

Revised March 23, 2017

RECEIVED:	REVIEWER:	TYPE:	APP NO:
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ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Geological & Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Applicant: _____ OGRID Number: _____
 Well Name: _____ API: _____
 Pool: _____ Pool Code: _____

SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED BELOW

1) **TYPE OF APPLICATION:** Check those which apply for [A]

A. Location – Spacing Unit – Simultaneous Dedication

☐ NSL ☐ NSP (PROJECT AREA) ☐ NSP (PRORATION UNIT) ☐ SD

B. Check one only for [I] or [II]

[I] Commingling – Storage – Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[II] Injection – Disposal – Pressure Increase – Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

2) **NOTIFICATION REQUIRED TO:** Check those which apply.

- A. ☐ Offset operators or lease holders
 B. ☐ Royalty, overriding royalty owners, revenue owners
 C. ☐ Application requires published notice
 D. ☐ Notification and/or concurrent approval by SLO
 E. ☐ Notification and/or concurrent approval by BLM
 F. ☐ Surface owner
 G. ☐ For all of the above, proof of notification or publication is attached, and/or,
 H. ☐ No notice required

FOR OCD ONLY

- ☐ Notice Complete
☐ Application Content Complete

3) **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name

Date

Phone Number

Signature

e-mail Address



Kaitlyn A. Luck
Phone (505) 954-7286
Fax (505) 819-5579
kaluck@hollandhart.com

October 25, 2021

VIA ONLINE FILING

Adrienne Sandoval
Director, Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Matador Production Company to authorize lease commingling at the Mallon Tank Battery located in the SW/4 SE/4 (Unit O) of Section 27, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

Dear Ms. Sandoval:

Matador Production Company (OGRID No. 228937) seeks administrative approval for lease commingling, pursuant to 19.15.12.7 NMAC, at the **Mallon Tank Battery** of production from the Quail Ridge, Bone Spring South Pool (50461), from *all existing and future wells drilled in the following spacing units*:

(a) The 240-acre, more or less, spacing unit in the Quail Ridge, Bone Spring South Pool (50461) the E/2 SE/4 of Section 22 and the E/2 E/2 of Section 27. The spacing unit is currently dedicated to the **Mallon 27 Fed Com #1 well** (API No. 30-025-42212);

(b) The 240-acre, more or less, spacing unit in the Quail Ridge, Bone Spring South Pool (50461) underlying the W/2 SE/4 of Section 22 and the W/2 E/2 of Section 27. The spacing unit is currently dedicated to the **Mallon 27 Fed Com #2 well** (API No. 30-025-42315);

(c) The 240-acre, more or less, spacing unit in the Quail Ride, Bone Spring South Pool (50461) underlying the E/2 SW/4 of Section 22 and the E/2 W/2 of Section 27. The spacing unit is currently dedicated to the **Mallon 27 Fed Com #3 well** (API No. 30-025-41808); and

(d) Pursuant to 19.15.12.10.C(4)(g), *future spacing units connected to this central tank battery* with notice provided only to the interest owners within these future spacing units.

Oil and gas production from these spacing units will be commingled and sold at the Mallon Tank Battery located in the SW/4 SE/4 (Unit O) of Section 27. Prior to commingling, gas production from each spacing unit will be separately metered using individual test separators with calibrated

orifice meters that are manufactured to AGA specifications. Oil production from each spacing unit will also be separately metered using turbine meters.

Exhibit 1 is a land plat showing Matador's current development plan, flow lines, and central tank battery ("production facility") in the subject area. The plat identifies the wellbores, the existing spacing units, and the common surface facilities located in the SW/4 SE/4 (Unit O) of Section 27.

Exhibit 2 is a C-102 for each of the wells currently permitted or drilled within the existing spacing units, together with the available six-month production reports.

Exhibit 3 is a completed Application for Surface Commingling (Diverse Ownership) Form C-107-B, that includes a statement from Ryan Hernandez, Production Engineer with Matador, identifying the facilities and the measurement devices to be utilized, a detailed schematic of the surface facilities (attachment A to the statement) and a referenced gas sample (attachment B to the statement).

Ownership is diverse between the above-described spacing units. **Exhibit 4** is a list of the interest owners (including any owners of royalty or overriding royalty interests) affected by this application, an example of the letters sent by certified mail advising the interest owners that any objections must be filed in writing with the Division within 20 days from the date the Division receives this application, and proof of mailing. A copy of this application has been provided to the Bureau of Land Management since federal lands are involved.

Finally, attached as **Exhibit 5** are the draft or approved communitization agreements for the acreage subject to this application.

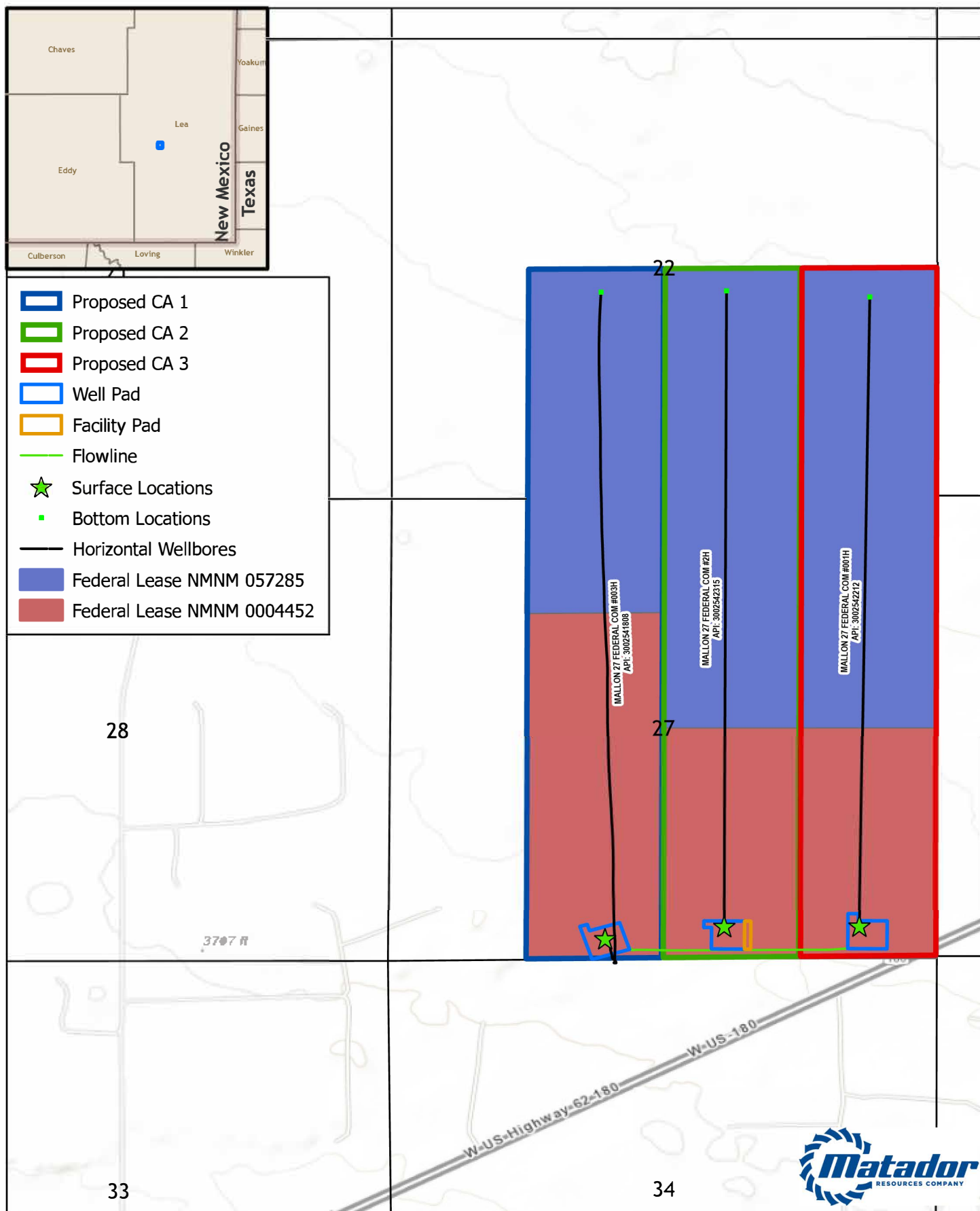
Thank you for your attention to this matter, and please feel free to call if you have any questions or require additional information.

Sincerely,



Kaitlyn A. Luck
**ATTORNEY FOR MATADOR PRODUCTION
COMPANY**

Mallon Commingling Plat



Southeast New Mexico

EXHIBIT 1

Map Prepared by: agreeen
 Project: Commingling Plat
 Date: 9/10/2021
 Coordinate System: GCS WGS 1984

0 500 1,000 2,000 3,000 Feet

EXHIBIT 2

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources
Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Sante Fe, NM 87505

FORM C-102
Revised August 1, 2011
 one copy to appropriate
 District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-422212	² Pool Code 37570	³ Pool Name LEA BONE SPRING
⁴ Property Code 313142	⁵ Property Name MALLON 27 FEDERAL COM	⁶ Well Number #1H
⁷ OGRID No. 228937	⁸ Operator Name MATADOR PRODUCTION COMPANY	⁹ Elevation 3720'

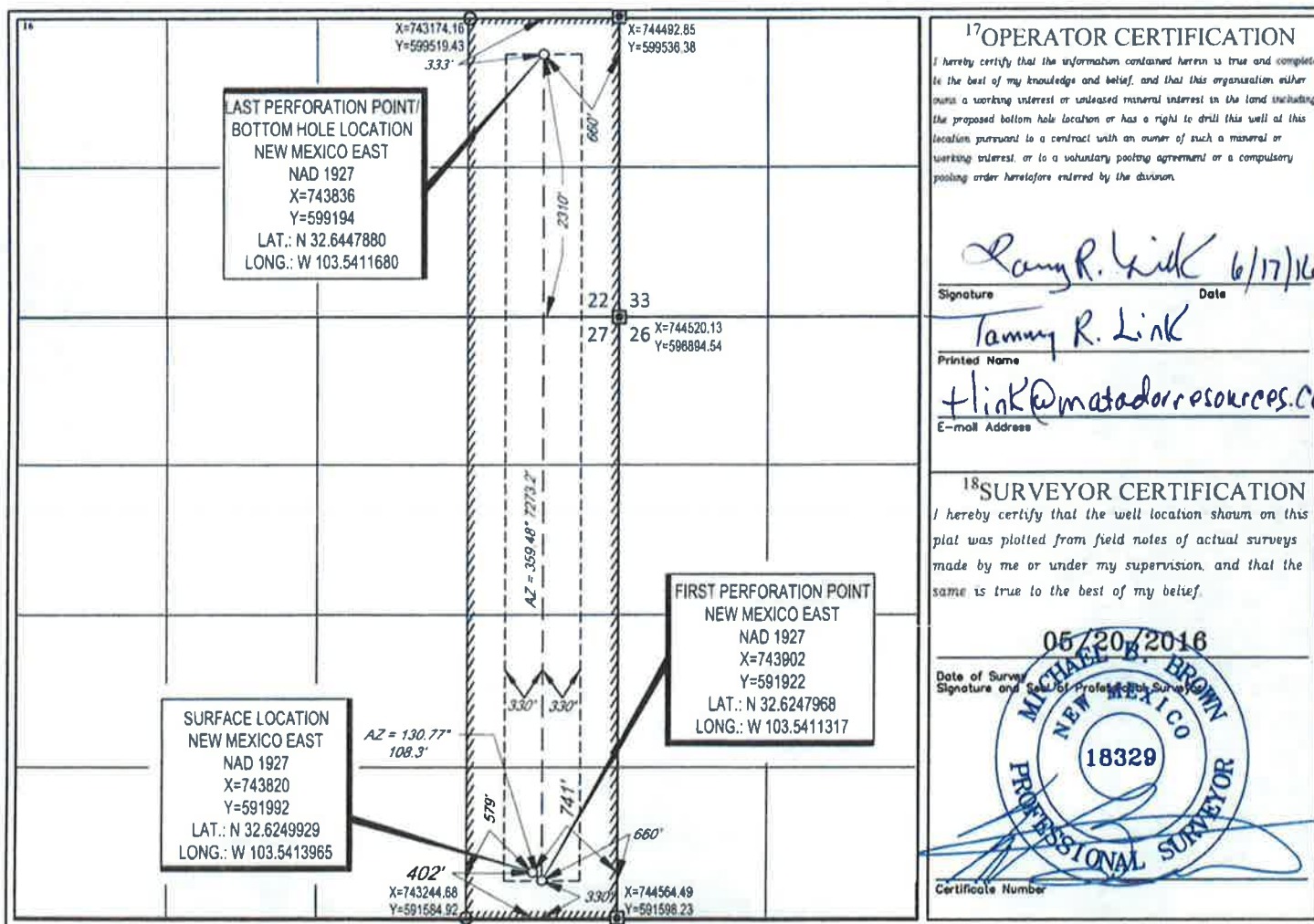
¹⁰Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	27	19-S	34-E	-	402'	SOUTH	741'	EAST	LEA

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	22	19-S	34-E	-	2310'	SOUTH	660'	EAST	LEA

¹² Dedicated Acres 240	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
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Energy, Minerals & Natural Resources
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OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

FORM C-102

Revised August 1, 2011

Submit one copy to appropriate

District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30+025+42315		² Pool Code 37570	³ Pool Name LEA BONE SPRING
⁴ Property Code 313142	⁵ Property Name MALLON 27 FEDERAL COM		⁶ Well Number #2H
⁷ GRID No. 228937	⁸ Operator Name MATADOR PRODUCTION COMPANY		⁹ Elevation 3714'

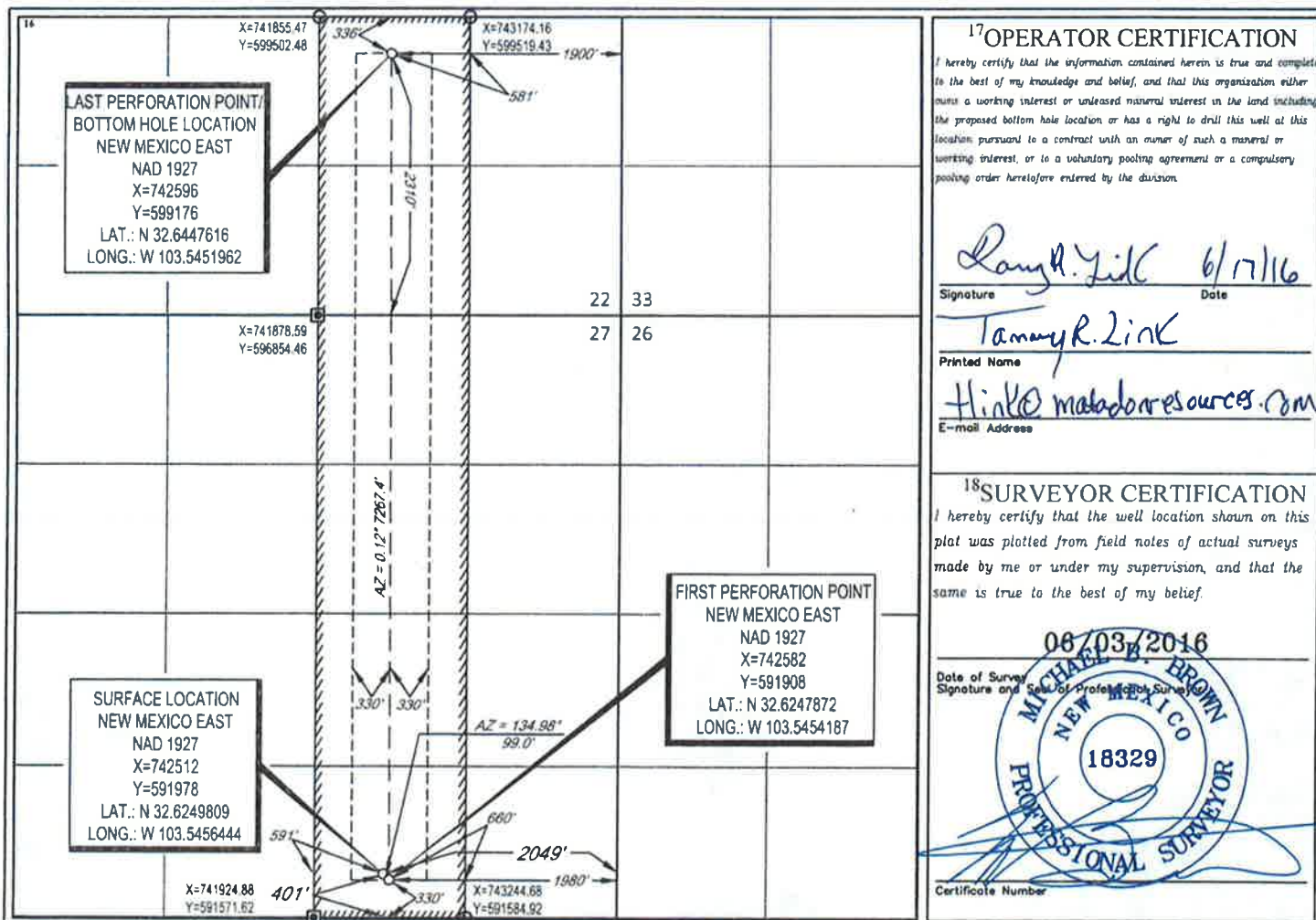
¹⁰Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	27	19-S	34-E	-	401'	SOUTH	2049'	EAST	LEA

