

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

**APPLICATION OF PBEX, LLC FOR APPROVAL  
OF A NON-STANDARD HORIZONTAL WELL SPACING UNIT,  
COMPULSORY POOLING, AND AN EXTENSION  
OF TIME TO DRILL INITIAL WELLS,  
LEA COUNTY, NEW MEXICO.**

**CASE NO. \_\_\_\_\_**

**APPLICATION**

PBEX, LLC (“PBEX” or “Applicant”), through undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order (a) approving a non-standard 640-acre, more or less, horizontal well spacing unit in the Bone Spring formation underlying Section 13, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, (b) pooling the uncommitted mineral owners in this proposed spacing unit, and (c) extending the time in which to drill the initial wells. In support of this application, PBEX 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 E.G.L. Resources, Inc. (OGRID No. 192373) as the operator of the proposed horizontal well spacing unit.
3. Due to the nature and configuration of the federal leases in the subject area, the Bureau of Land Management (“BLM”) will not approve the commingling of production at central facilities if the subject area is developed using standard horizontal well spacing units. See, e.g., 43 CFR 3173.14 (addressing authorized commingling). However, if the proposed non-standard spacing unit is approved by the Division, the BLM has stated it will issue a corresponding

Communitization Agreement for the federal leases within the subject area to allow commingling and the corresponding reduction of the necessary surface facilities.

4. Approval of the non-standard spacing unit will allow Applicant to efficiently locate surface facilities; reduce surface disturbance; consolidate roads, tanks, and pipelines; and promote effective well spacing, which is consistent with Division rules. *See, e.g.*, Rule 19.15.16.7(P) NMAC; Rule 19.15.16.15(B)(8) NMAC; Rule 19.15.16.15(C)(7)(NMAC).

5. Applicant seeks to initially dedicate the above-referenced horizontal spacing unit to the following wells to be drilled in two phases over a two-year period:

- **Hazel 13 Fed Com 207H, Hazel 13 Fed Com 302H and Hazel 13 Fed Com 353H** to be drilled from a surface location in the SE4 of Section 12, with first take points in the NW4NE4 (Unit B) of Section 13 and last take points in the SW4SE4 (Unit O) of Section 13;
- **Hazel 13 Fed Com 209H, Hazel 13 Fed Com 303H and Hazel 13 Fed Com 354H** to be drilled from a surface location in the SE4 of Section 12, with first take points in the NE4NE4 (Unit A) of Section 13 and last take points in the SE4SE4 (Unit P) of Section 13;
- **Hazel 13 Fed Com 201H, Hazel 13 Fed Com 301H and Hazel 13 Fed Com 351H** to be drilled from a surface location in the SW4 of Section 12, with first take points in the NW4NW4 (Unit D) of Section 13 and last take points in the SW4SW4 (Unit M) of Section 13; and
- **Hazel 13 Fed Com 203H, Hazel 13 Fed Com 205H and Hazel 13 Fed Com 352H** to be drilled from a surface location in the SW4 of Section 12, with first take points

in the NW4NE4 (Unit C) of Section 13 and last take points in the SE4SW4 (Unit N) of Section 13.

6. The two-year Development Table proposed by the Applicant is attached hereto. Applicant seeks approval from the Division to commence drilling certain wells within two-years of signature to allow for phased-in drilling of the initial wells.

7. 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.

8. The approval of the non-standard spacing unit, the pooling of mineral interests in this acreage, and the approval of the initial drilling program will allow Applicant to efficiently and effectively 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 the October 31, 2024, docket and, after notice and hearing as required by law, the Division enter an order:

- A. Approving the non-standard horizontal well spacing unit, pooling all uncommitted interest owners therein, and extending the time to drill the initial wells;
- B. Designating E.G.L. Resources, Inc. as operator of this horizontal 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% charge 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 well.

Respectfully submitted,

HOLLAND & HART LLP

By: 

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**ATTORNEYS FOR PBEX, LLC**

**Applicant's Development Table**

<b>Well Name</b>	<b>Estimated Spud</b>	<b>Estimated Completion</b>
Hazel 13 Fed Com 207H	Within 1 year of Order signature	Within 1-year of spud date
Hazel 13 Fed Com 209H	Within 1 year of Order signature	Within 1-year of spud date
Hazel 13 Fed Com 302H	Within 1 year of Order signature	Within 1-year of spud date
Hazel 13 Fed Com 303H	Within 1 year of Order signature	Within 1-year of spud date
Hazel 13 Fed Com 353H	Within 1 year of Order signature	Within 1-year of spud date
Hazel 13 Fed Com 354H	Within 1 year of Order signature	Within 1-year of spud date
Hazel 13 Fed Com 201H	Within 2-years of Order signature	Within 1-year of spud date
Hazel 13 Fed Com 203H	Within 2-years of Order signature	Within 1-year of spud date
Hazel 13 Fed Com 205H	Within 2-years of Order signature	Within 1-year of spud date
Hazel 13 Fed Com 301H	Within 2-years of Order signature	Within 1-year of spud date
Hazel 13 Fed Com 351H	Within 2-years of Order signature	Within 1-year of spud date
Hazel 13 Fed Com 352H	Within 2-years of Order signature	Within 1-year of spud date

CASE \_\_\_\_\_ : **Application of PBEX, LLC for Approval of a Non-Standard Horizontal Well Spacing Unit, Compulsory Pooling, and an Extension of Time to Drill Initial Wells, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order (a) approving a non-standard 640-acre, more or less, horizontal well spacing unit in the Bone Spring formation underlying Section 13, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, (b) pooling the uncommitted mineral owners in this proposed spacing unit, and (c) extending the time in which to drill the initial wells. Said unit will be initially dedicated to the following proposed wells to be drilled in two phases over a two-year period:

- **Hazel 13 Fed Com 207H, Hazel 13 Fed Com 302H and Hazel 13 Fed Com 353H** to be drilled from a surface location in the SE4 of Section 12, with first take points in the NW4NE4 (Unit B) of Section 13 and last take points in the SW4SE4 (Unit O) of Section 13;
- **Hazel 13 Fed Com 209H, Hazel 13 Fed Com 303H and Hazel 13 Fed Com 354H** to be drilled from a surface location in the SE4 of Section 12, with first take points in the NE4NE4 (Unit A) of Section 13 and last take points in the SE4SE4 (Unit P) of Section 13;
- **Hazel 13 Fed Com 201H, Hazel 13 Fed Com 301H and Hazel 13 Fed Com 351H** to be drilled from a surface location in the SW4 of Section 12, with first take points in the NW4NW4 (Unit D) of Section 13 and last take points in the SW4SW4 (Unit M) of Section 13; and
- **Hazel 13 Fed Com 203H, Hazel 13 Fed Com 205H and Hazel 13 Fed Com 352H** to be drilled from a surface location in the SW4 of Section 12, with first take points in the NW4NE4 (Unit C) of Section 13 and last take points in the SE4SW4 (Unit N) of Section 13.

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 E.G.L. Resources, Inc. as operator of the proposed spacing unit, and a 200% charge for risk involved in drilling said wells. The subject area is located approximately 20 miles west-southwest of Monument, New Mexico.