

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING SEPTEMBER 7, 2023**

CASE NO. 23740

UNCLE DON STATE COM 111H WELL

LEA COUNTY, NEW MEXICO



**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 NO. 23740

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COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

Case: 23740	APPLICANT'S RESPONSE
Date	September 7, 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 APPROVAL OF AN OVERLAPPING HORIZONTAL WELL SPACING UNIT AND COMPULSORY POOLING, Lea County, NEW MEXICO.
Entries of Appearance/Intervenors:	
Well Family	Uncle Don
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:	Rock Lake; Bone Spring (52766)
Well Location Setback Rules:	Statewide oil rules
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	480
Building Blocks:	40 acres
Orientation:	South-North
Description: TRS/County	W2W2 of Section 2, Township 23 South, Range 35 East, and the W2W2 of Sections 35 and 26, Township 22 South, Range 35 East, NMPM, Lea County
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-5
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: September 7, 2023
Case No. 23740

Well #1	Uncle Don State Com 111H (API pending) SHL: 182' FSL, 1286' FWL (Unit M) of Section 2 BHL: 110' FNL, 340' FWL (Unit D) of Section 26 Target: Bone Spring Orientation: South-North Completion: Standard Location
Horizontal Well First and Last Take Points	Exhibit C-3
Completion Target (Formation, TVD and MD)	Exhibit C-6
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-4
Tract List (including lease numbers and owners)	Exhibit C-4
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-5
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above & below)	N/A
Joinder	
Sample Copy of Proposal Letter	Exhibit C-6
List of Interest Owners (ie Exhibit A of JOA)	Exhibit C-5
Chronology of Contact with Non-Joined Working Interests	Exhibit C-7
Overhead Rates In Proposal Letter	Exhibit C-6
Cost Estimate to Drill and Complete	Exhibit C-6
Cost Estimate to Equip Well	Exhibit C-6
Cost Estimate for Production Facilities	Exhibit C-6
Geology	
Summary (including special considerations)	Exhibit D
Spacing Unit Schematic	Exhibit C-1, D-2
Gunbarrel/Lateral Trajectory Schematic	Exhibit C-1, D-2
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-3
Tracts	Exhibit C-4
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit C-5
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	Also seeks approval of overlapping horizontal well spacing unit
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative):	Michael H. Feldewert
Signed Name (Attorney or Party Representative):	
Date:	9/5/2023

**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,
LEA COUNTY, NEW MEXICO.**

CASE NO. 23740

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 480-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation underlying the W2W2 of Section 2, Township 23 South, Range 35 East, and Sections 35 and 26, Township 22 South, Range 35 East, NMPM, Lea County, New Mexico, and (b) pooling all uncommitted mineral interests in this overlapping horizontal well spacing unit. In support of its application, MRC states:

1. Applicant is a working interest owner in the proposed 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 spacing unit.
3. Applicant seeks to initially dedicate the above-referenced horizontal well spacing unit to the proposed **Uncle Don State Com 111H** well to be horizontally drilled from the SW4 of Section 2, with a first take point in the SW4SW4 (Unit M) of Section 2 and a last take point in the NW4NW4 (Unit D) of Section 26.

**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. B
Submitted by: Matador Production Company
Hearing Date: September 7, 2023
Case No. 23740**

4. This proposed horizontal well spacing unit will overlap a 40-acre spacing unit comprised of the SW4SW4 (Unit M) of Section 35 dedicated to the Matador Uncle Don State No. 1 (30-015-45622), a vertical well producing from the Bone Spring formation.

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. Approval of this overlapping horizontal well spacing unit 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 September 7, 2023, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving this 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 well;
- 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 well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART LLP

By: 

Michael H. Feldewert
Adam G. Rankin
Julia Broggi
Paula M. Vance
Post Office Box 2208
Santa Fe, NM 87504
505-988-4421
505-983-6043 Facsimile
mfeldewert@hollandhart.com
agrarkin@hollandhart.com
jbroggi@hollandhart.com
pmvance@hollandhart.com

ATTORNEYS FOR MRC PERMIAN COMPANY

CASE _____:

Application of MRC Permian Company for Approval of an Overlapping Horizontal Well Spacing Unit and Compulsory Pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (a) approving an overlapping 480-acre, more or less, standard horizontal well spacing unit in the Bone Spring formation underlying the W2W2 of Section 2, Township 23 South, Range 35 East, and Sections 35 and 26, Township 22 South, Range 35 East, NMPM, Lea County, New Mexico. This unit will be initially dedicated to the proposed **Uncle Don State Com 111H** well to be horizontally drilled from the SW4 of Section 2, with a first take point in the SW4SW4 (Unit M) of Section 2 and a last take point in the NW4NW4 (Unit D) of Section 26. This proposed horizontal well spacing unit will overlap a 40-acre spacing unit comprised of the SW4SW4 (Unit M) of Section 35 dedicated to the Matador Uncle Don State No. 1 (30-025-45622), a vertical well producing from the Bone Spring formation. Also, to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, actual operating costs and charges for supervision, designation of Matador Production Company as operator of the well, and a 200% charge for risk involved in drilling said well. The subject area is located approximately 12 miles southwest of Eunice, New Mexico.

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, LEA COUNTY, NEW MEXICO.

CASE NOS. 23740

SELF-AFFIRMED STATEMENT OF DAVID JOHNS

David Johns, of lawful age and being first duly sworn, declares as follows:

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.

3. 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.

4. In this case, Matador is seeking an order pooling all uncommitted interests in the Bone Spring formation in the standard 480-acre, more or less, horizontal well spacing unit comprised of the W/2 W/2 of Section 2, Township 23 South, Range 35 East, and the W/2 W/2 of Sections 35 and 26, Township 22 South, Range 35 East, NMPM, Lea County, New Mexico, and initially dedicate this Bone Spring spacing unit to the proposed **Uncle Don State Com 111H** well to be horizontally drilled from the SW4 of Section 2, with a first take point in the SW4SW4 (Unit M) of Section 2 and a last take point in the NW4NW4 (Unit D) of Section 26.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C
Submitted by: Matador Production Company
Hearing Date: September 7, 2023
Case No. 23740

5. Matador understands this well will be placed in the Rock Lake; Bone Spring (52766) pool.

6. This 480-acre horizontal well spacing unit will overlap the following existing vertical well spacing units covering portions of the subject acreage:

- a. the 40-acre spacing unit comprised of the SW/4 SW/4 (Unit M) of Section 35 dedicated to the Matador Uncle Don State No. 1 well (API 30-025-45622), a vertical well producing from the Bone Spring formation.