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	22	19-S	34-E	-	2310'	SOUTH	1900'	EAST	LEA

¹² Dedicated Acres 240	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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District I
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OIL CONSERVATION DIVISION
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Sante Fe, NM 87505

FORM C-102

Revised August 1, 2011

Submit one copy to appropriate

District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30025-41808		² Pool Code 50461	³ Pool Name QUAIL RIDGE; BONE SPRING, SOUTH	
⁴ Property Code 313142	⁵ Property Name MALLON 27 FEDERAL COM			⁶ Well Number #3H
⁷ OGRID No. 228937	⁸ Operator Name MATADOR PRODUCTION COMPANY			⁹ Elevation 3709'

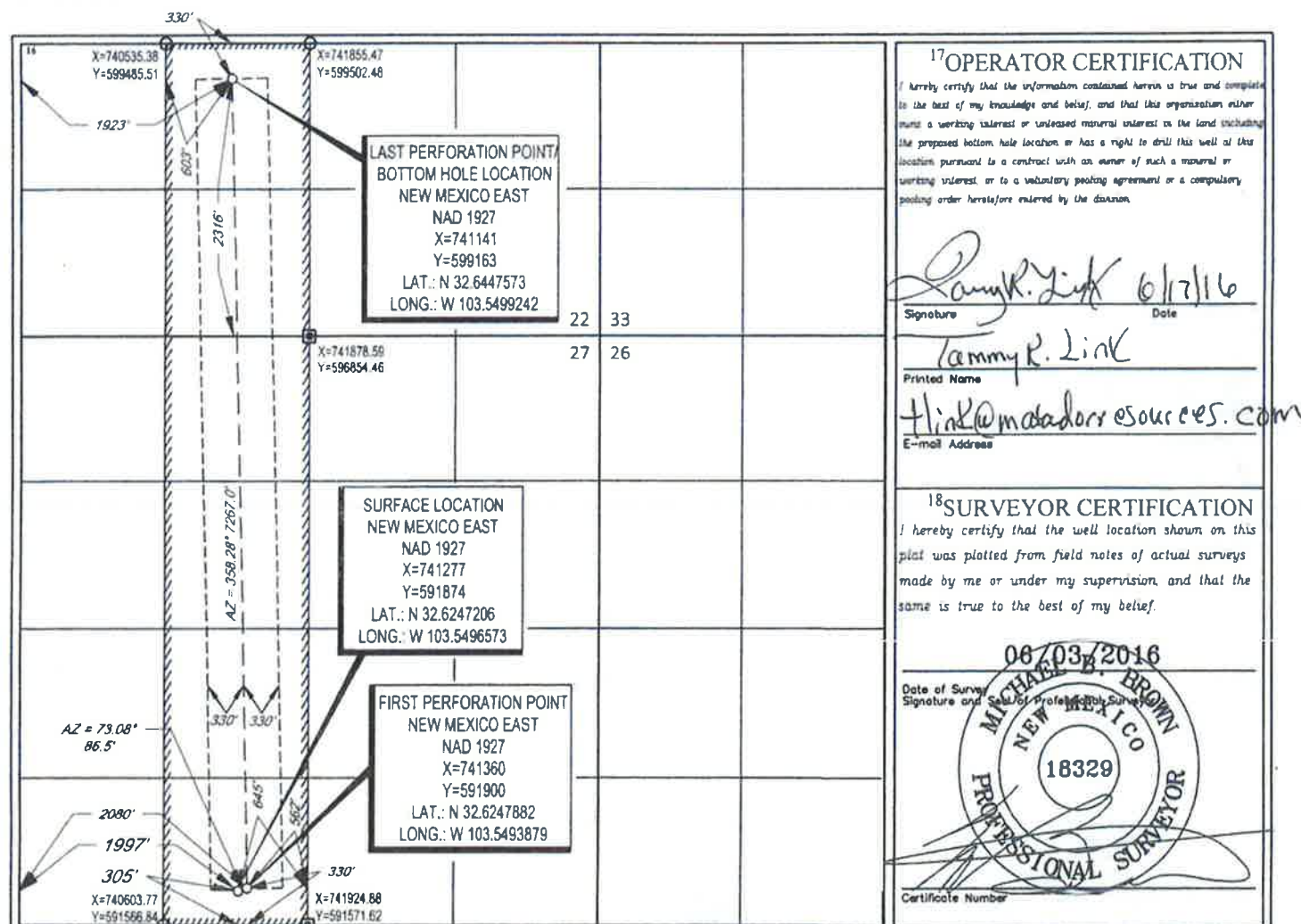
¹⁰Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	27	19-S	34-E	-	305'	SOUTH	1997'	WEST	LEA

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	22	19-S	34-E	-	2316'	SOUTH	1923'	WEST	LEA

¹³ Dedicated Acres 240	¹² Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



Production Summary Report API: 30-025-42212 MALLON 27 FEDERAL COM #001H Printed On: Thursday, October 07 2021											
		Production					Injection				
Year	Pool	Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days P/I	Water(BBLS)	Co2(MCF)	Gas(MCF)	Other	Pressure
2016	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Nov	253	480	20866	4	0	0	0	0	0
2016	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	55808	32208	93818	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	41016	28604	24035	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	31523	19826	13618	28	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	30450	19161	13578	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	28504	17525	12622	30	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	28216	17806	13262	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	25011	15962	11679	30	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	22610	14538	10643	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Aug	29216	19775	14897	29	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Sep	36498	25094	17997	30	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Oct	32989	20545	16179	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Nov	29517	16106	14333	30	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	28308	17906	13285	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	24257	14925	11746	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	22107	13512	10835	28	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	5629	3155	16579	21	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	13156	7704	13278	30	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	19002	11675	9109	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	17468	10824	9129	30	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	17854	11157	8862	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Aug	17602	10355	6476	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Sep	16113	9667	7017	30	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Oct	17197	10421	7514	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Nov	16469	10287	7058	30	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	15679	8678	6633	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	14966	8284	6465	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	10823	6224	4976	24	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	14060	8919	6598	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	13184	9241	5862	30	0	0	0	0	0

2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	13684	9100	5930	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	12697	9403	5741	30	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	13190	9419	4513	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Aug	12828	9777	4665	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Sep	12116	9186	3941	30	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Oct	11970	8704	2764	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Nov	11400	8300	2291	30	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	11793	9003	5205	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	11969	9192	5715	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	10916	7613	5222	29	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	11096	7821	3821	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	10782	8316	2118	30	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	10699	8001	3716	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	10549	8688	4335	30	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	11422	10857	4740	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Aug	11905	11763	4881	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Sep	10971	10126	4748	30	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Oct	11009	10162	4703	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Nov	10478	8178	4729	30	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	11558	10323	5087	31	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	11340	10624	4802	31	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	9421	8848	3961	28	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	11528	11644	5164	31	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	11067	12200	4974	30	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	11081	11741	4785	31	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	10123	11284	4380	30	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	10461	12897	4698	31	0	0	0	0	0

Production Summary Report API: 30-025-42315 MALLON 27 FEDERAL COM #002H Printed On: Thursday, October 07 2021											
		Production					Injection				
Year	Pool	Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days P/I	Water(BBLS)	Co2(MCF)	Gas(MCF)	Other	Pressure
2016	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	48052	27516	90571	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	36440	24637	31827	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	25125	15182	16853	22	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	24403	14221	16373	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	22967	13292	18043	30	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	23348	14484	17529	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	14037	8680	10360	30	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	32006	22462	23171	22	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Aug	40228	29489	26529	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Sep	30469	22139	21436	30	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Oct	25142	17750	19300	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Nov	23944	17264	18205	30	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	22183	15534	17126	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	18279	13109	14754	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	17892	12012	14260	28	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	6546	4363	14594	23	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	11042	6737	11879	30	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	13812	9725	9359	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	13743	10779	10199	30	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	14750	11223	9137	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Aug	13958	8990	9089	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Sep	16127	12021	10821	30	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Oct	16130	12603	10954	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Nov	15139	11942	10749	30	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	13457	8673	9792	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	13370	9464	9714	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	6907	6416	8917	25	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	11814	8423	11158	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	12807	8974	9357	30	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	13688	5216	8784	31	0	0	0	0	0

2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	12473	8822	7950	30	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	13925	9869	8219	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Aug	14419	8654	8203	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Sep	13123	7362	6891	30	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Oct	12497	8282	4100	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Nov	12784	10352	4163	30	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	13752	11418	7883	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	13837	12077	7909	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	14726	15082	8049	29	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	14907	14737	6084	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	13490	13355	3656	30	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	12794	12353	5889	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	13318	13854	6265	30	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	14437	14610	6774	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Aug	14386	14720	6672	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Sep	13657	15039	6399	30	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Oct	13989	15809	6491	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Nov	12865	14367	6369	30	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	13485	15964	6743	31	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	13356	16706	6559	31	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	11898	15128	5936	28	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	12769	16697	6529	31	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	10896	15172	5387	27	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	10657	13518	5010	28	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	11703	17130	6448	30	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	11144	17757	6291	31	0	0	0	0	0

Production Summary Report API: 30-025-41808 MALLON 27 FEDERAL COM #003H Printed On: Thursday, October 07 2021											
Year	Pool	Month	Production				Injection				
			Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days P/I	Water(BBLS)	Co2(MCF)	Gas(MCF)	Other	Pressure
2016	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	45916	24082	100039	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	36578	22225	26999	30	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	25551	15699	17150	22	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	24138	14953	16224	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	29412	17498	21708	30	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	25221	15671	19024	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	18349	11282	13420	30	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	16165	9984	12546	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Aug	20530	14023	16680	27	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Sep	23421	17492	18944	30	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Oct	21522	14259	17204	31	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Nov	18396	12222	18205	30	0	0	0	0	0
2017	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	17315	12927	14391	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	15663	10935	13080	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	14662	9034	12362	28	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	11558	8001	10775	24	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	14856	8452	9990	30	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	16885	10703	9912	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	15690	11210	10705	30	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	15926	10818	11252	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Aug	15374	8665	11551	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Sep	13861	8183	10634	30	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Oct	14326	9793	11023	31	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Nov	12835	8342	9807	30	0	0	0	0	0
2018	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	11856	7225	10204	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	10725	8031	5854	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	4715	3414	6616	24	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	10016	6859	10694	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	12756	7935	9907	30	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	13846	8150	9711	31	0	0	0	0	0

2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	12470	8642	8600	30	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	12412	7905	8184	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Aug	12799	7306	8365	31	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Sep	10674	3651	4846	30	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Oct	9213	5607	4375	27	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Nov	11395	7382	3755	30	0	0	0	0	0
2019	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	10237	7070	6685	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	11099	7411	7343	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	12030	9774	7773	29	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	11471	9341	5706	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	11596	9307	3559	30	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	11293	9325	5437	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	11189	10049	6383	30	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	11056	9712	6418	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Aug	11530	10332	6820	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Sep	11031	9866	6751	30	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Oct	11674	9575	6596	31	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Nov	11666	9619	6694	30	0	0	0	0	0
2020	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Dec	11485	9899	6420	31	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jan	10594	8895	6096	31	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Feb	11810	11296	6798	28	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Mar	11830	11815	6824	31	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Apr	11489	10678	6361	30	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	May	8922	7945	5044	31	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jun	8401	7618	5285	30	0	0	0	0	0
2021	[50461] QUAIL RIDGE;BONE SPRING, SOUTH	Jul	9328	10506	5320	31	0	0	0	0	0

District I
1625 N. French Drive, Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St Francis Dr, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
Revised August 1, 2011

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: Matador Production Company
OPERATOR ADDRESS: 5400 LBJ Freeway Tower 1 Suite 1500 Dallas, TX 75240
APPLICATION TYPE:
☐ Pool Commingling ☒ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingled)
LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☐ Yes ☒ No If "Yes", please include the appropriate Order No. _____
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
☒ Yes ☐ No

(A) POOL COMMINGLING Please attach sheets with the following information				
(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production	Calculated Value of Commingled Production	Volumes

(2) Are any wells producing at top allowables? ☐ Yes ☒ No
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No.
(4) Measurement type: ☒ Metering ☐ Other (Specify)
(5) Will commingling decrease the value of production? ☐ Yes ☒ No If "yes", describe why commingling should be approved


(B) LEASE COMMINGLING Please attach sheets with the following information	
(1) Pool Name and Code- QUAIL RIDGE; BONE SPRING, SOUTH (50461)	
(2) Is all production from same source of supply? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
(3) Has all interest owners been notified by certified mail of the proposed commingling? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
(4) Measurement type: <input checked="" type="checkbox"/> Metering <input type="checkbox"/> Other (Specify)	

(C) POOL and LEASE COMMINGLING Please attach sheets with the following information	
(1) Complete Sections A and E.	

(D) OFF-LEASE STORAGE and MEASUREMENT Please attached sheets with the following information	
(1) Is all production from same source of supply? <input type="checkbox"/> Yes <input type="checkbox"/> No	
(2) Include proof of notice to all interest owners.	

(E) ADDITIONAL INFORMATION (for all application types) Please attach sheets with the following information	
(1) A schematic diagram of facility, including legal location.	
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.	
(3) Lease Names, Lease and Well Numbers, and API Numbers.	

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE:  TITLE: Production Engineer DATE: 9-21-21

TYPE OR PRINT NAME Ryan Hernandez TELEPHONE NO.: (972) 619-1276

E-MAIL ADDRESS: rhernandez@matadorresources.com

EXHIBIT 3

Matador Production Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240

Voice 972.371.5427 • Fax 972.371.5201

rhernandez@matadorresources.com

Ryan Hernandez
Production Engineer

September 21, 2021

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Application of Matador Production Company for administrative approval to surface commingle (lease) gas and oil production from the spacing units comprised of the E/2 and E/2 W/2 of Section 27 and the SE/4 and W/2SW/4 of Section 22, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico (the "Lands").

To Whom This May Concern,

Matador Production Company ("Matador"), OGRID: 228937, requests to commingle current oil and gas production from three (3) distinct wells located on the Lands and future production from the Lands as described herein. All wells will be metered through individual test separators with an oil turbine meter and gas orifice meter. The gas commingling will occur after individual measurement at each well. Gas exiting each well test flows into one gathering line, as depicted on **Exhibit A**, the Versado Gas Processing, LLC gathering line. Each well on the Lands will have its own test separator with an orifice meter manufactured and assembled in accordance with American Gas Association (AGA) specifications. All primary and secondary Electronic Flow Measurement (EFM) equipment is tested and calibrated by a reputable third party measurement company in accordance with industry specifications.

The orifice meter is the preferred measurement device utilized by midstream and E&P companies in natural gas measurement. The gas samples are obtained at the time of the meter testing/calibration and the composition and heating value are determined by a laboratory in accordance with American Petroleum Institute (API) specifications to ensure accurate volume and Energy (MMBTU) determinations. See example from Fesco Laboratory attached as **Exhibit B** hereto.

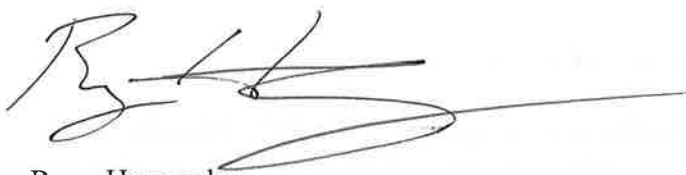
The flow stream from each wellhead is demonstrated in the Process Flow Diagram (PFD) attached as **Exhibit A** hereto. This PFD shows that the water, oil, and gas exit the wellbore and flow into a wellhead three-phase separator which separates the oil, gas, and water. The oil is measured via turbine meter which is calibrated periodically in accordance with industry specifications by a third party measurement company for accuracy. The gas is measured on a volume and MMBTU basis by an orifice meter and supporting EFM equipment in accordance with American Petroleum

Association (API) Chapter 21.1. The gas is then sent into a gathering line where it is commingled with each of the other wells' metered gas, as shown on **Exhibit A**. The gathering line gas is then metered by another orifice meter at the tank battery check to show the total volume of gas leaving the Tank Battery. This meter is tested and calibrated in accordance with industry specifications and volume and energy are determined on an hourly, daily, and monthly basis. Once the gas exits this final tank battery sales check it travels directly into a third party sales connect meter. Versado Gas Processing, LLC has its own orifice meter that measures the gas for custody transfer. These meters are also calibrated periodically to ensure the measurement accuracy.

