

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
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 NOS. 24287-24297**

**PRE-HEARING STATEMENT  
OF STRATEGIC ENERGY INCOME FUND IV, LP**

Respondent Strategic Energy Income Fund IV, LP (“Strategic Energy”), by and through its undersigned attorneys, submits this pre-hearing statement as required by the rules of the Oil Conservation Division.

**STATEMENT OF THE CASE**

MRC Permian Company (“MRC”) has brought this action to overlapping spacing units and compulsory pooling. However, due to notice issues, Applicant is dismissing the request for approval of overlapping spacing units and intends to pursue that relief administratively. Application therefore seeks orders pooling all uncommitted interests in Bone Spring formation underlying Section 34, Township 18 South, Range 34 East, and Section 3, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico, as follows:

- Case 24287 seeks to pool a standard 320-acre horizontal well spacing unit in the Bone Spring formation underlying the W2W2 of Sections 34 and 3 to be initially dedicated to the proposed Art Smith State Com 121H well to be horizontally drilled from a surface location in the NW4 of Section 34, with a first take point in the NW4NW4 (Unit D) of Section 34 and a last take point in the SW4SW4 (Unit M) of Section 3.

- Case 24288 seeks to pool a standard 320-acre horizontal well spacing unit in the Bone Spring formation underlying the E2W2 of Sections 34 and 3 to be initially dedicated to the proposed Art Smith State Com 122H well to be horizontally drilled from a surface location in the NW4 of Section 34, with a first take point in the NE4NW4 (Unit C) of Section 34 and a last take point in the SE4SW4 (Unit N) of Section 3.

- Case 24289 seeks to pool a standard 320-acre horizontal well spacing unit in the Bone Spring formation underlying the W2E2 of Sections 34 and 3 to be initially dedicated to the proposed Art Smith State Com 127H well to be horizontally drilled from a surface location in the SE4 of Section 27, with a first take point in the 3 NW4NE4 (Unit B) of Section 34 and a last take point in the SW4SE4 (Unit O) of Section 3.

- Case 24290 seeks to pool a standard 320-acre horizontal well spacing unit in the Bone Spring formation underlying the E2E2 of Sections 34 and 3 to be initially dedicated to the proposed Art Smith State Com 128H well to be horizontally drilled from a surface location in the SE4 of Section 27, with a first take point in the NE4NE4 (Unit A) of Section 34 and a last take point in the SE4SE4 (Unit P) of Section 3.

- Case 24291 seeks to pool a standard 160-acre horizontal well spacing unit in the Bone Spring formation underlying the W2W2 of Section 34 to be initially dedicated to the proposed Art Smith State Com 131H well to be horizontally drilled from a surface location in the NW4 of Section 34, with a first take point in the NW4NW4 (Unit D) and a last take point in the SW4SW4 (Unit M) of Section 34.

- Case 24292 seeks to pool a standard 160-acre horizontal well spacing unit in the Bone Spring formation underlying the E2W2 of Section 34 to be initially dedicated to the proposed Art Smith State Com 132H well to be horizontally drilled from a surface location

in the NW4 of Section 34, with a first take points in the NE4NW4 (Unit C) and a last take point in the SE4SW4 (Unit N) of Section 34.

Applicant seeks to have Matador Production Company (OGRID No. 228937) designated as the operator of these proposed spacing units. Applicant has sought but been unable to obtain voluntary agreement for development of this acreage from all affected mineral interest owners.

As the Applicant in this case, MRC has the burden of proving that it has fulfilled each of the statutory and regulatory requirements necessary to allow compulsory pooling. These requirements stem from the foundational principles of correlative rights and constitutionally protected private property rights. Section 70-2-17 NMSA states that:

All orders effecting [compulsory] pooling... shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just fair share of the oil or gas, or both.

When seeking to pool two or more separately owned tracts, Operators have the “obligation” to attempt to obtain voluntary agreements pooling the lands. *See* NMSA 1978 Section 70-2-18. Additionally, prior to the issuance of a unitization order, applicants must show that the “operator has made a good a good faith effort to secure voluntary unitization within the pool.” In this matter, MRC has the burden of proof of showing that their attempts to commit Strategic Energy’s interests were made in good faith. In its filings with the OCD in this case, MRC has proffered no evidence whatsoever that its offer to Strategic Energy was made in good faith.

