

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

**APPLICATION OF MRC PERMIAN
COMPANY FOR APPROVAL OF AN
OVERLAPPING HORIZONTAL WELL
SPACING UNIT AND COMPULSORY POOLING,
EDDY COUNTY, 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 240-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation underlying the N2N2 of Section 1 and N2NE4 of Section 2, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico, and (b) pooling all uncommitted mineral interests in this horizontal well spacing unit. In support of its application, MRC states:

1. Applicant is a working interest owner in the proposed overlapping 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 overlapping horizontal spacing unit.
3. Applicant seeks to initially dedicate the above-referenced standard horizontal well spacing unit to the proposed **Scott King State Com 111H, Scott King State Com 121H** and the **Scott King State Com 131H** wells to be horizontally drilled with first take points located in the NE4NE4 (Unit A) of Section 1 and last take points located in the NW4NE4 (Unit B) of Section 2.

4. This standard 240-acre horizontal well spacing unit will overlap a 40-acre vertical well spacing unit comprised of the NE4NW4 (Unit C) of Section 1 that is currently dedicated to the Malaga 1 Com No. 1 well (API No. 30-15-26415) operated by Kaiser Francis Oil 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 approval of this overlapping horizontal well spacing unit and 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 August 3, 2023, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving the proposed overlapping horizontal well spacing unit and pooling all uncommitted interests therein;
- B. Designating Matador Production Company as operator of this horizontal well spacing unit and the 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,

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ATTORNEYS FOR MRC PERMIAN COMPANY

CASE _____ : **Application of MRC Permian Company for Approval of an Overlapping Horizontal Well Spacing Unit and Compulsory Pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order (a) approving a standard 240-acre overlapping horizontal well spacing unit in the Bone Spring formation underlying the N2N2 of Section 1 and N2NE4 of Section 2, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico, and (b) pooling all uncommitted mineral interests in this horizontal well spacing unit. Said unit will be initially dedicated to the proposed **Scott King State Com 111H, Scott King State Com 121H** and the **Scott King State Com 131H** wells to be horizontally drilled with first take points located in the NE4NE4 (Unit A) of Section 1 and last take points located in the NW4NE4 (Unit B) of Section 2. This standard 240-acre horizontal well spacing unit will overlap a 40-acre vertical well spacing unit comprised of the NE4NW4 (Unit C) of Section 1 that is currently dedicated to the Malaga 1 Com No. 1 well (API No. 30-15-26415) operated by Kaiser Francis Oil Company. 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 said wells. Said area is located approximately 2 miles Northeast of Malaga, New Mexico.