

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING JUNE 13, 2024**

CASE NO. 24485

GAINES BATY 242H WELL

LEA COUNTY, NEW MEXICO



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

**APPLICATION OF MRC PERMIAN COMPANY
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 24485

**HEARING PACKAGE
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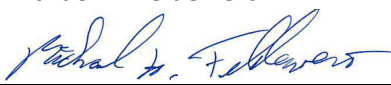
- Compulsory Pooling Application Checklist
- Filed Application
- **Matador Exhibit A:** Self-Affirmed Statement of Addison Costley, Landman
 - Matador Exhibit A-1: Draft C-102s
 - Matador Exhibit A-2: Tract Map
 - Matador Exhibit A-3: Working Interest Owners
 - Matador Exhibit A-4: Sample Well Proposal Letter & AFEs
 - Matador Exhibit A-5: Chronology of Contacts
- **Matador Exhibit B:** Self-Affirmed Statement of Andrew Parker, Geologist
 - Matador Exhibit B-1: Locator Map
 - Matador Exhibit B-2: Subsea Structure Map
 - Matador Exhibit B-3: Structural Cross Section
- **Matador Exhibit C:** Self-Affirmed Statement of Notice
- **Matador Exhibit D:** Affidavit of Publication

COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

Case: 24485	APPLICANT'S RESPONSE
Date: June 13, 2024	
Applicant	MRC Permian Company
Designated Operator & OGRID (affiliation if applicable)	Matador Production Company [OGRID 228937]
Applicant's Counsel:	Holland & Hart LLP
Case Title:	Application of MRC Permian Company for Compulsory Pooling, Lea County, New Mexico
Entries of Appearance/Intervenors:	
Well Family	Gaines Baty
Formation/Pool	
Formation Name(s) or Vertical Extent:	Upper Pennsylvanian Shale
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	N/A
Pool Name and Pool Code:	Dean Permo Upper Penn Pool (16720)
Well Location Setback Rules:	Standard
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	480-acres
Building Blocks:	Quarter-Quarter sections
Orientation:	Standup
Description: TRS/County	E2W2 of Sections 24, 25 and 36, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico.
Standard Horizontal Well Spacing Unit (Y/N), If No, describe and is approval of non-standard unit requested in the application?	Yes
Other Situations	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	N/A
Applicant's Ownership in Each Tract	Exhibit A-3
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	
Well #1	Gaines Baty State Com 242H (API No. pending) SHL: 368' FSL & 1651' FWL (Unit N) of Sec. 36, T15S, R36E BHL: 100' FNL & 1980' FWL (Unit C) of Sec. 24, T15S, R36E Completion Target: Upper Pennsylvanian Shale formation Well Orientation: South-North Completion Location expected to be: Standard
Horizontal Well First and Last Take Points	Exhibit A-1

Completion Target (Formation, TVD and MD)	Exhibit A-4
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	\$8,000
Production Supervision/Month \$	\$800
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	200%
Notice of Hearing	
Proposed Notice of Hearing	Exhibit C
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit C
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit D
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	Exhibit A-2
Tract List (including lease numbers and owners)	Exhibit A-2
If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements.	N/A
Pooled Parties (including ownership type)	Exhibit A-3
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above & below)	N/A
Joinder	
Sample Copy of Proposal Letter	Exhibit A-4
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-3
Chronology of Contact with Non-Joined Working Interests	Exhibit A-5
Overhead Rates In Proposal Letter	Exhibit A-4
Cost Estimate to Drill and Complete	Exhibit A-4
Cost Estimate to Equip Well	Exhibit A-4
Cost Estimate for Production Facilities	Exhibit A-4
Geology	
Summary (including special considerations)	Exhibit B
Spacing Unit Schematic	Exhibit B-2
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-2
Well Orientation (with rationale)	Exhibit B
Target Formation	Exhibit B
HSU Cross Section	Exhibit B-3
Depth Severance Discussion	N/A
Forms, Figures and Tables	
C-102	Exhibit A-1
Tracts	Exhibit A-2
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit A-3
General Location Map (including basin)	Exhibit B-1

Well Bore Location Map	Exhibits A-1, B-2
Structure Contour Map - Subsea Depth	Exhibit B-2
Cross Section Location Map (including wells)	Exhibit B-2
Cross Section (including Landing Zone)	Exhibit B-3
Additional Information	
Special Provisions/Stipulations	N/A
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative):	Michael H. Feldewert
Signed Name (Attorney or Party Representative):	
Date:	6-Jun-24

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

**APPLICATION OF MRC PERMIAN COMPANY
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 24485

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 pooling a standard 480-acre, more or less, horizontal well spacing unit in upper Pennsylvanian Shale comprised of the E2W2 of Sections 24, 25 and 36, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico. 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 horizontal spacing unit.
3. Applicant seeks to initially dedicate the above-referenced horizontal spacing unit to the proposed **Gaines Baty State Com 242H** well to be horizontally drilled in the upper Pennsylvanian Shale from a surface location in the SW4 of Section 36, with a first take point in the SE4SW4 (Unit N) of Section 36 and a last take point in the NE4NW4 (Unit C) of Section 24.
4. The Division’s district office has indicated that the proposed depth of this well places it in within the Dean Permo Upper Penn Pool (16720), an oil pool created under Commission Order R-892.

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 this horizontal spacing unit 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 13, 2024, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the proposed horizontal well spacing unit;
- B. Designating Matador Production Company as operator of this 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,

HOLLAND & HART LLP

By: 

Michael H. Feldewert
Adam G. Rankin
Paula M. Vance
Post Office Box 2208
Santa Fe, NM 87504
505-988-4421
505-983-6043 Facsimile
mfeldewert@hollandhart.com
agrarkin@hollandhart.com
pmvance@hollandhart.com

ATTORNEYS FOR MRC PERMIAN COMPANY

CASE _____ : **Application of MRC Permian Company for Compulsory Pooling, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order pooling a standard 480-acre, more or less, horizontal well spacing unit in the upper Pennsylvanian Shale [Dean Permo Upper Penn Pool (16720)] comprised of the E2W2 of Sections 24, 25 and 36, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Gaines Baty State Com 242H** well to be horizontally drilled from a surface location in the SW4 of Section 36, with a first take point in the SE4SW4 (Unit N) of Section 36 and a last take point in the NE4NW4 (Unit C) of Section 24. 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 6 miles northeast of Lovington, New Mexico.

