

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING JULY 6, 2023**

CASE NO. 23607

GREVEY BS 111H, 121H & 131H WELLS

LEA COUNTY, NEW MEXICO



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

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

CASE NO. 23607

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 - Matador Exhibit C-4: Well Proposal and AFE
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 - Matador Exhibit D-2: Bone Spring subsea structure & cross-section map
 - Matador Exhibit D-3: Bone Spring structural cross-section
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COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

Case: 23607	APPLICANT'S RESPONSE
Date	July 6, 2023
Applicant	MRC Permian Company
Designated Operator & OGRID (affiliation if applicable)	Matador Production Company (OGRID No. 228937)
Applicant's Counsel:	Holland & Hart LLP
Case Title:	APPLICATION OF MRC PERMIAN COMPANY FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.
Entries of Appearance/Intervenors:	N/A
Well Family	Grevey Com
Formation/Pool	
Formation Name(s) or Vertical Extent:	Bone Spring Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	N/A
Pool Name and Pool Code:	WC-025 G-08 S263412K; Bone Spring Poo (96672)
Well Location Setback Rules:	Statewide oil rules
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	240 acres
Building Blocks:	40 acres
Orientation:	North-South
Description: TRS/County	W/2 W/2 of Section 20 and the W/2 NW/4 of Section 29, Township 26 South, Range 35 East, NMPM, Lea County, New Mexico.
Standard Horizontal Well Spacing Unit (Y/N), If No, describe and is approval of non-standard unit requested in this application?	Yes
Other Situations	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	N/A
Applicant's Ownership in Each Tract	Exhibit C-3
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	Add wells as needed

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. A

Submitted by: Matador Production Company
Hearing Date: July 6, 2023
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Well #1	Grevey Com #111H well SHL: 400' FNL, 925' FWL (Unit D) of Section 20, T26S, R35E BHL: 2532' FNL, 330' FWL (Unit E) of Section 29, T26S, R35E Target: Bone Spring Orientation: North-South Completion: Standard
Well #2	Grevey Com #121H well SHL: 380' FNL, 948' FWL (Unit D) of Section 20, T26S, R35E BHL: 2532' FNL, 990' FWL (Unit E) of Section 29, T26S, R35E Target: Bone Spring Orientation: North-South Completion: Standard
Well #3	Grevey Com #131H well SHL: 422' FNL, 945' FWL (Unit D) of Section 20, T26S, R35E BHL: 2532' FNL, 990' FWL (Unit E) of Section 29, T26S, R35E Target: Bone Spring Orientation: North-South Completion: Standard
Horizontal Well First and Last Take Points	Exhibit C-1
Completion Target (Formation, TVD and MD)	Exhibit C-4
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	\$8,000
Production Supervision/Month \$	\$800
Justification for Supervision Costs	Exhibit C
Requested Risk Charge	200%
Notice of Hearing	
Proposed Notice of Hearing	Exhibit B
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit E
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit F
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	Exhibit C-2
Tract List (including lease numbers and owners)	Exhibit C-2, C-3
If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements.	N/A
Pooled Parties (including ownership type)	Exhibit C-3
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above & below)	N/A

Joinder	
Sample Copy of Proposal Letter	Exhibit C-4
List of Interest Owners (ie Exhibit A of JOA)	Exhibit C-3
Chronology of Contact with Non-Joined Working Interests	Exhibit C-5
Overhead Rates In Proposal Letter	Exhibit C-4
Cost Estimate to Drill and Complete	Exhibit C-4
Cost Estimate to Equip Well	Exhibit C-4
Cost Estimate for Production Facilities	Exhibit C-4
Geology	
Summary (including special considerations)	Exhibit D
Spacing Unit Schematic	Exhibit D-1
Gunbarrel/Lateral Trajectory Schematic	N/A
Well Orientation (with rationale)	Exhibit D
Target Formation	Exhibit D, D-3
HSU Cross Section	Exhibit D-3
Depth Severance Discussion	N/A
Forms, Figures and Tables	
C-102	Exhibit C-2
Tracts	Exhibit C-3
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit C-3, C-4
General Location Map (including basin)	Exhibit D-1
Well Bore Location Map	Exhibit D-1
Structure Contour Map - Subsea Depth	Exhibit D-2
Cross Section Location Map (including wells)	Exhibit D-3
Cross Section (including Landing Zone)	Exhibit D-3
Additional Information	
Special Provisions/Stipulations	N/A
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative):	Paula M. Vance
Signed Name (Attorney or Party Representative):	
Date:	7/6/2023

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

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

CASE NO. 23607

APPLICATION

MRC Permian Company (“MRC” or “Applicant”), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all uncommitted interests in the Bone Spring formation underlying a standard 240-acre, more or less, horizontal well spacing unit comprised of the W/2 W/2 of Section 20 and the W/2 NW/4 of Section 29, Township 26 South, Range 35 East, NMPM, Lea County, New Mexico. In support of its application, MRC states:

1. Applicant is a working interest owner in the proposed horizontal 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 spacing unit.
3. Applicant seeks to initially dedicate the above-referenced horizontal spacing unit to the proposed **Grevey Com #111H**, **Grevey Com #121H**, and **Grevey Com #131H** wells, all to be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 20 to a bottom hole location in the SW/4 NW/4 (Unit E) of Section 29.
4. 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.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. B

Submitted by: Matador Production Company
Hearing Date: July 6, 2023
Case No. 23607

5. The pooling of interests 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 July 6, 2023, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the horizontal spacing unit;
- B. Designating Matador Production Company as operator of this spacing unit and the horizontal wells 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% 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,

HOLLAND & HART LLP

By: 

Michael H. Feldewert
Adam G. Rankin
Julia Broggi
Paula M. Vance
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Santa Fe, NM 87504
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ATTORNEYS FOR MRC PERMIAN COMPANY

CASE _____: **Application of MRC Permian Company for Compulsory Pooling, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all uncommitted interests in the Bone Spring formation underlying a standard 240-acre, more or less, horizontal well spacing unit comprised of the W/2 W/2 of Section 20 and the W/2 NW/4 of Section 29, Township 26 South, Range 35 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Grevey Com #111H, Grevey Com #121H, and Grevey Com #131H** wells, all to be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 20 to a bottom hole location in the SW/4 NW/4 (Unit E) of Section 29. Also, to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, actual operating costs and charges for supervision, designation of Matador Production Company as operator of the wells, and a 200% charge for risk involved in drilling the wells. Said area is located approximately 1 mile north of the Texas border.

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

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

CASE NOS. 23607

SELF AFFIRMED STATEMENT OF DAVID JOHNS (Landman)

1. My name is David Johns. I work for MRC Energy Company, an affiliate of Matador Production Company (“Matador”), as a Landman.

2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My credentials as a petroleum landman have been accepted by the Division and made a matter of public record. I am familiar with the application filed by Matador in this case, and I am familiar with the status of the lands in the subject area.

3. In this case, Matador seeks an order pooling a standard 240-acre, more or less, horizontal well spacing unit comprised of the W/2 W/2 of Section 20 and the W/2 NW/4 of Section 29, Township 26 South, Range 35 East, NMPM, Lea County, New Mexico.

4. This proposed spacing unit will be initially dedicated to the following proposed wells:

a. **Grevey Com #111H, #121H, and #131H** wells, all to be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 20 to a bottom hole location in the SW/4 NW/4 (Unit E) of Section 29.