7. A map showing each of the above-referenced overlapping spacing units is attached as **Matador Exhibit C-1**.

8. **Matador Exhibit C-2** contains a copy of the notice that Matador sent to the working interest owners in the existing spacing unit for the Uncle Don State No. 1 well (API 30-025-45622), the working interest owners in the proposed spacing unit in Matador's current application, as well as the New Mexico State Land Office. Matador has not received written notice of any objection to the notice of overlapping spacing unit.

9. **Matador Exhibit C-3** contains the Form C-102 for the proposed well.

10. The completed interval for the proposed well will remain within the standard setbacks required by the statewide rules set forth in 19.15.16.15 NMAC.

11. **Matador Exhibit C-4** identifies the tracts of land comprising the proposed horizontal spacing units. The land in the proposed spacing unit is comprised of state lands.

12. **Matador Exhibit C-5** identifies for the working interest owners that Matador is seeking to pool along with their respective ownership interest in the proposed horizontal spacing unit. **Matador Exhibit C-5** also identifies the overriding royalty interest owners that Matador seeks to pool in this case.

13. There are no depth severances within the Bone Spring formation for this acreage.

14. While Matador was working to put this unit together, Matador proposed the above well to each of the working interest parties it seeks to pool. **Matador Exhibit C-6** contains a sample well proposal letter that was sent to those parties, along with the AFE sent to working interest owners for each well. The costs reflected in the AFE are consistent with what other operators have incurred for drilling similar horizontal wells in the area.

15. In addition to sending well proposal letters and AFEs, I have called or emailed each of the working interest owners Matador seeks to pool. As indicated in **Matador Exhibit C-7**, we have been able to contact and have discussions with all of the working interest owners we seek to pool.

16. **Matador Exhibit C-7** contains a summary chronology of Matador's contacts and attempted contacts with the uncommitted working interest owners. In my opinion, Matador has undertaken good faith efforts to reach an agreement with the uncommitted mineral owners that Matador seeks to pool in this case.

17. Matador has made an estimate of overhead and administrative costs for drilling and producing the proposed well. It is \$8,000/month while drilling, and \$800/month while producing. These costs are consistent with what other operators are charging in this area for these types of wells. Matador respectfully requests that these administrative and overhead costs be incorporated into any order entered by the Division in this case.

18. I provided Matador's outside counsel, Holland & Hart, a list of names and addresses for the parties that Matador is seeking to pool. In compiling this notice list, Matador conducted a diligent search of all public records in the county where the proposed wells are located and of phone directories, including computer searches.

19. **Matador Exhibits C-1 through C-7** were either prepared by me or compiled under my direction and supervision.

20. 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: September 7, 2023
Case No. 23740**

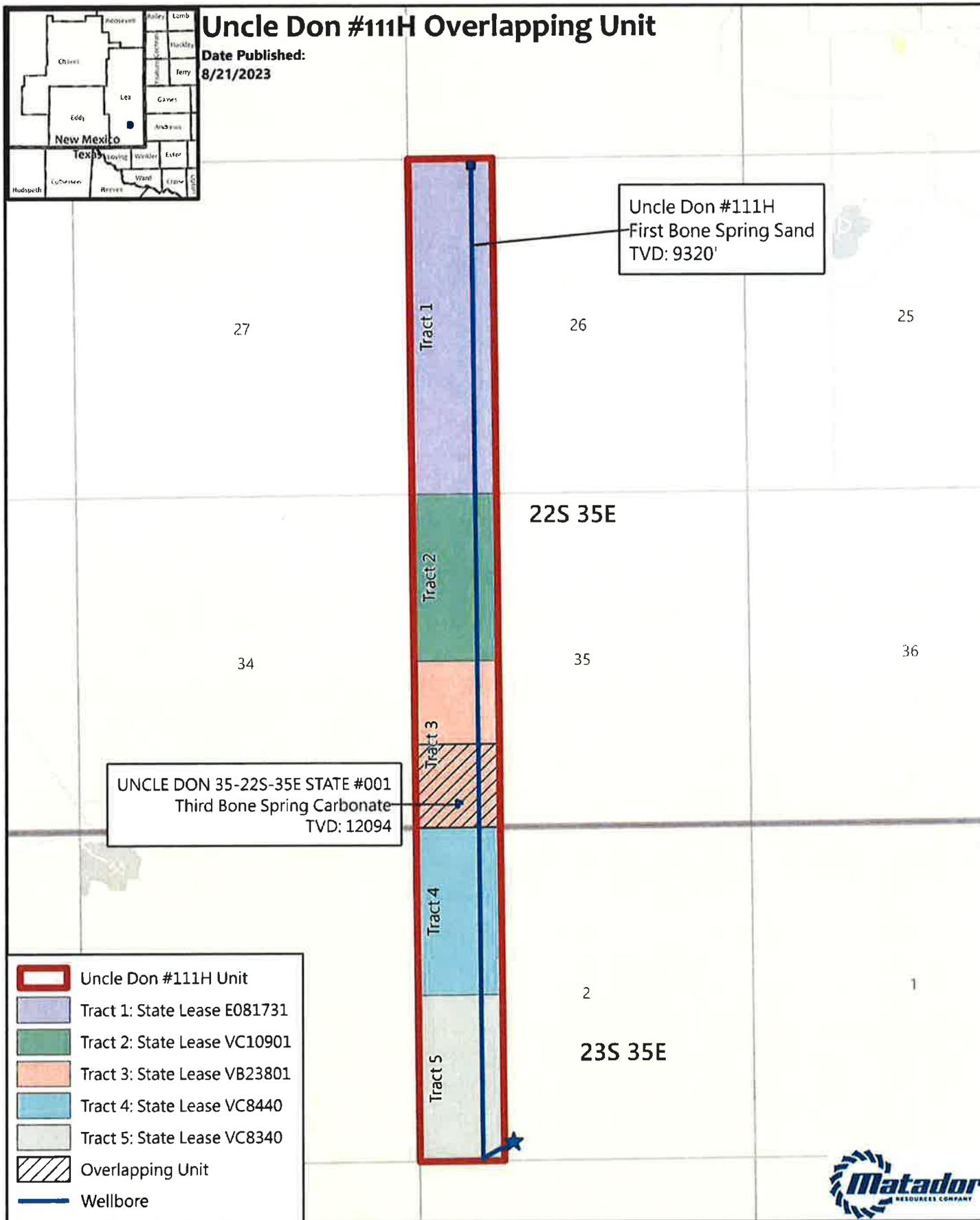


Exhibit C-2

**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C-2
Submitted by: Matador Production Company
Hearing Date: September 7, 2023
Case No. 23740**

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

**TO ALL WORKING INTEREST OWNERS IN THE AGREAGE AFFECTED BY PROPOSED
OVERLAPPING SPACING UNIT**

August 14, 2023

Re: Notice of Overlapping Spacing Unit
Matador's Uncle Don State Com #111H

To Whom It May Concern:

Matador Production Company has proposed the above-referenced wells for the development of the Bone Spring formation under the W/2 W/2 of Section 2, Township 23 South, Range 35 East, and Sections 35 and 26, Township 22 South, Range 35 East, NMPM, Lea County, New Mexico.