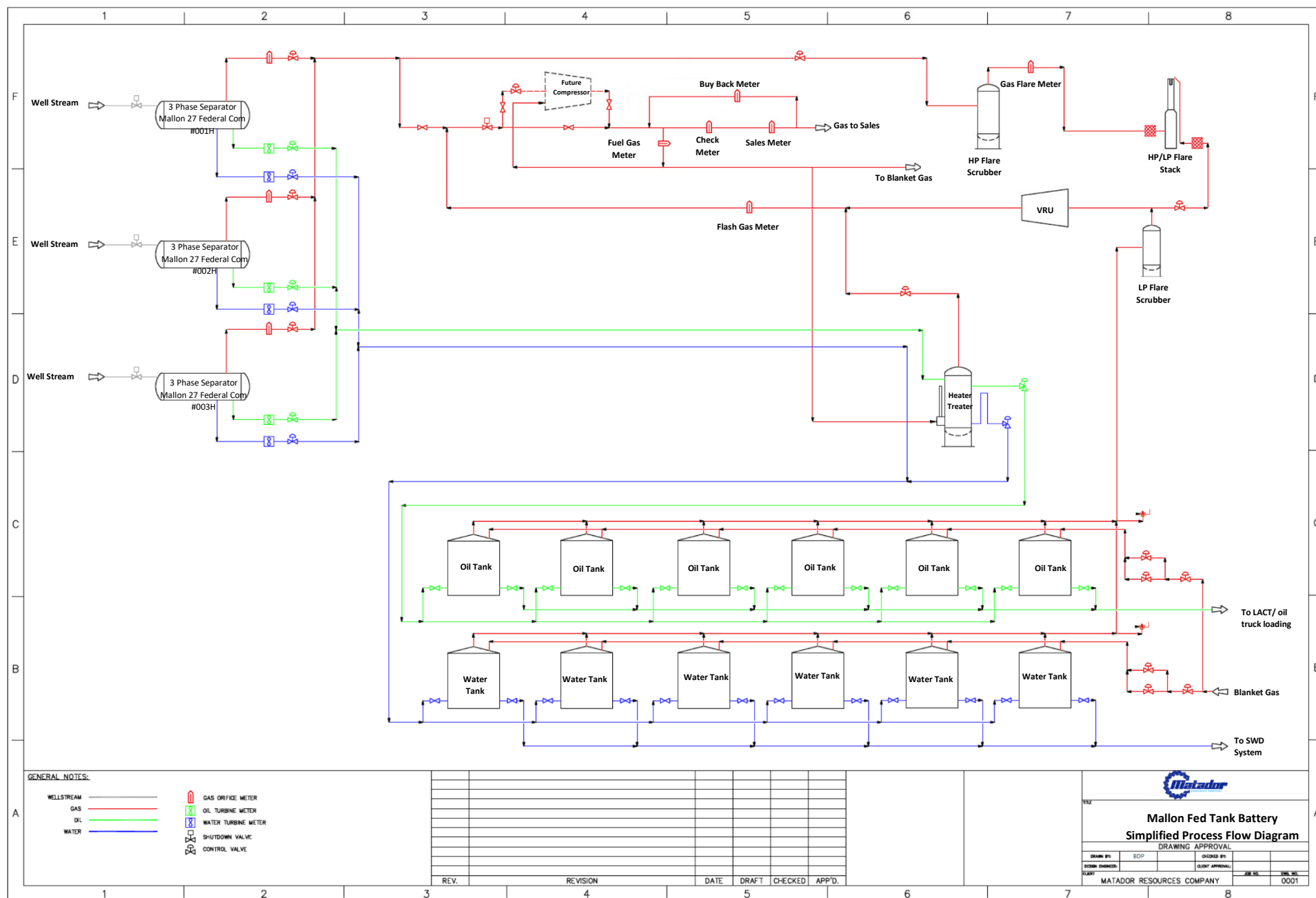
In conclusion, all the oil and gas produced on the Lands is and will be metered at each wellhead and allocated correctly using the same measurement equipment as the pipeline sales measurement specifications accepted by API as industry standard.

Very truly yours,

MATADOR PRODUCTION COMPANY

A handwritten signature in black ink, appearing to read 'Ryan Hernandez', with a long horizontal line extending to the right.

Ryan Hernandez
Production Engineer



FESCO, Ltd.
1100 Fesco Ave. - Alice, Texas 78332

For: Matador Production Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240

Sample: Mallon 27 Federal Com No. 1H
First Stage Separator
Spot Gas Sample @ 350 psig & 108 °F

Date Sampled: 12/28/2016

Job Number: 63963.021

CHROMATOGRAPH EXTENDED ANALYSIS - GPA 2286

COMPONENT	MOL%	GPM
Hydrogen Sulfide*	< 0.001	
Nitrogen	4.392	
Carbon Dioxide	0.101	
Methane	69.412	
Ethane	15.072	4.024
Propane	7.407	2.037
Isobutane	0.621	0.203
n-Butane	1.671	0.526
2-2 Dimethylpropane	0.004	0.002
Isopentane	0.305	0.111
n-Pentane	0.324	0.117
Hexanes	0.253	0.104
Heptanes Plus	<u>0.438</u>	<u>0.178</u>
Totals	100.000	7.302

Computed Real Characteristics Of Heptanes Plus:

Specific Gravity ----- 3.374 (Air=1)
Molecular Weight ----- 97.32
Gross Heating Value ----- 5032 BTU/CF

Computed Real Characteristics Of Total Sample:

Specific Gravity ----- 0.785 (Air=1)
Compressibility (Z) ----- 0.9960
Molecular Weight ----- 22.64
Gross Heating Value
Dry Basis ----- 1289 BTU/CF
Saturated Basis ----- 1268 BTU/CF

*Hydrogen Sulfide tested on location b Stain Tube Method (GPA 2377)
0.031 Gr/100 CF, 0.5 PPMV or <0.0001 Mol%

Base Conditions: 14.650 PSI & 60 Deg F

Sampled By: (16) EJ/Ronnie
Analyst: MR
Processor: NG
Cylinder ID: T-4511

Certified: FESCO, Ltd. - Alice, Texas

David Dannhaus 361-661-7015

CHROMATOGRAPH EXTENDED ANALYSIS - GPA 2286
TOTAL REPORT

COMPONENT	MOL %	GPM	WT %
Hydrogen Sulfide*	< 0.001		< 0.001
Nitrogen	4.392		5.434
Carbon Dioxide	0.101		0.196
Methane	69.412		49.182
Ethane	15.072	4.024	20.016
Propane	7.407	2.037	14.426
Isobutane	0.621	0.203	1.594
n-Butane	1.671	0.526	4.290
2,2 Dimethylpropane	0.004	0.002	0.013
Isopentane	0.305	0.111	0.972
n-Pentane	0.324	0.117	1.032
2,2 Dimethylbutane	0.003	0.001	0.011
Cyclopentane	0.000	0.000	0.000
2,3 Dimethylbutane	0.036	0.015	0.137
2 Methylpentane	0.075	0.031	0.285
3 Methylpentane	0.045	0.018	0.171
n-Hexane	0.094	0.039	0.358
Methylcyclopentane	0.070	0.024	0.260
Benzene	0.030	0.008	0.104
Cyclohexane	0.055	0.019	0.204
2-Methylhexane	0.012	0.006	0.053
3-Methylhexane	0.015	0.007	0.066
2,2,4 Trimethylpentane	0.000	0.000	0.000
Other C7's	0.056	0.024	0.245
n-Heptane	0.032	0.015	0.142
Methylcyclohexane	0.050	0.020	0.217
Toluene	0.017	0.006	0.069
Other C8's	0.048	0.022	0.234
n-Octane	0.014	0.007	0.071
Ethylbenzene	0.002	0.001	0.009
M & P Xylenes	0.004	0.002	0.019
O-Xylene	0.001	0.000	0.005
Other C9's	0.019	0.010	0.106
n-Nonane	0.004	0.002	0.023
Other C10's	0.007	0.004	0.044
n-Decane	0.001	0.001	0.006
Undecanes (11)	<u>0.001</u>	<u>0.001</u>	<u>0.006</u>
Totals	100.000	7.302	100.000

Computed Real Characteristics Of Total Sample:

Specific Gravity -----	0.785	(Air=1)
Compressibility (Z) -----	0.9960	
Molecular Weight -----	22.64	
Gross Heating Value		
Dry Basis -----	1289	BTU/CF
Saturated Basis -----	1268	BTU/CF

District I
1625 N. French Drive, Hobbs, NM 88240
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State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
Revised August 1, 2011

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

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OPERATOR ADDRESS: 5400 LBJ Freeway Tower 1 Suite 1500 Dallas, TX 75240
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☐ Pool Commingling ☒ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingled)
LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☐ Yes ☒ No If "Yes", please include the appropriate Order No. _____
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
☒ Yes ☐ No

(A) POOL COMMINGLING Please attach sheets with the following information				
(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production	Calculated Value of Commingled Production	Volumes

(2) Are any wells producing at top allowables? ☐ Yes ☒ No
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No.
(4) Measurement type: ☒ Metering ☐ Other (Specify)
(5) Will commingling decrease the value of production? ☐ Yes ☒ No If "yes", describe why commingling should be approved


(B) LEASE COMMINGLING Please attach sheets with the following information	
(1) Pool Name and Code- QUAIL RIDGE; BONE SPRING, SOUTH (50461)	
(2) Is all production from same source of supply? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
(3) Has all interest owners been notified by certified mail of the proposed commingling? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
(4) Measurement type: <input checked="" type="checkbox"/> Metering <input type="checkbox"/> Other (Specify)	

(C) POOL and LEASE COMMINGLING Please attach sheets with the following information	
(1) Complete Sections A and E.	

(D) OFF-LEASE STORAGE and MEASUREMENT Please attached sheets with the following information	
(1) Is all production from same source of supply? <input type="checkbox"/> Yes <input type="checkbox"/> No	
(2) Include proof of notice to all interest owners.	

(E) ADDITIONAL INFORMATION (for all application types) Please attach sheets with the following information	
(1) A schematic diagram of facility, including legal location.	
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.	
(3) Lease Names, Lease and Well Numbers, and API Numbers.	

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE:  TITLE: Production Engineer DATE: 9-21-21

TYPE OR PRINT NAME Ryan Hernandez TELEPHONE NO.: (972) 619-1276

E-MAIL ADDRESS: rhernandez@matadorresources.com

Matador Production Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240

Voice 972.371.5427 • Fax 972.371.5201

rhernandez@matadorresources.com

Ryan Hernandez
Production Engineer

September 21, 2021

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Application of Matador Production Company for administrative approval to surface commingle (lease) gas and oil production from the spacing units comprised of the E/2 and E/2 W/2 of Section 27 and the SE/4 and W/2SW/4 of Section 22, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico (the "Lands").

To Whom This May Concern,

Matador Production Company ("Matador"), OGRID: 228937, requests to commingle current oil and gas production from three (3) distinct wells located on the Lands and future production from the Lands as described herein. All wells will be metered through individual test separators with an oil turbine meter and gas orifice meter. The gas commingling will occur after individual measurement at each well. Gas exiting each well test flows into one gathering line, as depicted on **Exhibit A**, the Versado Gas Processing, LLC gathering line. Each well on the Lands will have its own test separator with an orifice meter manufactured and assembled in accordance with American Gas Association (AGA) specifications. All primary and secondary Electronic Flow Measurement (EFM) equipment is tested and calibrated by a reputable third party measurement company in accordance with industry specifications.

The orifice meter is the preferred measurement device utilized by midstream and E&P companies in natural gas measurement. The gas samples are obtained at the time of the meter testing/calibration and the composition and heating value are determined by a laboratory in accordance with American Petroleum Institute (API) specifications to ensure accurate volume and Energy (MMBTU) determinations. See example from Fesco Laboratory attached as **Exhibit B** hereto.

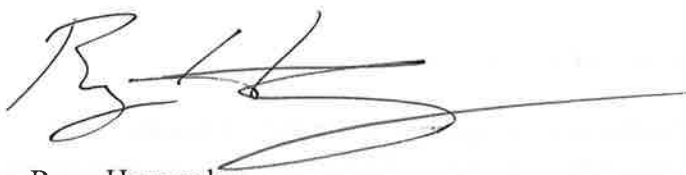
The flow stream from each wellhead is demonstrated in the Process Flow Diagram (PFD) attached as **Exhibit A** hereto. This PFD shows that the water, oil, and gas exit the wellbore and flow into a wellhead three-phase separator which separates the oil, gas, and water. The oil is measured via turbine meter which is calibrated periodically in accordance with industry specifications by a third party measurement company for accuracy. The gas is measured on a volume and MMBTU basis by an orifice meter and supporting EFM equipment in accordance with American Petroleum

Association (API) Chapter 21.1. The gas is then sent into a gathering line where it is commingled with each of the other wells' metered gas, as shown on **Exhibit A**. The gathering line gas is then metered by another orifice meter at the tank battery check to show the total volume of gas leaving the Tank Battery. This meter is tested and calibrated in accordance with industry specifications and volume and energy are determined on an hourly, daily, and monthly basis. Once the gas exits this final tank battery sales check it travels directly into a third party sales connect meter. Versado Gas Processing, LLC has its own orifice meter that measures the gas for custody transfer. These meters are also calibrated periodically to ensure the measurement accuracy.

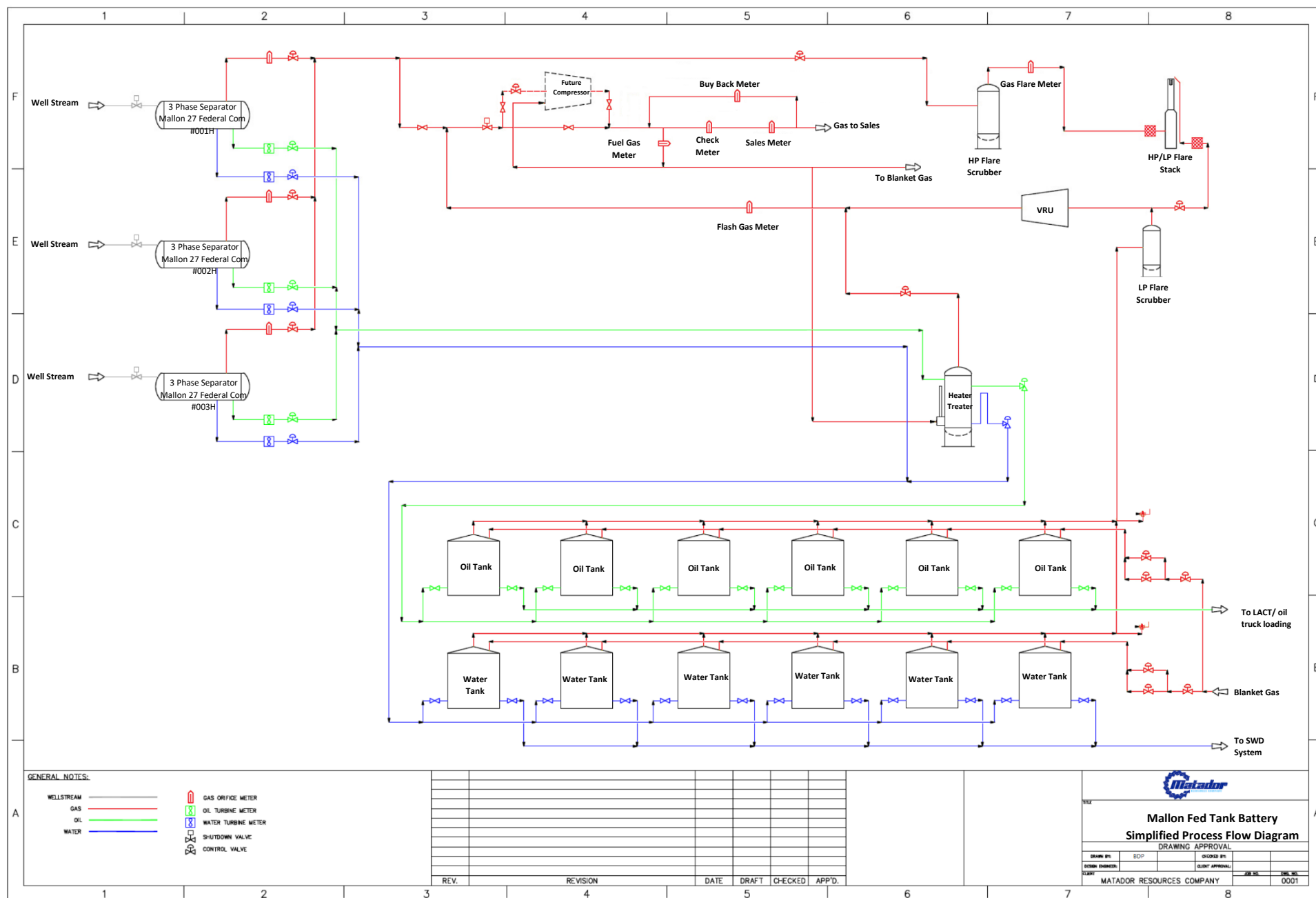
In conclusion, all the oil and gas produced on the Lands is and will be metered at each wellhead and allocated correctly using the same measurement equipment as the pipeline sales measurement specifications accepted by API as industry standard.