5. **Matador Exhibit C-1** contains draft Form C-102’s for the initial wells in this proposed spacing unit. These forms reflect that the wells comply with statewide setback

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C
Submitted by: Matador Production Company
Hearing Date: July 6, 2023
Case No. 23607

requirements and we understand will be assigned to the WC-025 G-08 S263412K; BONE SPRING pool (Pool Code 96672).

6. **Matador Exhibit C-2** contains a tract map for this proposed spacing unit. The acreage in this proposed spacing unit is comprised one tract, which is fee acreage. There are no ownership depth severances in the Bone Spring formation underlying this acreage.

7. **Matador Exhibit C-3** identifies the working interest owner that Matador is seeking to pool along with its respective ownership interest in the proposed horizontal spacing unit.

8. Matador is not seeking to compulsory pool any overriding royalty owners.

9. **Matador Exhibit C-4** contains a sample of the well proposal letters and AFEs sent to the working interest owner Matador seeks to pool. **Matador Exhibit C-4** also contains a copy of follow-up letter to the well proposal clarifying a typographical error with respect to the well location. The costs reflected in the updated AFE is consistent with what other operators have incurred for drilling similar horizontal wells in the area in this formation.

10. Matador was able to locate and have discussions with the working interest owner it seeks to pool in this case.

11. **Matador Exhibit C-5** contains a summary of the contacts with the uncommitted working interest owner Matador seeks to pool. In my opinion, Matador has undertaken good faith efforts to reach agreement with the uncommitted working interest owners.

12. Matador requests that the overhead and administrative costs for the proposed wells be initially set at \$8,000 per month while drilling and \$800 per month while producing, and that these rates be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations." These costs and annual adjustments are consistent with what other operators are charging for similar wells in this area.

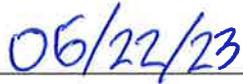
13. Matador has provided the law firm of Holland & Hart LLP with the names and addresses (where available) of the party Matador seeks to pool and instructed that they be notified of this hearing.

14. **Matador Exhibits C-1 through C-5** were either prepared by me or compiled under my direction and supervision.

15. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.



David Johns



Date

Exhibit C-1

**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C-1
Submitted by: Matador Production Company
Hearing Date: July 6, 2023
Case No. 23607**

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources
Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

FORM C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office
 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code 96672		³ Pool Name WC-025 G-08 S263412K; Bone Springs	
⁴ Property Code		⁵ Property Name GREVEY COM			⁶ Well Number 121H
⁷ OGRID No. 228937		⁸ Operator Name MATADOR PRODUCTION COMPANY			⁹ Elevation 3182'

¹⁰Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	20	26-S	35-E	-	380'	NORTH	948'	WEST	LEA

¹¹Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	29	26-S	35-E	-	2532'	NORTH	990'	WEST	LEA

¹² Dedicated Acres 240	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

NEW MEXICO EAST
NAD 1983

SURFACE LOCATION (SHL)
380' FNL - SEC. 20
948' FWL - SEC. 20
X=832135 Y=377736
LAT.: N 32.0350039
LONG.: W 103.3949027

KICK OFF POINT (KOP)
50' FNL - SEC. 20
990' FWL - SEC. 20
X=832173 Y=378066
LAT.: N 32.0359101
LONG.: W 103.3947692

FIRST PERFORATION POINT (FPP)
100' FNL - SEC. 20
990' FWL - SEC. 20
X=832174 Y=378016
LAT.: N 32.0357727
LONG.: W 103.3947690

LAST PERFORATION POINT (LPP)
BOTTOM HOLE LOCATION (BHL)
2532' FNL - SEC. 29
990' FWL - SEC. 29
X=832252 Y=370303
LAT.: N 32.0145692
LONG.: W 103.3947334

17 OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

D.W.J. 06/23/23
Signature Date
David W. Johns
Printed Name
djohns@matadorresources.com
E-mail Address

18 SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true to the best of my belief.

06/13/2023
Date of Survey
Signature and Seal of Professional Surveyor

Certificate Number

NEW MEXICO EAST
NAD 1927

<u>SURFACE LOCATION (SHL)</u> X=790947 Y=377678 LAT.: N 32.0348776 LONG.: W 103.3944421	<u>KICK OFF POINT (KOP)</u> X=790956 Y=378009 LAT.: N 32.0357838 LONG.: W 103.3943085
<u>FIRST PERFORATION POINT (FPP)</u> X=790956 Y=377859 LAT.: N 32.0358464 LONG.: W 103.3943083	<u>LAST PERFORATION POINT (LPP)</u> <u>BOTTOM HOLE LOCATION (BHL)</u> X=791064 Y=370246 LAT.: N 32.0144428 LONG.: W 103.3942739

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
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District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources
Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

FORM C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code 94672		3 Pool Name WC-025 G-08 S263412K; Bone Spring					
4 Property Code		5 Property Name GREVEY COM			6 Well Number 131H				
7 OGRID No. 228937		8 Operator Name MATADOR PRODUCTION COMPANY			9 Elevation 3182'				
10 Surface Location									
UL or lot no. D	Section 20	Township 26-S	Range 35-E	Lot Idn -	Feet from the 422'	North/South line NORTH	Feet from the 945'	East/West line WEST	County LEA
11 Bottom Hole Location If Different From Surface									
UL or lot no. E	Section 29	Township 26-S	Range 35-E	Lot Idn -	Feet from the 2532'	North/South line NORTH	Feet from the 990'	East/West line WEST	County LEA
12 Dedicated Acres 240		13 Joint or Infill		14 Consolidation Code		15 Order No.			

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

NEW MEXICO EAST
NAD 1983

SURFACE LOCATION (SHL)
422' FNL - SEC. 20
945' FWL - SEC. 20
X=832133 Y=377694
LAT.: N 32.0348875
LONG.: W 103.3949115

KICK OFF POINT (KOP)
50' FNL - SEC. 20
990' FWL - SEC. 20
X=832173 Y=378066
LAT.: N 32.0359101
LONG.: W 103.3947692

FIRST PERFORATION POINT (FPP)
100' FNL - SEC. 20
990' FWL - SEC. 20
X=832174 Y=378016
LAT.: N 32.0357727
LONG.: W 103.3947690

LAST PERFORATION POINT (LPP)
BOTTOM HOLE LOCATION (BHL)
2532' FNL - SEC. 29
990' FWL - SEC. 29
X=832252 Y=370303
LAT.: N 32.0145692
LONG.: W 103.3947334

17 OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unless mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest or to a secondary pooling agreement or a compulsory pooling order heretofore entered by the division.

