

**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 SPACING UNITS, LEA
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 W/2 of Section 17, Township 24 South, Range 34 East, NMPM, Lea 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 Carl Mottek Fed Well Nos. 100H, 130H, and 140H in the Unit to test the Bone Spring formation. The wells will be horizontally drilled from surface locations and first take points in the NW/4NW/4 (Unit D) of Section 17 to bottom hole locations and last take points in the NE/4NW/4 (Unit C) of Section 17. The wells are U-turn wells: The W/2W/2 of Section 17 will contain the north-south laterals, and the E/2W/2 of Section 17 will contain south-north laterals.
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 wells or to otherwise commit their interests to the wells, 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.

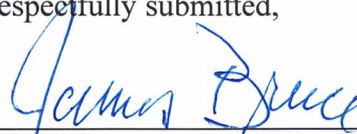
4. Applicant also requests approval for the Unit to overlap the W/2W/2 of Section 17 spacing unit for the (i) Carl Mottek Federal Well No. 121H (API No. 30-025-44936), and (ii) Carl Mottek Federal Well No. 125H (API No. 30-025-44937), both operated by Matador Production Company.

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

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 underlying the Unit;
- B. Designating Matador Production Company as operator of the wells and the Unit;
- C. Considering the cost of drilling, completing, testing, and equipping the wells, and allocating the cost thereof among the wells' 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;
- E. Setting a 200% charge for the risk involved in drilling, completing, testing, and equipping the wells in the event a working interest owner elects not to participate in the wells; and
- F. Approving the overlapping well units.

Respectfully submitted,



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