

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

**APPLICATION OF WATERLOO RESOURCES LLC
FOR APPROVAL OF A 1,276.76-ACRE OVERLAPPING
NON-STANDARD HORIZONTAL WELL SPACING UNIT
AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Waterloo Resources LLC (“Waterloo” or “Applicant”) (OGRID No. 333361), through undersigned counsel, files this application with the Oil Conservation Division (“Division”) for an order (a) approving a 1,276.76-acre, more or less, overlapping non-standard horizontal well spacing unit in the Bone Spring formation underlying Lots 1-4 (W/2 W/2 equivalent), E/2 W/2, and the E/2 of irregular Section 19, and all of Section 20, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, located in the Designated Potash Area, and (b) pooling all uncommitted interest owners in this acreage. In support of this application, Waterloo states:

1. Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill and operate a well thereon.
2. Waterloo is proposing a Joint Operating Agreement covering the subject area and seeks approval of this non-standard horizontal well spacing unit to match a corresponding Communitization Agreement for the federal leases within the subject area.
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, then Waterloo understands that the BLM 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. Waterloo seeks to minimize cost and surface disturbance by consolidating facilities and commingling production from existing and future wells in the proposed non-standard spacing unit. To allow the proposed wells to be dedicated to a federal Communitization Agreement, Waterloo requires approval of a corresponding non-standard horizontal well spacing unit in the Bone Spring formation.

5. Applicant seeks to initially dedicate the above-referenced horizontal spacing unit to the following proposed wells:

- a. **Wave Race Fed Com 111H (30-015-pending)**, proposed to be horizontally drilled from a legal surface location on an existing, approved drilling island located approximately in the SW/4 NW/4 (Unit E) and SE/4 NW/4 (Unit F) of Section 21, to a bottom hole location in Lot 1 (NW/4 NW/4 equivalent) of Section 19.
- b. **Wave Race Fed Com 112H (30-015-pending)**, proposed to be horizontally drilled from a legal surface location on an existing, approved drilling island located approximately in the SW/4 NW/4 (Unit E) and SE/4 NW/4 (Unit F) of Section 21, to a bottom hole location in Lot 2 (SW/4 NW/4 equivalent) of Section 19.
- c. **Wave Race Fed Com 113H (30-015-pending)**, proposed to be horizontally drilled from a legal surface location on an existing, approved drilling island located approximately in the SW/4 NW/4 (Unit E) and SE/4 NW/4 (Unit F) of Section 21, to a bottom hole location in Lot 3 (NW/4 SW/4 equivalent) of Section 19.
- d. **Wave Race Fed Com 114H (30-015-pending)**, proposed to be horizontally drilled from a legal surface location on an existing, approved drilling island located

approximately in the SW/4 NW/4 (Unit E) and SE/4 NW/4 (Unit F) of Section 21, to a bottom hole location in Lot 4 (SW/4 SW/4 equivalent) of Section 19.

- e. **Wave Race Fed Com 121H (30-015-pending)**, proposed to be horizontally drilled from a legal surface location on an existing, approved drilling island located approximately in the SW/4 NW/4 (Unit E) and SE/4 NW/4 (Unit F) of Section 21, to a bottom hole location in Lot 1 (NW/4 NW/4 equivalent) of Section 19.
 - f. **Wave Race Fed Com 122H (30-015-pending)**, proposed to be horizontally drilled from a legal surface location on an existing, approved drilling island located approximately in the SW/4 NW/4 (Unit E) and SE/4 NW/4 (Unit F) of Section 21, to a bottom hole location in Lot 2 (SW/4 NW/4 equivalent) of Section 19.
 - g. **Wave Race Fed Com 123H (30-015-pending)**, proposed to be horizontally drilled from legal a surface location on an existing, approved drilling island located approximately in the SW/4 NW/4 (Unit E) and SE/4 NW/4 (Unit F) of Section 21, to a bottom hole location in Lot 3 (NW/4 SW/4 equivalent) of Section 19.
 - h. **Wave Race Fed Com 124H (30-015-pending)**, proposed to be horizontally drilled from a legal surface location on an existing, approved drilling island located approximately in the SW/4 NW/4 (Unit E) and SE/4 NW/4 (Unit F) of Section 21, to a bottom hole location in Lot 4 (SW/4 SW/4 equivalent) of Section 19.
6. This proposed horizontal spacing unit will overlap the following existing spacing units in the Bone Spring formation:
- a. a 195.94-acre horizontal well spacing unit comprised of Lot 1 (39.17 acres), Lot 2 (39.18 acres), Lot 3 (39.20 acres), and Lot 4 (39.21 acres) of Section 19, and Lot 4 (39.18 acres) of Section 18, Township 19 South, Range 30 East, N.M.P.M., Eddy

County, New Mexico, operated by Marathon Oil Permian LLC and dedicated to the Parkway 19 18 Federal Com 1H (30-015-42545);

- b. a 160.00-acre horizontal well spacing unit comprised of the W/2 E/2 of Section 19, Township 19 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, operated by EOG Resources Inc. and dedicated to the Antweil ANU Federal 3H (30-015-40523).
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. Approval of this overlapping non-standard spacing unit and the pooling of interests therein will allow Waterloo to efficiently locate surface facilities for the recovery of oil and gas underlying the subject lands, reduce surface disturbance, lower operating costs, avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

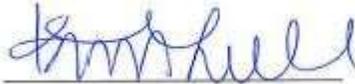
WHEREFORE, Applicant requests that this matter be set for hearing before an Examiner of the Oil Conservation Division on October 9, 2025, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving the proposed overlapping non-standard horizontal well spacing unit and pooling all uncommitted interests therein;
- B. Approving the initial wells in the horizontal well spacing unit;
- C. Designating Applicant as operator of the horizontal spacing unit and the horizontal wells to be drilled thereon;
- D. Authorizing Applicant to recover its costs of drilling, equipping, and completing the wells;
- E. 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

- F. 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 wells.

Respectfully,



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