David W. Johns 06/13/23
Signature Date
Printed Name
E-mail Address: djohns@matadornresources.com

18 SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true to the best of my belief.

05/20/2023
Date of Survey
Signature and Seal of Professional Surveyor

Certificate Number

NEW MEXICO EAST
NAD 1927

SURFACE LOCATION (SHL) X=790644 Y=377637 LAT.: N 32.0347612 LONG.: W 103.3944508	KICK OFF POINT (KOP) X=790665 Y=378000 LAT.: N 32.0357836 LONG.: W 103.3945085
FIRST PERFORATION POINT (FPP) X=790666 Y=377959 LAT.: N 32.0356464 LONG.: W 103.3943083	LAST PERFORATION POINT (LPP) X=791084 Y=370248 LAT.: N 32.0144428 LONG.: W 103.3942738

Exhibit C-2

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C-2
Submitted by: Matador Production Company
Hearing Date: July 6, 2023
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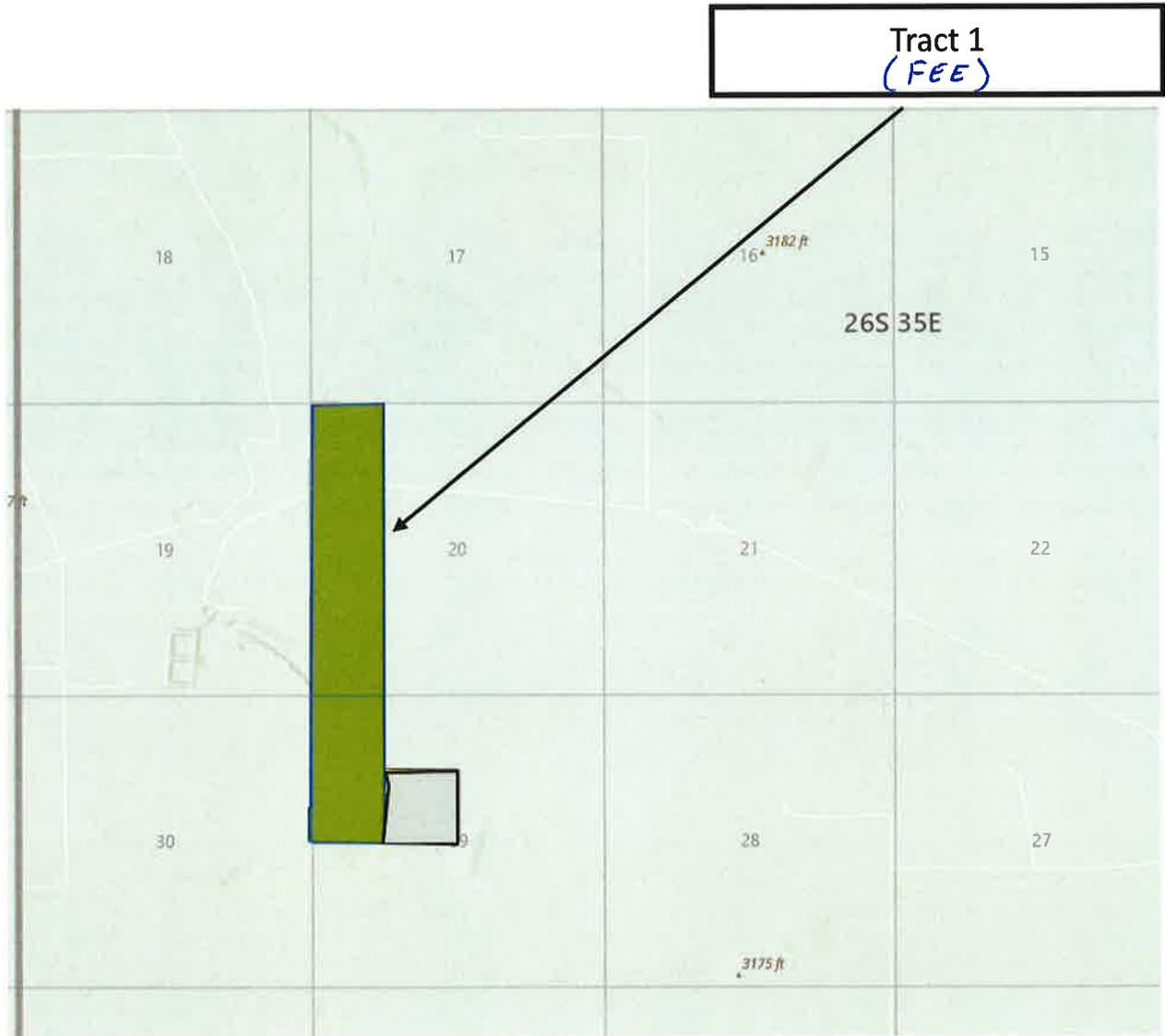
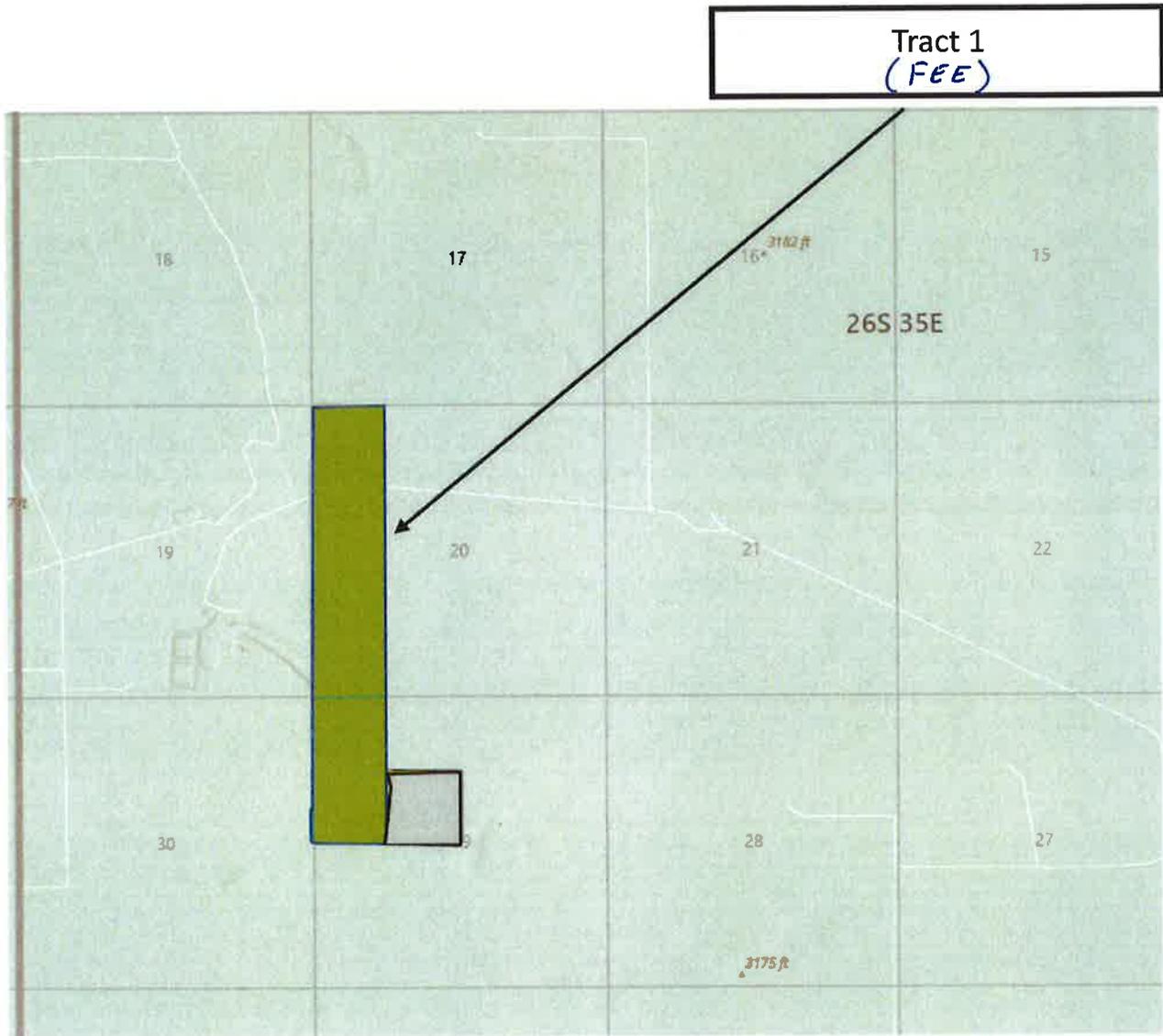


