drilling

- engineers have over 100 years of combined experience in drilling horizontal Wolfcamp and Bone Spring wells in Eddy and Lea Counties, New Mexico. Pride diligently bids out all expenditures to assure that the best price and service is obtained for the joint account which is a part of prudently operating the wells and thereby preventing waste.
- e. MRC/Matador's highly inflated AFE's, attached as **Exhibit A-8**, establish that MRC/Matador's well proposals contain a substantially higher risk for the exploration and development of the property, as compared to Pride.
 - f. Pride Energy Company owns a larger Working Interest in the unit than MRC/Matador. Pride owns a 25.502332% Working Interest in the unit while MRC/Matador owns a 24.860548% Working Interest.
 - g. Pride acquired its interests in the proposed units by lease effective July 1, 2023. MRC/Matador has had its interest since 2015 and has only now, after nine years, begun to pursue development.

In short, the pertinent factors weigh in favor of Pride's applications, which should therefore be approved. MRC/Matador's applications should be denied accordingly.

Case No. 23944: Application of Pride Energy Company for Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Oil Conservation Division pooling all uncommitted mineral interests in the Bone Spring formation (AVALON; BONE SPRING, EAST [3713]) in a standard 640-acre, more or less, horizontal spacing and proration unit ("HSU"), including proximity tracts, comprised of the N/2 of Sections 29 and 30, all in Township 20 South, Range 28 East, in Eddy County, New Mexico. Applicant proposes to drill the following 2-mile wells in the HSU: (1) **Burton Flat 29-30 Federal Com #101H** well, to be horizontally drilled from a surface hole location in the E/2 NE/4 of Section 29, T20S-R28E, to a bottom hole location in the NW/4 NW/4 of Section 30, T20S-R28E; (2) **Burton Flat 29-30 Federal Com #102H** well, to be horizontally drilled from a surface hole location in the E/2 NE/4 of Section 29, T20S-R28E, to a bottom hole location in the SW/4 NW/4 of Section 30, T20S-R28E; (3) **Burton Flat 29-30 Federal Com #201H** well, to be horizontally drilled from a surface hole location in the E/2 NE/4 of Section 29, T20S-R28E, to a bottom hole location in the NW/4 NW/4 of Section 30, T20S-R28E; (4) **Burton Flat 29-30 Federal Com #202H** well, to be

horizontally drilled from a surface hole location in the E/2 NE/4 of Section 29, T20S-R28E, to a bottom hole location in the SW/4 NW/4 of Section 30, T20S-R28E; and (5) **Burton Flat 29-30 Federal Com #203H** well, to be horizontally drilled from a surface hole location in the E/2 NE/4 of Section 29, T20S-R28E, to a bottom hole location in the W2 W2 NW/4 of Section 30, T20S-R28E. With proximity tracts, the completed interval and first and last take points will meet the setback requirements set forth in the statewide rules for horizontal oil wells. Additional considerations will be the cost of drilling and completing the wells and allocation of such costs, the designation of Applicant as operator of the HSU and wells to be drilled thereon, and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 7 miles North of Carlsbad, New Mexico.

Case No. 23945: Application of Pride Energy Company for Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Oil Conservation Division pooling all uncommitted mineral interests in the Wolfcamp formation (WC BURTON FLAT UPPER WOLFCAMP, EAST [98315]) in a standard 640-acre, more or less, horizontal spacing and proration unit ("HSU"), with proximity tracts, comprised of the N/2 of Sections 29 and 30, all in Township 20 South, Range 28 East, in Eddy County, New Mexico. Applicant proposes to drill the following 2-mile wells in the HSU: (1) **Burton Flat 29-30 Federal Com #401H** well, to be horizontally drilled from a surface hole location in the E/2 NE/4 of Section 29, T20S-R28E, to a bottom hole location in the NW/4 NW/4 of Section 30, T20S-R28E; and (2) **Burton Flat 29-30 Federal Com #402H** well, to be horizontally drilled from a surface hole location in the E/2 NE/4 of Section 29, T20S-R28E, to a bottom hole location in the SW/4 NW/4 of Section 30, T20S-R28E. With proximity tracts, the completed interval and first and last take points will meet the setback requirements set forth in the statewide rules for horizontal oil wells.

Additional considerations will be the cost of drilling and completing the wells and allocation of such costs, the designation of Applicant as operator of the HSU and wells to be drilled thereon, and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 7 miles North of Carlsbad, New Mexico.

Since the time the application was filed, Pride determined that it was more prudent to drill only the **Burton Flat 29-30 Federal Com #201H** and **Burton Flat 29-30 Federal Com #202H** wells and therefore requests that the order identify only those Bone Spring wells to be drilled. Further, as a result, Pride will be seeking administrative approval of non-standard spacing units, as the proximity wells previously proposed will not be drilled.

PROPOSED EVIDENCE

APPLICANT:

WITNESSES

Matthew Pride, Landman

Harvin L. Broughton, Geologist

EXHIBITS

12-14 for both cases

12-14 for both cases

PROCEDURAL MATTERS

This case is currently on the May 23, 2024 docket for a contested hearing. These cases may be presented by affidavit, if there is no opposition at the time of hearing.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record, by electronic mail on May 16, 2023:

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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
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QUESTIONS

Action 345305

QUESTIONS

Operator: PRIDE ENERGY COMPANY P.O. Box 701950 Tulsa, OK 741701950	OGRID: 151323
	Action Number: 345305
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	<i>Not answered.</i>
Testimony time (in minutes)	<i>Not answered.</i>