This letter is to advise you that this proposed development plan will require the formation of the 480 acre, more or less, spacing unit comprised of the W/2 W/2 of Section 2, Township 23 South, Range 35 East, and Sections 35 and 26, Township 22 South, Range 35 East, NMPM, Lea County, New Mexico, which will initially be dedicated to:

- (i) Matador's **Uncle Don State Com 111H** well to be horizontally drilled from the SW/4 of Section 2-T23S-R35E, with a first take point in the SW/4 SW/4 (Unit M) of Section 2-T23S-R35E and a last take point in the NW/4 NW/4 (Unit D) of Section 26-T22S-R35E. This well is targeting the First Bone Spring of the Bone Spring formation, with an approximate TVD of 9320'.

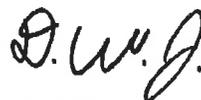
Matador's proposed 480-acre spacing unit will overlap the following existing 40-acre spacing unit comprised of the SW/4 SW/4 (Unit M) of Section 35-T22S-R35E, which is currently dedicated to the following well:

- (i) Matador Production Company's Uncle Don 35 22 35 State #001 (30-025-45622), which is a vertical well with the surface hole location and bottom hole location located in the SW/4 SW/4 (Unit M) of Section 35-T22S-R35E. This well is targeting the Third Bone Spring of the Bone Spring formation, with an approximate TVD of 10620'; and

Pursuant to NMAC 19.15.16.15.B(9) and 19.15.15.12.B, you have a right to object the overlapping spacing unit by delivering a written statement of objection to our office within twenty (20) days of the mailing of this notice. If no objection is received within this 20-day period, we will proceed with obtaining any remaining regulatory approvals for the proposed spacing unit.

If you have any questions about this matter, please contact me at your convenience.

Sincerely,



David Johns
Senior Staff Landman for Matador Production Company
972-619-1259
djohns@matadorresources.com

Exhibit C-3

**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C-3
Submitted by: Matador Production Company
Hearing Date: September 7, 2023
Case No. 23740**

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 527666		³ Pool Name Rock Lake; Bone Springs					
⁴ Property Code		⁵ Property Name UNCLE DON STATE COM		⁶ Well Number 111H					
⁷ GRID No. 228937		⁸ Operator Name MATADOR PRODUCTION COMPANY		⁹ Elevation 3498'					
¹⁰ Surface Location									
UL or lot no. M	Section 2	Township 23-S	Range 35-E	Lot Idn -	Feet from the 182'	North/South line SOUTH	Feet from the 1286'	East/West line WEST	County LEA
¹¹ Bottom Hole Location If Different From Surface									
UL or lot no. D	Section 26	Township 22-S	Range 35-E	Lot Idn -	Feet from the 110'	North/South line NORTH	Feet from the 340'	East/West line WEST	County LEA
¹² Dedicated Acres 480.46		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)

182' FSL - SEC. 2
1286' FWL - SEC. 2
X=847314 Y=484081
LAT.: N 32.3269222
LONG.: W 103.3427634

KICK OFF POINT (KOP)

50' FSL - SEC. 2
340' FWL - SEC. 2
X=846370 Y=483941
LAT.: N 32.3265610
LONG.: W 103.3458242

FIRST PERFORATION POINT (FPP)

100' FSL - SEC. 2
340' FWL - SEC. 2
X=846370 Y=483991
LAT.: N 32.3266986
LONG.: W 103.3458241

LAST PERFORATION POINT (LPP)
BOTTOM HOLE LOCATION (BHL)

110' FNL - SEC. 26
340' FWL - SEC. 26
X=846231 Y=499636
LAT.: N 32.3697020
LONG.: W 103.3458068

¹⁷OPERATOR 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 the owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____

E-mail Address _____

¹⁸SURVEYOR 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.

08/21/2023

Date of Survey _____
Signature and Seal of Professional Surveyor

Certificate Number _____

NEW MEXICO EAST
NAD 1927

<u>SURFACE LOCATION (SHL)</u> X=806130 Y=484021 LAT.: N 32.3267986 LONG.: W 103.3427911	<u>KICK OFF POINT (KOP)</u> X=806168 Y=483881 LAT.: N 32.3264957 LONG.: W 103.3453517
<u>FIRST PERFORATION POINT (FPP)</u> X=805185 Y=483921 LAT.: N 32.3265791 LONG.: W 103.3455516	<u>LAST PERFORATION POINT (LPP)</u> X=805048 Y=489576 LAT.: N 32.3696788 LONG.: W 103.3453331

Exhibit C-4

**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C-4
Submitted by: Matador Production Company
Hearing Date: September 7, 2023
Case No. 23740**