Very truly yours,

MATADOR PRODUCTION COMPANY

A handwritten signature in black ink, appearing to read 'Ryan Hernandez', with a long horizontal line extending to the right.

Ryan Hernandez
Production Engineer



FESCO, Ltd.
1100 Fesco Ave. - Alice, Texas 78332

For: Matador Production Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240

Sample: Mallon 27 Federal Com No. 1H
First Stage Separator
Spot Gas Sample @ 350 psig & 108 °F

Date Sampled: 12/28/2016

Job Number: 63963.021

CHROMATOGRAPH EXTENDED ANALYSIS - GPA 2286

COMPONENT	MOL%	GPM
Hydrogen Sulfide*	< 0.001	
Nitrogen	4.392	
Carbon Dioxide	0.101	
Methane	69.412	
Ethane	15.072	4.024
Propane	7.407	2.037
Isobutane	0.621	0.203
n-Butane	1.671	0.526
2-2 Dimethylpropane	0.004	0.002
Isopentane	0.305	0.111
n-Pentane	0.324	0.117
Hexanes	0.253	0.104
Heptanes Plus	<u>0.438</u>	<u>0.178</u>
Totals	100.000	7.302

Computed Real Characteristics Of Heptanes Plus:

Specific Gravity ----- 3.374 (Air=1)
Molecular Weight ----- 97.32
Gross Heating Value ----- 5032 BTU/CF

Computed Real Characteristics Of Total Sample:

Specific Gravity ----- 0.785 (Air=1)
Compressibility (Z) ----- 0.9960
Molecular Weight ----- 22.64
Gross Heating Value
Dry Basis ----- 1289 BTU/CF
Saturated Basis ----- 1268 BTU/CF

*Hydrogen Sulfide tested on location b Stain Tube Method (GPA 2377)
0.031 Gr/100 CF, 0.5 PPMV or <0.0001 Mol%

Base Conditions: 14.650 PSI & 60 Deg F

Sampled By: (16) EJ/Ronnie
Analyst: MR
Processor: NG
Cylinder ID: T-4511

Certified: FESCO, Ltd. - Alice, Texas

David Dannhaus 361-661-7015

CHROMATOGRAPH EXTENDED ANALYSIS - GPA 2286
TOTAL REPORT

COMPONENT	MOL %	GPM	WT %
Hydrogen Sulfide*	< 0.001		< 0.001
Nitrogen	4.392		5.434
Carbon Dioxide	0.101		0.196
Methane	69.412		49.182
Ethane	15.072	4.024	20.016
Propane	7.407	2.037	14.426
Isobutane	0.621	0.203	1.594
n-Butane	1.671	0.526	4.290
2,2 Dimethylpropane	0.004	0.002	0.013
Isopentane	0.305	0.111	0.972
n-Pentane	0.324	0.117	1.032
2,2 Dimethylbutane	0.003	0.001	0.011
Cyclopentane	0.000	0.000	0.000
2,3 Dimethylbutane	0.036	0.015	0.137
2 Methylpentane	0.075	0.031	0.285
3 Methylpentane	0.045	0.018	0.171
n-Hexane	0.094	0.039	0.358
Methylcyclopentane	0.070	0.024	0.260
Benzene	0.030	0.008	0.104
Cyclohexane	0.055	0.019	0.204
2-Methylhexane	0.012	0.006	0.053
3-Methylhexane	0.015	0.007	0.066
2,2,4 Trimethylpentane	0.000	0.000	0.000
Other C7's	0.056	0.024	0.245
n-Heptane	0.032	0.015	0.142
Methylcyclohexane	0.050	0.020	0.217
Toluene	0.017	0.006	0.069
Other C8's	0.048	0.022	0.234
n-Octane	0.014	0.007	0.071
Ethylbenzene	0.002	0.001	0.009
M & P Xylenes	0.004	0.002	0.019
O-Xylene	0.001	0.000	0.005
Other C9's	0.019	0.010	0.106
n-Nonane	0.004	0.002	0.023
Other C10's	0.007	0.004	0.044
n-Decane	0.001	0.001	0.006
Undecanes (11)	<u>0.001</u>	<u>0.001</u>	<u>0.006</u>
Totals	100.000	7.302	100.000

Computed Real Characteristics Of Total Sample:

Specific Gravity -----	0.785	(Air=1)
Compressibility (Z) -----	0.9960	
Molecular Weight -----	22.64	
Gross Heating Value		
Dry Basis -----	1289	BTU/CF
Saturated Basis -----	1268	BTU/CF

District I
1625 N. French Drive, Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St Francis Dr, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
Revised August 1, 2011

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: Matador Production Company
OPERATOR ADDRESS: 5400 LBJ Freeway Tower 1 Suite 1500 Dallas, TX 75240
APPLICATION TYPE:
☐ Pool Commingling ☒ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingled)
LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☐ Yes ☒ No If "Yes", please include the appropriate Order No. _____
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
☒ Yes ☐ No

(A) POOL COMMINGLING Please attach sheets with the following information				
(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production	Calculated Value of Commingled Production	Volumes

(2) Are any wells producing at top allowables? ☐ Yes ☒ No
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No.
(4) Measurement type: ☒ Metering ☐ Other (Specify)
(5) Will commingling decrease the value of production? ☐ Yes ☒ No If "yes", describe why commingling should be approved


(B) LEASE COMMINGLING Please attach sheets with the following information	
(1) Pool Name and Code- QUAIL RIDGE; BONE SPRING, SOUTH (50461)	
(2) Is all production from same source of supply? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
(3) Has all interest owners been notified by certified mail of the proposed commingling? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
(4) Measurement type: <input checked="" type="checkbox"/> Metering <input type="checkbox"/> Other (Specify)	

(C) POOL and LEASE COMMINGLING Please attach sheets with the following information
(1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT Please attached sheets with the following information
(1) Is all production from same source of supply? <input type="checkbox"/> Yes <input type="checkbox"/> No
(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types) Please attach sheets with the following information
(1) A schematic diagram of facility, including legal location.
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.
(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE:  TITLE: Production Engineer DATE: 9-21-21

TYPE OR PRINT NAME Ryan Hernandez TELEPHONE NO.: (972) 619-1276

E-MAIL ADDRESS: rhernandez@matadorresources.com

Matador Production Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240

Voice 972.371.5427 • Fax 972.371.5201

rhernandez@matadorresources.com

Ryan Hernandez
Production Engineer

September 21, 2021

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Application of Matador Production Company for administrative approval to surface commingle (lease) gas and oil production from the spacing units comprised of the E/2 and E/2 W/2 of Section 27 and the SE/4 and W/2SW/4 of Section 22, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico (the "Lands").

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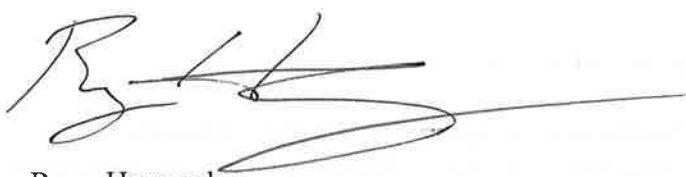
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Association (API) Chapter 21.1. The gas is then sent into a gathering line where it is commingled with each of the other wells' metered gas, as shown on **Exhibit A**. The gathering line gas is then metered by another orifice meter at the tank battery check to show the total volume of gas leaving the Tank Battery. This meter is tested and calibrated in accordance with industry specifications and volume and energy are determined on an hourly, daily, and monthly basis. Once the gas exits this final tank battery sales check it travels directly into a third party sales connect meter. Versado Gas Processing, LLC has its own orifice meter that measures the gas for custody transfer. These meters are also calibrated periodically to ensure the measurement accuracy.

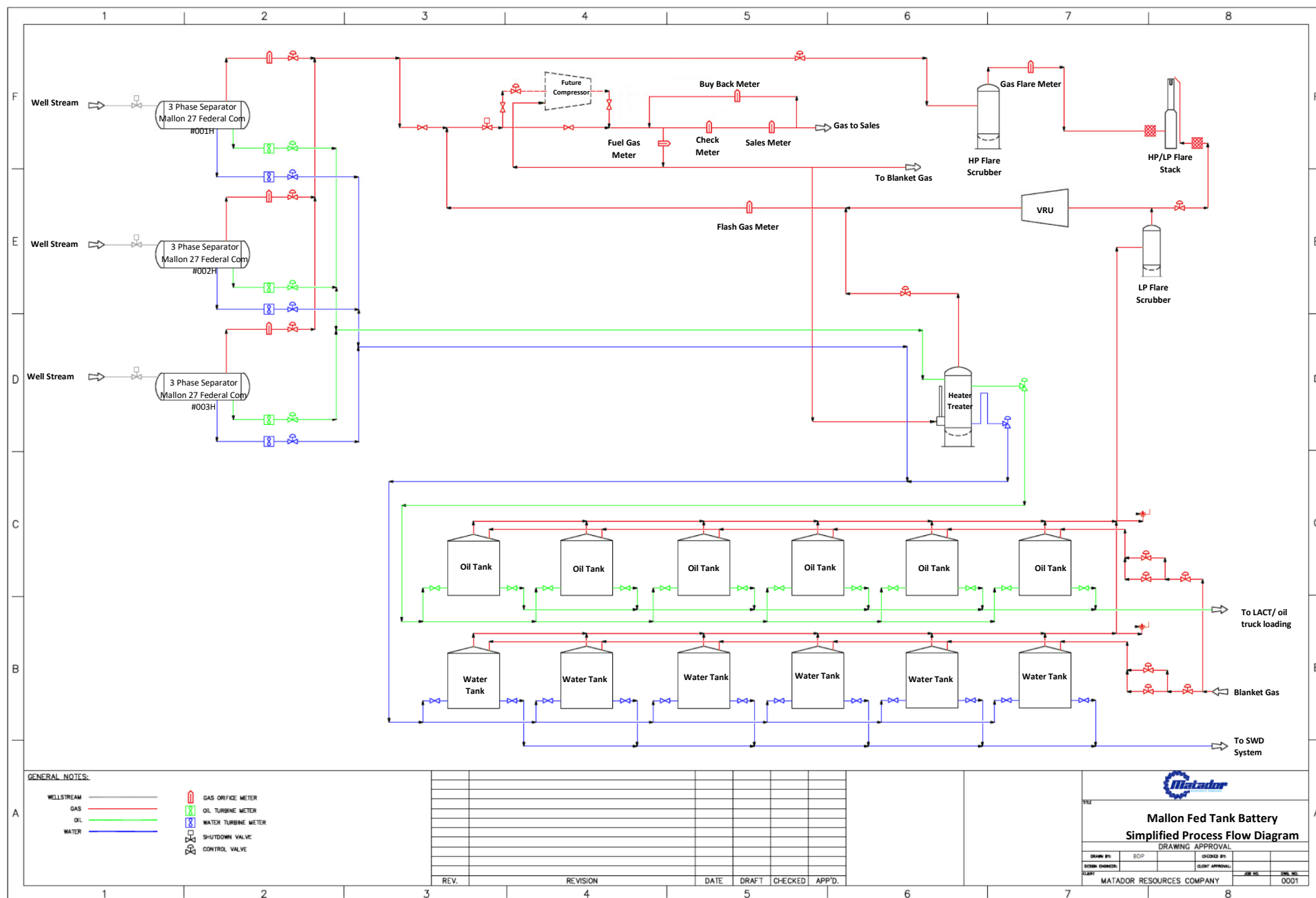
In conclusion, all the oil and gas produced on the Lands is and will be metered at each wellhead and allocated correctly using the same measurement equipment as the pipeline sales measurement specifications accepted by API as industry standard.

Very truly yours,

MATADOR PRODUCTION COMPANY

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Ryan Hernandez
Production Engineer



FESCO, Ltd.
1100 Fesco Ave. - Alice, Texas 78332

For: Matador Production Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240

Sample: Mallon 27 Federal Com No. 1H
First Stage Separator
Spot Gas Sample @ 350 psig & 108 °F

Date Sampled: 12/28/2016

Job Number: 63963.021

CHROMATOGRAPH EXTENDED ANALYSIS - GPA 2286

COMPONENT	MOL%	GPM
Hydrogen Sulfide*	< 0.001	
Nitrogen	4.392	
Carbon Dioxide	0.101	
Methane	69.412	
Ethane	15.072	4.024
Propane	7.407	2.037
Isobutane	0.621	0.203
n-Butane	1.671	0.526
2-2 Dimethylpropane	0.004	0.002
Isopentane	0.305	0.111
n-Pentane	0.324	0.117
Hexanes	0.253	0.104
Heptanes Plus	<u>0.438</u>	<u>0.178</u>
Totals	100.000	7.302

Computed Real Characteristics Of Heptanes Plus:

Specific Gravity ----- 3.374 (Air=1)
Molecular Weight ----- 97.32
Gross Heating Value ----- 5032 BTU/CF

Computed Real Characteristics Of Total Sample:

Specific Gravity ----- 0.785 (Air=1)
Compressibility (Z) ----- 0.9960
Molecular Weight ----- 22.64
Gross Heating Value
Dry Basis ----- 1289 BTU/CF
Saturated Basis ----- 1268 BTU/CF

*Hydrogen Sulfide tested on location b Stain Tube Method (GPA 2377)
0.031 Gr/100 CF, 0.5 PPMV or <0.0001 Mol%

Base Conditions: 14.650 PSI & 60 Deg F

Sampled By: (16) EJ/Ronnie
Analyst: MR
Processor: NG
Cylinder ID: T-4511

Certified: FESCO, Ltd. - Alice, Texas

David Dannhaus 361-661-7015

CHROMATOGRAPH EXTENDED ANALYSIS - GPA 2286
TOTAL REPORT

COMPONENT	MOL %	GPM	WT %
Hydrogen Sulfide*	< 0.001		< 0.001
Nitrogen	4.392		5.434
Carbon Dioxide	0.101		0.196
Methane	69.412		49.182
Ethane	15.072	4.024	20.016
Propane	7.407	2.037	14.426
Isobutane	0.621	0.203	1.594
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2,3 Dimethylbutane	0.036	0.015	0.137
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Benzene	0.030	0.008	0.104
Cyclohexane	0.055	0.019	0.204
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Toluene	0.017	0.006	0.069
Other C8's	0.048	0.022	0.234
n-Octane	0.014	0.007	0.071
Ethylbenzene	0.002	0.001	0.009
M & P Xylenes	0.004	0.002	0.019
O-Xylene	0.001	0.000	0.005
Other C9's	0.019	0.010	0.106
n-Nonane	0.004	0.002	0.023
Other C10's	0.007	0.004	0.044
n-Decane	0.001	0.001	0.006
Undecanes (11)	<u>0.001</u>	<u>0.001</u>	<u>0.006</u>
Totals	100.000	7.302	100.000

Computed Real Characteristics Of Total Sample:

Specific Gravity -----	0.785	(Air=1)
Compressibility (Z) -----	0.9960	
Molecular Weight -----	22.64	
Gross Heating Value		
Dry Basis -----	1289	BTU/CF
Saturated Basis -----	1268	BTU/CF

<u>Owner Name</u>	
The Allar Company	
The Balog Family Trust	Karen Krohn & Tina Balog, Co-Trustees
Rubie Crosby Bell Family LLC	Frank Janusa, Managing Member
Cargoil & Gas, LLC	
Chevron USA, Inc	
R.P. & A.D. Earnest Trust	Kathleen Earnest Rios, Trustee
First Roswell Company	
Global Nevada-Galaxy	
Good Earth Minerals LLC	c/o Deborah L Goluska
Harle, Inc	
HWC Investments, Ltd	c/o Will Courington
Magnum Hunter Production Inc	
Matlock Minerals	c/o Deborah L Goluska
Keith E. McKamey	
Edna E. Morrell Living Trust	c/o Wells Fargo Bank, NA, Trustee
Moser Revocable Trust	Charles E & Vicky J Moser
Nadel & Gussman Capitan	
Peggy Runyan	
Shogoil & Gas Co II LLC	
Alyce Garrett Sparks	
Celia Stivason	
US Geological	
Jack V Walker Revocable Trust	
Barbara C Wilson	
Shannon Titzel	
Dream Home Properties	
Michael C Hannum	
Sharon Lee Hannum	
Wing Resources III LLC	
M.M.J. Rickansrud Levi Revocable Living Trust	Michelle Taupier, Trustee
Arianna Hannum	c/o Susan Phillips
Wallace H Scott III	
William W Scott	
McElroy Minerals LLC	

EXHIBIT 4



Kaitlyn A. Luck
Phone (505) 954-7286
Fax (505) 819-5579
kaluck@hollandhart.com

October 25, 2021

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: ALL AFFECTED PARTIES

Re: Application of Matador Production Company to authorize pool and lease commingling at the Mallon Tank Battery located in the SW/4 SE/4 (Unit O) of Section 27, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application, which was filed with the New Mexico Oil Conservation Division on this date. Any objection to this application must be filed in writing within twenty days from this date at the Division's Santa Fe office located at 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application may be approved administratively by the Division.