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

**APPLICATION OF MRC PERMIAN COMPANY
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 24485

SELF-AFFIRMED STATEMENT OF ADDISON COSTLEY

Addison Costley, of lawful age and being first duly sworn, declares as follows:

1. My name Addison Costley. I work for MRC Energy Company, an affiliate of MRC Permian Company (“Matador”), as a Landman.

2. I graduated from Texas Tech University in 2023 with a bachelor’s degree in Energy Commerce. Between May 2022 and March 2023, I interned for Marathon Oil Corporation as a Professional Land Intern. Following graduation, I began working for Matador as a Landman. During my time at Matador, I have worked on Matador’s assets in the Delaware Basin, including Eddy and Lea Counties in New Mexico. My duties and responsibilities as a Landman include conducting land due diligence, acquiring leases, and assisting in the drafting, negotiation, and administration of agreements related to Matador’s assets. As part of my employment for Matador, I am also required to complete at least 40 hours of continuing education each year. I am an active member of the American Association of Professional Landmen (AAPL) and the Dallas Association of Professional Landmen (DAPL).

3. In this case, Matador is seeking an order pooling all uncommitted interests in the upper Pennsylvanian Shale formation in the standard 480-acre, more or less, horizontal well spacing unit in the upper Pennsylvanian Shale formation underlying the E/2 W/2 of Sections 24, 25, and 36, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico, and

**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. A
Submitted by: Matador Production Company
Hearing Date: June 13, 2024
Case No. 24485**

initially dedicate this upper Pennsylvanian Shale spacing unit to the proposed **Gaines Baty State Com 242H** well to be horizontally drilled from a surface hole location in the SW/4 of Section 36, T15S-R36E with a first take point in the SE/4 SW/4 of Section 36, T15S-R36E and a last take point in the NE/4 NW/4 of Section 24, T15S-R36E.

4. Matador understands this well will be placed in the DEAN PERMO UPPER PENN (16720) pool.

5. **Matador Exhibit A-1** contains the draft Form C-102 for the proposed well.

6. The completed intervals for the proposed well will remain within the standard setbacks required by the statewide rules set forth in 19.15.16.15 NMAC.

7. **Matador Exhibit A-2** identifies the tracts of land comprising the proposed horizontal spacing units. The land in the proposed spacing unit is comprised of state lands.

8. **Matador Exhibit A-3** identifies for the working interest owners that Matador is seeking to pool along with their respective ownership interest in the proposed horizontal spacing unit.

9. There are no depth severances within the upper Pennsylvanian Shale formation for this acreage.

10. While Matador was working to put this unit together, Matador proposed the above well to each of the working interest parties it seeks to pool. **Matador Exhibit A-4** contains copies of the well proposal letters that were sent to those parties, along with the AFE sent to working interest owners. The costs reflected in the AFE are consistent with what other operators have incurred for drilling similar horizontal wells in the area.

11. In addition to sending well proposal letters and AFEs, I have called or emailed each of the working interest owners Matador seeks to pool. As indicated in **Matador Exhibit A-5**, we

have been able to contact and have discussions with all of the working interest owners we seek to pool.

12. **Matador Exhibit A-5** contains a summary chronology of Matador’s contacts and attempted contacts with the uncommitted working interest owners. In my opinion, Matador has undertaken good faith efforts to reach an agreement with the uncommitted working interest owners that Matador seeks to pool in this case.

13. Matador has made an estimate of overhead and administrative costs for drilling and producing the proposed well. It is \$8,000/month while drilling, and \$800/month while producing. These costs are consistent with what other operators are charging in this area for these types of wells. Matador respectfully requests that these administrative and overhead costs be incorporated into any order entered by the Division in this case.

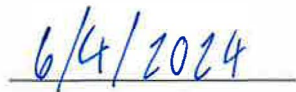
14. I provided Matador’s outside counsel, Holland & Hart, a list of names and addresses for the parties that Matador is seeking to pool. In compiling this notice list, Matador conducted a diligent search of all public records in the county where the proposed wells are located, including computer searches.

15. **Matador Exhibits A-1 through A-5** were either prepared by me or compiled under my direction and supervision.

16. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.



Addison Costley



Date

Exhibit A-1

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office
 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 16720	³ Pool Name DEAN PERMO UPPER PENN
⁴ Property Code	⁵ Property Name GAINES BATY STATE COM	
⁷ OGRID No. 228937	⁸ Operator Name MATADOR PRODUCTION COMPANY	⁶ Well Number 242
		⁹ Elevation

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	36	15S	36E	-----	368'	S	1651'	W	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	24	15S	36E	-----	100'	N	1980'	W	Lea

¹² Dedicated Acres 480	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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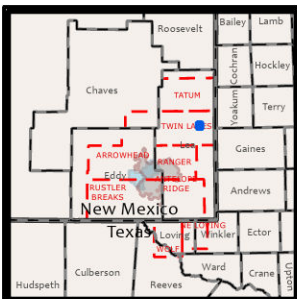
No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

<p>The diagram shows a well location on a grid. A vertical dashed line represents the well path. At the top, a 'Bottom Hole Location' is marked with '1980' FWL' and '100' FNL'. At the bottom, a 'Surface Hole Location' is marked with '1651' FWL', '1980' FWL', and '368' FSL'. A '100' FSL' measurement is also shown. A box labeled 'LTP' is near the bottom hole, and a box labeled 'FTP' is near the surface hole.</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>E-mail Address _____</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Date of Survey _____</p> <p>Signature and Seal of Professional Surveyor: _____</p> <p>Certificate Number _____</p>