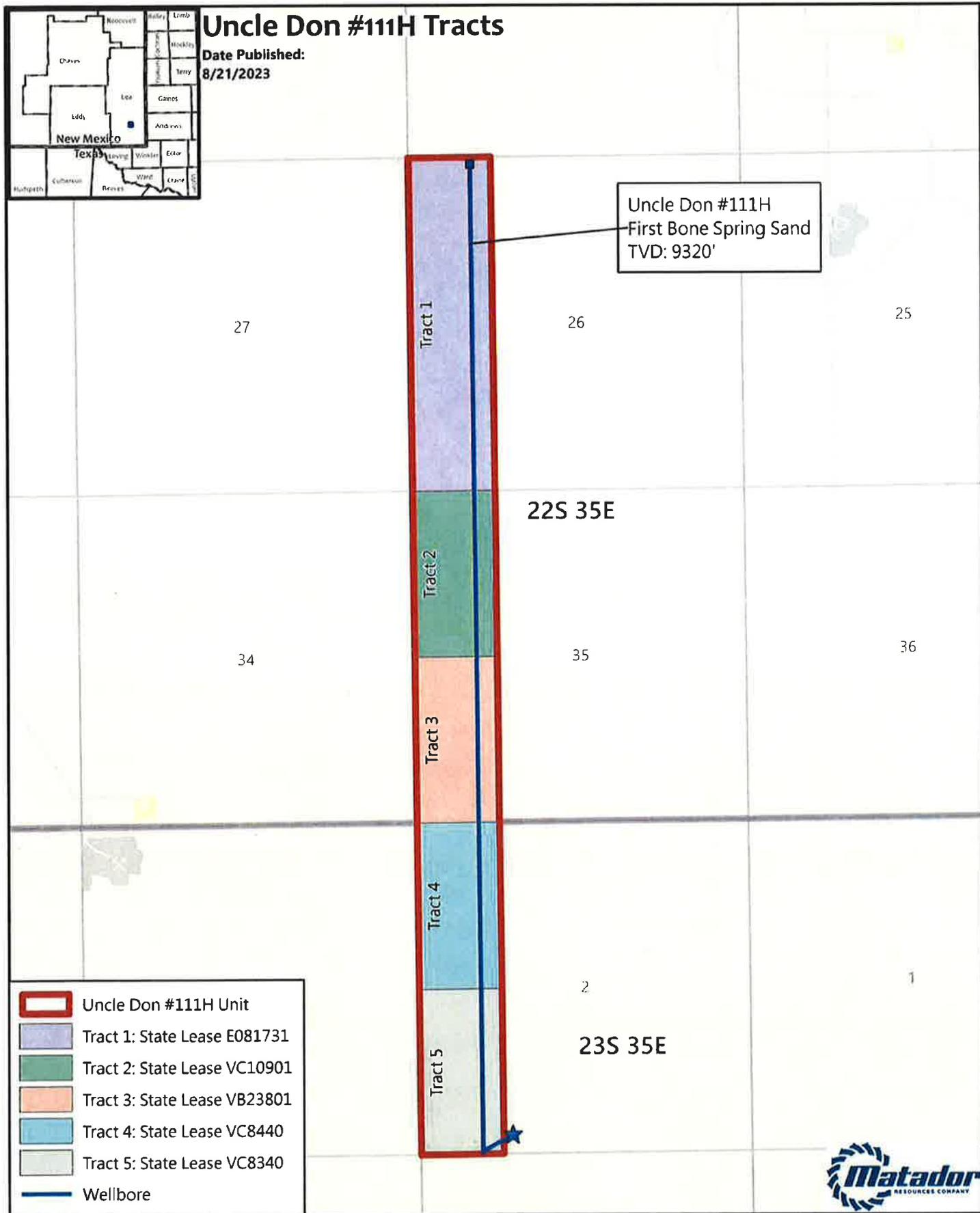


Exhibit C-5

Uncle Don State Com #111H Slot 1 (W2 W2 of S26, W2 W2 of S35, 22S, 35E; W2 W2 of Sec. 2, 23S, 35E)			
Summary of Interests			
Matador Working Interest		33.3333%	
Voluntary Joinder		0.0000%	
Anticipated Voluntary Joinder		16.6667%	
Compulsory Pool Interest		50.0000%	
Interest Owners:	Description:	Tract:	Interest:
Chevron USA, Inc.	Uncommitted Working Interest Owner	1	33.333%
Me-Tex Oil & Gas Inc.	Uncommitted Working Interest Owner	5	16.6667%
Prospector, LLC	ORRI	3	-
Big Three Energy Group, LLC	ORRI	3	-
Ross Duncan Properties, LLC	ORRI	3	-

Exhibit C-6

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

May 16, 2023

VIA CERTIFIED RETURN RECEIPT MAIL

Chevron USA, Inc.
1400 Smith Street
Houston, TX 77002

Re: Uncle Don State Com #111H & #112H (the "Wells")
Participation Proposal
Section 2, Township 23 South, Range 35 East
Sections 35 & 26, Township 22 South, Range 35 East
Lea County, New Mexico

Dear Sir/Madam:

MRC Permian Company ("MRC") proposes the drilling of Matador Production Company's Uncle Don State Com #111H & Uncle Don State Com #112H wells, located in Section 2, Township 23 South, Range 35 East, Sections 35 & 26, Township 22 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 two (2) enclosed Authority for Expenditures ("AFE") dated February 20, 2023.
- **Uncle Don State Com #111H:** to be drilled from a legal location with a proposed surface hole location SW/4 of Section 2-23S-35E, a proposed first take point located at 100' FSL and 330' FWL of Section 2-23S-35E, and a proposed last take point located at 110' FNL and 330' FWL of Section 26-22S-35E. The Well will have a targeted interval within the Bone Spring formation and will be drilled horizontally in the Bone Spring (~9,320' TVD) to a Measured Depth of approximately 25,400'.
- **Uncle Don State Com #112H:** to be drilled from a legal location with a proposed surface hole location SW/4 of Section 2-23S-35E, a proposed first take point located at 100' FSL and 2,310' FWL of Section 2-23S-35E, and a proposed last take point located at 110' FNL and 2,310' FWL of Section 26-22S-35E. The Well will have a targeted interval within the Bone Spring formation and will be drilled horizontally in the Bone Spring (~9,320' TVD) to a Measured Depth of approximately 25,400'.

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 will be provided at a later date, and has the following general provisions:

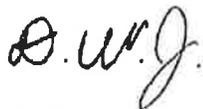
- 100/300/300 Non-consenting penalty
- \$8,000/\$800 Drilling and Producing rate
- Matador Production Company named as Operator

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



David Johns

Chevron USA, Inc. hereby elects to:

_____ Participate for its proportionate share of the costs detailed in the enclosed AFE associated with Matador Production Company's **Uncle Don State Com #111H** well.
 _____ Not to participate in the **Uncle Don State Com #111H**

_____ Participate for its proportionate share of the costs detailed in the enclosed AFE associated with Matador Production Company's **Uncle Don State Com #112H** well.
 _____ Not to participate in the **Uncle Don State Com #112H**

Chevron USA, Inc.

