

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MATADOR PRODUCTION
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Case No. 20681

APPLICATION

Matador Production Company applies for an order pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit comprised of the S/2N/2 of Section 31 and the S/2N/2 of Section 32, Township 20 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is an operator in the S/2N/2 of Section 31 and the S/2N/2 of Section 32, and has the right to drill a well thereon.

2. Applicant proposes to drill the Pennzoil 3231 Fed. Com. Well No. 126H to a depth sufficient to test the Bone Spring formation. The well has a first take point in the SE/4NE/4 of Section 32 and a final take point in the SW/4NW/4 of Section 31. The S/2N/2 of Section 31 and the S/2N/2 of Section 32 will be dedicated to the well.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S/2N/2 of Section 31 and the S/2N/2 of Section 32 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners 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 join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the Bone Spring

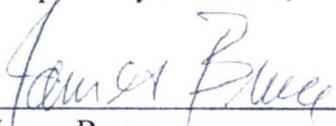
formation underlying the S/2N/2 of Section 31 and the S/2N/2 of Section 32, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests in the Bone Spring formation underlying the S/2N/2 of Section 31 and the S/2N/2 of Section 32 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the Bone Spring formation underlying the S/2N/2 of Section 31 and the S/2N/2 of Section 32;
- B. Designating applicant as operator of the wells;
- C. Considering the cost of drilling and completing the wells, and allocating the cost 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; and
- E. Setting a 200% charge for the risk involved in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,



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Parties Being Pooled

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Artesia, NM 88210

Sharbro Energy, LLC
327 West Main Street
Artesia, NM 88210

Yates Energy Corporation
P. O. Box 2323
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EOG Resources, Inc.
105 South Fourth Street
Artesia, NM 88210

Devon Energy Production Company, L.P.
333 West Sheridan Avenue
Oklahoma City, OK 73102

Marathon Oil Permian LLC
5555 San Felipe Street
Houston, TX 77056