

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

**APPLICATIONS OF MRC PERMIAN COMPANY
FOR APPROVAL OF AN OVERLAPPING HORIZONTAL
WELL SPACING UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NOS. 24778-24783

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

CASE NOS. 24784-24786

**APPLICATIONS OF FRANKLIN MOUNTAIN
ENERGY 3, LLC FOR COMPULSORY POOLING,
AND, TO THE EXTENT NECESSARY, APPROVAL OF AN
OVERLAPPING SPACING UNIT,
LEA COUNTY, NEW MEXICO**

CASE NOS. 24457, 24459, 24479

**APPLICATIONS OF FRANKLIN MOUNTAIN
ENERGY 3, LLC FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

CASE NOS. 24898-24901

RESPONSE REGARDING SCOPE MRC's APPLICATIONS

MRC Permian Company ("MRC") submits this response to Franklin Mountain Energy 3, LLC's Brief Regarding Scope of MRC Permian's Applications in Cases Nos. 24778-24782.

Franklin Mountain offers no authority for its novel suggestion that MRC's pooling applications and compulsory pooling checklists in Cases 24778-24782 must be modified to identify only the Bone Spring benches MRC seeks to initially develop. As Franklin Mountain notes in its brief:

The Division's rules governing adjudications require that an application contain "the name or general description of the common source or sources of supply of or the area the order sought affects." Rule 19.15.4.8(A)(3) NMAC. An application must also state "briefly, the general nature of the order sought." Rule 19.15.4.8(A)(4) NMAC. The rules regarding the adjudicatory hearing notice require that the notice provide "a reasonable identification of the adjudication's subject matter that alerts persons who may be affected if the division grants the application." Rule 19.15.4.9(A)(6) NMAC. Generally speaking, then, an application need only identify the pool or formation sought to be pooled.

FM Brief at p.3. MRC's applications clearly meet all of these requirements. Franklin Mountain further acknowledges that it is common practice and "not unusual for an operator to propose wells targeting a specific bench within the Bone Spring, such as Second Bone Spring wells, while seeking an order pooling the entire Bone Spring, so that infill wells can be drilled at a later date." FM Brief at p. 2, fn. 2. The fact that MRC's future development plans may exclude certain Bone Spring benches because of existing development does not mean MRC's applications are defective. Indeed, Franklin Mountain Case Nos. 24457, 24459, 24479 likewise seek to pool the entire Bone Spring formation even though Franklin Mountain has existing wells in the Second Bone Spring interval under Section 19. *See* MRC Ex. B-6.

In recent years the Division has considered numerous applications for overlapping spacing units. While those applications must identify the existing spacing units being overlapped, the Division has never required applicants to exclude from pooling the intervals already developed, which is what Franklin Mountain is suggesting here. Franklin Mountain cites no authority for its novel position, because none exists. In addition to meeting the requirements of the Division regulations noted above, each of MRC's Bone Spring applications seek approval of overlapping Bone Spring spacing units and identify the existing or proposed Bone Spring units that will be overlapped. *See* MRC Case Nos. 24778-24782; MRC Ex. A at ¶4 (summarizing each application). This notice to the affected mineral owners squarely conforms with the requirements in NMRA 19.15.16.15.B(9) addressing "Existing and subsequent wells in

horizontal spacing units.” All of the affected parties in the existing or proposed spacing units were notified of MRC’s applications to create overlapping Bone Spring spacing units, and none of them have objected to the creation of overlapping Bone Spring spacing units. *See* MRC Ex. A at ¶11 (addressing the overlapping spacing units).

Further, NMRA 19.15.16.7 (H) specifically allows “infill horizontal wells” to target various benches within the approved formation, and those infill wells can be at various lateral lengths within the pooled spacing unit to address existing development or depletion concerns.¹ By seeking to pool the entire Bone Spring formation in each of its applications, MRC has provided broad flexibility for future development as more information becomes available about the various Bone Spring intervals and the technology for horizontal drilling advances.

In short, Franklin Mountain’s novel position is wrong and finds no support from any Division regulation or order.

Respectfully submitted,

HOLLAND & HART, LLP



Michael H. Feldewert
Adam G. Rankin
Paula M. Vance
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421
(505) 983-6043 Facsimile
mfeldewert@hollandhart.com
agrarkin@hollandhart.com
pmvance@hollandhart.com

ATTORNEYS FOR MRC PERMIAN COMPANY

¹ For example, according to Franklin Mountain’s witnesses, the Second Bone Spring interval contains various sub-intervals that may be capable of being independently developed. Tr. at p. 179-180.

CERTIFICATE OF SERVICE

I hereby certify that on December 16, 2024, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

Deana Bennett
Earl E. DeBrine, Jr.
Yarithza Peña
Modrall, Sperling, Roehl, Harris & Sisk, P.A.
Post Office Box 2168
Albuquerque, New Mexico 87103-2168
(505) 848-1800
deana.bennett@modrall.com
earl.debrine@modrall.com
yarithza.pena@modrall.com

Attorneys for Franklin Mountain Energy 3, LLC



Michael H. Feldewert