

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

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION TO CONSIDER**

**CASE NO. 16343  
ORDER NO. R-20207**

**APPLICATION OF MATADOR PRODUCTION COMPANY FOR APPROVAL  
OF EXPANSION OF THE NORTHEAST KEMNITZ UNIT, LEA COUNTY, NEW  
MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case come on for hearing at 8:15 a.m.on August 9, 2018, before Examiner Scott A. Dawson.

NOW, on this 31<sup>st</sup> day of October 2018, the Division Director, having considered the testimony, the record and the recommendations of Examiner.

**FINDS THAT**

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) The Northeast Kemnitz Unit (the "Unit") is a state exploratory unit, and currently comprises 3,520 acres (more or less) of State land in Lea County, New Mexico, described as follows:

**TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM**

Section 9	E/2, E/2W/2
Section 14:	S/2
Section 15:	All
Section 16:	All
Section 22:	N/2
Section 23:	All
Section 24:	SW/4
Section 26:	N/2

(3) Matador Production Company (“Matador” or “Applicant”) is currently the operator of the Northeast Kemnitz Unit and seeks approval of an expansion of the Unit with an additional 1,760 acres (more or less) of State land in Lea County, New Mexico, described as follows:

**TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM**

Section 22: S/2  
Section 26: SW/4  
Section 27: All  
Section 28: E/2  
Section 34: W/2

(4) The Unitized Interval for the expanded Unit continues to include “all depths”.

(5) Matador is seeking to remain as the designated operator under the revised Unit Agreement and the effective date of the expanded Northeast Kemnitz Unit will remain the same as designated in Order No. R-5232, issued July 6, 1976 in Case No. 5697.

(6) COG Operating LLC entered an appearance. No other party appeared or otherwise opposed this application.

(7) Applicant appeared at hearing through counsel and presented the following testimony:

- a. The Unit is currently comprised of 13 different New Mexico State Land Office (“NMSLO”) tracts.
- b. The Applicant is seeking an expansion to include an additional 17 tracts to be added to the Unit for a total of 30 different NMSLO tracts.
- c. The Applicant has been given written preliminary approval by the NMSLO for the expansion of the Unit.
- d. After drilling the initial Obligation Well, the unit operator has the option at any time to voluntarily terminate its remaining drilling obligations under the Unit Agreement Addendum. However, voluntary termination of the Agreement Addendum will result in contraction of any portion of the Expansion Acreage that does not contain a well producing in paying quantities from the Northeast Kemnitz Unit Area.
- e. This agreement will tend to promote conservation of oil and gas and the better utilization of reservoir energy.
- f. A yearly Plan of Development is required from the operator to the NMSLO for the entire Northeast Kemnitz Unit inclusive of the Expansion Acreage.

- g. The geology of the Unitized Interval is continuous and extends across the expanded Unit. No faults, pinch-outs, or other geologic impediments exist to prevent the Unitized Interval from being developed by horizontal oil wells.

The Division concludes as follows:

- (8) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formation under the concept proposed by the Applicant.
- (9) The proposed Unit will and should be approved to prevent waste and protect correlative rights.

**IT IS THEREFORE ORDERED THAT**

- (1) As per the application of Matador Production Company (“Matador”), the expanded Northeast Kemnitz Unit and the Unit Agreement executed by Matador is hereby approved for oil and gas underlying all depths within the following described 5,280 acres of State lands located in Lea County, New Mexico:

**TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM**

Section 9: E/2, E/2W/2  
Section 14: S/2  
Section 15: All  
Section 16: All  
Section 22: All  
Section 23: All  
Section 24: SW/4  
Section 26: N/2, SW/4  
Section 27: All  
Section 28: E/2  
Section 34: W/2

- (2) The plan contained in the Northeast Kemnitz Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

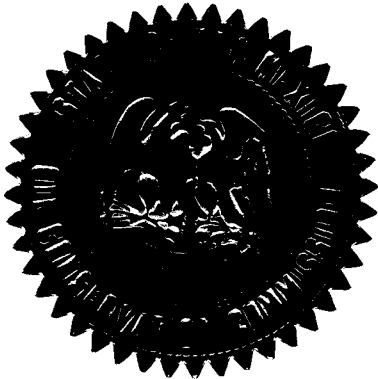
- (3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) Copies of all expansions or contractions of the unit area shall be submitted to the Division Director.

(5) This order shall become effective upon the final approval of the unit agreement by the Commissioner of Public Lands. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.


(6) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
HEATHER RILEY  
Director