

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

**APPLICATION OF MRC HAT MESA, LLC
FOR APPROVAL OF A STANDARD OVERLAPPING
HORIZONTAL WELL SPACING UNIT
AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

MRC Hat Mesa, LLC (“MRC” or “Applicant”), through its 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 480-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation underlying the W/2 W/2 of Section 35, Township 21 South, Range 33 East, and the W/2 W/2 of Sections 2 and 11, Township 22 South, Range 33 East, NMPM, Lea 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 overlapping 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. Applicant seeks to initially dedicate the above-referenced spacing unit to the proposed **Merchant State Unit Fed Com 101H** well, to be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 11, with a first take point in the SW/4 SW/4 (Unit M) of Section 11 T22S-R33E, and a last take point in the NW/4 NW/4 (Unit D) of Section 35 T21S-R33E.

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

- The 320 acre, more or less, spacing unit comprised of the W/2 W/2 of Sections 35 and 2 in the Bone Spring formation dedicated to the Merchant State Unit #301H (30-025-46695), Merchant State Unit #509H (30-025-46700), Merchant State Unit #501H (30-025-46696), Merchant State Unit #551H (30-025-46363), Merchant State Unit #602H (30-025-45448), Merchant State Unit #601H (30-025-45084) wells, operated by Matador Production Company.

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 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 June 4, 2026, hearing docket and after notice and hearing as required by law, the Division enter an order:

- 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 well 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 HAT MESA, LLC AND
MATADOR PRODUCTION COMPANY**

CASE _____: **Application of MRC Hat Mesa, LLC for Approval of a Standard 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 W/2 W/2 of Section 35, Township 21 South, Range 33 East, and the W/2 W/2 of Sections 2 and 11, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico; and (b) pooling the uncommitted interest owners in this acreage. Applicant seeks to initially dedicate the above-referenced spacing unit to the proposed **Merchant State Unit Fed Com 101H** well, to be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 11, with a first take point in the SW/4 SW/4 (Unit M) of Section 11, T22S-R33E, and a last take point in the NW/4 NW/4 (Unit D) of Section 35, T21S-R33E. This proposed standard horizontal well spacing unit will overlap the following existing horizontal well spacing unit in the Bone Spring formation:

- The 320 acre, more or less, spacing unit comprised of the W/2 W/2 of Sections 35 and 2 in the Bone Spring formation dedicated to the Merchant State Unit #301H (30-025-46695), Merchant State Unit #509H (30-025-46700), Merchant State Unit #501H (30-025-46696), Merchant State Unit #551H (30-025-46363), Merchant State Unit #602H (30-025-45448), Merchant State Unit #601H (30-025-45084) wells, operated by Matador Production Company.

Also, to be considered will be the cost of drilling and completing the wells 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 wells. The subject area is located approximately 22.5 miles southwest of Eunice, New Mexico.