Exhibit C-3

**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C-3
Submitted by: Matador Production Company
Hearing Date: July 6, 2023
Case No. 23607**



Grevey Project (Case No. 23607)

Summary of Interests			
Interest Owners:	Description:	Tract:	Interest:
Matador Working Interest			37.5000%
Voluntary Joinder			56.2500%
Compulsory Pool Interest			6.2500%
Marathon Oil Permian, LLC	Uncommitted Working Interest Owner	1	6.250%

Exhibit C-4

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C-4
Submitted by: Matador Production Company
Hearing Date: July 6, 2023
Case No. 23607

MRC Permian Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240

Voice 972.619.1259 • Fax 214.866.4946

djohns@matadorresources.com

David Johns
Senior Staff Landman

June 12, 2023

VIA CERTIFIED RETURN RECEIPT MAIL

Marathon Oil Permian, LLC
990 Town and Country Blvd
Houston, TX 77024

Re: Grevey Com #111H, #121H & #131H (the "Wells")
Participation Proposal
W/2W/2 of Section 20, W/2NW/4 of Section 29, Township 26 South, Range 35 East
Lea County, New Mexico

Dear Sir/Madam:

MRC Permian Company ("MRC") proposes the drilling of Matador Production Company's Grevey Com #111H, Grevey Com #121H & Grevey Com #131H wells, located in W/2W/2 of Section 20, W/2NW/4 of Section 29, Township 26 South, Range 35 East, Lea County, New Mexico.

In connection with the above, please note the following:

- The estimated cost of drilling, testing, completing, and equipping of each Well is itemized on the three (3) enclosed Authority for Expenditures ("AFE") dated April 11, 2023.
- **Grevey Com #111H:** to be drilled from a legal location with a proposed surface hole location NW/4NW/4 of Section 20-26S-35E, a proposed first take point located at 330' FWL and 100' FNL of Section 20-26S-35E, and a proposed last take point located at 330' FWL and 2,530' FNL of Section 32-26S-35E. The Well will have a targeted interval within the Bone Spring formation and will be drilled horizontally in the Bone Spring (~10,550' TVD) to a Measured Depth of approximately 18,277'.
- **Grevey Com #121H:** to be drilled from a legal location with a proposed surface hole location NW/4NW/4 of Section 20-26S-35E, a proposed first take point located at 990' FWL and 100' FNL of Section 20-26S-35E, and a proposed last take point located at 990' FWL and 2,530' FNL of Section 32-26S-35E. The Well will have a targeted interval within the Bone Spring formation and will be drilled horizontally in the Bone Spring (~11,000' TVD) to a Measured Depth of approximately 18,727'.
- **Grevey Com #131H:** to be drilled from a legal location with a proposed surface hole location NW/4NW/4 of Section 20-26S-35E, a proposed first take point located at 990' FWL and 100' FNL of Section 20-26S-35E, and a proposed last take point located at 990' FWL and 2,530' FNL of Section 32-26S-35E. The Well will have a targeted interval within the Bone Spring formation and will be drilled horizontally in the Bone Spring (~12,200' TVD) to a Measured Depth of approximately 19,927'.

MRC reserves the right to modify the locations and drilling plans described above in order to address topography, cultural or environmental concerns, among other reasons. MRC will advise you of any such modifications.

MRC requests that you indicate your election to participate in the drilling and completion of the Wells in the space provided below, sign and return one (1) copy of this letter to the undersigned.

MRC is proposing to drill the Wells under the terms of the modified 1989 AAPL form of Operating Agreement, which is enclosed for your review. The proposed Operating Agreement dated March 19, 2018, by and between Matador Production Company, as Operator and MRC Permian Company et al as Non-Operators, covers certain depths in the W/2W/2 of Section 20, W/2NW/4 of Section 29, Township 26 South, Range 35 East, Lea County, New Mexico, and has the following general provisions:

- 100/300/300 Non-consenting penalty
- \$8,000/\$800 Drilling and Producing rate
- Matador Production Company named as Operator

If your election is to participate in the drilling and completion of the Wells, please sign and return a copy of the enclosed AFEs within thirty (30) days of receipt of this notice. Please be aware that the enclosed AFEs are only an estimate of costs to be incurred and by electing to participate in the Wells, each working interest owner shall be responsible for its proportionate share of all costs incurred.

Thank you for your consideration of this proposal. Please contact me if you have any questions.

Sincerely,

MRC PERMIAN COMPANY

A handwritten signature in black ink, appearing to read "D. Johns", is written over the printed name.

David Johns

Marathon Oil Permian, LLC hereby elects to:

_____ Participate for its proportionate share of the costs detailed in the enclosed AFE associated with Matador
Production Company's Grevey Com #111H well.

_____ Not to participate in the Grevey Com #111H

_____ Participate for its proportionate share of the costs detailed in the enclosed AFE associated with Matador
Production Company's Grevey Com #121H well.

_____ Not to participate in the Grevey Com #121H

_____ Participate for its proportionate share of the costs detailed in the enclosed AFE associated with Matador
Production Company's Grevey Com #131H well.

_____ Not to participate in the Grevey Com #131H

Marathon Oil Permian, LLC

By: _____

Title: _____

Date: _____

Contact Number: _____

MATADOR PRODUCTION COMPANY

ONE LINCOLN CENTRE • 5400 LBJ FREEWAY • SUITE 1500 • DALLAS, TEXAS 75240
 Phone (972) 371-5200 • Fax (972) 371-5201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE:	April 11, 2023	AFE NO.:	
WELL NAME:	Grevey Com 111H	FIELD:	
LOCATION:	Sections 20 & 29-26S-35E	MD/TVD:	18277/10550'
COUNTY/STATE:	Lea, NM	LATERAL LENGTH:	7,300
MRC WI:			
GEOLOGIC TARGET:	First Bone Spring Sand		
REMARKS:	Drill and complete a horizontal 1.5 mile long First Bone Spring target with about 33 frac stages		