By: _____

Title: _____

Date: _____

Contact Number: _____

MATADOR PRODUCTION COMPANY

ONE LINCOLN CENTRE • 6400 LBJ FREEWAY • SUITE 1500 • DALLAS, TEXAS 75240

Phone (972) 371-5200 • Fax (972) 371-5201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE:	February 20th 2023	AFE NO.:	
WELL NAME:	Uncle Don State Com 111H	FIELD:	
LOCATION:	Sections 2-23S-35E, 35-22S-35E, & 26-22S-35E	MD/TVD:	25400'/9320'
COUNTY/STATE:	Lee, NM	LATERAL LENGTH:	15,200
MRC WI:			
GEOLOGIC TARGET:	First Bone Spring Sand		
REMARKS:	Drill and complete a horizontal 3 mile long First Bone Spring sand target with about 62 frac stages		

INTANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
Land / Legal / Regulatory	\$ 58,000		\$ 10,000	\$ 10,000	\$ 78,000
Location, Surveys & Damages	203,333	13,000	15,000	100,000	331,333
Drilling	1,318,609				1,318,609
Cementing & Float Equip	240,000				240,000
Logging / Formation Evaluation		3,780	3,000		6,780
Flowback - Labor			19,950		19,950
Flowback - Surface Rentals			170,550		170,550
Flowback - Rental Living Quarters					
Mud Logging	27,500				27,500
Mud Circulation System	90,900				90,900
Mud & Chemicals	430,000	76,100	21,500		527,600
Mud / Wastewater Disposal	230,000		2,000	1,000	233,000
Freight / Transportation	12,750	53,350	5,000		69,100
Rig Supervision / Engineering	165,300	156,660	10,000	1,800	333,760
Drill Bits	111,200				111,200
Fuel & Power	231,000	635,929	2,000		868,929
Water	35,000	1,336,750	2,000	1,000	1,374,750
Drig & Completion Overhead	10,000				10,000
Plugging & Abandonment					
Directional Drilling, Surveys	501,474				501,474
Completion Unit, Swab, CTU		225,500	8,000		233,500
Perforating, Wireline, Slickline		300,785	7,000		307,785
High Pressure Pump Truck		114,840	5,000		119,840
Stimulation		4,095,581			4,095,581
Stimulation Flowback & Disp		17,050	195,000		212,050
Insurance	15,748				15,748
Labor	203,050	79,750	25,000	5,000	312,750
Rental - Surface Equipment	139,208	474,562	45,000	5,000	663,860
Rental - Downhole Equipment	150,500	132,000			282,500
Rental - Living Quarters	88,840	77,264		5,000	140,804
Contingency	213,661	383,707	54,501	12,680	664,750
Operations Center	31,878				31,878
TOTAL INTANGIBLES >	4,486,891	8,170,809	599,511	141,680	13,398,891

TANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
Surface Casing	\$ 152,057				\$ 152,057
Intermediate Casing	576,988				576,988
Drilling Liner					
Production Casing	1,798,080				1,798,080
Production Liner					
Tubing			154,400		154,400
Wellhead	83,000		56,000		139,000
Packers, Liner Hangers		81,523	6,000		87,523
Tanks				187,000	187,000
Production Vessels				182,050	182,050
Flow Lines				120,000	120,000
Rod string					
Artificial Lift Equipment			325,000		325,000
Compressor				145,000	145,000
Installation Costs				80,000	80,000
Surface Pumps			5,000	115,000	120,000
Non-controllable Surface				2,000	2,000
Non-controllable Downhole					
Downhole Pumps					
Measurement & Meter Installation		11,000		100,000	207,000
Gas Conditioning / Dehydration					
Interconnecting Facility Piping				350,000	350,000
Gathering / Bulk Lines					
Valves, Dumps, Controllers			2,000		2,000
Tank / Facility Containment				35,000	35,000
Flare Slack				73,000	73,000
Electrical / Grounding			62,000	207,200	269,200
Communications / SCADA			5,000	40,000	45,000
Instrumentation / Safety				115,500	115,500
TOTAL TANGIBLES >	2,610,122	81,523	628,400	1,858,650	5,178,695
TOTAL COSTS >	7,097,014	8,252,332	1,227,911	2,000,330	18,577,586

PREPARED BY MATADOR PRODUCTION COMPANY:

Drilling Engineer:	Blake Hermes	Team Lead - WTXNM	
Completions Engineer:	Garrett Hunt		CSC
Production Engineer:	Jan Fredrik Mosnes		

MATADOR RESOURCES COMPANY APPROVAL:

Executive VP, COO/CFO	DEL	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 operator shall AFE as a condition of any well they had be completed as a condition of the project. The operator shall be responsible for the cost of the project. The operator shall be responsible for the cost of the project. The operator shall be responsible for the cost of the project. The operator shall be responsible for the cost of the project.

Exhibit C-7

**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C-7
Submitted by: Matador Production Company
Hearing Date: September 7, 2023
Case No. 23740**

Summary of Communications Uncle Don State Com #111H (W2 W2 of Sec. 26 and Sec. 35, 22S, 35E;
W2 W2 of Sec. 2, 23S, 35E)

Uncommitted Working Interest Owner

1. Chevron USA, Inc.

In addition to sending well proposals, Matador has had discussions with **Chevron USA, Inc.** regarding their interest and we are continuing to discuss voluntary joinder.

2. Me-Tex Oil & Gas Inc.

In addition to sending well proposals, Matador has had discussions with **Me-Tex Oil & Gas Inc.** regarding their interest and we are continuing to discuss voluntary joinder.

**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 FOR
COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 23740

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

CASE NO. 23741

AFFIDAVIT OF LIZ OLSON

Liz Olson, of lawful age and being first duly sworn, declares as follows:

1. My name is Liz Olson and I am employed by MRC Energy Company, an affiliate of Matador Production Company (“Matador”), as a Senior Geologist.

2. I graduated from Washington and Lee University in 2014 with a bachelor’s degree in geology. Following graduation, I worked for Advanced Resources International, an energy research and consulting firm, for about one year before attending Louisiana State University where I earned a master’s degree in geology and geophysics and a graduate certificate in Applied Depositional Systems in 2017. During the Summer of 2016, I worked as a geoscience intern for Indigo Natural Resources. After receiving my master’s degree, I interned with Anadarko Petroleum Corporation during the Summer of 2018 and then started as an employee of Anadarko following my internship in January 2019. While at Anadarko, I worked as a geologist in the Delaware Basin. I left Anadarko (then Occidental Petroleum) in December 2019 and started working for Matador in February 2020 as a geologist. Since I have been at Matador, I have been

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

Submitted by: Matador Production Company

Hearing Date: September 7, 2023

Case No. 23740

working as a geologist in the Delaware Basin, including in Eddy and Lea Counties, New Mexico. As part of my employment for Matador, I am also required to complete at least 40 hours of continuing education each year. I am also a member of the American Association of Petroleum Geologists and the West Texas Geological Society.

3. I am familiar with the applications filed by Matador in these cases and 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 units with a black box shaded in yellow, with the larger area identified in a red box.

