

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

**APPLICATION OF MRC PERMIAN COMPANY FOR APPROVAL
OF A STANDARD OVERLAPPING HORIZONTAL WELL
SPACING UNIT AND COMPULSORY POOLING,
EDDY AND LEA COUNTIES, NEW MEXICO.**

CASE NO. _____

APPLICATION

MRC Permian Company (“MRC” or “Applicant”), through undersigned attorneys, 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 482-acre, more or less, overlapping horizontal well spacing unit in the Second Bone Spring interval of the Bone Spring formation underlying the W2SW4 of Section 26 and the W2W2 of Section 35, Township 20 South, Range 32 East, Lea County, New Mexico; and Lots 1, 8, 9 and 16, and the E2SE4 (E2E2 equivalent) of irregular Section 2, Township 21 South, Range 31 East, Eddy County, New Mexico; and (b) pooling the uncommitted interest owners in this acreage. In support of its application, MRC states:

1. Applicant is a working interest owner in the proposed horizontal well 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. Due to ownership differences in the Bone Spring formation underlying this acreage, Applicant seeks to pool only the Second Bone Spring interval of the Bone Spring formation, defined as the stratigraphic equivalent of the depths between 9,206' TVD and 9,992' TVD, as shown in the logs of the Sam H. Snoddy Federal #001 well (30-025-27812).

4. Applicant seeks to initially dedicate the above-referenced spacing unit to the proposed **Twinkle 2601 Fed Com 121H** well be horizontally drilled from a surface location in the SE4NW4 (Unit F) of Section 26, with a first take point in the NW4SW4 (Unit L) of Section 26, T20S, R32E, and a last take point in the SE4SE4 (Unit P) of Section 2, T21S, R31E.

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

- A proposed 482-acre spacing unit comprised of this same acreage in the intervals above and below the Second Bone Spring interval to be dedicated to the Twinkle 2601 Fed Com 111H and 131H wells proposed by MRC; and
- An existing 640-acre spacing unit in the Bone Spring formation underlying all of Section 26, T20S, R32E, currently dedicated to the Snoddy Federal 20H (30-025-40447), the Snoddy Federal 21H (30-025-40838) and the Snoddy Federal 23H (30-025-40837) operated by Cimarex Energy Company in the Salt Lake; Bone Spring Pool (53560).¹

6. 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.

7. The granting of this application 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 the March 13, 2025, hearing docket and after notice and hearing as required by law, the Division enter an order:

¹ It is not clear from the Division records whether the Snoddy Federal 20H (30-025-40447) is dedicated to the 640-acre spacing unit, or a spacing unit comprised of only the N2N2 of Section 26. Division records also reflect that Cimarex did not drill the Snoddy Federal 22H (30-025-40839).

- A. Approving the overlapping, standard horizontal well spacing unit and pooling all uncommitted interest owners therein;
- 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,

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ATTORNEYS FOR MRC PERMIAN COMPANY

CASE _____: **Application of MRC Permian Company for Approval of a Standard Overlapping Horizontal Well Spacing Unit and Compulsory Pooling, Eddy and Lea Counties, New Mexico.** Applicant in the above-styled cause seeks an order (a) approving a standard 482-acre, more or less, overlapping horizontal well spacing unit in the Second Bone Spring interval of the Bone Spring formation underlying the W2SW4 of Section 26 and the W2W2 of Section 35, Township 20 South, Range 32 East, Lea County, New Mexico; and Lots 1, 8, 9 and 16, and the E2SE4 (E2E2 equivalent) of irregular Section 2, Township 21 South, Range 31 East, Eddy County, New Mexico; and (b) pooling the uncommitted interest owners in this acreage. Due to ownership differences in the Bone Spring formation underlying this acreage, Applicant seeks to pool only the Second Bone Spring interval defined as the stratigraphic equivalent of the depths between 9,206' TVD and 9,992' TVD, as shown in the logs of the Sam H. Snoddy Federal #001 well (30-025-27812). Applicant seeks to initially dedicate the above-referenced spacing unit to the proposed **Twinkle 2601 Fed Com 121H** wells to be horizontally drilled from a surface location in the SE4NW4 (Unit F) of Section 26, with a first take point in the NW4SW4 (Unit L) of Section 26, T20S, R32E, and a last take point in the SE4SE4 (Unit P) of Section 2, T21S, R31E. This proposed standard horizontal well spacing unit will overlap the following existing or proposed horizontal well spacing units in the Bone Spring formation:

- A proposed 482-acre spacing unit comprised of this same acreage in the intervals above and below the Second Bone Spring interval to be dedicated to the Twinkle 2601 Fed Com 111H and 131H wells proposed by MRC; and
- An existing 640-acre spacing unit in the Bone Spring formation underlying all of Section 26, T20S, R32E, currently dedicated to the Snoddy Federal 20H (30-025-40447), the Snoddy Federal 21H (30-025-40838) and the Snoddy Federal 23H (30-025-40837) operated by Cimarex Energy Company in the Salt Lake; Bone Spring Pool (53560)

Also, to be considered will be the cost of drilling and completing the well and the allocation of the costs 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 the proposed well. The subject area is located approximately 32 miles east of Carlsbad, New Mexico.