If you have any questions about this application, please contact the following:

Kyle Perkins
Matador Production Company
(972) 371-5202
kperkins@matadorresources.com

Sincerely,

A handwritten signature in blue ink, appearing to read 'Kaitlyn Luck', written over a horizontal line.

Kaitlyn A. Luck
ATTORNEY FOR
MATADOR PRODUCTION COMPANY

Parent ID	Mail Date	Company	DeliveryAddress	City	ST	Zip	MailClass	TrackingNo	Well
31309	10/25/2021	The Allar Company	PO Box 1567	Graham	TX	76450-7567	Certified with Return Receipt (Signature)	9414811898765856094948	71261 - Matador - Mallon PLC - notice list - 1
31309	10/25/2021	Harle, Inc	7625 SW Middle Greens Rd	Wilsonville	OR	97070-9418	Certified with Return Receipt (Signature)	9414811898765856094641	71261 - Matador - Mallon PLC - notice list - 10
31309	10/25/2021	HWC Investments, Ltd c/o Will Courington	251 Private Road 1490	Longview	TX	75605-7138	Certified with Return Receipt (Signature)	9414811898765856094689	71261 - Matador - Mallon PLC - notice list - 11
31309	10/25/2021	Magnum Hunter Production Inc	202 S Cheyenne Ave Ste 1000	Tulsa	OK	74103-3001	Certified with Return Receipt (Signature)	9414811898765856094634	71261 - Matador - Mallon PLC - notice list - 12
31309	10/25/2021	Matlock Minerals c/o Deborah L Goluska	PO Box 1090	Roswell	N M	88202-1090	Certified with Return Receipt (Signature)	9414811898765856094672	71261 - Matador - Mallon PLC - notice list - 13
31309	10/25/2021	Keith E. McKamey	6705 E County Road 102	Midland	TX	79706-4920	Certified with Return Receipt (Signature)	9414811898765856094115	71261 - Matador - Mallon PLC - notice list - 14
31309	10/25/2021	c/o Wells Fargo Bank, NA, Trustee	PO Box 40909	Austin	TX	78704-0016	Certified with Return Receipt (Signature)	9414811898765856094153	71261 - Matador - Mallon PLC - notice list - 15
31309	10/25/2021	Charles E & Vicky J Moser	17249 E Fort Verde Rd	Rio Verde	AZ	85263-5359	Certified with Return Receipt (Signature)	9414811898765856094160	71261 - Matador - Mallon PLC - notice list - 16
31309	10/25/2021	Nadel & Gussman Capitan	15 E 5th St Ste 3300	Tulsa	OK	74103-4340	Certified with Return Receipt (Signature)	9414811898765856094122	71261 - Matador - Mallon PLC - notice list - 17
31309	10/25/2021	Peggy Runyan	PO Box 895	Kingsland	TX	78639-0895	Certified with Return Receipt (Signature)	9414811898765856094108	71261 - Matador - Mallon PLC - notice list - 18

Parent ID	Mail Date	Company	DeliveryAddress	City	ST	Zip	MailClass	TrackingNo	Well
31309	10/25/2021	Shogoil & Gas Co II LLC	PO Box 29450	Santa Fe	NM	87592-9450	Certified with Return Receipt (Signature)	9414811898765856094191	71261 - Matador - Mallon PLC - notice list - 19
31309	10/25/2021	Karen Krohn & Tina Balog, Co-Trustees	PO Box 111890	Anchorage	AK	99511-1890	Certified with Return Receipt (Signature)	9414811898765856094986	71261 - Matador - Mallon PLC - notice list - 2
31309	10/25/2021	Alyce Garrett Sparks	6607 Fm 450 N	Hallsville	TX	75650-3382	Certified with Return Receipt (Signature)	9414811898765856094146	71261 - Matador - Mallon PLC - notice list - 20
31309	10/25/2021	Celia Stivason	9500 Harritt Rd Spc 97	Lakeside	CA	92040-6097	Certified with Return Receipt (Signature)	9414811898765856094184	71261 - Matador - Mallon PLC - notice list - 21
31309	10/25/2021	Jack V Walker Revocable Trust	PO Box 102256	Anchorage	AK	99510-2256	Certified with Return Receipt (Signature)	9414811898765856094139	71261 - Matador - Mallon PLC - notice list - 22
31309	10/25/2021	Barbara C Wilson	3817 Holly Ridge Dr	Longview	TX	75605-2513	Certified with Return Receipt (Signature)	9414811898765856094177	71261 - Matador - Mallon PLC - notice list - 23
31309	10/25/2021	Shannon Titzel	1800 Rogers Park Ct	Anchorage	AK	99508-4071	Certified with Return Receipt (Signature)	9414811898765856094313	71261 - Matador - Mallon PLC - notice list - 24
31309	10/25/2021	Dream Home Properties	6311 S Saddle Creek Ln	Fulshear	TX	77441-1105	Certified with Return Receipt (Signature)	9414811898765856094351	71261 - Matador - Mallon PLC - notice list - 25
31309	10/25/2021	Michael C Hannum	1604 Bayou Bend Way	Knoxville	TN	37922-0608	Certified with Return Receipt (Signature)	9414811898765856094368	71261 - Matador - Mallon PLC - notice list - 26
31309	10/25/2021	Wing Resources III LLC	2100 McKinney Ave Ste 1540	Dallas	TX	75201-2140	Certified with Return Receipt (Signature)	9414811898765856094320	71261 - Matador - Mallon PLC - notice list - 27

Parent ID	Mail Date	Company	DeliveryAddress	City	ST	Zip	MailClass	TrackingNo	Well
31309	10/25/2021	M.M.J. Rickansrud Levi Revocable Living Trust Michelle Taupier, Trustee	1628 Bowling Ln	San Jose	CA	95118-2148	Certified with Return Receipt (Signature)	9414811898765856094306	71261 - Matador - Mallon PLC - notice list - 28
31309	10/25/2021	Arianna Hannum c/o Susan Phillips	1204 Hesper Ave	Metairie	LA	70005-1556	Certified with Return Receipt (Signature)	9414811898765856094344	71261 - Matador - Mallon PLC - notice list - 29
31309	10/25/2021	Frank Janusa, Managing Member	PO Box 24591	New Orleans	LA	70184-4591	Certified with Return Receipt (Signature)	9414811898765856094931	71261 - Matador - Mallon PLC - notice list - 3
31309	10/25/2021	Wallace H Scott III	2901 Oakhurst Ave	Austin	TX	78703-1951	Certified with Return Receipt (Signature)	9414811898765856094337	71261 - Matador - Mallon PLC - notice list - 30
31309	10/25/2021	William W Scott	3000 Willowood Cir	Austin	TX	78703-1056	Certified with Return Receipt (Signature)	9414811898765856094016	71261 - Matador - Mallon PLC - notice list - 31
31309	10/25/2021	McElroy Minerals LLC	4210 S Bellaire Cir	Englewood	CO	80113-5052	Certified with Return Receipt (Signature)	9414811898765856094023	71261 - Matador - Mallon PLC - notice list - 32
31309	10/25/2021	Cargoil & Gas, LLC	PO Box 29450	Santa Fe	NM	87592-9450	Certified with Return Receipt (Signature)	9414811898765856094979	71261 - Matador - Mallon PLC - notice list - 4
31309	10/25/2021	Chevron USA, Inc	PO Box 730436	Dallas	TX	75373-0436	Certified with Return Receipt (Signature)	9414811898765856094610	71261 - Matador - Mallon PLC - notice list - 5
31309	10/25/2021	Kathleen Earnest Rios, Trustee	5609 Riviera Ave	Banning	CA	92220-5343	Certified with Return Receipt (Signature)	9414811898765856094658	71261 - Matador - Mallon PLC - notice list - 6
31309	10/25/2021	First Roswell Company	PO Box 1797	Roswell	NM	88202-1797	Certified with Return Receipt (Signature)	9414811898765856094665	71261 - Matador - Mallon PLC - notice list - 7

Parent ID	Mail Date	Company	DeliveryAddress	City	ST	Zip	MailClass	TrackingNo	Well
31309	10/25/2021	Global Nevada-Galaxy	PO Box 200888	Houston	TX	77216-0001	Certified with Return Receipt (Signature)	9414811898765856094627	71261 - Matador - Mallon PLC - notice list - 8
31309	10/25/2021	Good Earth Minerals LLC c/o Deborah L Goluska	PO Box 1090	Roswell	N M	88202-1090	Certified with Return Receipt (Signature)	9414811898765856094696	71261 - Matador - Mallon PLC - notice list - 9



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District

Carlsbad Field Office

620 E. Greene

Carlsbad, New Mexico 88220-6292

www.blm.gov/nm



IN REPLY REFER TO:

NM136532

3105.2 (P0220)

Reference:

11/30/2016

Communitization Agreement

Mallon 27 Federal Com 1H

Section 22: E2SE

Section 27: E2E2

T. 19 S., R. 34 E.

Lea County, NM

Matador Production Co.
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NM136532 involving 160 acres of Federal land in lease NMNM57285 and 80 acres of Federal land in lease NMNM004452, Lea County, New Mexico, which comprise a 240 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the Bone Spring formation beneath the E2SE of Sec. 22, and the E2E2 of Sec. 27, T. 19 S., R. 34 E., NMPM, Lea County, NM, and is effective 01/06/2016. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is accurate.

Copies of this approval letter are being distributed to the appropriate Federal agencies. You are requested to furnish all interested parties with the appropriate evidence of this approval. Any production royalties that are due must be reported and paid according to regulations set up by the Office of Natural Resources Revenue at 1-800-525-9167 or 303-231-3504.

EXHIBIT 5

If you have any questions regarding this approval, please contact Chris Walls at (575) 234-2234 or Deborah Ham at (575) 234-5965.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,



Cody R. Layton
Assistant Field Manager,
Lands and Minerals

1 Enclosure:

1 - Communitization Agreement

cc:

ONRR, Denver

NM Taxation & Revenue Dept. (Revenue Processing Div.)

NMOCD

NM (9200)

NM (P0220-CFO, File Room)

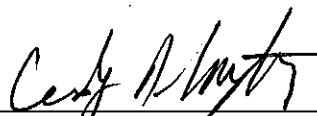
NM State Land Comm.

Determination - Approval - Certification

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.
- B. Approve the attached Communitization Agreement covering the E2SE of sec. 22, E2E2 of sec. 27, T. 19 S., R. 34 E., NMPM, as to all producible hydrocarbons from the Bone Spring formation. This approval will become invalid if the public interest requirements under section 3105.2-3 (c) are not met.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved: 11/30/2016



Cody R. Layton
Assistant Field Manager,
Lands and Minerals

Effective: 01/06/2016

Contract No.: Com. Agr. NM136532

COMMUNITIZATION AGREEMENT

Contract No. NM136532

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto."

WITNESSETH:

WHEREAS, the act of February 25, 1920 (41 Stat. 437), as amended and supplemented, authorized communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreement by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows, and as depicted on "Exhibit "A".

E/2SE/4 of Section 22, E/2E/2 of Section 27, Township 19 South, Range 34 East, Lea County, New Mexico

Mallon 27 Federal Com 1H
Township 19 South, Range 34 East, N.M.P.M
Section 22: E/2SE/4
Section 27: E/2E/2
Lea County, New Mexico

containing **240.00 acres**, more or less, and this agreement shall include the **Bone Spring Formation** underlying said lands and the crude oil, natural gas and associated hydrocarbons, hereinafter referred to as "communitized substances," producible from such formations.

2. Attached hereto, and made a part of this agreement for all purposes is Exhibit B, designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commission.

4. Operator shall furnish the Secretary of the Interior, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas regulations.

5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal, State, or Fee land included within the CA area are to be placed in an interest earning escrow or trust account by the designated operator until the land is leased or ownership is established.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any Federal lease bearing a sliding or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day, such rate shall be determined by the sum of all

Mallon 27 Federal Com 1H

Township 19 South, Range 34 East, N.M.P.M

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communitized production allocated to such a lease plus any noncommunitized lease production.

7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operations, or production of a well or wells for communitized substances on the communitized area shall be construed and considered as a commencement, completion, continued operations, or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

10. This agreement is effective **January 6, 2016**, upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such well is shut-in due to the inability of the operator to obtain a pipeline connection or to market the gas therefrom, and if a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioners, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted with reasonable diligence during the period of nonproduction. The two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would

Mallon 27 Federal Com 1H

Township 19 South, Range 34 East, N.M.P.M

Section 22: E/2SE/4

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Lea County, New Mexico

otherwise expire during said period. As to lands owned by the State of New Mexico, there shall be no cessation of more than twenty (20) consecutive days; provided, however, that as to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, or his duly authorized representative.

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.

13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.

14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

15. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202(1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date and year first above written and have set opposite their respective names the date of execution.

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Township 19 South, Range 34 East, N.M.P.M
Section 22: E/2SE/4
Section 27: E/2E/2
Lea County, New Mexico

I, the undersigned, hereby certify, on behalf of Matador Production Company, the Operator of the proposed Communitization Agreement, that all working interest owners (i.e., lessees of record and operating right owners) shown on Exhibit "B" attached to the Communitization Agreement are, to the best of my knowledge, the working interest owners of the Federal or Indian leases subject to the Communitization Agreement, and that the written consents of all of the named owners have been obtained and will be made available to the BLM immediately upon request.


OPERATOR:

Matador Production Company

Date: 4/18/14

By: 

Craig N. Adams

Title: Executive Vice President 

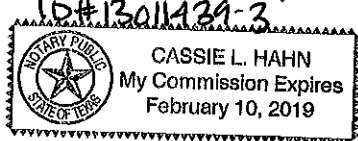
CORPORATE ACKNOWLEDGEMENT

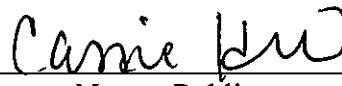
STATE OF TEXAS)

COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 18th day of April, 2014 by Craig N. Adams, Executive Vice President of **Matador Production Company**, a Texas corporation, on behalf of said corporation.

My Commission Expires: 2/2019





Notary Public

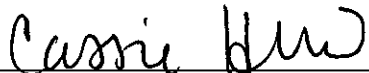
Mallon 27 Federal Com 1H
Township 19 South, Range 34 East, N.M.P.M
Section 22: E/2SE/4
Section 27: E/2E/2
Lea County, New Mexico

WORKING INTEREST OWNERS/RECORD TITLE OWNERS:**MRC Delaware Resources, LLC**Date: 4/10/14By: 


Craig N. Adams

Title: Executive Vice President **CORPORATE ACKNOWLEDGEMENT**STATE OF TEXAS)
COUNTY OF DALLAS)

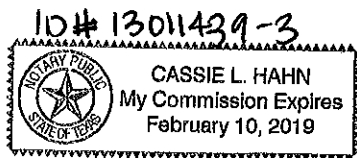
The foregoing instrument was acknowledged before me this 10th day of April, 2014 by Craig N. Adams, Executive Vice President of **MRC Delaware Resources, LLC**, a Texas limited liability company, on behalf of said limited liability company.

My Commission Expires: 2/2019
Notary Public

Mallon 27 Federal Com 1H
Township 19 South, Range 34 East, N.M.P.M
Section 22: E/2SE/4
Section 27: E/2E/2
Lea County, New Mexico

MRC Explorers Resources, LLCDate: 4/10/16By: 
Craig N. Adams
Title: Executive Vice President*Handwritten initials "M" and "fdd" next to the title.***CORPORATE ACKNOWLEDGEMENT**STATE OF TEXAS)
)
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 10th day of April, 2016 by Craig N. Adams, Executive Vice President of **MRC Explorers Resources, LLC**, a Delaware limited liability company, on behalf of said limited liability company.

