

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

**APPLICATIONS OF MRC PERMIAN COMPANY
FOR APPROVAL OF AN OVERLAPPING HORIZONTAL
WELL SPACING UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NOS. 24778-24783

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

CASE NOS. 24784-24786

MRC'S PRE-HEARING STATEMENT

MRC Permian Company ("MRC") (OGRID No. 4323) submits this pre-hearing statement, as required by the Prehearing Order in these consolidated matters.

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APPLICANTS

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STATEMENT OF THE CASE

In these consolidated cases, MRC seek to pool standard horizontal well spacing units in the Bone Spring and Wolfcamp formations underlying Sections 30 and 31, Township 18 South, Range 35 East, Lea County, New Mexico, as follows:

- Under **Case 24778**, MRC seeks to pool a standard 313.68-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation underlying the W2 equivalent of irregular Section 30, for the proposed **Airstrip State Com 110H** and **Airstrip State Com 130H** “u-turn” wells, to be horizontally drilled from a surface location in the NW4 of Section 30, with first take points in the NE4NW4 (Unit C) and last take points in the NW4NW4 equivalent (Lot 1) of irregular Section 30;
- Under **Case 24779**, MRC seeks to pool a standard 320-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation underlying the E2 of Section 30, for the proposed **Airstrip State Com 119H** “u-turn” well, to be horizontally drilled from a surface location in the NE4 of Section 30, with a first take point in the NW4NE4 (Unit B) and a last take point in the NE4NE4 (Unit A) of Section 30;
- Under **Case 24780**, MRC seeks to pool a standard 307.96-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation underlying the W2W2 equivalent of irregular Sections 30 and 31, for the proposed **Airstrip State Com 121H** well, to be horizontally drilled from a surface location in the NW4 of Section 30, with a first take point in the NW4NW4 equivalent (Lot 1) of irregular Section 30 and a last take point in the SW4SW4 equivalent (Lot 4) of irregular Section 31;
- Under **Case 24781**, MRC seeks to pool a standard 320-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation underlying the E2W2 of Sections 30 and 31, for the proposed **Airstrip State Com 122H** well, to be horizontally drilled from a surface location in the NW4 of Section 30, with a first take point in the NE4NW4 (Unit C) of Section 30 and a last take point in the SE4SW4 (Unit N) of Section 31;
- Under **Case 24782**, MRC seeks to pool a standard 320-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation underlying the W2E2 of Sections 30 and 31, for the proposed **Airstrip State Com 123H** well, to be horizontally drilled from a surface location in the NE4 of Section 30, with a first take point in the NW4NE4 (Unit B) of Section 30 and a last take point in the SW4SE4 (Unit O) of Section 31;

- Under **Case 24783**, MRC seeks to pool a standard 307.96-acre, more or less, overlapping horizontal well spacing unit in the Wolfcamp formation underlying the W2W2 equivalent of irregular Sections 30 and 31, for the proposed **Airstrip State Com 241H** well, to be horizontally drilled from a surface location in the NW4 of Section 30, with a first take point in the NW4NW4 equivalent (Lot 1) of irregular Section 30 and a last take point in the SW4SW4 equivalent (Lot 4) of irregular Section 31;
- Under **Case 24784**, MRC seeks to pool a standard 320-acre, more or less, horizontal well spacing unit in the Wolfcamp formation underlying the E2W2 of Sections 30 and 31, for the proposed **Airstrip State Com 242H** well, to be horizontally drilled from a surface location in the NW4 of Section 30, with a first take point in the NE4NW4 (Unit C) of Section 30 and a last take point in the SE4SW4 (Unit N) of Section 31;
- Under **Case 24785**, MRC seeks to pool a standard 320-acre, more or less, horizontal well spacing unit in the Wolfcamp formation underlying the W2E2 of Sections 30 and 31, for the proposed **Airstrip State Com 243H** well, to be horizontally drilled from a surface location in the NE4 of Section 30, with a first take point in the NW4NE4 (Unit B) of Section 30 and a last take point in the SW4SE4 (Unit O) of Section 31; and
- Under **Case 24786**, MRC seeks to pool a standard 320-acre, more or less, horizontal well spacing unit in the Wolfcamp formation underlying the E2E2 of Sections 30 and 31, for the proposed **Airstrip State Com 244H** well, to be horizontally drilled from a surface location in the NE4 of Section 30, with a first take point in the NE4NE4 (Unit A) of Section 30 and a last take point in the SE4SE4 (Unit P) of Section 31.