	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
INTANGIBLE COSTS					
Land / Legal / Regulatory	\$ 58,000		\$ 10,000	\$ 10,000	\$ 78,000
Location, Surveys & Damages	146,000	13,000	18,000	12,500	185,500
Drilling	958,034				958,034
Cementing & Float Equip	224,000				224,000
Logging / Formation Evaluation		3,750	3,000		6,750
Flowback - Labor			19,960		19,960
Flowback - Surface Rentals			155,250		155,250
Flowback - Rental Living Quarters			10,000		10,000
Mud Logging	37,500				37,500
Mud Circulation System	45,300				45,300
Mud & Chemicals	390,300	65,000	21,500		476,800
Mud / Wastewater Disposal	65,000		2,000	1,000	68,000
Freight / Transportation	16,700	34,250	3,000		53,950
Rig Supervision / Engineering	123,200	86,400	10,000	1,800	221,400
Drill Bits	93,200				93,200
Fuel & Power	154,000	584,081	2,000		740,081
Water	65,000	497,228	2,000	1,000	565,228
Drig & Completion Overhead	11,500				11,500
Plugging & Abandonment					
Directional Drilling, Surveys	294,544				294,544
Completion Unit, Swab, CTU		185,000	9,000		194,000
Perforating, Wireline, Slickline		136,901	7,000		143,901
High Pressure Pump Truck		66,750	5,000		71,750
Stimulation		2,163,388			2,163,388
Stimulation Flowback & Disp		15,500	221,000		236,500
Insurance	12,428				12,428
Labor	197,500	61,250	10,000	5,000	273,750
Rental - Surface Equipment	80,665	296,510	20,000	10,000	407,175
Rental - Downhole Equipment	132,000	103,000			235,000
Rental - Living Quarters	53,940	36,955		5,000	95,895
Contingency	169,100	218,557	52,571	4,630	434,658
Operations Center	22,218				22,218
TOTAL INTANGIBLES >	3,341,099	4,567,520	578,281	50,930	8,537,830
TANGIBLE COSTS					
Surface Casing	\$ 107,335				\$ 107,335
Intermediate Casing	626,873				626,873
Drilling Liner					
Production Casing	811,052				811,052
Production Liner					
Tubing			214,000		214,000
Wellhead	80,000		25,000		105,000
Packers, Liner Hangers		49,378	6,000		55,378
Tanks				61,000	61,000
Production Vessels				158,500	158,500
Flow Lines				120,000	120,000
Rod string					
Artificial Lift Equipment			30,000		30,000
Compressor				30,500	30,500
Installation Costs				80,000	80,000
Surface Pumps			10,000	27,000	37,000
Non-controllable Surface				2,000	2,000
Non-controllable Downhole					
Downhole Pumps					
Measurement & Meter Installation			11,000	68,000	79,000
Gas Conditioning / Dehydration					
Interconnecting Facility Piping				100,000	100,000
Gathering / Bulk Lines					
Valves, Dumps, Controllers			5,000		5,000
Tank / Facility Containment				22,000	22,000
Flare Stack				28,500	28,500
Electrical / Grounding			2,000	68,000	70,000
Communications / SCADA			10,000	16,000	26,000
Instrumentation / Safety				42,000	42,000
TOTAL TANGIBLES >	1,825,280	49,378	313,000	833,500	2,821,138
TOTAL COSTS >	4,866,359	4,616,898	891,281	884,430	11,358,969

PREPARED BY MATADOR PRODUCTION COMPANY:

Drilling Engineer:	Blake Hermes	Team Lead - WTX/NM	
Completions Engineer:	Truce Saha		
Production Engineer:	Jon Fredrik Mosnes		

MATADOR RESOURCES COMPANY APPROVAL:

Executive VP, COO/CFO	DEI	EVP COO- Drilling, Completion and Production	BG
Executive VP, Legal	CA	SVP Geoscience	ELF
President	MVH		

NON OPERATING PARTNER APPROVAL:

Company Name:	Working Interest (%):	Tax ID:
Signed by:	Date:	
Title:	Approval: Yes	No (mark one)

The costs on this AFE are estimates only and may not be sufficient to complete an entire well or some of the field costs of the project. Funding obligations incurred under the AFE may be divided up to a later date. It is well not been completed. In executing this AFE, the Participants agree to pay its pro rata share of the estimated costs of the well, including the cost of regulatory, insurance, and other costs, under the terms of the applicable joint operating agreement. Any other costs of the well incurred during the life of the well shall be borne by the well operator. The Operator will provide and generate certain documents and reports to the Participants and will provide and generate certain documents and reports to the Participants and will provide and generate certain documents and reports to the Participants.

MATADOR PRODUCTION COMPANY

ONE LINCOLN CENTRE • 5400 LBJ FREEWAY • SUITE 1500 • DALLAS, TEXAS 75240
Phone (972) 371-5200 • Fax (972) 371-5201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE:	April 11, 2023	AFE NO.:	
WELL NAME:	Grevey Com 121H	FIELD:	
LOCATION:	Sections 20 & 29-26S-35E	MD/TVD:	18727/11000'
COUNTY/STATE:	Lea, NM	LATERAL LENGTH:	7,300
MRC WI:			
GEOLOGIC TARGET:	Second Bone Spring Sand		
REMARKS:	Drill and complete a horizontal 1.5 mile long Second Bone Spring target with about 33 frac stages		

INTANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
Land / Legal / Regulatory	\$ 59,000	\$ -	\$ 10,000	\$ 10,000	\$ 79,000
Location, Surveys & Damages	145,000	13,000	15,000	12,500	185,500
Drilling	888,044	-	-	-	888,044
Cementing & Float Equip	224,000	-	-	-	224,000
Logging / Formation Evaluation	-	3,750	3,000	-	6,750
Flowback - Labor	-	-	19,960	-	19,960
Flowback - Surface Rentals	-	-	155,250	-	155,250
Flowback - Rental Living Quarters	-	-	10,000	-	10,000
Mud Logging	37,500	-	-	-	37,500
Mud Circulation System	42,750	-	-	-	42,750
Mud & Chemicals	388,100	65,000	21,500	-	474,600
Mud / Wastewater Disposal	65,000	-	2,000	1,000	68,000
Freight / Transportation	16,700	34,250	3,000	-	53,950
Rig Supervision / Engineering	114,400	86,400	10,000	1,800	212,600
Drill Bits	93,200	-	-	-	93,200
Fuel & Power	143,000	584,081	2,000	-	729,081
Water	65,000	497,228	2,000	1,000	565,228
Drig & Completion Overhead	10,500	-	-	-	10,500
Plugging & Abandonment	-	-	-	-	-
Directional Drilling, Surveys	300,983	-	-	-	300,983
Completion Unit, Swab, CTU	-	185,000	9,000	-	194,000
Perforating, Wireline, Slickline	-	136,901	7,000	-	143,901
High Pressure Pump Truck	-	66,750	5,000	-	71,750
Stimulation	-	2,163,388	-	-	2,163,388
Stimulation Flowback & Diap	-	15,500	221,000	-	236,500
Insurance	12,734	-	-	-	12,734
Labor	187,500	61,250	10,000	5,000	273,750
Rental - Surface Equipment	75,155	298,510	20,000	10,000	403,665
Rental - Downhole Equipment	127,000	103,000	-	-	230,000
Rental - Living Quarters	52,060	38,955	-	5,000	94,035
Contingency	153,947	218,557	52,571	4,630	429,705
Operations Center	20,286	-	-	-	20,286
TOTAL INTANGIBLES >	3,232,879	4,567,520	578,281	50,830	8,429,611

TANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
Surface Casing	\$ 107,335	\$ -	\$ -	\$ -	\$ 107,335
Intermediate Casing	653,795	-	-	-	653,795
Drilling Liner	-	-	-	-	-
Production Casing	629,708	-	-	-	629,708
Production Liner	-	-	-	-	-
Tubing	-	-	214,000	-	214,000
Wellhead	80,000	-	25,000	-	105,000
Packers, Liner Hangers	-	49,378	6,000	-	55,378
Tanks	-	-	-	61,000	61,000
Production Vessels	-	-	-	158,500	158,500
Flow Lines	-	-	-	120,000	120,000
Rod string	-	-	-	-	-
Artificial Lift Equipment	-	-	30,000	-	30,000
Compressor	-	-	-	30,500	30,500
Installation Costs	-	-	-	90,000	90,000
Surface Pumps	-	-	10,000	27,000	37,000
Non-controllable Surface	-	-	-	2,000	2,000
Non-controllable Downhole	-	-	-	-	-
Downhole Pumps	-	-	-	-	-
Measurement & Meter Installation	-	-	11,000	68,000	79,000
Gas Conditioning / Dehydration	-	-	-	-	-
Interconnecting Facility Piping	-	-	-	100,000	100,000
Gathering / Bulk Lines	-	-	-	-	-
Valves, Dumps, Controllers	-	-	5,000	-	5,000
Tank / Facility Containment	-	-	-	22,000	22,000
Flare Stack	-	-	-	28,500	28,500
Electrical / Grounding	-	-	2,000	68,000	70,000
Communications / SCADA	-	-	10,000	16,000	26,000
Instrumentation / Safety	-	-	-	42,000	42,000
TOTAL TANGIBLES >	1,670,837	49,378	313,000	833,500	2,866,716
TOTAL COSTS >	4,903,717	4,616,898	891,281	884,430	11,296,326

PREPARED BY MATADOR PRODUCTION COMPANY:

Drilling Engineer:	Bizko Hermes	Team Lead - WTX/NM:	<i>CSL</i>
Completions Engineer:	Trace Seth		CSC
Production Engineer:	Jan Fredrik Mosnes		

MATADOR RESOURCES COMPANY APPROVAL:

Executive VP, COD/CFO:	DEL	EVP COD- Drilling, Completion and Production:	BS
Executive VP, Legal:	CA	SVP Geoscience:	ELF
President:	MVF		

NON OPERATING PARTNER APPROVAL:

Company Name:	Working Interest (%):	Tax ID:
Signed by:	Date:	
Title:	Approval:	Yes No (mark one)

The data on this AFE was obtained from well logs, logs, and other data available to the operator. The operator warrants that the data is true and correct to the best of its knowledge. The operator warrants that the data is true and correct to the best of its knowledge. The operator warrants that the data is true and correct to the best of its knowledge. The operator warrants that the data is true and correct to the best of its knowledge.

MRC Permian Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240
Voice 972.619.1259 • Fax 214.866.4946
djohns@matadorresources.com

David Johns
Senior Staff Landman

June 12, 2023

VIA CERTIFIED RETURN RECEIPT MAIL

Marathon Oil Permian, LLC
990 Town and Country Blvd
Houston, TX 77024

Re: Grevey Com #111H, #121H & #131H (the "Wells")
Participation Proposal
W/2W/2 of Section 20, W/2NW/4 of Section 29, Township 26 South, Range 35 East
Lea County, New Mexico

Dear Sir/Madam:

MRC Permian Company ("MRC") previously proposed the drilling of Matador Production Company's Grevey Com #111H, Grevey Com #121H & Grevey Com #131H wells, located in W/2W/2 of Section 20, W/2NW/4 of Section 29, Township 26 South, Range 35 East, Lea County, New Mexico.

In connection with the above, please note that the subject participation proposal listed the Grevey Com #111H, Grevey Com #121H & Grevey Com #131H with respective proposed last take points located 330' FWL & 2,530' FNL, 990' FWL & 2,530' FNL, and 990' FWL & 2,530' FNL of Section 32-26S-35E. I am writing to clarify that the last take point will be located at the same footages but from the north line of Section 29, Township 26 South, Range 35 East, Lea County, New Mexico.

No other clarification was made to the proposal and no modification has been made to the AFE previously included in the original proposal.

Please contact me if you have any questions.

Sincerely,

MRC PERMIAN COMPANY



David Johns

Exhibit C-5

**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C-5
Submitted by: Matador Production Company
Hearing Date: July 6, 2023
Case No. 23607**

Summary of Communications (Case No. 23607)

Uncommitted Working Interest Owner

1. Marathon Oil Permian, LLC

In addition to sending well proposals, Matador has had discussions with Marathon Oil Permian, LLC regarding their interest and we are continuing to discuss voluntary joinder.

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

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

CASE NOS. 23607

AFFIDAVIT OF BLAKE HERBER

Blake Herber, of lawful age and being first duly sworn, declares as follows:

1. My name is Blake Herber. I work for MRC Energy Company, an affiliate of Matador Production Company (“Matador”), as a Senior Staff Geologist.
2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum geology. My credentials as a petroleum geologist have been accepted by the Division and made a matter of record.
3. I am familiar with the application filed by Matador in this case, and I have conducted a geologic study of the lands in the subject area.
4. **Matador Exhibit D-1** is a locator map outlining the horizontal spacing unit with a black box shaded in yellow, with the larger area identified in a red box.
5. In this case, Matador intends to develop the First Bone Spring, Second Bone Spring and Third Bone Spring of the Bone Spring formation, respectively.
6. **Matador Exhibit D-2** is a subsea structure map prepared off the top of the Bone Spring formation. The contour interval is 50 feet. The structure map shows the Bone Spring formation gently dipping to the northwest. The structure appears consistent across the proposed wellbore paths. I do not observe any faulting, pinchouts, or other geologic impediments to horizontal drilling.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. D
Submitted by: Matador Production Company
Hearing Date: July 6, 2023
Case No. 23607

7. Also included on Matador Exhibit D-2 is a line of cross section from A to A'.

8. **Matador Exhibit D-3** is a structural cross-section prepared displaying open-hole logs run over the Bone Spring formation from the three representative wells denoted from A to A'. For each well in the cross-section, the following logs are included: gamma ray, caliper, resistivity, and porosity, where available. The proposed target intervals for the proposed well is labeled and marked with a yellow shaded area. The logs in the cross-section demonstrate that the targeted intervals, within the Bone Spring formation, are consistent in thickness, across the entirety of the proposed spacing unit.

9. In my opinion, the standup orientation is the preferred orientation for development in this area for Bone Spring wells because the maximum horizontal stress is east-west in this area.

10. Based on my geologic study of the area, I have not identified any geologic impediments to drilling horizontal wells within the Bone Spring formation in the area of the spacing unit proposed in this case.

11. In my opinion, each quarter-quarter section will be productive and contribute more-or-less equally to production from each horizontal spacing unit.

12. In my opinion, horizontal drilling will be the most efficient method to develop this acreage, to prevent the drilling of unnecessary wells, and to result in the greatest ultimate recovery.

13. Approving Matador's application will be in the best interest of conservation, the prevention of waste, and protection of correlative rights.

14. **Matador Exhibits D-1 through D-3** were either prepared by me or compiled under my direction and supervision.

FURTHER AFFIANT SAYETH NOT.

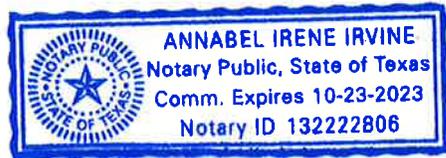
Blake Herber
BLAKE HERBER

STATE OF TEXAS)
)
COUNTY OF DALLAS)

SUBSCRIBED and SWORN to before me this 19th day of June 2023 by
Blake Herber.