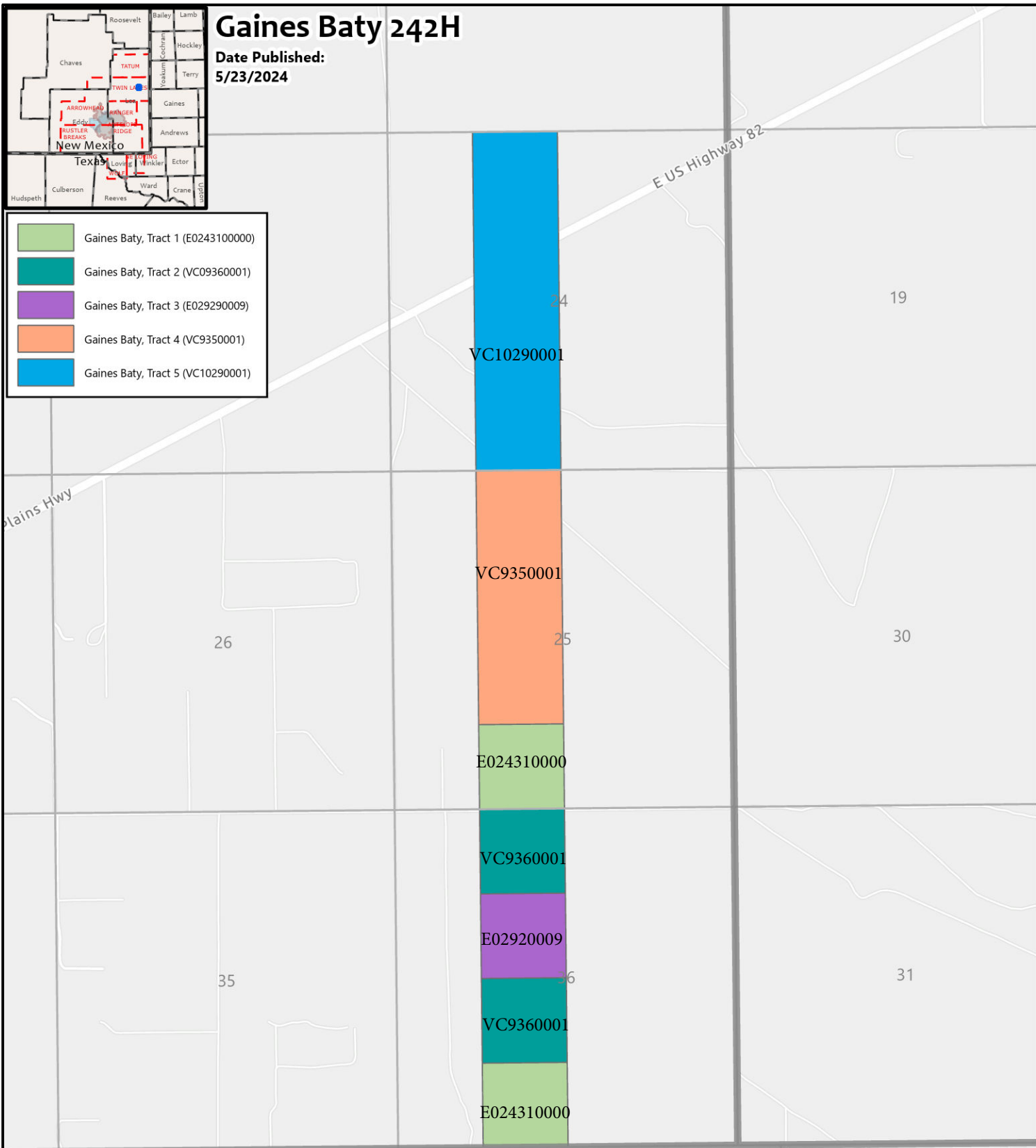
Exhibit A-2

Gaines Baty 242H

Date Published:
5/23/2024



	Gaines Baty, Tract 1 (E024310000)
	Gaines Baty, Tract 2 (VC9360001)
	Gaines Baty, Tract 3 (E029290009)
	Gaines Baty, Tract 4 (VC9350001)
	Gaines Baty, Tract 5 (VC10290001)



Texas Parks & Wildlife, Esri, TomTom, Garmin, SafeGra
Inc, METI/NASA, USGS, EPA, NPS, US Census B



GIS Standard Map Disclaimer:

This cartographic product is for informational purposes and may not have been prepared for, or be suitable for, legal, engineering or surveying purposes. Users of this information should review or consult the primary data and information sources to ascertain the validity of the information.



1:25,000

1 inch equals 2,083 feet

Map Prepared by: lillian.yeargins
 Date: May 23, 2024
 Project: \\gis\UserData\yeargins\tempProjects\Tract Maps\20240523\RB1_RB2_GB242H\RB1_RB2_GB242H.aprx
 Spatial Reference: NAD 1983 StatePlane New Mexico East FIPS 3001 Feet
 Sources: IHS; ESRI; US DOI BLM Carlsbad, NM Field Office, GIS Department;
 Texas Cooperative Wildlife Collection, Texas A&M University;
 United States Census Bureau (TIGER);

Exhibit A-3

Gaines Baty State Com #242H (Slot 2- WFMP)			
Summary of Interests			
		Tract:	Interest:
Matador Working Interest		1	16.6667%
Voluntary Joinder		3	8.3333%
Anticipated Voluntary Joinder			
Compulsory Pool Interest			
			75.0000%
			0.0000%
			0.0000%
			25.0000%
Interest Owners:	Description:	Tract:	Interest:
Chase Oil Corporation	Uncommitted Working Interest	1	16.6667%
XTO Holdings, LLC	Uncommitted Working Interest	3	8.3333%

Exhibit A-4

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. A-4
Submitted by: Matador Production Company
Hearing Date: June 13, 2024
Case No. 24485

MRC Permian Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240
Voice 972.371.5474
addison.costley@matadorresources.com

Addison Costley
Landman

March 18, 2024

VIA CERTIFIED RETURN RECEIPT MAIL

Chase Oil Corporation
PO Box 1767
Artesia, NM 88211

Re: Gaines Baty State Com #242H (the "Well")
Participation Proposal
Sections 24, 25 & 36, Township 15 South, Range 36 East
Lea County, New Mexico

Dear Sir/Madam:

MRC Permian Company ("MRC") proposes the drilling of Matador Production Company's Gaines Baty State Com #242H, located in Sections 24, 25 & 36, Township 15 South, Range 36 East, Lea County, New Mexico.

In connection with the above, please note the following:

- The estimated cost of drilling, testing, completing, and equipping of each Well is itemized on the enclosed Authority for Expenditure ("AFE") dated October 18, 2023.
- **Gaines Baty State Com #242H:** to be drilled from a legal location with a proposed surface hole location located in the SW/4SW/4 of Section 36-15S-36E, a proposed first take point located at 1,980' FWL and 100' FSL of Section 36-15S-36E, and a proposed last take point located at 1,980' FWL and 100' FNL of Section 24-15S-36E. The Well will have a targeted interval within the Wolfcamp formation and will be drilled horizontally in the Wolfcamp (~11,400' TVD) to a Measured Depth of approximately 26,944'.