Franklin Mountain Energy 3, LLC (“Franklin Mountain”) has filed pooling applications under Cases 24457, 24459, 24479, and 24898-24901 that seek to pool the Bone Spring formation under Sections 18, 19 and 30 and the Wolfcamp formation under Sections 19 and 30, thereby overlapping MRC pooling applications in Section 30.

MRC owns 58.75% of the working interest in Section 30 and has the support of Axis Energy Corporation, thereby controlling 61.25% of the working interest in Section 30. The remaining 38.75% of the working interest in Section 30 is currently held by Franklin Mountain. In addition to MRC’s superior ownership, MRC operates two 1-mile horizontal Bone Spring wells in Section 30. Since MRC controls a majority of the working interest and is currently operating in Section 30, MRC must be awarded operatorship unless Franklin Mountain can demonstrate with

convincing evidence that MRC's continued development of Section 30 will cause waste or otherwise negatively impact correlative rights. See Applications of COG Operating and WPX Energy, Order R-21826 at ¶21 (8/31/21) ("OCD concludes that the conflicting evidence over well and overall development proposals do not clearly favor one proposal, while the evidence on working interest control strongly favors the COG proposal. In the absence of other compelling factors, 'working interest control...should be the controlling factor in awarding operations.'")

In Section 30, MRC and Franklin Mountain seek to initially develop the First Bone Spring, Third Bone Spring and Wolfcamp D intervals. The only substantive differences between the initial development plans in Section 30 are (i) MRC seeks to continue development of the Second Bone Spring interval and Franklin Mountain does not seek to initially develop that interval, and (ii) Franklin Mountain seeks to initially develop the Wolfcamp B interval while MRC intends to wait to develop that interval until after it obtains more information on that interval from drilling into the deeper Wolfcamp D interval.

MRC believes the following facts are undisputed and material to the issues presented in these consolidated cases:

1. The competing pooling applications filed by MRC and Franklin Mountain overlap in Section 30, where MRC controls 61.25% of the working interest.
2. Franklin Mountain currently operates four horizontal Bone Spring wells in Section 19 and MRC currently operates two horizontal Bone Spring wells in Section 30.
3. The preferred orientation for wells is standup due to the maximum horizontal stress direction in this area.
4. There are no faults, pinch outs, or other geologic impediments preventing MRC from efficiently and effectively developing the Bone Spring and Wolfcamp formations under the subject acreage with the 2-mile horizontal wells.

FILED EVIDENCE

Pursuant to the Amended Prehearing Order entered for these consolidated matters, MRC has filed the following with this prehearing statement:

The Applications filed in MRC Cases 24778-24782 (Bone Spring formation) and Cases 24783-86 (Wolfcamp formation)

Compulsory Pooling Checklists for MRC Cases 24778-24786

MRC Exhibit A: Self-affirmed Statement of Isaac Evans, Petroleum Landman

MRC Exhibit B: Self-affirmed Statement of Andrew Parker, Petroleum Geologist

MRC Exhibit C: Self-affirmed Statement of Tanner Schulz, Petroleum Engineer

MRC Exhibit D: Notice Affidavits for MRC Cases 24778-24786

MRC Exhibit E: Affidavits of Publication for MRC Cases 24778-24786

The qualifications for each witness and the narrative of their direct testimony are contained in the self-affirmed statements filed with this prehearing statement.

PROCEDURAL MATTERS

MRC reserves the right to call these or other witnesses to address issues that arise with the filing of additional information.

In an effort to reach an agreement with Franklin Mountain, MRC dismissed Cases 24787-90 (Shoffner wells) seeking to pool the Wolfcamp formation underlying Sections 18 and 19, Township 18 South, Range 35 East.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on November 13, 2024, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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QUESTIONS

Action 403112

QUESTIONS

Operator: MATADOR PRODUCTION COMPANY One Lincoln Centre Dallas, TX 75240	OGRID: 228937
	Action Number: 403112
	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>