

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

**APPLICATION OF POWDERHORN
OPERATING, LLC FOR COMPULSORY
POOLING AND APPROVAL OF NON-
STANDARD HORIZONTAL SPACING UNIT,
EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Pursuant to NMSA § 70-2-17, Powderhorn Operating, LLC (OGRID No. 332857) (“Applicant”) applies for an order pooling all uncommitted interests in the Bone Spring formation underlying an 800-acre, more or less, non-standard horizontal spacing unit comprised of all of Section 20 and the E/2 E/2 of Section 19, Township 19 South, Range 30 East, Eddy County, New Mexico (“Unit”). In support of its application, Applicant states the following.

1. Applicant is a working interest owner in the Unit and has the right to drill wells thereon.
2. The Unit will be dedicated to the following wells (“Wells”):
 - a. **Quail Dobbs Federal Com 201H (U-Turn)** well, which will be drilled from a surface hole location in the SW/4 NW/4 (Unit E) of Section 21 to a bottom hole location in the SE/4 NE/4 (Unit H) of Section 20; and
 - b. **Quail Dobbs Federal Com 202H (U-Turn)** well, which will be drilled from a surface hole location in the SW/4 NW/4 (Unit E) of Section 21 to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 20.
3. The completed intervals of the Wells will be orthodox.

4. Applicant requests approval of a non-standard horizontal spacing unit pursuant to Rule 19.15.16.15(B)(5) NMAC, which will create cost efficiencies, prevent waste, and protect correlative rights.

5. Applicant has undertaken diligent, good faith efforts to obtain voluntary agreements from all interest owners to participate in the drilling of the Wells but has been unable to obtain voluntary agreements from all interest owners.

6. The pooling of uncommitted interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

7. In order to allow Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in the Unit should be pooled and Applicant should be designated the operator of the Wells and the Unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 8, 2026, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the Unit;
- B. Approving the Wells in the Unit;
- C. Approving the non-standard spacing Unit;
- D. Designating Applicant as operator of the Unit and the Wells to be drilled thereon;
- E. Authorizing Applicant to recover its costs of drilling, equipping and completing the Wells;
- F. 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

- G. Imposing a 200% penalty 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,

HARDY McLEAN LLC

/s/ Dana S. Hardy

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