My Commission Expires: 2/2019
Notary Public

Mallon 27 Federal Com 1H
Township 19 South, Range 34 East, N.M.P.M
Section 22: E/2SE/4
Section 27: E/2E/2
Lea County, New Mexico


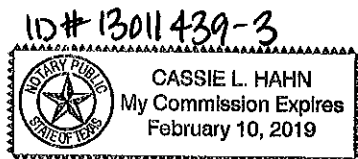
MRC Spiral Resources, LLCDate: 4/19/16By: 

Craig N. Adams

Title: Executive Vice President

**CORPORATE ACKNOWLEDGEMENT**STATE OF TEXAS)
COUNTY OF DALLAS)

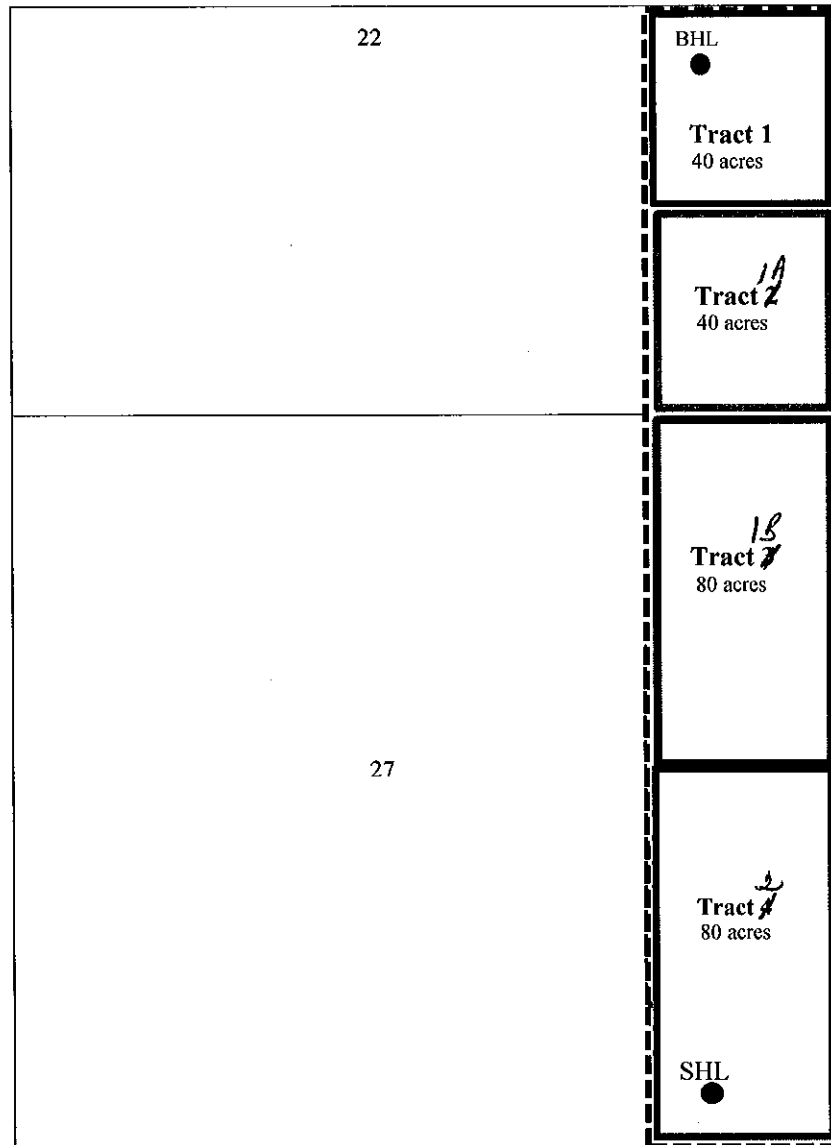
The foregoing instrument was acknowledged before me this 18th day of April, 2016 by Craig N. Adams, Executive Vice President of **MRC Spiral Resources, LLC**, a Delaware limited liability company, on behalf of said limited liability company.

My Commission Expires: 2/2019
Notary Public

Mallon 27 Federal Com 1H
Township 19 South, Range 34 East, N.M.P.M
Section 22: E/2SE/4
Section 27: E/2E/2
Lea County, New Mexico

EXHIBIT "A"

Plat of Communitized area covering E/2SE/4 of Section 22 and the E/2E/2 of Section 27,
Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico



Mallon 27 Federal Com 1H
Township 19 South, Range 34 East, N.M.P.M
Section 22: E/2SE/4
Section 27: E/2E/2
Lea County, New Mexico

EXHIBIT "B"

To Communitization Agreement dated January 6, 2016 embracing

Operator of Communitized Area: Matador Production Company

DESCRIPTION OF LEASES COMMITTED**Tract 1:**

Lease Serial No: NM-57285
 Original Lessee: James R. Stivason
 Description of
 Lands Committed: Township 19 South, Range 34 East, N.M.P.M.
Section 22: NE/4SE/4
Lea County, New Mexico
 Number of Acres: 40 acres

Working Interest Owners:

Chevron U.S.A Inc.	41.469167%
Talus, Inc.....	18.187500%
The Allar Company.....	15.000000%
Harle, Inc.....	6.750000%
Twin Montana, Inc.....	5.937500%
Larry and Kois Hunnicutt.....	2.333333%
Pro-Kem, Inc.....	2.000000%
Grande Drilling Corp.....	1.500000%
PrimeEnergy Asset and Income Fund LP AA-3.....	0.337500%
PrimeEnergy Asset and Income Fund LP AA-4.....	0.337500%
Global Nevada- Galaxy, Inc.....	0.022500%
Peggy Runyan.....	1.000000%
Vicky Moser.....	1.000000%
The Mary E. Ashton Family Trust.....	0.750000%
James K. Lusk and Martha L. Lusk Trust.....	0.750000%
Sally Stockton.....	0.750000%
Larry and Janet Arnold.....	0.625000%
Keith McKamey.....	0.500000%
Barbara C. Wilson.....	0.125000%
HWC Investments, Ltd.....	0.333333%
Alyce Kay Garrett.....	0.250000%
Alice Fay Sparks.....	0.0041667%
TOTAL.....	100.000000%

Mallon 27 Federal Com 1H

Township 19 South, Range 34 East, N.M.P.M
 Section 22: E/2SE/4
 Section 27: E/2E/2
 Lea County, New Mexico

^{1A}
Tract 7:

Lease Serial No: NM-57285
 Original Lessee: James R. Stivason
 Description of
 Lands Committed: Township 19 South, Range 34 East, N.M.P.M.
 Section 22: SE/4SE/4
 Lea County, New Mexico
 Number of Acres: 40 acres

Working Interest Owners:

MRC Delaware Resources, LLC.....	88.000000%
MRC Explorers Resources, LLC	4.000000%
MRC Spiral Resources, LLC	4.000000%
Nadel and Gussman Capitan, LLC.....	4.000000%
TOTAL.....	100.000000%

^{1B}
Tract 3:

Lease Serial No: NM-⁵⁷²⁸⁵~~04452~~
 Original Lessee: Drilling and Exploration Company, Inc.
 Description of
 Lands Committed: Township 19 South, Range 34 East, N.M.P.M.
 Section 27: E/2NE/4
 Lea County, New Mexico
 Number of Acres: 80 acres

Working Interest Owners:

Magnum Hunter Production, Inc.....	50.000000%
XTO Energy, Inc.....	17.498750%
Exxon Mobil Oil Corporation.....	31.102500%
Mobil E&P U.S. Development Corporation.....	1.383750%
Exxon Mobil Corporation.....	0.015000%
TOTAL.....	100.000000%

Mallon 27 Federal Com 1H

Township 19 South, Range 34 East, N.M.P.M
 Section 22: E/2SE/4
 Section 27: E/2E/2
 Lea County, New Mexico

Tract ²4:

Lease Serial No: NM-⁰⁰⁴⁴⁵²57285
 Original Lessee: James R. Stivason
 Description of
 Lands Committed: Township 19 South, Range 34 East, N.M.P.M.
Section 27: E/2SE/4
Lea County, New Mexico
 Number of Acres: 80 acres

Working Interest Owners:

MRC Delaware Resources, LLC.....92.000000%
 MRC Explorers Resources, LLC 4.000000%
 MRC Spiral Resources, LLC 4.000000%
TOTAL..... 100.000000%

RECAPITULATION

<u>Tract No.</u>	<u>Acreage Committed</u>	<u>Percentage of Interest</u>
Tract 1	40 acres	16.6666667%
Tract 2	40 acres	16.6666667%
Tract 3	80 acres	33.3333333%
Tract 4	80 acres	33.3333333%
Total	240 acres	100%

Mallon 27 Federal Com 1H
Township 19 South, Range 34 East, N.M.P.M
Section 22: E/2SE/4
Section 27: E/2E/2
Lea County, New Mexico

**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 FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15478
ORDER NO. R-14156**

APPLICATION OF MATADOR PRODUCTION COMPANY FOR A NON-STANDARD SPACING AND PRORATION UNIT, APPROVAL OF AN UNORTHODOX WELL LOCATION, AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 14, 2016, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 27th day of April, 2016, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

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

(2) Cases No. 15478, 15479, and 15480 were consolidated at the hearing for the purpose of testimony; however, separate orders will be issued for each case.

(3) In Case No. 15478, Matador Production Company (the "Applicant") seeks approval of a 240-acre non-standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the Bone Spring formation, Lea; Bone Spring Pool (Pool code 37570), comprising the E/2 E/2 of Section 27 and the E/2 SE/4 of Section 22, both in Township 19 South, Range 34 East, NMPM, Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit for the Bone Spring formation.

(4) The Unit will be dedicated to Applicant's Mallon 27 Federal Com Well No. 1H (the "proposed well"; API No. 30-025-42212), a horizontal well to be drilled from a

Case No. 15478
Order No. R-14156
Page 2 of 6

surface location 381 feet from the South line and 722 feet from the East line (Unit P) of Section 27 to a bottomhole location 2310 feet from the South line and 660 feet from the East line (Unit I) of Section 22, Township 19 South, Range 34 East, NMPM. The location of this well will be unorthodox for oil production within the Unit.

(5) The proposed oil well is within the Lea; Bone Spring Pool and is subject to Oil Conservation Commission Order No. R-1827, as amended, issued in Case No. 2119 on January 1, 1961. Order No. R-1827 created the Lea; Bone Spring Pool and enacted Special Rules providing for 80-acre spacing and proration units and provided that the initial well on any unit shall be located within 150 feet of the center of the quarter-quarter section in which the well is located. The proposed completed well location of the Mallon 27 Federal Com Well No. 1H will extend on the heel and on the toe to a distance greater than 150 feet of the center of the spacing unit(s); therefore, the location is unorthodox.

(6) Division records indicate that there are no vertical wells producing from the Lea; Bone Spring Pool in the E/2 of Section 27 or the E/2 of Section 22. Therefore, Applicant is free to orient the three 80-acre spacing units as stand-up. The proposed Unit and project area is oriented south to north and consists of three adjacent 80-acre spacing and proration units.

(7) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) The Bone Spring formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal well from south to north is appropriate for the Unit;
- (c) all three 80-acre spacing units to be included in the unit are expected to be productive in the Bone Spring formation, so that the unit as requested will not impair correlative rights;
- (d) notice was provided to lessees or operators of surrounding tracts as affected parties of the proposed non-standard spacing unit and of the proposed non-standard location;
- (e) notice was provided to all interest owners subject to pooling proceedings as affected parties of the proposed compulsory pooling within the Unit; and
- (f) notice of this proceeding was published in a newspaper of general circulation in this county containing the names of all affected parties who were not located.

(8) No other party entered an appearance or otherwise opposed this application.

Case No. 15478
Order No. R-14156
Page 3 of 6

The Division concludes as follows:

(9) The proposed non-standard unit and the proposed non-standard well location should be approved in order to enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste and protecting correlative rights.

(10) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(11) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location.

(12) There are interest owners in the Unit that have not agreed to pool their interests.

(13) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(14) Matador Production Company should be designated the operator of the proposed well and the Unit.

(15) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the proposed well.

(16) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7000 per month while drilling and \$700 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations."

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Matador Production Company, a 240-acre non-standard oil spacing and proration unit (the "Unit") is hereby established for oil and gas production from the Bone Spring formation, Lea; Bone Spring Pool (Pool code 37570), comprising the E/2 E/2 of Section 27 and the E/2 SE/4 of Section 22, both in Township 19 South, Range 34 East, NMPM, Lea County, New Mexico. The project area shall comprise three adjacent standup 80-acre spacing and proration units.

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Page 4 of 6

(2) All uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to Applicant's Mallon 27 Federal Com Well No. 1H (the "proposed well"; API No. 30-025-42212), a horizontal well to be drilled from a surface location 381 feet from the South line and 722 feet from the East line (Unit P) of Section 27 to a bottomhole location 2310 feet from the South line and 660 feet from the East line (Unit I) of Section 22 all in Township 19 South, Range 34 East, NMPM.

(4) The unorthodox well location within the Unit is hereby approved.

(5) The operator of the Unit shall commence drilling the proposed well on or before April 30, 2017, and shall thereafter continue drilling the proposed well with due diligence to test the Bone Spring formation.

(6) In the event the operator does not commence drilling the proposed well on or before April 30, 2017, Ordering Paragraphs (1) and (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(7) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence. If the proposed well is not completed in all of the standard spacing units included in the proposed project area (or Unit) then the operator shall apply to the Division for an amendment to this order to contract the Unit so that it includes only those standard spacing units in which the well is completed.

(8) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this order shall terminate, unless this Order has been amended to authorize further operations.

(9) Matador Production Company (OGRID 228937) is hereby designated the operator of the well and the Unit.

(10) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

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Page 5 of 6

(11) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(12) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(13) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(14) The operator is hereby authorized to withhold the following costs and charges from production from each well:

- (a) The proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

(15) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(16) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7000 per month while drilling and \$700 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Pecos District
Carlsbad Field Office
620 E. Greene
Carlsbad, New Mexico 88220-6292
www.blm.gov/nm



IN REPLY REFER TO:
NM136533
3105.2 (P0220)

Reference:
Communitization Agreement
Mallon 27 Federal Com²H
Section 22: W2SE
Section 27: W2E2
T. 19 S., R. 34 E.
Lea County, NM

11/30/2016

Matador Production Co.
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NM136533 involving 160 acres of Federal land in lease NMNM57285 and 80 acres of Federal land in lease NMNM004452, Lea County, New Mexico, which comprise a 240 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the Bone Spring formation beneath the W2SE of Sec. 22, and the W2E2 of Sec. 27, T. 19 S., R. 34 E., NMPM, Lea County, NM, and is effective 01/06/2016. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

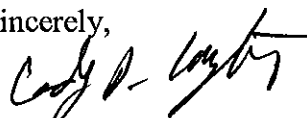
Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is accurate.

Copies of this approval letter are being distributed to the appropriate Federal agencies. You are requested to furnish all interested parties with the appropriate evidence of this approval. Any production royalties that are due must be reported and paid according to regulations set up by the Office of Natural Resources Revenue at 1-800-525-9167 or 303-231-3504.

If you have any questions regarding this approval, please contact Chris Walls at (575) 234-2234 or Deborah Ham at (575) 234-5965.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,



Cody R. Layton
Assistant Field Manager,
Lands and Minerals

1 Enclosure:

1 - Communitization Agreement

cc:

ONRR, Denver

NM Taxation & Revenue Dept. (Revenue Processing Div.)

NMOCD

NM (9200)

NM (P0220-CFO, File Room)

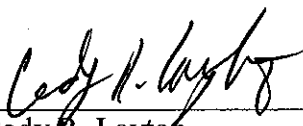
NM State Land Comm.

Determination - Approval - Certification

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.
- B. Approve the attached Communitization Agreement covering the W2SE of sec. 22, W2E2 of sec. 27, T. 19 S., R. 34 E., NMPM, as to all producible hydrocarbons from the Bone Spring formation. This approval will become invalid if the public interest requirements under section 3105.2-3 (c) are not met.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved: 11/30/2016


Cody R. Layton
Assistant Field Manager,
Lands and Minerals

Effective: 01/06/2016

Contract No.: Com. Agr. NM136533

COMMUNITIZATION AGREEMENT

Contract No. NM136533

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto."

WITNESSETH:

WHEREAS, the act of February 25, 1920 (41 Stat. 437), as amended and supplemented, authorized communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreement by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows, and as depicted on "Exhibit "A".

W/2SE/4 of Section 22, W/2E/2 of Section 27, Township 19 South, Range 34 East, Lea County, New Mexico

Mallon 27 Federal Com 2H
Township 19 South, Range 34 East, N.M.P.M
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containing **240.00 acres**, more or less, and this agreement shall include the **Bone Spring Formation** underlying said lands and the crude oil, natural gas and associated hydrocarbons, hereinafter referred to as "communitized substances," producible from such formations.

2. Attached hereto, and made a part of this agreement for all purposes is Exhibit B, designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commission.

4. Operator shall furnish the Secretary of the Interior, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas regulations.

5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal, State, or Fee land included within the CA area are to be placed in an interest earning escrow or trust account by the designated operator until the land is leased or ownership is established.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any Federal lease bearing a sliding or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day, such rate shall be determined by the sum of all

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communitized production allocated to such a lease plus any noncommunitized lease production.