5. The target intervals for the initial wells in these proposed spacing units is the First Bone Spring of the Bone Spring formation.

6. **Matador Exhibit D-2** is a subsea structure map that I prepared for 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 southwest.

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 that I 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, when available: gamma ray, caliper, resistivity, and porosity. The proposed target interval of each of the respective proposed wells 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 units.

9. 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 units proposed in these cases.

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

11. 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.

12. In my opinion, the standup orientation is the preferred orientation for development in this area for the target intervals of these wells because the maximum horizontal stress is east-west in this area.

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

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

FURTHER AFFIANT SAYETH NOT



Liz Olson

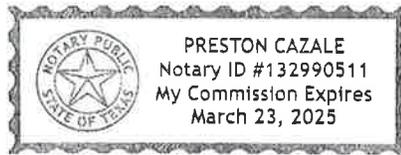
STATE OF TEXAS)
)
COUNTY OF Dallas)

SUBSCRIBED and SWORN to before me this 30th day of August 2023 by Liz Olson.

Preston C
NOTARY PUBLIC

My Commission Expires:

3/23/2025

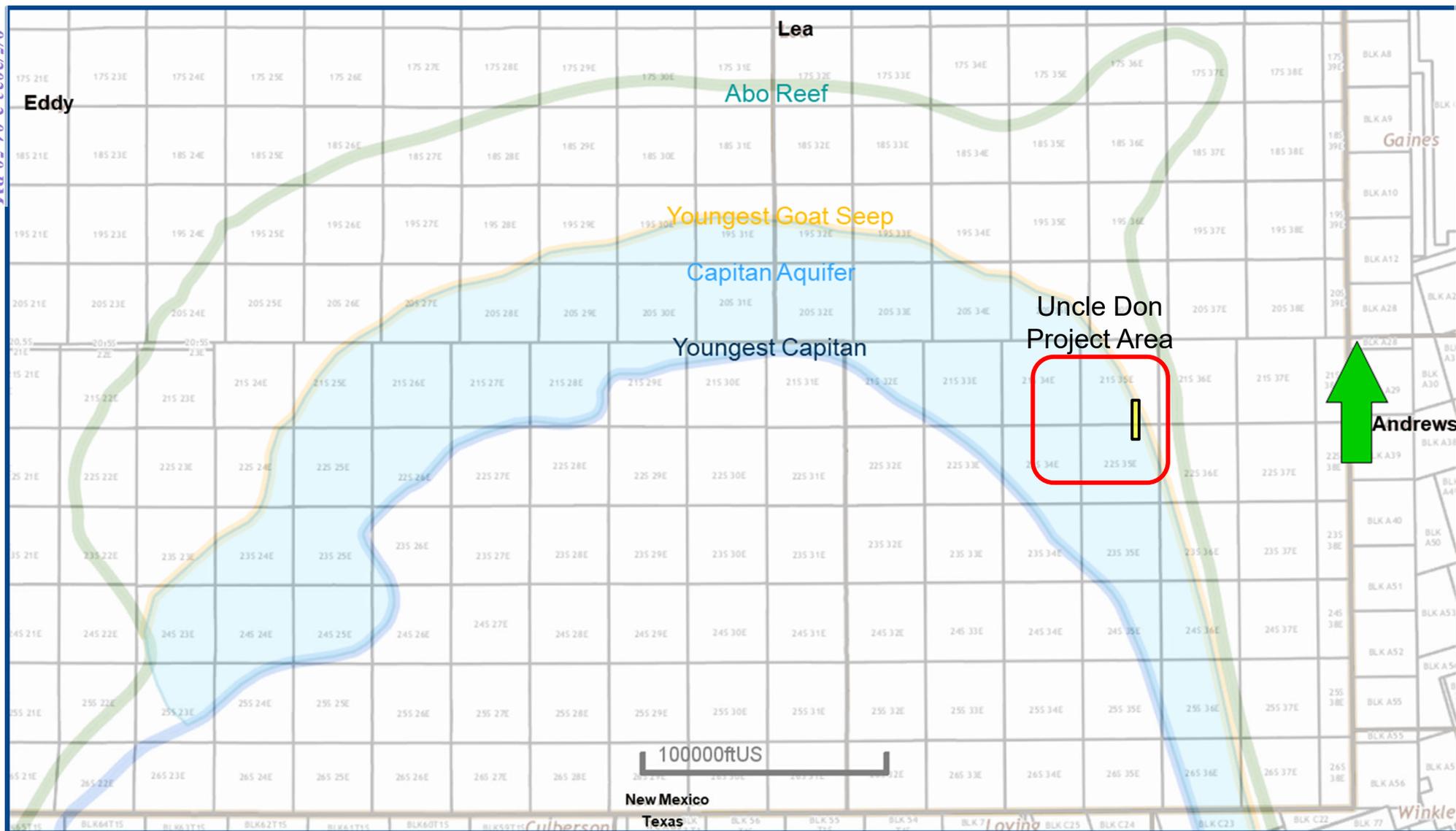


Locator Map

Exhibit D-1

Released to Imaging: 9/5/2023 2:04:50 PM

Received by OCD: 9/5/2023 2:03:26 PM



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. D-1
Submitted by: Matador Production Company
Hearing Date: September 7, 2023
Case No. 23740