MRC requests that you indicate your election to participate in the drilling and completion of the Well in the space provided below, sign and return one (1) copy of this letter to the undersigned.

MRC is proposing to drill the Well under the terms of the modified 1989 AAPL form of Operating Agreement, which will be provided upon request, covering Sections 24, 25 & 36, Township 15 South, Range 36 East, Lea County, New Mexico, and has the following general provisions:

- 100/300/300 Non-consenting penalty
- \$8,000/\$800 Drilling and Producing rate
- Matador Production Company named as Operator

If your election is to participate in the drilling and completion of the Well, please sign and return a copy of the enclosed AFEs within thirty (30) days of receipt of this notice. Please be aware that the enclosed AFEs are only an estimate of costs to be incurred and by electing to participate in the Well, each working interest owner shall be responsible for its proportionate share of all costs incurred.

Thank you for your consideration of this proposal. Please contact me if you have any questions.

Sincerely,

MRC PERMIAN COMPANY



Addison Costley

Chase Oil Corporation hereby elects to:

- Participate for its proportionate share of the costs detailed in the enclosed AFE associated with Matador Production Company's Gaines Baty State Com #242H well.
- Not to participate in the Gaines Baty State Com #242H.

Chase Oil Corporation

By: _____

Title: _____

Date: _____

MRC Permian Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240

Voice 972.371.5474

addison.costlev@matadorresources.com

Addison Costley
Landman

March 18, 2024

VIA CERTIFIED RETURN RECEIPT MAIL

XTO Holdings, LLC
22777 Springwoods Village Parkway
Spring, TX 77389

Re: Gaines Baty State Com #242H (the "Well")
Participation Proposal
Sections 24, 25 & 36, Township 15 South, Range 36 East
Lea County, New Mexico

Dear Sir/Madam:

MRC Permian Company ("MRC") proposes the drilling of Matador Production Company's Gaines Baty State Com #242H, located in Sections 24, 25 & 36, Township 15 South, Range 36 East, Lea County, New Mexico.

In connection with the above, please note the following:

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MRC requests that you indicate your election to participate in the drilling and completion of the Well in the space provided below, sign and return one (1) copy of this letter to the undersigned.

MRC is proposing to drill the Well under the terms of the modified 1989 AAPL form of Operating Agreement, which will be provided upon request, covering Sections 24, 25 & 36, Township 15 South, Range 36 East, Lea County, New Mexico, and has the following general provisions:

- 100/300/300 Non-consenting penalty
- \$8,000/\$800 Drilling and Producing rate
- Matador Production Company named as Operator

If your election is to participate in the drilling and completion of the Well, please sign and return a copy of the enclosed AFEs within thirty (30) days of receipt of this notice. Please be aware that the enclosed AFEs are only an estimate of costs to be incurred and by electing to participate in the Well, each working interest owner shall be responsible for its proportionate share of all costs incurred.

Thank you for your consideration of this proposal. Please contact me if you have any questions.

Sincerely,

MRC PERMIAN COMPANY



Addison Costley

XTO Holdings, LLC hereby elects to:

- Participate for its proportionate share of the costs detailed in the enclosed AFE associated with Matador Production Company's **Gaines Baty State Com #242H** well.
- Not to participate in the **Gaines Baty State Com #242H**.

XTO Holdings, LLC

By: _____

Title: _____

Date: _____

MATADOR PRODUCTION COMPANY

ONE LINCOLN CENTRE • 5400 LBJ FREEWAY • SUITE 1500 • DALLAS, TEXAS 75240
 Phone (972) 371-5200 • Fax (972) 371-5201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE:	10/18/2023	AFE NO.:	0
WELL NAME:	Gaines Baty State Com #242H	FIELD:	0
LOCATION:	Sections 24&25&36 15S-36E	MD/TVD:	26944'/11400'
COUNTY/STATE:	Lea	LATERAL LENGTH:	about 15,000'
MRC WI:			
GEOLOGIC TARGET:	Wolfcamp D		
REMARKS:	Drill and complete a 3-mile horizontal well in the Wolfcamp D formation with about 60 frac stages.		

INTANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
Land / Legal / Regulatory	\$ 17,500	\$ -	\$ -	\$ 10,000	\$ 27,500
Location, Surveys & Damages	319,500	13,000	15,000	20,000	367,500
Drilling	1,389,570	-	-	-	1,389,570
Cementing & Float Equip	295,000	-	-	-	295,000
Logging / Formation Evaluation	-	8,000	-	-	8,000
Mud Logging	46,400	-	-	-	46,400
Mud Circulation System	146,140	-	-	-	146,140
Mud & Chemicals	590,225	80,000	-	-	670,225
Mud / Wastewater Disposal	192,000	-	-	1,000	193,000
Freight / Transportation	28,000	39,500	-	-	67,500
Rlg Supervision / Engineering	166,500	113,400	7,500	18,000	305,400
Drill Bits	177,500	-	-	-	177,500
Fuel & Power	246,400	754,394	-	-	1,000,794
Water	39,600	878,850	-	1,000	919,450
Drig & Completion Overhead	16,000	-	-	-	16,000
Plugging & Abandonment	-	-	-	-	-
Directional Drilling, Surveys	388,800	-	-	-	388,800
Completion Unit, Swab, CTU	-	185,000	25,000	-	210,000
Perforating, Wireline, Slickline	-	335,376	15,000	-	350,376
High Pressure Pump Truck	-	164,000	-	5,000	169,000
Stimulation	-	4,008,993	-	-	4,008,993
Stimulation Flowback & Disp	-	15,500	112,500	-	128,000
Insurance	21,555	-	-	-	21,555
Labor	237,000	65,750	110,000	-	412,750
Rental - Surface Equipment	158,846	343,020	70,000	10,000	581,866
Rental - Downhole Equipment	213,200	108,000	-	-	321,200
Rental - Living Quarters	45,240	72,220	-	5,000	122,460
Contingency	238,373	238,201	35,500	7,000	519,074
Operations Center	32,480	-	-	-	32,480
TOTAL INTANGIBLES >	5,005,829	7,423,204	390,500	77,000	12,896,533

TANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
Surface Casing	\$ 123,775	\$ -	\$ -	\$ -	\$ 123,775
Intermediate Casing	603,258	-	-	-	603,258
Drilling Liner	-	-	-	-	-
Production Casing	1,075,060	-	-	-	1,075,060
Production Liner	-	-	-	-	-
Tubing	-	-	252,000	-	252,000
Wellhead	96,000	-	25,000	-	121,000
Packers, Liner Hangers	-	91,735	5,000	-	96,735
Tanks	-	-	-	154,000	154,000
Production Vessels	-	-	-	212,200	212,200
Flow Lines	-	-	40,000	40,000	80,000
Rod string	-	-	-	-	-
Artificial Lift Equipment	-	-	50,000	-	50,000
Compressor	-	-	45,000	25,000	70,000
Installation Costs	-	-	-	176,000	176,000
Surface Pumps	-	-	-	15,000	15,000
Non-controllable Surface	250	-	-	2,000	2,250
Non-controllable Downhole	-	-	10,000	-	10,000
Downhole Pumps	-	-	-	-	-
Measurement & Meter Installation	-	-	16,000	266,000	282,000
Gas Conditioning / Dehydration	-	-	-	-	-
Interconnecting Facility Piping	-	-	20,000	220,000	240,000
Gathering / Bulk Lines	-	-	-	-	-
Valves, Dumps, Controllers	-	-	5,000	-	5,000
Tank / Facility Containment	-	-	-	40,000	40,000
Flare Stack	-	-	-	50,000	50,000
Electrical / Grounding	-	-	5,000	185,000	190,000
Communications / SCADA	-	-	2,500	25,000	27,500
Instrumentation / Safety	-	-	12,500	112,000	124,500
TOTAL TANGIBLES >	1,898,342	91,735	488,000	1,522,200	4,000,277
TOTAL COSTS >	6,904,171	7,514,939	878,500	1,599,200	16,896,811

PREPARED BY MATADOR PRODUCTION COMPANY:

Drilling Engineer: Patrick Walsh

Team Lead - WTX/NM

Exhibit A-5

**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. A-5
Submitted by: Matador Production Company
Hearing Date: June 13, 2024
Case No. 24485**

Summary of Communications Gaines Baty State Com 242H (Slot 2- WFMP)

Uncommitted Working Interest Owner

1. Chase Oil Corporation

In addition to sending well proposals, Matador has had discussions with **Chase Oil Corporation** regarding their interest and we are continuing to discuss voluntary joinder.

- Proposal sent March 18, 2024
- Email March 27, 2024
- Phone Call March 27, 2024
- Email April 1, 2024
- Phone Call April 17, 2024
- Phone Call May 22, 2024
- Phone Call May 29, 2024

2. XTO Holdings, LLC

In addition to sending well proposals, Matador has had discussions with **XTO Holdings, LLC** regarding their interest and we are continuing to discuss voluntary joinder.

- Proposal sent March 18, 2024
- Phone call March 28, 2024
- Email March 28, 2024
- Phone Call June 3, 2024

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

APPLICATION OF MRC PERMIAN COMPANY
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NOS. 24485

SELF-AFFIRMED STATEMENT OF ANDREW PARKER

Andrew Parker, of lawful age and being first duly sworn, declares as follows:

1. My name is Andrew Parker. I work for MRC Energy Company, an affiliate of Matador Production Company (“Matador”), as a Senior Vice President of Geoscience.
2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum geology. My credentials as a petroleum geologist have been accepted by the Division and made a matter of record.
3. I am familiar with the application filed by Matador in this case, and I have conducted a geologic study of the lands in the subject area.
4. **Matador Exhibit B-1** is a locator map outlining the horizontal spacing unit with a black box shaded in yellow, with the larger area identified in a red box.
5. In this case, Matador intends to develop the Penn Shale of the upper Pennsylvanian formation.
6. **Matador Exhibit B-2** is a subsea structure map prepared off the top of the Pennsylvanian formation. The contour interval is 50 feet. The structure map shows the Pennsylvanian formation gently dipping to the east. The structure appears consistent across the proposed wellbore paths. I do not observe any faulting, pinchouts, or other geologic impediments to horizontal drilling.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. B
Submitted by: Matador Production Company
Hearing Date: June 13, 2024
Case No. 24485

7. Also included on Matador Exhibit D-2 is a line of cross section from A to A'.

8. **Matador Exhibit B-3** is a structural cross-section prepared displaying open-hole logs run over portions of the Pennsylvanian formation from the four representative wells denoted from A to A'. For each well in the cross-section, the following logs are included: gamma ray, caliper, resistivity, and porosity, where available. The proposed target interval for the proposed well is labeled and marked with a yellow shaded area. The logs in the cross-section demonstrate that the targeted interval, within the Penn Shale, is consistent in thickness, across the entirety of the proposed spacing unit.

9. In my opinion, the standup orientation is the preferred orientation for development in this area for the Penn Shale well because the maximum horizontal stress is east-west in this area.

10. Based on my geologic study of the area, I have not identified any geologic impediments to drilling horizontal wells within the Penn Shale in the area of the spacing units proposed in these cases.

11. In my opinion, each quarter-quarter section will be productive and contribute more-or-less equally to production from each horizontal spacing unit.

12. In my opinion, horizontal drilling will be the most efficient method to develop this acreage, to prevent the drilling of unnecessary wells, and to result in the greatest ultimate recovery.

13. Approving Matador's applications will be in the best interest of conservation, the prevention of waste, and protection of correlative rights.

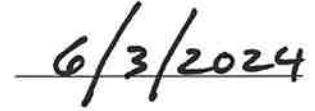
14. **Matador Exhibits B-1 through B-3** were either prepared by me or compiled under my direction and supervision.

15. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be

used as written testimony in this case. This statement is made on the date next to my signature below.

A handwritten signature in black ink, appearing to be 'A. Parker', written over a horizontal line.

Andrew Parker

A handwritten date '6/3/2024' in black ink, written over a horizontal line.