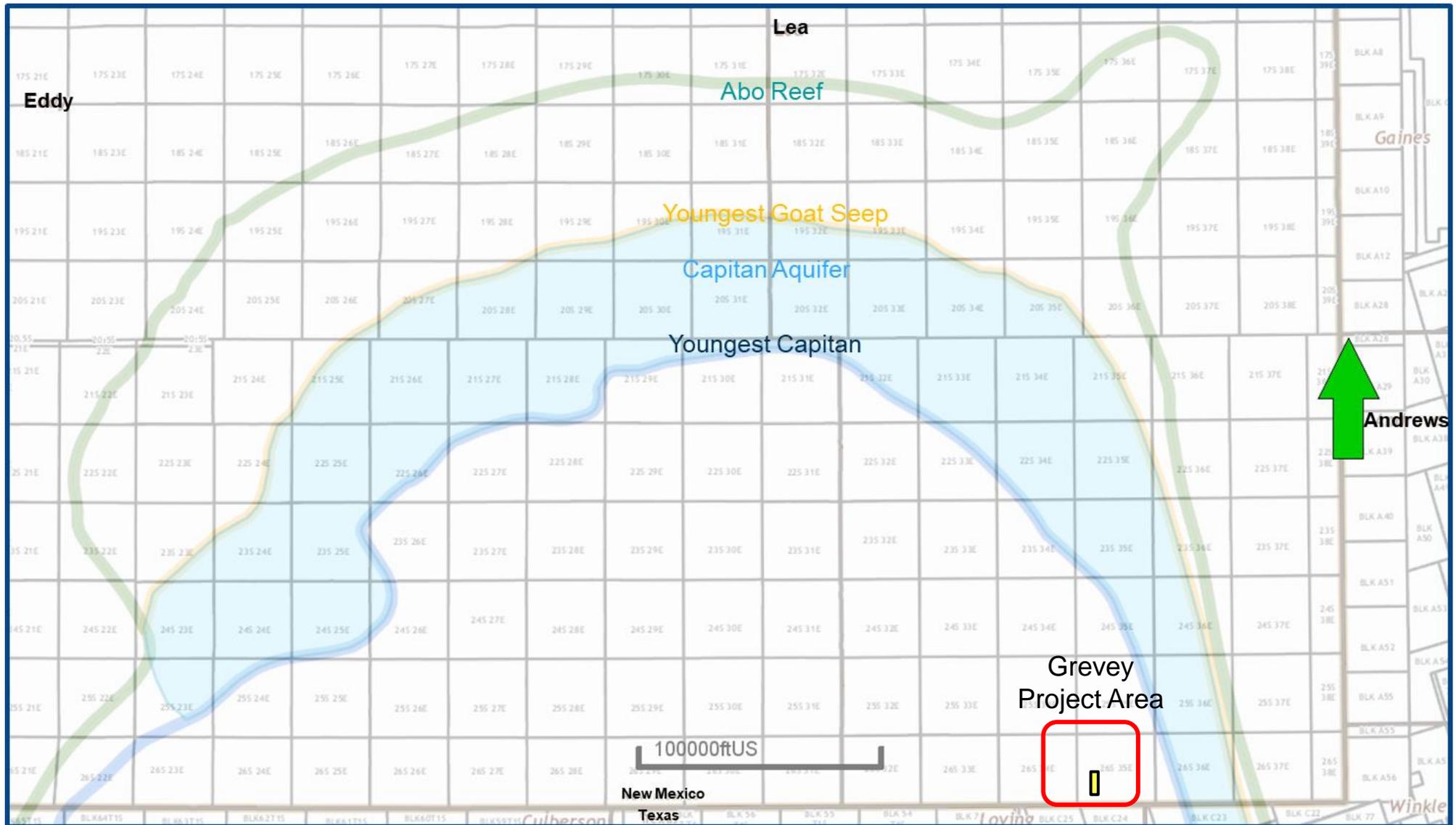
Annabel Irvine
NOTARY PUBLIC

My Commission Expires:
10-23-2023

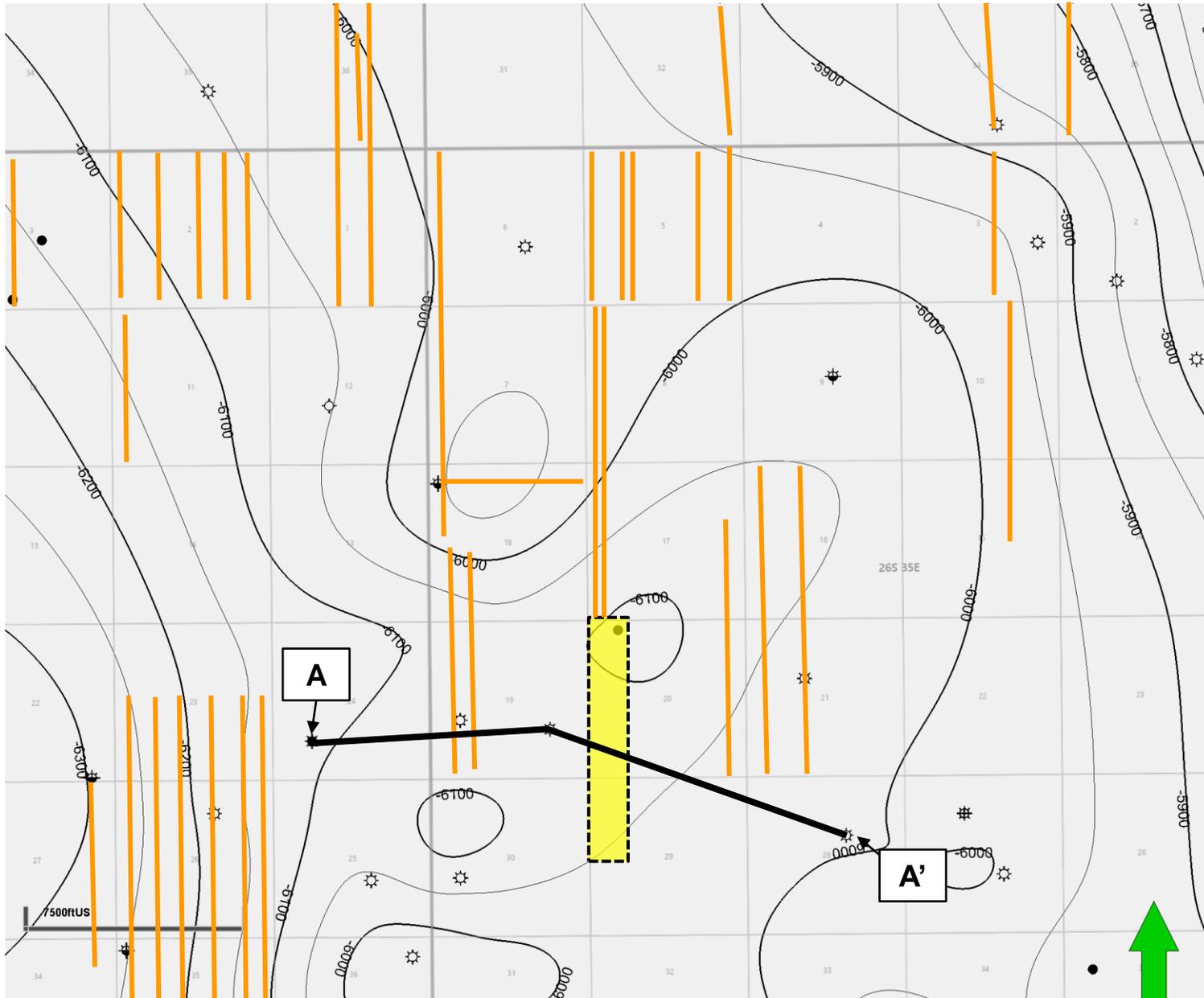


Locator Map

Exhibit D-1



WC-025 G-08 S263412K; Bone Spring (Pool Code 96672) Structure Map (Top Bone Spring Subsea) A – A' Reference Line



