

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

IN THE MATTER OF THE APPLICATION
OF MATADOR PRODUCTION COMPANY FOR
COMPULSORY POOLING AND UNORTHODOX
WELL LOCATION, EDDY COUNTY, NEW MEXICO.

CASE NO. 15039

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APPLICATION

MATADOR PRODUCTION COMPANY, ("Matador") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) pooling all mineral interests in the underlying Wolfcamp formation; and (2) approving an unorthodox well location. In support of its application, Matador states:

1. Matador (OGRID No. 228937) is a working interest owner in the S/2 of Section 12 and has the right to drill thereon.
2. Matador proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Rustler Breaks 12-24-27 #1H Well**, which will be horizontally drilled from an unorthodox surface location 330 feet from the East line and 380 feet from the South line (Unit P) to an unorthodox bottom hole location 330 feet from the West line and 380 feet from the South line (Unit M) of Section 12 Township 24 South, Range 27 East, NMPM, Lea County, New Mexico. The proposed well is not within a designated pool; however it is within one mile of the Black River; Wolfcamp, East pool. The Black River; Wolfcamp, East pool is a gas pool subject to 320-acre spacing and proration units and 660-foot setback requirements. The entire

completed interval for this well will be outside the 660-foot standard offset required by the Division's rules. The location of this well will be unorthodox, for engineering reasons, in order to effectively and efficiently drain the spacing and proration unit. Here, the well will encroach upon the spacing and proration units to the West, Southwest, South, East and Southeast.

3. Matador has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

4. The pooling of interests and approval of an unorthodox well location will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit Matador to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this spacing unit should be pooled and Matador Production Company should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, Matador Production Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 5, 2013, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all mineral interests in the spacing and proration unit in the Wolfcamp formation, nearest pool Black River; Wolfcamp, East, comprised of the S/2 S/2 of Section 12, Township 24 South, Range 27 East, NMPM;

- B. Designating Matador Production Company operator of this spacing unit and the horizontal well to be drilled thereon;
- C. Approving an unorthodox well location in the S/2 S/2 of Section 12;
- D. Authorizing Matador Production Company to recover its costs of drilling, equipping and completing the well;
- 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% penalty for the risk assumed by Matador Production Company in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

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

**ATTORNEYS FOR
MATADOR PRODUCTION COMPANY**

CASE 15039:

Application of Matador Production Company for compulsory pooling and unorthodox well location, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) pooling all mineral interests in the underlying Wolfcamp formation; and (2) approving an unorthodox well location in the S/2 S/2 of Section 12 , Township 24 South, Range 27 East, NMPM, Lea County, New Mexico. Said unit is to be dedicated to applicant's proposed **Rustler Breaks 12-24-27 #1H well**, which will be horizontally drilled from an unorthodox surface location 330 feet from the East line and 380 feet from the South line (Unit P) to an unorthodox bottom hole location 330 feet from the West line and 380 feet from the South line (Unit M) of said Section 12. The entire completed interval for this well will be outside the 660-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Matador Production Company as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 7 miles East of Black River Village, New Mexico.