

**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 306.92-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation comprised of Lots 1-4 (W/2 W/2 equivalent) of irregular Sections 19 and 30, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico, and (b) pooling all uncommitted 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 horizontal well spacing unit.
3. Applicant seeks to initially dedicate the above-referenced horizontal spacing unit to the proposed **Shoffner State Com #111H** and **Shoffner State Com #131H** wells, both to be horizontally drilled from a surface location in the N/2 NW/4 of irregular Section 19, with a first take point in Lot 1 (NW/4 NW/4 equivalent) of irregular Section 19 and a last take point in Lot 4 (SW/4 SW/4 equivalent) of irregular Section 30.

4. This proposed horizontal well spacing unit will overlap the following existing or proposed spacing unit in the Bone Spring formation:

- 160-acre spacing unit comprised of Lots 1-4 (W/2 W/2 equivalent) of irregular Section 19, dedicated to the Ironhouse “19” State Com #4H (API: 30-025-41245) operated by Franklin Mountain Energy 3, LLC and assigned to the WC-025 G-06 S183518A; Bone Spring [97930].

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 well 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 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 interest owners 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 wells;
- 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 wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

HOLLAND & HART LLP

By:  _____

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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 306.92-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation comprised of Lots 1-4 (W/2 W/2 equivalent) of irregular Sections 19 and 30, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico, and (b) pooling all uncommitted interests in this horizontal well spacing unit. Said unit will be initially dedicated to the proposed **Shoffner State Com #111H** and **Shoffner State Com #131H** wells, both to be horizontally drilled from a surface location in the N/2 NW/4 of irregular Section 19, with a first take point in Lot 1 (NW/4 NW/4 equivalent) of irregular Section 19 and a last take point in Lot 4 (SW/4 SW/4 equivalent) of irregular Section 30. This proposed horizontal well spacing unit will overlap the following existing or proposed spacing unit in the Bone Spring formation:

- 160-acre spacing unit comprised of Lots 1-4 (W/2 W/2 equivalent) of irregular Section 19, dedicated to the Ironhouse “19” State Com #4H (API: 30-025-41245) operated by Franklin Mountain Energy 3, LLC and assigned to the WC-025 G-06 S183518A; Bone Spring [97930].

Also, to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, actual operating costs and charges for supervision, designation of Matador Production Company as operator of the proposed spacing unit, and a 200% charge for risk involved in drilling said wells. The subject area is located approximately 20 miles west of Hobbs, New Mexico.