Uncle Don #111H and #112H

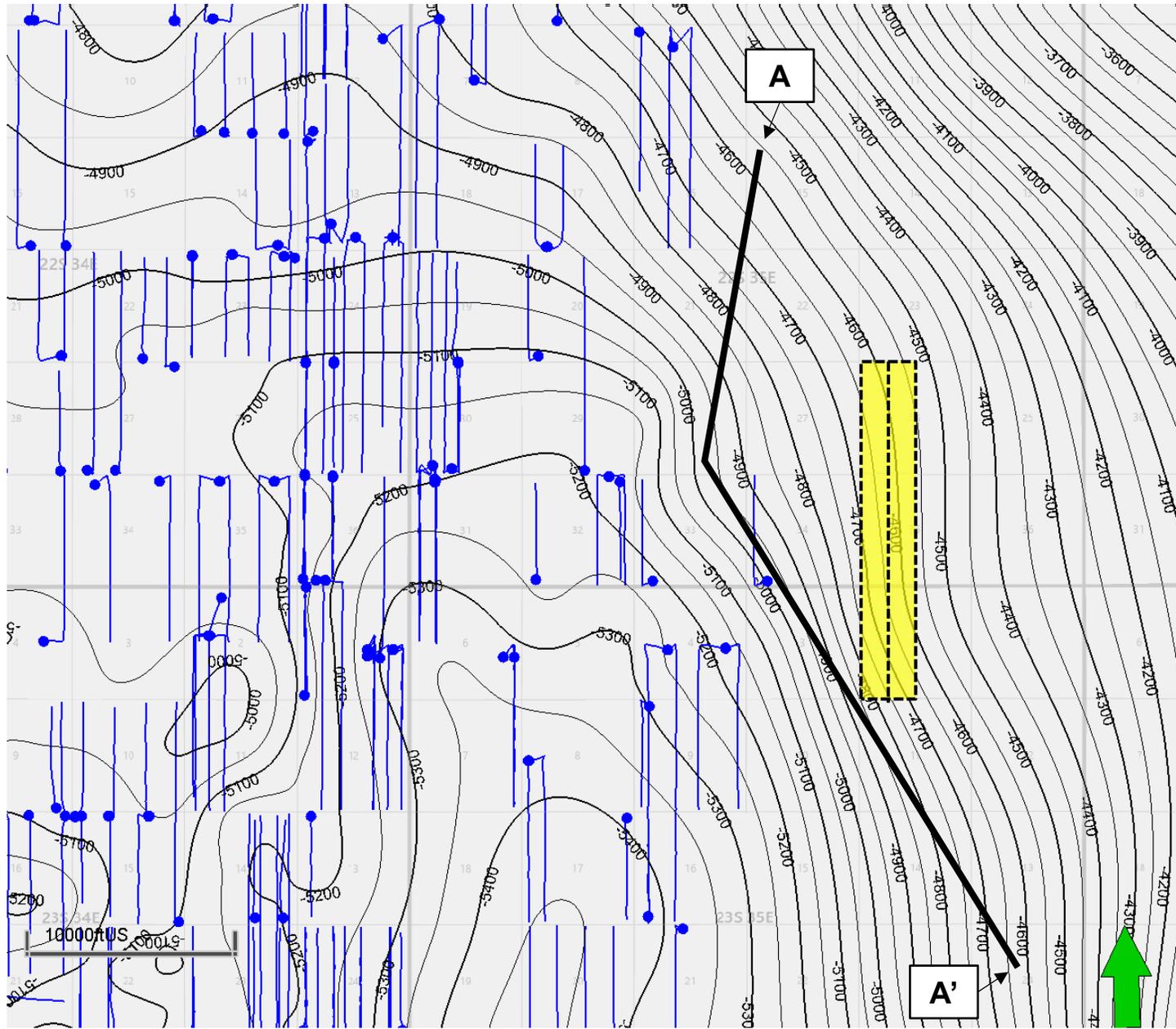


D-1

Page 34 of 41

Rock Lake; Bone Spring (Pool Code 52766) Structure Map (Top Bone Spring Subsea) A – A' Reference Line

Released to Imaging: 9/5/2023 2:04:50 PM



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: September 7, 2023
 Case No. 23740



Rock Lake; Bone Spring (Pool Code 52766) Structural Cross Section A – A'

