

**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 480-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation underlying the S2S2 of Sections 32, 33 and 34, Township 18 South, Range 32 East, NMPM, Lea County, New Mexico, and (b) pooling all uncommitted mineral interests in this horizontal well spacing unit. In support of its application, MRC states:

1. Applicant is a working interest owner in the proposed 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 horizontal spacing unit to the proposed **Semmelbeck 3234 Fed Com 114H** well to be horizontally drilled from a surface location in the SE4 of Section 34, with a first take point in the SE4SE4 (Unit P) of Section 34 and a last take point in the SW4SW4 (Unit M) of Section 32.
4. This proposed horizontal well spacing unit will overlap the following existing or proposed spacing units in the Bone Spring formation:

- An 80-acre spacing unit comprised of the E2SE4 of Section 32 dedicated to the Lear State No. 1H (30-025-38865) operated by COG Operating and assigned to the Lusk; Bone Spring North Pool (41450);
- An 80-acre spacing unit comprised of the SE4SW4 and the SW4SE4 of Section 32 dedicated to the Lear State No. 2H (30-025-38866) operated by COG Operating and assigned to the Lusk; Bone Spring North Pool (41450);
- A 40-acre spacing unit comprised of the SW4SW4 of Section 32 dedicated to the North Lusk 32 State No. 5 (30-025-36982) operated by Oxy USA Inc. and assigned to the Lusk; Bone Spring North Pool (41450); and
- A 320-acre horizontal well spacing unit comprised of the S2S2 of Sections 33 and 34 that MRC has proposed for the Semmelbeck 124H well.

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 approval of this overlapping horizontal spacing unit and 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 July 11, 2024, 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 wells 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% charge 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,

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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 480-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation underlying the S2S2 of Sections 32, 33 and 34, Township 18 South, Range 32 East, NMPM, Lea County, New Mexico, and (b) pooling all uncommitted mineral interests in this horizontal well spacing unit. Said unit will be initially dedicated to the proposed **Semmelbeck 3234 Fed Com 114H** well to be horizontally drilled from a surface location in the SE4 of Section 34, with a first take point in the SE4SE4 (Unit P) of Section 34 and a last take point in the SW4SW4 (Unit M) of Section 32. This proposed horizontal well spacing unit will overlap the following existing or proposed spacing units in the Bone Spring formation:

- An 80-acre spacing unit comprised of the E2SE4 of Section 32 dedicated to the Lear State No. 1H (30-025-38865) operated by COG Operating and assigned to the Lusk; Bone Spring North Pool (41450);
- An 80-acre spacing unit comprised of the SE4SW4 and the SW4SE4 of Section 32 dedicated to the Lear State No. 2H (30-025-38866) operated by COG Operating and assigned to the Lusk; Bone Spring North Pool (41450);
- A 40-acre spacing unit comprised of the SW4SW4 of Section 32 dedicated to the North Lusk 32 State No. 5 (30-025-36982) operated by Oxy USA Inc. and assigned to the Lusk; Bone Spring North Pool (41450); and
- A 320-acre horizontal well spacing unit comprised of the S2S2 of Sections 33 and 34 that MRC has proposed for the Semmelbeck 124H well.

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. The subject area is located approximately 10 miles south of Maljamar, New Mexico.