7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operations, or production of a well or wells for communitized substances on the communitized area shall be construed and considered as a commencement, completion, continued operations, or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

10. This agreement is effective **January 6, 2016**, upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such well is shut-in due to the inability of the operator to obtain a pipeline connection or to market the gas therefrom, and if a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioners, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted with reasonable diligence during the period of nonproduction. The two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would

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Township 19 South, Range 34 East, N.M.P.M

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otherwise expire during said period. As to lands owned by the State of New Mexico, there shall be no cessation of more than twenty (20) consecutive days; provided, however, that as to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, or his duly authorized representative.

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.

13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.

14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

15. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202(1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date and year first above written and have set opposite their respective names the date of execution.

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Township 19 South, Range 34 East, N.M.P.M
Section 22: W/2SE/4
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I, the undersigned, hereby certify, on behalf of Matador Production Company, the Operator of the proposed Communitization Agreement, that all working interest owners (i.e., lessees of record and operating right owners) shown on Exhibit "B" attached to the Communitization Agreement are, to the best of my knowledge, the working interest owners of the Federal or Indian leases subject to the Communitization Agreement, and that the written consents of all of the named owners have been obtained and will be made available to the BLM immediately upon request.

OPERATOR:

Matador Production Company

Date: 4/18/16

By: 

Craig N. Adams

Title: Executive Vice President

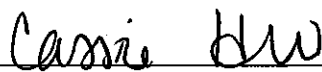
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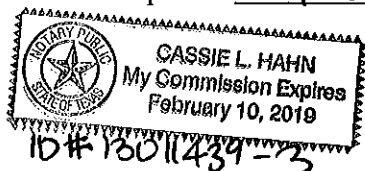
CORPORATE ACKNOWLEDGEMENT

STATE OF TEXAS)
)
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 18th day of April, 2016 by Craig N. Adams, Executive Vice President of **Matador Production Company**, a Texas corporation, on behalf of said corporation.

My Commission Expires: 2/2019


Notary Public



Mallon 27 Federal Com 2H
Township 19 South, Range 34 East, N.M.P.M
Section 22: W/2SE/4
Section 27: W/2E/2
Lea County, New Mexico

WORKING INTEREST OWNERS/RECORD TITLE OWNERS:**MRC Delaware Resources, LLC**Date: 4/18/16By: 

Craig N. Adams

Title: Executive Vice President AI**CORPORATE ACKNOWLEDGEMENT**

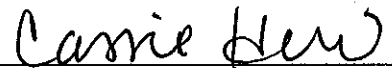
STATE OF TEXAS)

)

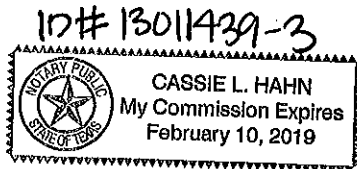
COUNTY OF DALLAS)

)

The foregoing instrument was acknowledged before me this 18th day of April, 2016 by Craig N. Adams, Executive Vice President of **MRC Delaware Resources, LLC**, a Texas limited liability company, on behalf of said limited liability company.

My Commission Expires: 2/2019

Notary Public

Mallon 27 Federal Com 2H

Township 19 South, Range 34 East, N.M.P.M

Section 22: W/2SE/4

Section 27: W/2E/2



Lea County, New Mexico

Title: Executive Vice President

Released to Imaging: 1/10/2022 9:44:36 AM

MRC Spiral Resources, LLC

Date: 4/18/16

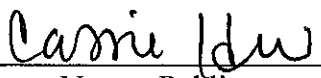
By: 
Craig N. Adams
Title: Executive Vice President 

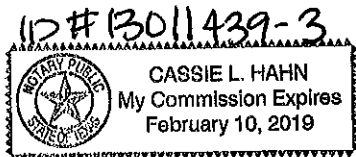
CORPORATE ACKNOWLEDGEMENT

STATE OF TEXAS)
)
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 18th day of April, 2016 by Craig N. Adams, Executive Vice President of **MRC Spiral Resources, LLC**, a Delaware limited liability company, on behalf of said limited liability company.

My Commission Expires: 2/2019

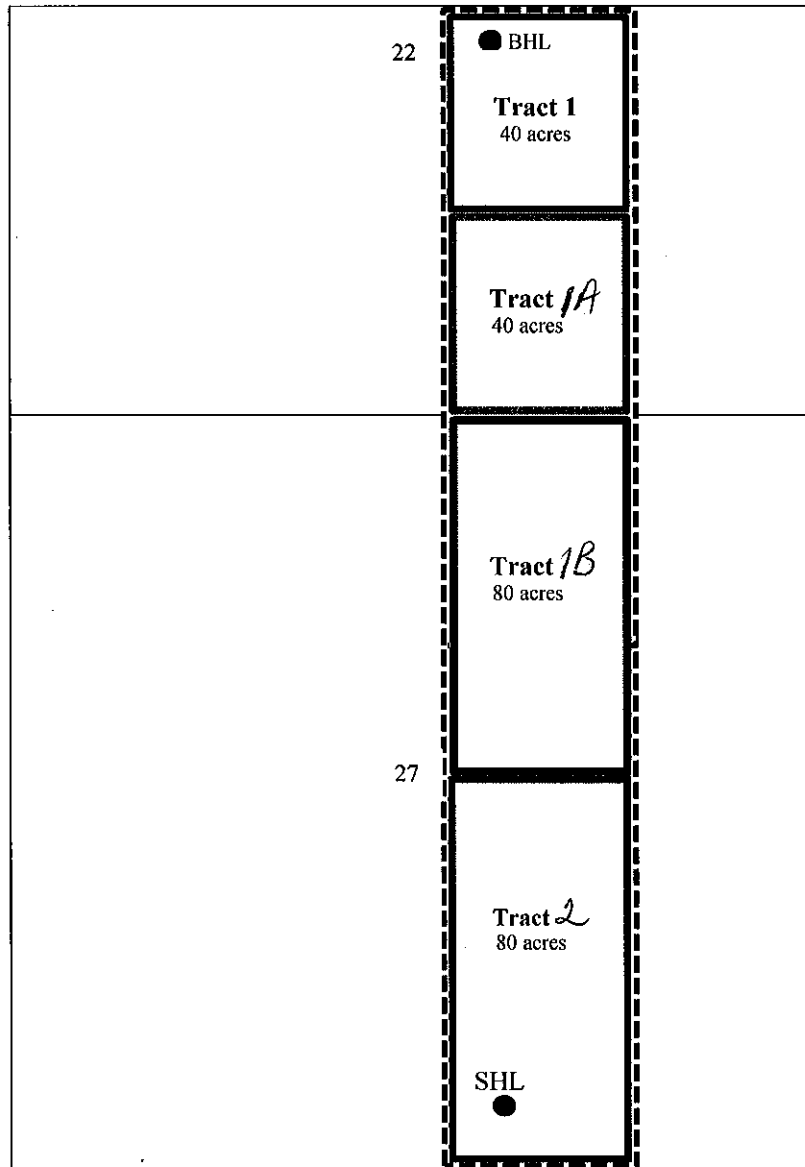

Notary Public



Mallon 27 Federal Com 2H
Township 19 South, Range 34 East, N.M.P.M
Section 22: W/2SE/4
Section 27: W/2E/2
Lea County, New Mexico

EXHIBIT "A"

Plat of Communitized area covering W/2SE/4 of Section 22 and the W/2E/2 of Section 27,
Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico



Mallon 27 Federal Com 2H
Township 19 South, Range 34 East, N.M.P.M
Section 22: W/2SE/4
Section 27: W/2E/2
Lea County, New Mexico

EXHIBIT "B"

To Communitization Agreement dated January 6, 2016 embracing

Operator of Communitized Area: Matador Production Company

DESCRIPTION OF LEASES COMMITTED**Tract 1:**

Lease Serial No: NM-57285
 Original Lessee: James R. Stivason
 Description of
 Lands Committed: Township 19 South, Range 34 East, N.M.P.M.
 Section 22: NW/4SE/4
 Lea County, New Mexico
 Number of Acres: 40 acres

Working Interest Owners:

Chevron U.S.A Inc.	41.469167%
Talus, Inc.	18.187500%
The Allar Company	15.000000%
Harle, Inc.	6.750000%
Twin Montana, Inc.	5.937500%
Larry and Kois Hunnicutt.	2.333333%
Pro-Kem, Inc.	2.000000%
Grande Drilling Corp.	1.500000%
PrimeEnergy Asset and Income Fund LP AA-3.	0.337500%
PrimeEnergy Asset and Income Fund LP AA-4.	0.337500%
Global Nevada- Galaxy, Inc.	0.022500%
Peggy Runyan.	1.000000%
Vicky Moser.	1.000000%
The Mary E. Ashton Family Trust.	0.750000%
James K. Lusk and Martha L. Lusk Trust.	0.750000%
Sally Stockton.	0.750000%
Larry and Janet Arnold.	0.625000%
Keith McKamey.	0.500000%
Barbara C. Wilson.	0.125000%
HWC Investments, Ltd.	0.333333%
Alyce Kay Garrett.	0.250000%
Alice Fay Sparks.	0.0041667%
TOTAL.	100.000000%

Mallon 27 Federal Com 2H
 Township 19 South, Range 34 East, N.M.P.M
 Section 22: W/2SE/4
 Section 27: W/2E/2
 Lea County, New Mexico

Tract/A:

Lease Serial No: NM-57285
 Original Lessee: James R. Stivason
 Description of
 Lands Committed: Township 19 South, Range 34 East, N.M.P.M.
 Section 22: SW/4SE/4
 Lea County, New Mexico
 Number of Acres: 40 acres

Working Interest Owners:

MRC Delaware Resources, LLC.....	88.000000%
MRC Explorers Resources, LLC	4.000000%
MRC Spiral Resources, LLC	4.000000%
Nadel and Gussman Capitan, LLC.....	4.000000%
TOTAL.....	100.000000%

Tract/B:

Lease Serial No: NM-57285
 Original Lessee: Drilling and Exploration Company, Inc.
 Description of
 Lands Committed: Township 19 South, Range 34 East, N.M.P.M.
 Section 27: W/2NE/4
 Lea County, New Mexico
 Number of Acres: 80 acres

Working Interest Owners:

Magnum Hunter Production, Inc.....	50.000000%
XTO Energy, Inc.....	17.498750%
Exxon Mobil Oil Corporation.....	31.102500%
Mobil E&P U.S. Development Corporation.....	1.383750%
Exxon Mobil Corporation.....	0.015000%
TOTAL.....	100.000000%

Mallon 27 Federal Com 2H

Township 19 South, Range 34 East, N.M.P.M
 Section 22: W/2SE/4
 Section 27: W/2E/2
 Lea County, New Mexico

Tract 2:

Lease Serial No: NM- 004452
 Original Lessee: James R. Stivason
 Description of
 Lands Committed: Township 19 South, Range 34 East, N.M.P.M.
Section 27: W/2SE/4
Lea County, New Mexico
 Number of Acres: 80 acres

Working Interest Owners:

MRC Delaware Resources, LLC.....92.0000000%
 MRC Explorers Resources, LLC 4.0000000%
 MRC Spiral Resources, LLC 4.0000000%
TOTAL..... 100.000000%

RECAPITULATION

<u>Tract No.</u>	<u>Acreage Committed</u>	<u>Percentage of Interest</u>
Tract 1	40 acres	16.6666667%
Tract 2	40 acres	16.6666667%
Tract 3	80 acres	33.3333333%
Tract 4	80 acres	33.3333333%
Total	240 acres	100%

Mallon 27 Federal Com 2H

Township 19 South, Range 34 East, N.M.P.M
 Section 22: W/2SE/4
 Section 27: W/2E/2
 Lea County, New Mexico

**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 FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15479
ORDER NO. R-14157**

**APPLICATION OF MATADOR PRODUCTION COMPANY FOR A NON-
STANDARD SPACING AND PRORATION UNIT, APPROVAL OF AN
UNORTHODOX WELL LOCATION, AND COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 14, 2016, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 27th day of April, 2016, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

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

(2) Cases No. 15478, 15479, and 15480 were consolidated at the hearing for the purpose of testimony; however, separate orders will be issued for each case.

(3) In Case No. 15479, Matador Production Company (the "Applicant") seeks approval of a 240-acre non-standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the Bone Spring formation, Lea; Bone Spring Pool (Pool code 37570), comprising the W/2 E/2 of Section 27 and the W/2 SE/4 of Section 22, both in Township 19 South, Range 34 East, NMPM, Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit for the Bone Spring formation.

(4) The Unit will be dedicated to Applicant's Mallon 27 Federal Com Well No. 2H (the "proposed well"; API No. 30-025-42315), a horizontal well to be drilled from a

Case No. 15479
Order No. R-14157
Page 2 of 6

surface location 380 feet from the South line and 2029 feet from the East line (Unit O) of Section 27 to a bottomhole location 2310 feet from the South line and 1900 feet from the East line (Unit J) of Section 22, Township 19 South, Range 34 East, NMPM. The location of this well will be unorthodox for oil production within the Unit.

(5) The proposed oil well is within the Lea; Bone Spring Pool and is subject to Oil Conservation Commission Order No. R-1827, as amended, issued in Case No. 2119 on January 1, 1961. Order No. R-1827 created the Lea; Bone Spring Pool and enacted Special Rules providing for 80-acre spacing and proration units and provided that the initial well on any unit shall be located within 150 feet of the center of the quarter-quarter section in which the well is located. The proposed completed well location of the Mallon 27 Federal Com Well No. 2H will extend on the heel and on the toe to a distance greater than 150 feet of the center of the spacing unit(s); therefore, the location is unorthodox.

(6) Division records indicate that there are no vertical wells producing from the Lea; Bone Spring Pool in the E/2 of Section 27 or the E/2 of Section 22. Therefore, Applicant is free to orient the three 80-acre spacing units as stand-up. The proposed Unit and project area is oriented south to north and consists of three adjacent, stand-up 80-acre spacing and proration units.

(7) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) The Bone Spring formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal well from south to north is appropriate for the Unit;
- (c) all three 80-acre spacing units to be included in the unit are expected to be productive in the Bone Spring formation, so that the unit as requested will not impair correlative rights;
- (d) notice was provided to lessees or operators of surrounding tracts as affected parties of the proposed non-standard spacing unit and of the proposed non-standard location;
- (e) notice was provided to all interest owners subject to pooling proceedings as affected parties of the proposed compulsory pooling within the Unit; and
- (f) notice of this proceeding was published in a newspaper of general circulation in this county containing the names of all affected parties who were not located.

(8) No other party entered an appearance or otherwise opposed this application.

Case No. 15479
Order No. R-14157
Page 3 of 6

The Division concludes as follows:

(9) The proposed non-standard unit and the proposed non-standard well location should be approved in order to enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste and protecting correlative rights.

(10) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(11) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location.

(12) There are interest owners in the Unit that have not agreed to pool their interests.

(13) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(14) Matador Production Company should be designated the operator of the proposed well and the Unit.

(15) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the proposed well.

(16) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7000 per month while drilling and \$700 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations."

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Matador Production Company, a 240-acre non-standard oil spacing and proration unit (the "Unit") is hereby established for oil and gas production from the Bone Spring formation, Lea; Bone Spring Pool (Pool code 37570), comprising the W/2 E/2 of Section 27 and the W/2 SE/4 of Section 22, both in Township 19 South, Range 34 East, NMPM, Lea County, New Mexico. The project area shall comprise three adjacent standup 80-acre spacing and proration units.

Case No. 15479
Order No. R-14157
Page 4 of 6

(2) All uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to Applicant's Mallon 27 Federal Com Well No. 2H (the "proposed well"; API No. 30-025-42315), a horizontal well to be drilled from a surface location 380 feet from the South line and 2029 feet from the East line (Unit O) of Section 27 to a bottomhole location 2310 feet from the South line and 1900 feet from the East line (Unit J) of Section 22 all in Township 19 South, Range 34 East, NMPM.

(4) The unorthodox well location within the Unit is hereby approved.

(5) The operator of the Unit shall commence drilling the proposed well on or before April 30, 2017, and shall thereafter continue drilling the proposed well with due diligence to test the Bone Spring formation.

(6) In the event the operator does not commence drilling the proposed well on or before April 30, 2017, Ordering Paragraphs (1) and (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(7) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence. If the proposed well is not completed in all of the standard spacing units included in the proposed project area (or Unit) then the operator shall apply to the Division for an amendment to this order to contract the Unit so that it includes only those standard spacing units in which the well is completed.

(8) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this order shall terminate, unless this Order has been amended to authorize further operations.

(9) Matador Production Company (OGRID 228937) is hereby designated the operator of the well and the Unit.

(10) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

Case No. 15479

Order No. R-14157

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(11) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(12) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(13) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(14) The operator is hereby authorized to withhold the following costs and charges from production from each well:

- (a) The proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

(15) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(16) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7000 per month while drilling and \$700 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

Case No. 15479

Order No. R-14157

Page 6 of 6

(17) Except as provided in Paragraphs (14) and (16) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-31, as amended).

