

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

**APPLICATION OF MRC PERMIAN COMPANY
FOR COMPULSORY POOLING AND APPROVAL
OF OVERLAPPING WELL UNITS, EDDY COUNTY,
NEW MEXICO.**

CASE NO. _____

APPLICATION

MRC Permian Company ("Applicant") applies to the Oil Conservation Division (the "Division") for an order pooling all uncommitted mineral interest owners in the Bone Spring formation underlying a horizontal spacing unit comprised of the E/2 of Section 28, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico (the "Unit). In support of this application, Applicant states:

1. Applicant is a working interest owner in the Unit, and has the right to drill a well or wells thereon.
2. Applicant proposes to drill the Anderson Laing Fed. Well No. 129H in the Unit. The well will be horizontally drilled from a surface location and first take point in the SE/4SE/4 (Unit P) of Section 28 to a bottom hole location and last take point in the SW/4SE/4 (Unit O) of Section 28. The well is a U-turn well: The E/2E/2 of Section 28 will contain the south-north lateral, and the W/2E/2 of Section 28 will contain the north-south lateral.
3. Although Applicant has in good faith sought to obtain voluntary joinder of all other mineral interest owners in the Unit to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to commit their interests. Therefore, Applicant seeks an order pooling all uncommitted mineral interest owners in the Bone Spring formation underlying the Unit, pursuant to NMSA 1978 Sec. 70-2-17.

4. The pooling of all uncommitted mineral interest owners in the Bone Spring formation underlying the Unit will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

5. Applicant requests approval for the Unit to overlap the following wells: The Cypress 28 Fed. Well No. 1H (API No. 30-015-37249), Cypress 28 Fed. Well No. 2H (API No. 30-015-37331), Cypress 28 Fed. Well No. 3H (API No. 30-015-38287), and Cypress 28 Fed. Well No. 4H (API No. 30-015-39330).

WHEREFORE, Applicant requests this application be set for hearing before an Examiner of the Division, and, after notice and hearing, the Division issue its order:

A. Pooling all uncommitted mineral interest owners in the Bone Spring formation (Laguna Salado; Bone Spring, South/Pool Code 96857) underlying the Unit, and approving the overlapping well units;

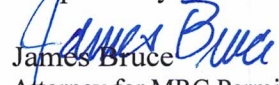
B. Designating Matador Production Company as operator of the well and the Unit;

C. Considering the cost of drilling, completing, testing, and equipping the well, and allocating the cost thereof among the well's working interest owners;

D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

E. Setting a 200% charge for the risk involved in drilling, completing, testing, and equipping the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,


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