

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

**APPLICATION OF MRC HAT MESA, LLC FOR
APPROVAL OF AN OVERLAPPING HORIZONTAL
WELL SPACING UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

MRC Hat Mesa, LLC (“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 400-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation underlying the W2W2 of Section 6, Township 22 South, Range 33 East, and the W2W2 of Section 31 and the W2SW4 of Section 30, Township 21 South, Range 33 East, NMPM, Lea County, New Mexico, and (b) pooling this proposed 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 **Paul Flowers State Com 111H, Paul Flowers State Com 131H and Paul Flowers State Com 151H** wells to be horizontally drilled from a surface hole location in the SW4 of Section 6, with a first take point in the SW4SW4 equivalent (Lot 7) of section 6 and a last take point in the NW4SW4 (Unit L) of Section 30.

4. This proposed horizontal well spacing unit will overlap the following existing Bone Spring spacing units:

- A 156.33-acre horizontal well spacing unit comprised of the S2S2 of Section 6 dedicated to Matador's AO6 502H (API 30-025-45012) and Matador's AO 6 State Com 501H (API 30-025-45026)
- A 156.35-acre horizontal well spacing unit comprised of the N2S2 of Section 6 dedicated to Matador's AO 6 State Com 001H (API 30-025-40519)
- A 156.38-acre horizontal well spacing unit comprised of the S2N2 of Section 6 dedicated to Matador's COOP 6 State 002H (API 30-025-41981)
- A 156.55-acre horizontal well spacing unit comprised of the N2N2 of Section 6 dedicated to Matador's COOP 6 State 001H (API 30-025-41177)
- A 156.34-acre horizontal well spacing unit comprised of the S2N2 of Section 31 dedicated to Matador's Dagger State Unit 002H (API 30-025-41178)

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 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 December 7, 2023, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving the 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 HAT MESA, LLC

CASE _____: **Application of MRC Hat Mesa, LLC 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 a standard 400-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation underlying the W2W2 of Section 6, Township 22 South, Range 33 East, and the W2W2 of Section 31 and the W2SW4 of Section 30, Township 21 South, Range 33 East, NMPM, Lea County, New Mexico, and (b) pooling this proposed horizontal well spacing unit. Said unit will be initially dedicated to the proposed **Paul Flowers State Com 111H, Paul Flowers State Com 131H and Paul Flowers State Com 151H** wells to be horizontally drilled from a surface hole location in the SW4 of Section 6, with a first take point in the SW4SW4 equivalent (Lot 7) of section 6 and a last take point in the NW4SW4 (Unit L) of Section 30. This proposed horizontal well spacing unit will overlap the following existing Bone Spring spacing units:

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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 proposed spacing unit, and a 200% charge for risk involved in drilling the wells. The subject area is located approximately 26 miles west of Eunice, New Mexico.