Map Legend

Bone Spring Wells



Project Area

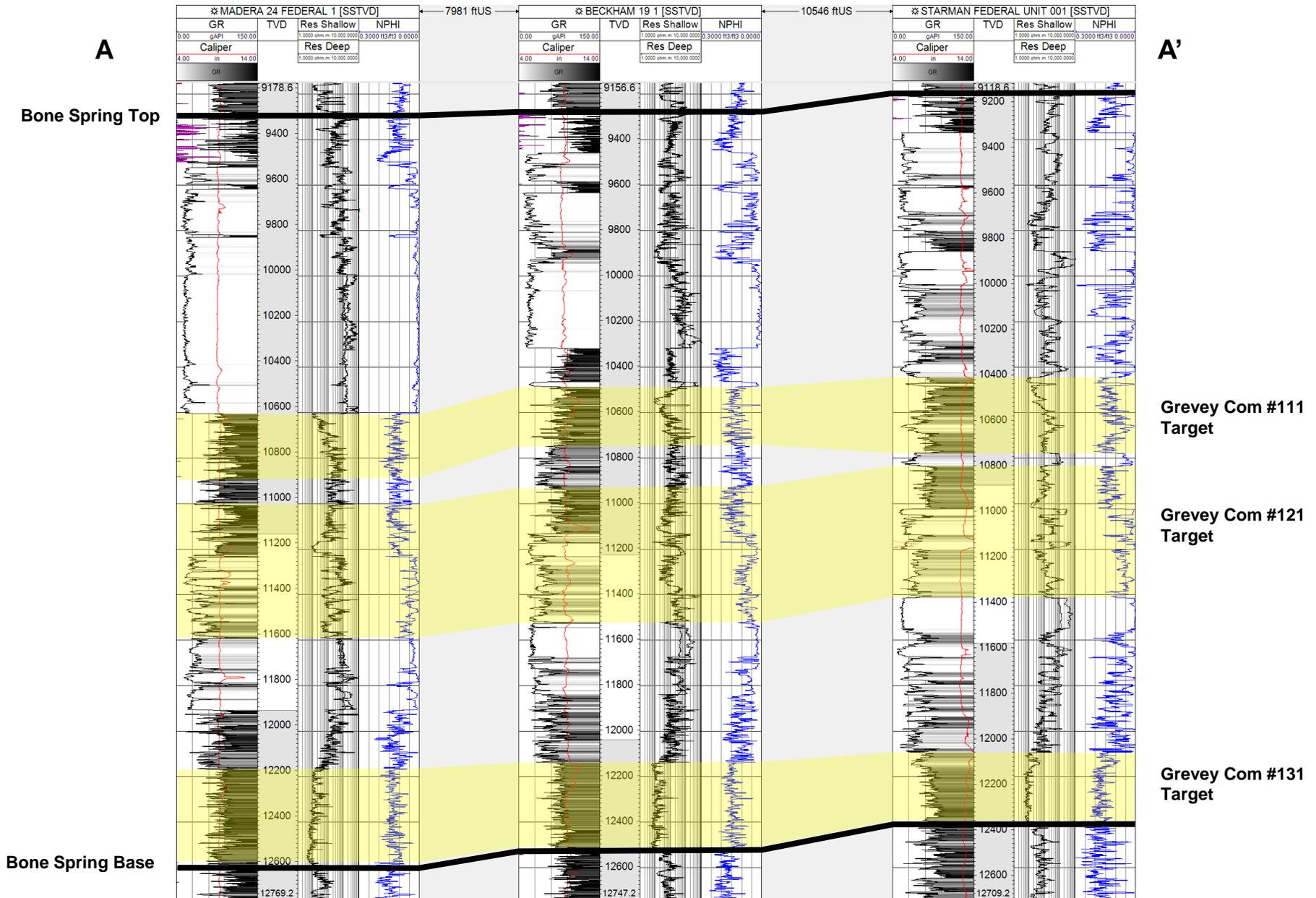


C. I. = 50'

BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico
 Exhibit No. D-2
 Submitted by: Matador Production Company
 Hearing Date: July 6, 2023
 Case No. 23607

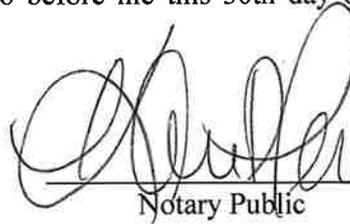
WC-025 G-08 S263412K; Bone Spring (Pool Code 96672) Structural Cross Section A – A'

Exhibit D-3



SUBSCRIBED AND SWORN to before me this 30th day of June 2023 by Adam G.

Rankin.



Notary Public

My Commission Expires:

6/28/26

STATE OF NEW MEXICO
NOTARY PUBLIC
KARI D PEREZ
COMMISSION # 1138272
COMMISSION EXPIRES 06/28/2026



Paula M. Vance
Associate Attorney
Phone (505) 988-4421
Email pmvance@hollandhart.com

June 16, 2023

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of MRC Permian Company for Compulsory Pooling, Lea County, New Mexico: Grevey Com #111H, #121H, and #131H wells

Ladies & Gentlemen:

This letter is to advise you that MRC Permian Company has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on July 6, 2023, and the status of the hearing can be monitored through the Division’s website at <https://www.emnrd.nm.gov/ocd/>.

Due to the remodeling of the state building where the New Mexico Oil Conservation Division is located, hearings will be conducted remotely beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the OCD Hearings website: <https://www.emnrd.nm.gov/ocd/hearing-info/>.

You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. Parties appearing in cases are required to file a Pre-hearing Statement four business days in advance of a scheduled hearing that complies with the provisions of NMAC 19.15.4.13.B.

If you have any questions about this matter, please contact David Johns at (972) 619-1259 or djohns@matadorresources.com.

Sincerely,

Paula M. Vance
ATTORNEY FOR MRC PERMIAN COMPANY

T 505.988.4421 F 505.983.6043
110 North Guadalupe, Suite 1, Santa Fe, NM 87501-1849
Mail to: P.O. Box 2208, Santa Fe, NM 87504-2208
www.hollandhart.com

Alaska	Montana	Utah
Colorado	Nevada	Washington, D.C.
Idaho	New Mexico	Wyoming

MRC - Grevey BS 111H, 121H 131H Case No. 23607
Postal Delivery Report

Tracking Number	Recipient	Status
9214890194038319386118	Marathon Oil Permian LLC 990 Town and Country Blvd Houston TX 77024	Delivered Signature Received