In this case, Applicant, MRC, has not made a good faith effort to voluntarily pool Strategic Energy’s unleased interests in the HSU’s.

MRC cannot show that it has met the statutory prerequisites to compulsory pooling and its Application should be denied.

**APPLICANT**

MRC ENERGY PRODUCTION  
COMPANY, L.P.

ATTORNEY:  
Dana S. Hardy  
Michael Rodriguez  
**HINKLE SHANOR LLP**  
P.O. Box 2068  
Santa Fe, NM 87504-2068  
Tel: 505-982-8623  
[dhardy@hinklelawfirm.com](mailto:dhardy@hinklelawfirm.com)  
[mrodriquez@hinklelawfirm.com](mailto:mrodriquez@hinklelawfirm.com)

**OTHER INTERESTED PARTIES**

MRC PERMIAN COMPANY

ATTORNEY:  
Julia Broggi  
Michael H. Feldewert  
Adam Rankin  
Kaitlin Luck  
**HOLLAND & HART**  
PO Box 2208  
Santa Fe, New Mexico 87504  
[mfeldewert@hollandandhart.com](mailto:mfeldewert@hollandandhart.com)  
[agrankin@hollandandhart.com](mailto:agrankin@hollandandhart.com)  
[kaluck@hollandandhart.com](mailto:kaluck@hollandandhart.com)

**RESPONDENT**

STRATEGIC ENERGY INCOME  
FUND IV, LP  
US Energy Development Corporation  
1521 N. Cooper St., Ste. 400  
Arlington, TX 76011

**RESPONDENT’S ATTORNEY**

Scott S. Morgan  
Cavin & Morgan, P.A.  
P. O. Box 1216  
Albuquerque, New Mexico 87103-1216  
Telephone: (505) 243-5400  
Facsimile: (505) 243-1700  
[smorgan@cilawnm.com](mailto:smorgan@cilawnm.com)

**RESPONDENT’S PROPOSED EVIDENCE**

**WITNESSES**

**ESTIMATED TIME**

**EXHIBITS**

Jacob Daniels  
Vice President – Land

15 minutes

Approx. 7-12



I hereby certify that a true and correct copy of the foregoing was served on the following counsel of record by electronic mail on August 15, 2024:

Michael H. Feldewert  
Adam G. Rankin  
Julia Broggi  
P.O. Box 2208  
Santa Fe, NM 87504  
505.998.4421  
mfeldewert@hollandhart.com  
arankin@hollandhart.com  
jbroggi@hollandhart.com

*Attorneys for MRC Permian Company*

James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
505-982-2043  
jamesbruc@aol.com

*Attorney for PBEX, LLC and E.G.L. Resources, Inc.*

Dana S. Hardy  
Jaclyn M McLean  
Dylan M. Villescascas  
P.O. Box 2068  
Santa Fe, NM 87504-2068  
Phone: (505) 982-4554  
Facsimile: (505) 982-8623  
dhardy@hinklelawfirm.com  
jmclean@hinklelawfirm.com  
dvillescascas@hinklelawfirm.com

CAVIN & MORGAN, P.A.

By: /s/ Scott S. Morgan  
Scott S. Morgan

*Counsel for E.G. L. Resources, Inc. and PBEX, LLC*

Earl E. DeBrine, Jr.  
Deana Bennett  
Yarithza Peña  
Modrall, Sperling, Roehl, Harris & Sisk, P.A.  
Post Office Box 2168  
Albuquerque, New Mexico 87103-2168  
(505) 848-1800  
earl.debrine@modrall.com  
deana.bennett@modrall.com  
yarithza.pena@modrall.com

*Attorneys for Avant Operating, LLC and Franklin Mountain Energy 3, LLC*

Miguel A. Suazo  
James P. Parrot  
Sophia A. Graham  
500 Don Gaspar Ave.  
Santa Fe, NM 87505  
(505) 946-2090  
msuazo@bwenergylaw.com  
jparrot@bwenergylaw.com  
sgraham@bwenergylaw.com

*Attorneys for Lario Oil & Gas Company*