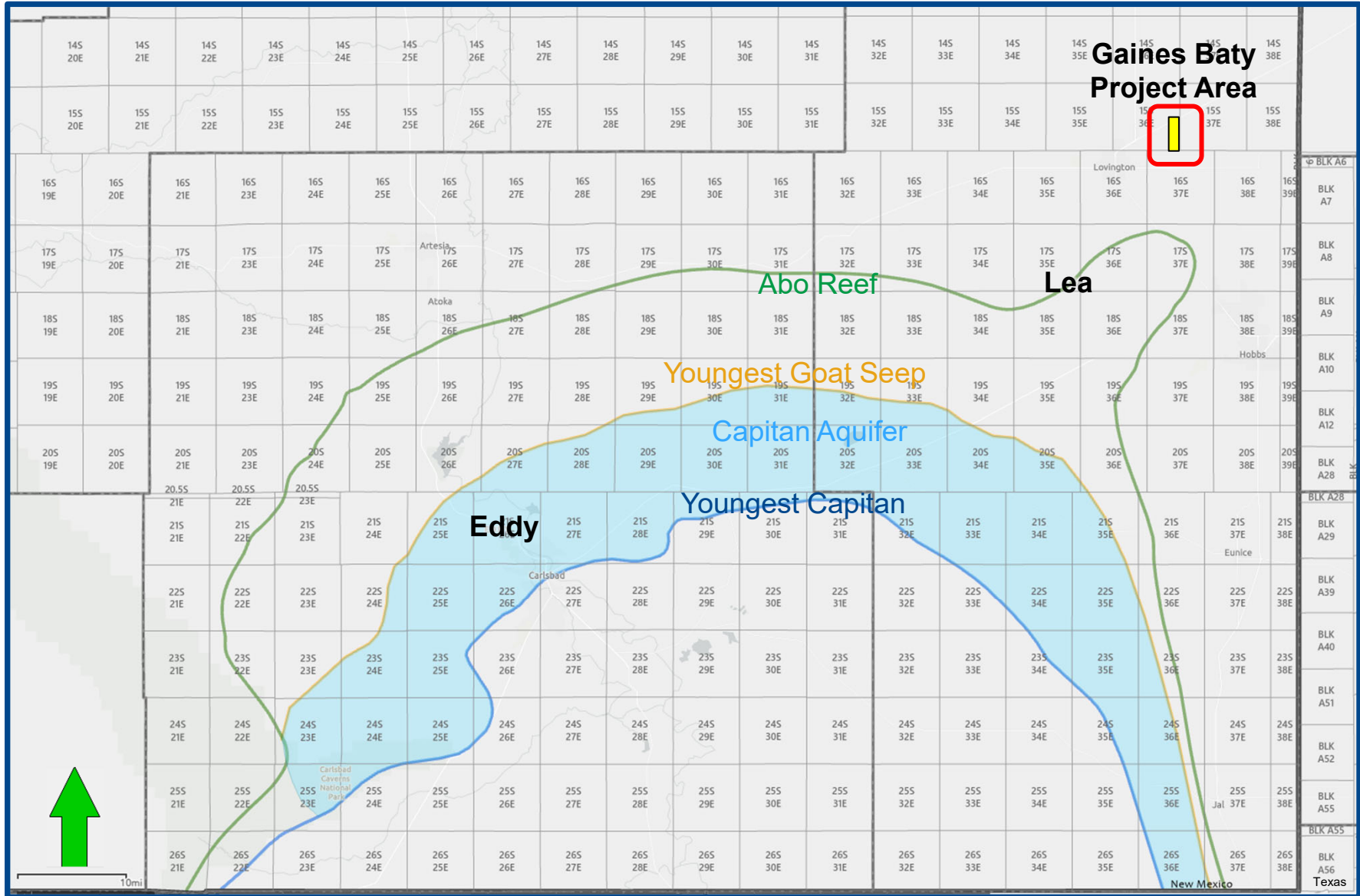
Date

Locator Map

Exhibit B-1

Released to Imaging: 6/6/2024 10:11:11 AM

Received by OCD: 6/6/2024 9:02:50 AM



BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. B-1

Submitted by: Matador Production Company

Hearing Date: June 13, 2024

Case No. 24485



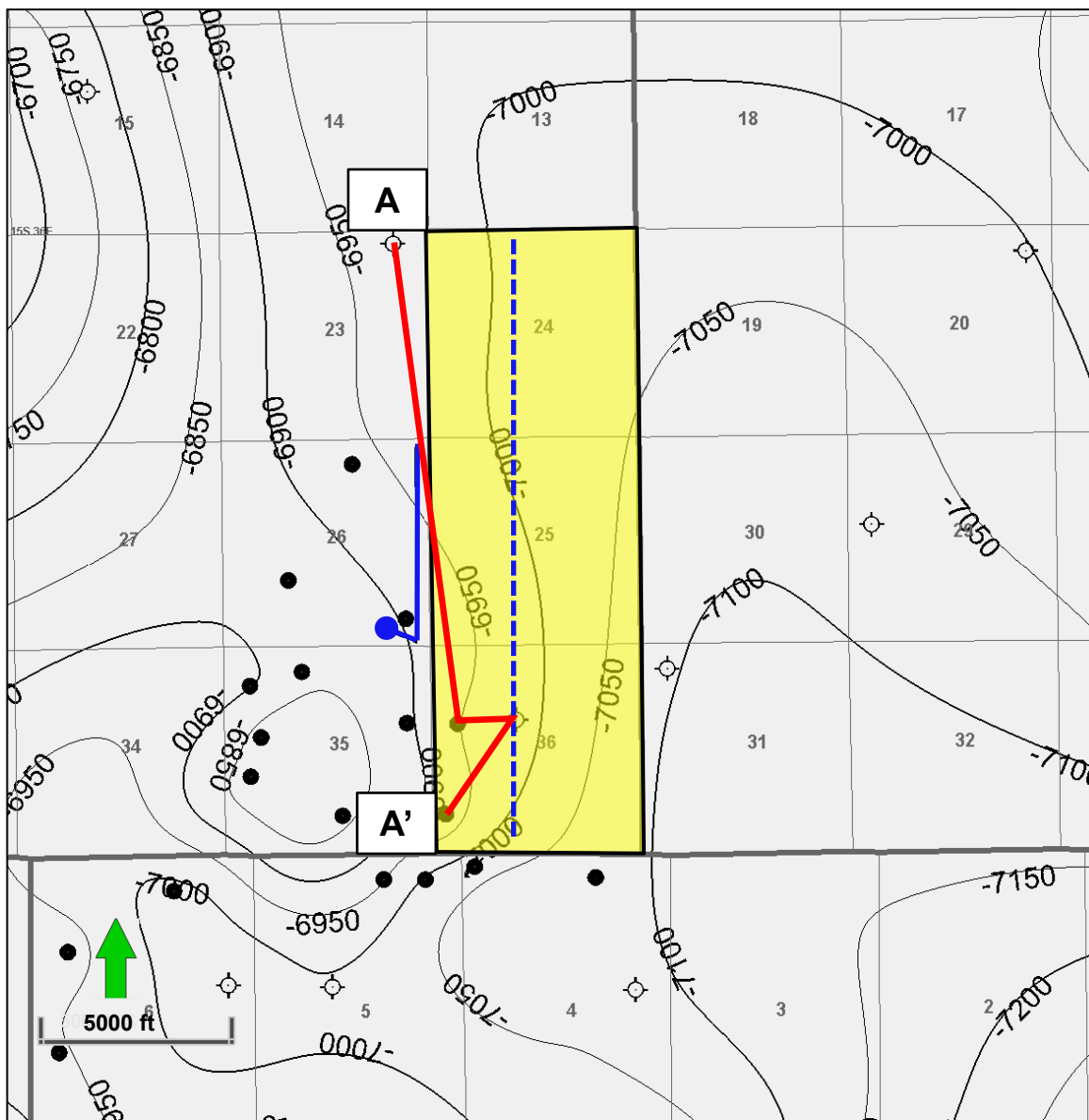
B-1

Gaines Baty #242H

Page 30 of 37

Dean; Permo Upper Penn [Pool Code 16720] Structure Map (Top Pennsylvanian Subsea)

Exhibit B-2



Map Legend

Upper Penn Shale Wells



Gaines Baty #242H



Project Area



C. I. = 50'

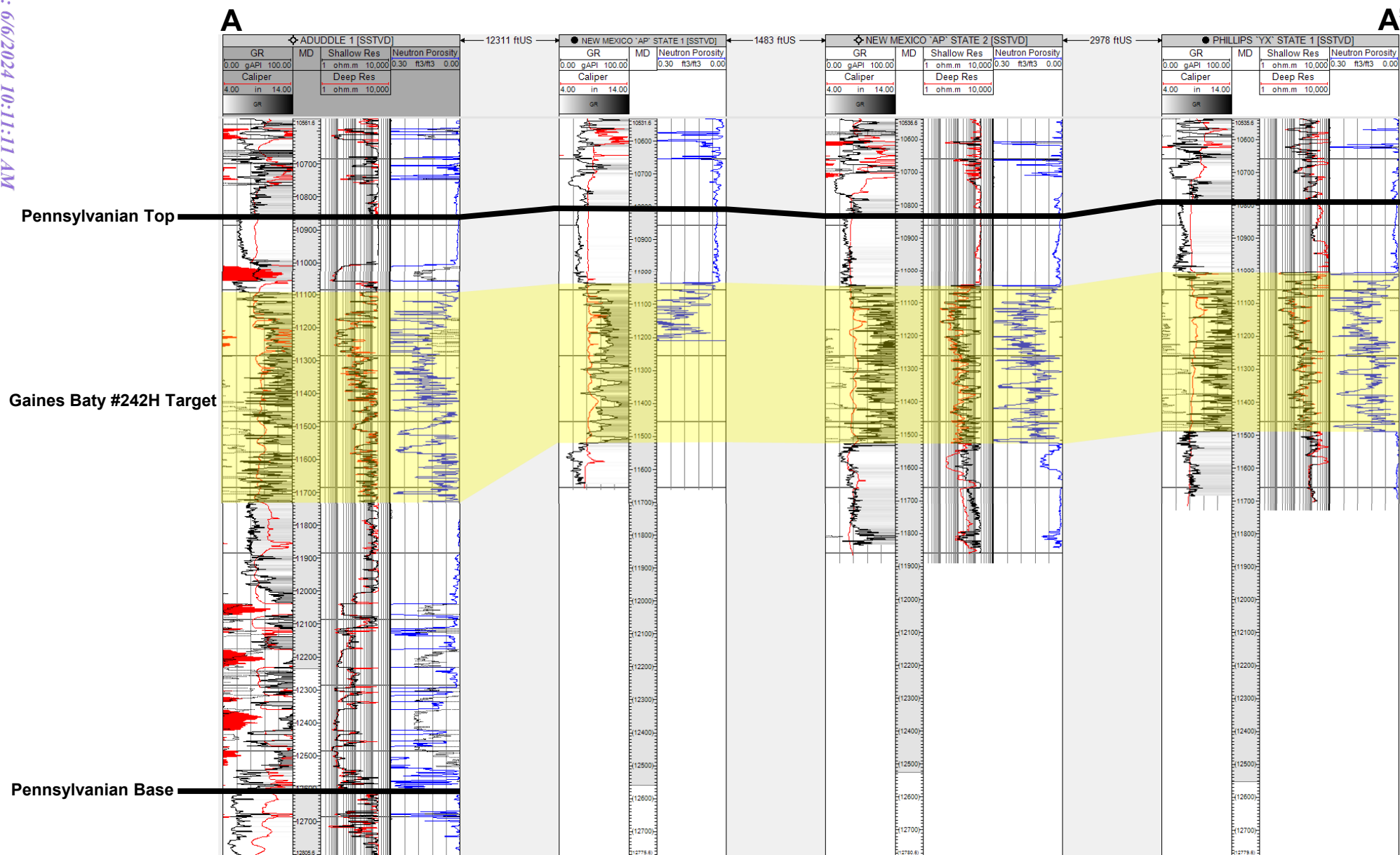
BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico
 Exhibit No. B-2
 Submitted by: Matador Production Company
 Hearing Date: June 13, 2024
 Case No. 24485

Dean; Permo Upper Penn [Pool Code 16720] Structural Cross Section A – A' Reference Line

Exhibit B-3

Released to Imaging: 6/6/2024 10:11:11 AM

Received by OCD: 6/6/2024 9:02:50 AM



Gaines Baty #242H

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. B-3
Submitted by: Matador Production Company
Hearing Date: June 13, 2024
Case No. 24485



B-3

Page 32 of 37

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

**APPLICATION OF MRC PERMIAN COMPANY
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 24485

**SELF-AFFIRMED STATEMENT OF
MICHAEL H. FELDEWERT**

1. I am attorney in fact and authorized representative of MRC Permian Company (“MRC”), the Applicant herein. I have personal knowledge of this matter addressed herein and am competent to provide this self-affirmed statement.