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

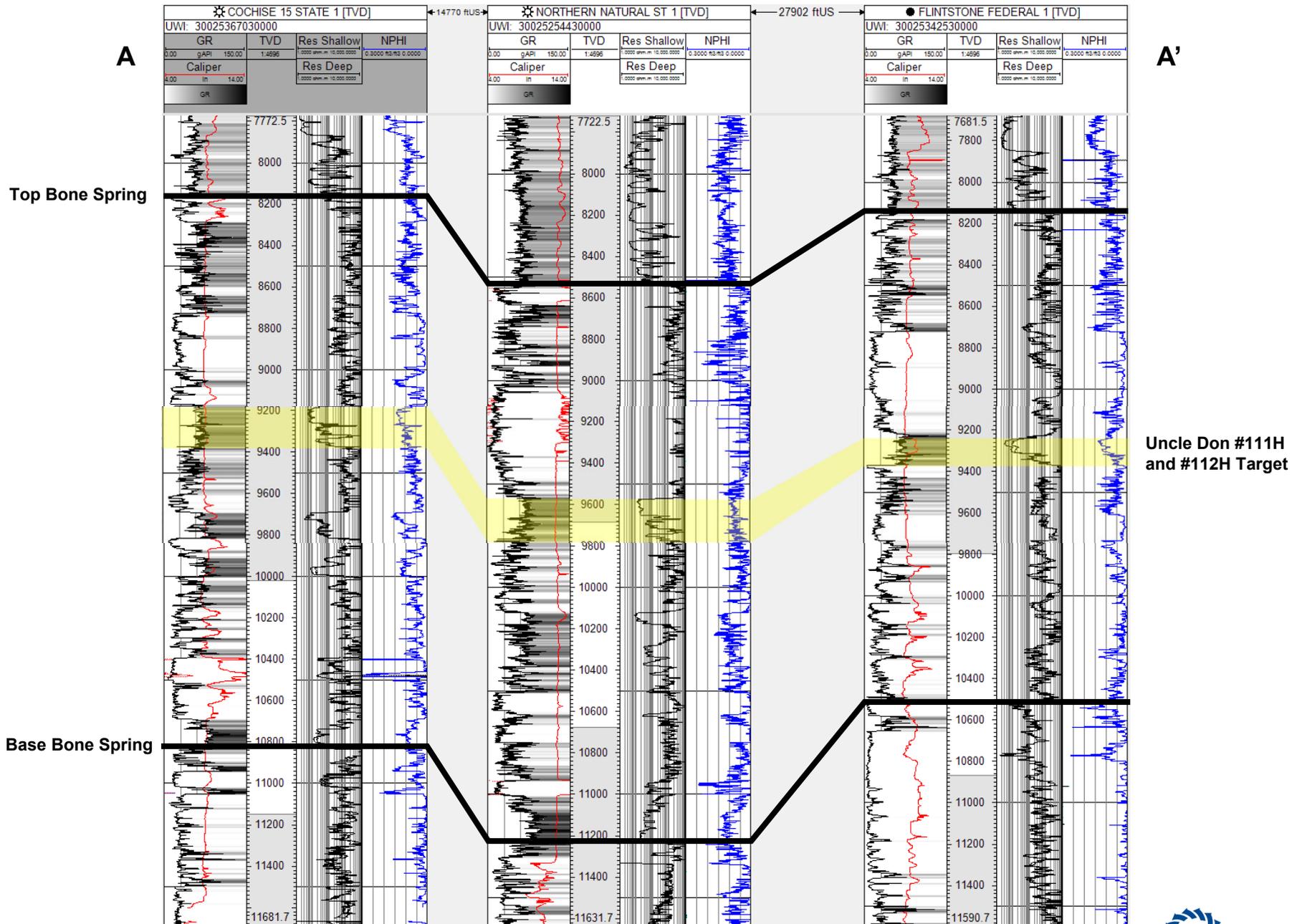
Exhibit No. D-3

Submitted by: Matador Production Company

Hearing Date: September 7, 2023

Case No. 23740

Exhibit D-3



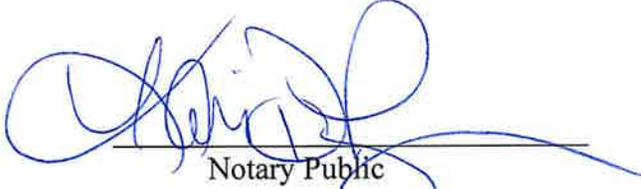
Uncle Don #111H
and #112H Target

Uncle Don #111H and #112H



D-3

SUBSCRIBED AND SWORN to before me this 5th day of September, 2023 by Michael H. Feldewert.



Notary Public

My Commission Expires:

6/28/2026

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



Michael Feldewert
Partner
Phone (505) 988-4421
Email mhfeldewert@hollandhart.com

August 18, 2023

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of MRC Permian Company for Approval of an Overlapping Horizontal Well Spacing Unit and Compulsory Pooling, Lea County, New Mexico: *Uncle Don State Com 111H well*

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 September 7, 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 at djohns@matadorresources.com.

Sincerely,

Michael H. Feldewert
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 - Uncle Don 111H Well - Case No. 23740
Postal Delivery Report

9414811898765410124753	Chevron USA, Inc.	1400 Smith St	Houston	TX	77002-7327	Your item has been delivered to an agent for final delivery in HOUSTON, TX 77002 on August 24, 2023 at 11:12 am.
9414811898765410124760	Me-Tex Oil & Gas Inc.	PO Box 2070	Hobbs	NM	88241-2070	Your item was delivered at 1:29 pm on August 23, 2023 in HOBBS, NM 88240.
9414811898765410124722	Featherstone Development Corporation	PO Box 429	Roswell	NM	88202-0429	Your item was picked up at the post office at 10:49 am on August 22, 2023 in ROSWELL, NM 88201.
9414811898765410124708	Prospector, LLC	PO Box 429	Roswell	NM	88202-0429	Your item was picked up at the post office at 10:49 am on August 22, 2023 in ROSWELL, NM 88201.
9414811898765410124791	Big Three Energy Group, LLC	PO Box 429	Roswell	NM	88202-0429	Your item was picked up at the post office at 10:49 am on August 22, 2023 in ROSWELL, NM 88201.
9414811898765410124746	Ross Duncan Properties, LLC	PO Box 647	Artesia	NM	88211-0647	Your item was picked up at the post office at 11:13 am on August 22, 2023 in ARTESIA, NM 88210.

Affidavit of Publication

STATE OF NEW MEXICO
COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated August 24, 2023 and ending with the issue dated August 24, 2023.



Publisher

Sworn and subscribed to before me this 24th day of August 2023.



Business Manager

My commission expires January 29, 2027

(Seal) STATE OF NEW MEXICO
NOTARY PUBLIC
GUSSIE RUTH BLACK
COMMISSION # 1087526
COMMISSION EXPIRES 01/29/2027

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said publication has been made.

LEGAL NOTICE
August 24, 2023

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

The State of New Mexico, Energy Minerals and Natural Resources Department, Oil Conservation Division ("Division") hereby gives notice that the Division will hold public hearings before a hearing examiner on the following case. The hearing will be conducted remotely on Thursday, September 7, 2023, beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted below. The docket may be viewed at <https://www.emnrd.nm.gov/ocd/hearing-info/> or obtained from Marlene Salvidrez, at Marlene.Salvidrez@emnrd.nm.gov. Documents filed in the case may be viewed at <https://ocdimage.emnrd.nm.gov/Imaging/Default.aspx>. If you are an individual with a disability who needs a reader, amplifier, qualified sign language interpreter, or other form of auxiliary aid or service to attend or participate in a hearing, contact Marlene Salvidrez at Marlene.Salvidrez@emnrd.nm.gov, or the New Mexico Relay Network at 1-800-659-1779, no later than August 27, 2023.

Persons may view and participate in the hearings through the following link:

<https://nmemnrd.webex.com/nmemnrd/j.php?MTID=m83c3ecf5b757a93f26a029c5b871606d>
Webinar number: 2484 767 1008

Join by video system: 24847671008@nmemnrd.webex.com
You can also dial 173.243.2.68 and enter your webinar number

Join by phone: 1-844-992-4726 United States Toll Free
+1-408-418-9388 United States Toll
Access code: 2484 767 1008

Panelist password: edC57GzhwV8 (33257494 from phones and video systems)

**STATE OF NEW MEXICO TO:
All named parties and persons
having any right, title, interest
or claim in the following case
and notice to the public.**

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: All affected interest owners, including: Chevron USA, Inc.; Me-Tex Oil & Gas Inc.; Featherstone Development Corporation; Prospector, LLC; Big Three Energy Group, LLC; and Ross Duncan Properties, LLC.

Case No. 23740: Application of MRC Permian Company for Approval of an Overlapping Horizontal Well Spacing Unit and Compulsory Pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (a) approving an overlapping 480-acre, more or less, standard horizontal well spacing unit in the Bone Spring formation underlying the W2W2 of Section 2, Township 23 South, Range 35 East, and Sections 35 and 26, Township 22 South, Range 35 East, NMPM, Lea County, New Mexico. This unit will be initially dedicated to the proposed **Uncle Don State Com 111H** well to be horizontally drilled from the SW4 of Section 2, with a first take point in the SW4SW4 (Unit M) of Section 2 and a last take point in the NW4NW4 (Unit D) of Section 26. This proposed horizontal well spacing unit will overlap a 40-acre spacing unit comprised of the SW4SW4 (Unit M) of Section 35 dedicated to the Matador Uncle Don State No. 1 well, a vertical well producing from the Bone Spring formation. Also, to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, actual operating costs and charges for supervision, designation of Matador Production Company as operator of the well, and a 200% charge for risk involved in drilling said well. The subject area is located approximately 12 miles southwest of Eunice, New Mexico.
#00281894

67100754

00281894

HOLLAND & HART LLC
PO BOX 2208
SANTA FE, NM 87504-2208

**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico**

Exhibit No. F

Submitted by: Matador Production Company

Hearing Date: September 7, 2023

Case No. 23740