2. The above-referenced application and notice of the hearing on this application was sent by certified mail to the affected parties on the date set forth in the letter attached hereto.


3. The spreadsheet attached hereto contains the names of the parties to whom notice was provided.

4. The spreadsheet attached hereto contains the information provided by the United States Postal Service on the status of the delivery of this notice as of June 5, 2024.

5. I caused a notice to be published to all parties subject to these proceedings. An affidavit of publication from the publication’s legal clerk with a copy of the notice publication is attached herein.

6. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statement are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C
Submitted by: Matador Production Company
Hearing Date: June 13, 2024
Case No. 24485**



Michael H. Feldewert

6/5/2024

Date



Michael H. Feldewert
Partner
Phone (505) 988-4421
mfeldewert@hollandhart.com

May 24, 2024

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

**Re: Application of MRC Permian Company for Compulsory Pooling, Lea County,
New Mexico: *Gaines Baty State Com 242H well***

Ladies & Gentlemen:

This letter is to advise you that MRC Permian Company has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on June 13, 2024, and the status of the hearing can be monitored through the Division’s website at <https://www.emnrd.nm.gov/ocd/>.

It is anticipated that hearings will be held in a hybrid format with both in-person and virtual participation options. The meeting will be held in the Pecos Hall Hearing Room at the Wendall Chino Building, 1st Floor, 1220 South St. Francis Dr., Santa Fe, New Mexico. To participate virtually in the hearing, see the instructions posted on the OCD Hearings website: <https://www.emnrd.nm.gov/ocd/hearing-info/>.

You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. Parties appearing in cases are required to file a Pre-hearing Statement four business days in advance of a scheduled hearing that complies with the provisions of NMAC 19.15.4.13.B.

If you have any questions about this matter, please contact Addison Costley at (972) 371-5474 or at addison.costley@matadorresources.com.

Sincerely,

Michael H. Feldewert
ATTORNEY FOR MRC PERMIAN COMPANY

Location
110 North Guadalupe, Suite 1
Santa Fe, NM 87501-1849

Mailing Address
P.O. Box 2208
Santa Fe, NM 87504-2208

Contact
p: 505.988.4421 | f: 505.983.6043
www.hollandhart.com

Holland & Hart LLP Anchorage Aspen Billings Boise Boulder Cheyenne Denver Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C.

MRC - Gaines Baty 242H well - Case no. 24485

Postal Delivery Report

9214 8901 9403 8363 2634 10	CHASE OIL CORPORATION PO BOX 1767 ARTESIA NM 88211	Delivered Signature Received
9214 8901 9403 8363 2634 27	XTO Holdings LLC 22777 Springwoods Village Parkway Spring TX 77389	In-Transit

Affidavit of Publication

STATE OF NEW MEXICO
COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated
May 30, 2024
and ending with the issue dated
May 30, 2024.


Publisher

Sworn and subscribed to before me this
30th day of May 2024.


Business Manager

My commission expires

January 29, 2027
STATE OF NEW MEXICO
(Seal) **NOTARY PUBLIC**
GUSSIE RUTH BLACK
COMMISSION # 1087526
COMMISSION EXPIRES 01/29/2027

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said publication has been made.

LEGAL NOTICE
May 30, 2024

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

The State of New Mexico, Energy Minerals and Natural Resources Department, Oil Conservation Division ("Division") hereby gives notice that the Division will hold public hearings before a hearing examiner for the below listed cases. The hearings will be conducted in a hybrid fashion, both in-person at the Energy, Minerals, Natural Resources Department, Wendell Chino Building, Pecos Hall, 1220 South St. Francis Drive, 1st Floor, Santa Fe, NM 87505 and via the MS Teams virtual meeting platform (sign-in information below) on Thursday, **June 13, 2024, at 8:30 a.m.**

To participate in the hearings, see the instructions posted below. The docket may be viewed electronically on the Division's website, <http://www.emnrd.state.nm.us/OCD/hearings.html> or obtained from the OCD law clerk, at (505) 469-5527 or freya.tschantz@emnrd.nm.gov.

Documents filed in these cases may be viewed at <http://ocdimage.emnrd.state.nm.us/imaging/CaseFileCriteria.aspx>.

If you are an individual with a disability who needs a reader, amplifier, qualified sign language interpreter, or other form of auxiliary aid or service to attend or participate in a hearing, contact the OCD law clerk using the contact information above, or at the New Mexico Relay Network, 1-800-659-1779, no later than Monday, June 3, 2024.

Persons may view and participate in the hearings through the following link:

www.microsoft.com/en-us/microsoft-teams/join-a-meeting
Meeting ID: 267 851 609 747
Passcode: zjuWpG

Dial-In by phone:
+1 505-312-4308..130592067#
-or-
(505) 312-4308
Phone conference ID: 130 592 067#

STATE OF NEW MEXICO TO:
All named parties and persons
having any right, title, interest
or claim in the following case
and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: All affected interest owners, including: Chase Oil Corporation; and XTO Holdings, LLC.

Case No. 24485: Application of MRC Permian Company for Compulsory Pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling a standard 480-acre, more or less, horizontal well spacing unit in the upper Pennsylvanian Shale [Dean Permo Upper Penn Pool (16720)] comprised of the E2W2 of Sections 24, 25 and 36, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Gaines Baty State Com 242H** well to be horizontally drilled from a surface location in the SW4 of Section 36, with a first take point in the SE4SW4 (Unit N) of Section 36 and a last take point in the NE4NW4 (Unit C) of Section 24. 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 6 miles northeast of Lovington, New Mexico.
#00290739

67100754

00290739

HOLLAND & HART LLC
110 N GUADALUPE ST., STE. 1
SANTA FE, NM 87501

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. D
Submitted by: Matador Production Company
Hearing Date: June 13, 2024
Case No. 24485