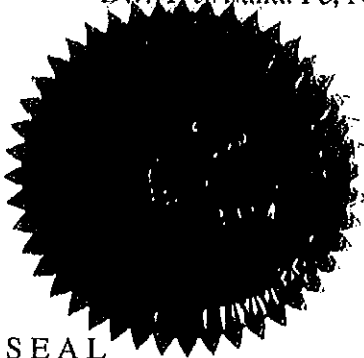
(18) Any unleased mineral interests shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(19) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(20) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of parties subject to the compulsory pooling provisions of this order.

(21) 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

DAVID R. CATANACH
Director

Case No. 15478
Order No. R-14156
Page 6 of 6

(17) Except as provided in Paragraphs (14) and (16) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-31, as amended).

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(21) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District

Carlsbad Field Office

620 E. Greene

Carlsbad, New Mexico 88220-6292

www.blm.gov/nm



IN REPLY REFER TO:

NM136534

3105.2 (P0220)

Reference:

11/30/2016

Communitization Agreement

Mallon 27 Federal Com 3H

Section 22: E2SW

Section 27: E2W2

T. 19 S., R. 34 E.

Lea County, NM

Matador Production Co.

5400 LBJ Freeway, Suite 1500

Dallas, TX 75240

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NM136534 involving 120 acres of Federal land in lease NMNM57285 and 120 acres of Federal land in lease NMNM004452, Lea County, New Mexico, which comprise a 240 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the Bone Spring formation beneath the E2SW of Sec. 22, and the E2W2 of Sec. 27, T. 19 S., R. 34 E., NMPM, Lea County, NM, and is effective 01/06/2016. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

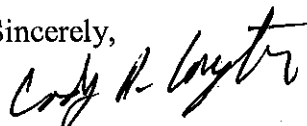
Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is accurate.

Copies of this approval letter are being distributed to the appropriate Federal agencies. You are requested to furnish all interested parties with the appropriate evidence of this approval. Any production royalties that are due must be reported and paid according to regulations set up by the Office of Natural Resources Revenue at 1-800-525-9167 or 303-231-3504.

If you have any questions regarding this approval, please contact Chris Walls at (575) 234-2234 or Deborah Ham at (575) 234-5965.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,



Cody R. Layton
Assistant Field Manager,
Lands and Minerals

1 Enclosure:

1 - Communitization Agreement

cc:

ONRR, Denver

NM Taxation & Revenue Dept. (Revenue Processing Div.)

NMOCD

NM (9200)

NM (P0220-CFO, File Room)

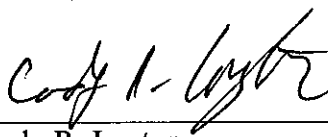
NM State Land Comm.

Determination - Approval - Certification

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.
- B. Approve the attached Communitization Agreement covering the E2SW of sec. 22, E2W2 of sec. 27, T. 19 S., R. 34 E., NMPM, as to all producible hydrocarbons from the Bone Spring formation. This approval will become invalid if the public interest requirements under section 3105.2-3 (c) are not met.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved: 11/30/2016



Cody R. Layton
Assistant Field Manager,
Lands and Minerals

Effective: 01/06/2016

Contract No.: Com. Agr. NM136534

COMMUNITIZATION AGREEMENT

Contract No. NN136534

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto."

WITNESSETH:

WHEREAS, the act of February 25, 1920 (41 Stat. 437), as amended and supplemented, authorized communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreement by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows, and as depicted on "Exhibit "A".

E/2SW/4 of Section 22, E/2W/2 of Section 27, Township 19 South, Range 34 East, Lea County, New Mexico

Mallon 27 Federal Com 3H
Township 19 South, Range 34 East, N.M.P.M
Section 22: E/2SW/4
Section 27: E/2W/2
Lea County, New Mexico

containing **240.00 acres**, more or less, and this agreement shall include the **Bone Spring Formation** underlying said lands and the crude oil, natural gas and associated hydrocarbons, hereinafter referred to as "communitized substances," producible from such formations.

2. Attached hereto, and made a part of this agreement for all purposes is Exhibit B, designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commission.

4. Operator shall furnish the Secretary of the Interior, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas regulations.

5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal, State, or Fee land included within the CA area are to be placed in an interest earning escrow or trust account by the designated operator until the land is leased or ownership is established.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any Federal lease bearing a sliding or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day, such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.

Mallon 27 Federal Com 3H
Township 19 South, Range 34 East, N.M.P.M
Section 22: E/2SW/4
Section 27: E/2W/2
Lea County, New Mexico

7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operations, or production of a well or wells for communitized substances on the communitized area shall be construed and considered as a commencement, completion, continued operations, or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

10. This agreement is effective **January 6, 2016**, upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such well is shut-in due to the inability of the operator to obtain a pipeline connection or to market the gas therefrom, and if a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioners, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted with reasonable diligence during the period of nonproduction. The two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period. As to lands owned by the State of New Mexico, there shall be no cessation of more than twenty (20) consecutive days; provided, however, that as to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner

Mallon 27 Federal Com 3H

Township 19 South, Range 34 East, N.M.P.M

Section 22: E/2SW/4

Section 27: E/2W/2

Lea County, New Mexico

every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, or his duly authorized representative.

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.

13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.

14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

15. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202(1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date and year first above written and have set opposite their respective names the date of execution.

Mallon 27 Federal Com 3H
Township 19 South, Range 34 East, N.M.P.M
Section 22: E/2SW/4
Section 27: E/2W/2
Lea County, New Mexico

I, the undersigned, hereby certify, on behalf of Matador Production Company, the Operator of the proposed Communitization Agreement, that all working interest owners (i.e., lessees of record and operating right owners) shown on Exhibit "B" attached to the Communitization Agreement are, to the best of my knowledge, the working interest owners of the Federal or Indian leases subject to the Communitization Agreement, and that the written consents of all of the named owners have been obtained and will be made available to the BLM immediately upon request.

OPERATOR:

Matador Production Company

Date: 4/18/16

By: 

Craig N. Adams

Title: Executive Vice President

pod

CORPORATE ACKNOWLEDGEMENT

STATE OF TEXAS)

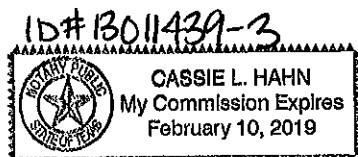
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 18th day of April, 2016 by Craig N. Adams, Executive Vice President of **Matador Production Company**, a Texas corporation, on behalf of said corporation.

My Commission Expires: 2/2019



Notary Public



Mallon 27 Federal Com 3H
Township 19 South, Range 34 East, N.M.P.M
Section 22: E/2SW/4
Section 27: E/2W/2
Lea County, New Mexico

WORKING INTEREST OWNERS/RECORD TITLE OWNERS:**MRC Delaware Resources, LLC**Date: 4/19/16By: 

Craig N. Adams

Title: Executive Vice President

**CORPORATE ACKNOWLEDGEMENT**

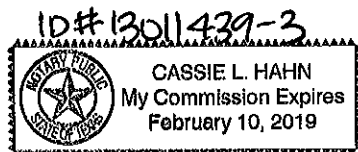
STATE OF TEXAS)

COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 10th day of April, 2016 by Craig N. Adams, Executive Vice President of **MRC Delaware Resources, LLC**, a Texas limited liability company, on behalf of said limited liability company.

My Commission Expires: 2/2019

Notary Public



Mallon 27 Federal Com 3H
 Township 19 South, Range 34 East, N.M.P.M
 Section 22: E/2SW/4
 Section 27: E/2W/2
 Lea County, New Mexico

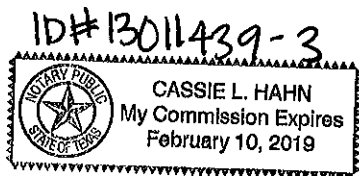
MRC Explorers Resources, LLCDate: 4/18/14By: 

Craig N. Adams

Title: Executive Vice President

SA
per**CORPORATE ACKNOWLEDGEMENT**STATE OF TEXAS)
)
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 18th day of April, 2014 by Craig N. Adams, Executive Vice President of **MRC Explorers Resources, LLC**, a Delaware limited liability company, on behalf of said limited liability company.

My Commission Expires: 2/2019
Notary Public

Mallon 27 Federal Com 3H
Township 19 South, Range 34 East, N.M.P.M
Section 22: E/2SW/4
Section 27: E/2W/2
Lea County, New Mexico

MRC Spiral Resources, LLCDate: 4/18/16By: 

Craig N. Adams

Title: Executive Vice President

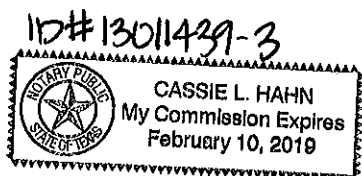
~~add~~
add**CORPORATE ACKNOWLEDGEMENT**

STATE OF TEXAS)

)

COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 18th day of April, 2016 by Craig N. Adams, Executive Vice President of **MRC Spiral Resources, LLC**, a Delaware limited liability company, on behalf of said limited liability company.

My Commission Expires: 2/2019
Notary PublicMallon 27 Federal Com 3H

Township 19 South, Range 34 East, N.M.P.M

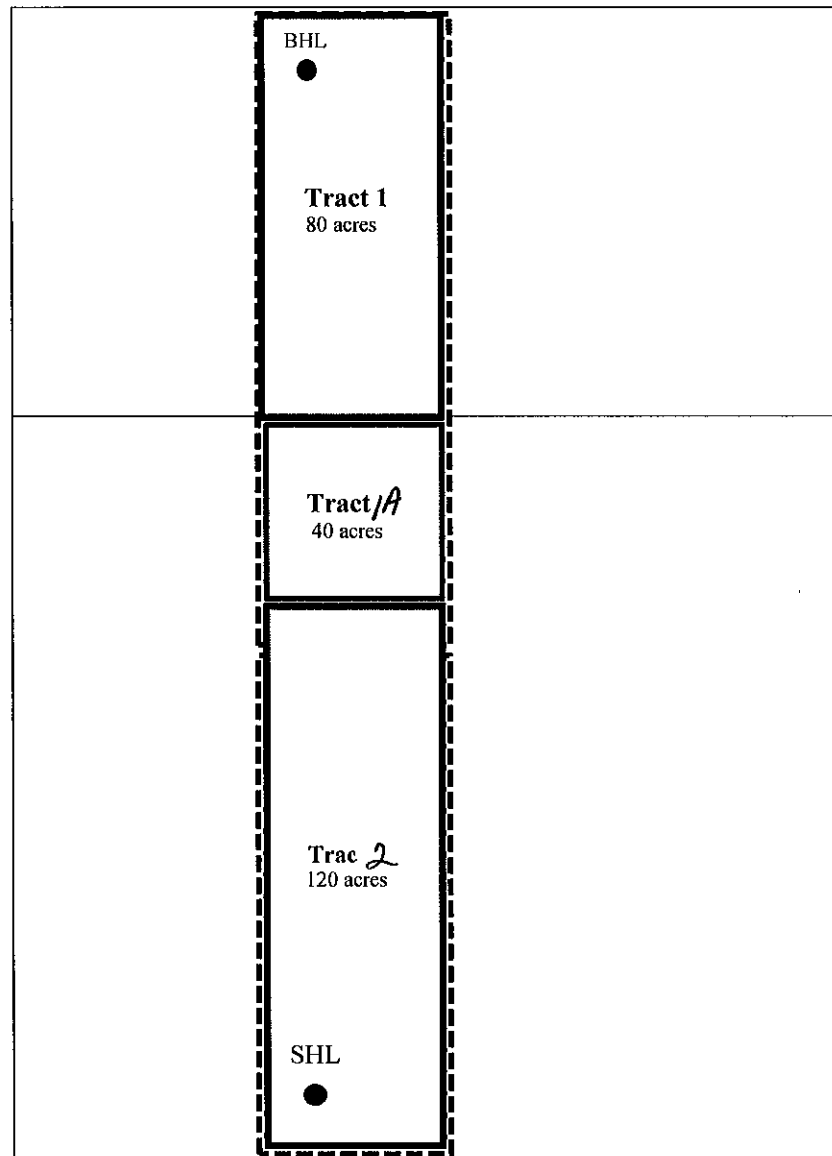
Section 22: E/2SW/4

Section 27: E/2W/2

Lea County, New Mexico

EXHIBIT "A"

Plat of Communitized area covering E/2SW/4 of Section 22 and the E/2W/2 of Section 27,
Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico



Mallon 27 Federal Com 3H
Township 19 South, Range 34 East, N.M.P.M
Section 22: E/2SW/4
Section 27: E/2W/2
Lea County, New Mexico

EXHIBIT "B"

To Communitization Agreement dated January 6, 2016 embracing

Operator of Communitized Area: Matador Production Company

DESCRIPTION OF LEASES COMMITTED**Tract 1:**

Lease Serial No: NM-57285
 Original Lessee: James R. Stivason
 Description of
 Lands Committed: Township 19 South, Range 34 East, N.M.P.M.
 Section 22: E/2SW/4
 Lea County, New Mexico
 Number of Acres: 80 acres

Working Interest Owners:

MRC Delaware Resources, LLC.....	88.000000%
MRC Explorers Resources, LLC	4.000000%
MRC Spiral Resources, LLC	4.000000%
Nadel and Gussman Capitan, LLC.....	4.000000%
TOTAL.....	100.000000%

Tract 2:

Lease Serial No: NM-57285
 Original Lessee: James R. Stivason
 Description of
 Lands Committed: Township 19 South, Range 34 East, N.M.P.M.
 Section 27: NE/4NW/4
 Lea County, New Mexico
 Number of Acres: 40 acres

Working Interest Owners:

MRC Delaware Resources, LLC.....	92.000000%
MRC Explorers Resources, LLC	4.000000%
MRC Spiral Resources, LLC	4.000000%
TOTAL.....	100.000000%

Mallon 27 Federal Com 3H

Township 19 South, Range 34 East, N.M.P.M
 Section 22: E/2SW/4
 Section 27: E/2W/2
 Lea County, New Mexico

Tract

Lease Serial No: NM- 004452
 Original Lessee: Drilling and Exploration Company, Inc.
 Description of
 Lands Committed: Township 19 South, Range 34 East, N.M.P.M.
Section 27: E/2SW/4, SE/4NW/4
Lea County, New Mexico
 Number of Acres: 120 acres

Working Interest Owners:

Magnum Hunter Production, Inc.....50.0000000%
 XTO Energy, Inc.....17.498750%
 Exxon Mobil Oil Corporation.....31.102500%
 Mobil E&P U.S. Development Corporation..... 1.383750%
 Exxon Mobil Corporation..... 0.015000%
TOTAL..... 100.000000%

RECAPITULATION

<u>Tract No.</u>	<u>Acreage Committed</u>	<u>Percentage of Interest</u>
Tract 1	80 acres	33.3333333%
Tract /A	40 acres	16.6666667%
Tract 2	120 acres	50.0000000%
Total	240 acres	100%

Mallon 27 Federal Com 3H
 Township 19 South, Range 34 East, N.M.P.M
 Section 22: E/2SW/4
 Section 27: E/2W/2
 Lea County, New Mexico

**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 FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15480
ORDER NO. R-14158**

APPLICATION OF MATADOR PRODUCTION COMPANY FOR A NON-STANDARD SPACING AND PRORATION UNIT, APPROVAL OF AN UNORTHODOX WELL LOCATION, AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 14, 2016, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 27th day of April, 2016, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.
- (2) Cases No. 15478, 15479, and 15480 were consolidated at the hearing for the purpose of testimony; however, separate orders will be issued for each case.
- (3) In Case No. 15480, Matador Production Company (the "Applicant") seeks approval of a 240-acre non-standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the Bone Spring formation, Quail Ridge; Bone Spring, South Pool (Pool code 50461), comprising the E/2 W/2 of Section 27 and the E/2 SW/4 of Section 22, both in Township 19 South, Range 34 East NMPM, Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit for the Bone Spring formation.
- (4) The Unit will be dedicated to Applicant's Mallon 27 Federal Com Well No. 3H (the "proposed well"; API No. 30-025-41808), a horizontal well to be drilled from a

Case No. 15480
Order No. R-14158
Page 2 of 6

surface location 298 feet from the South line and 2016 feet from the West line (Unit N) of Section 27 to a bottomhole location 2316 feet from the South line and 1923 feet from the West line (Unit K) of Section 22, Township 19 South, Range 34 East, NMPM. The location of the completed interval will be standard for oil production within the Unit.

(5) Applicant advertised this case to include approval of a non-standard location based on an assumed pool. The well was placed by the district geologist in a different pool and therefore, the well's completion will be orthodox. The portion of the application requesting approval of a non-standard location should be dismissed.

(6) The proposed oil well is within the Quail Ridge; Bone Spring, South Pool and is subject to Division Rule 19.15.15.9(A) NMAC, which provides for 330-foot setbacks from the unit boundaries and standard 40-acre units each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of six adjacent quarter-quarter sections and is oriented south to north.

(7) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) The Bone Spring formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal well from south to north is appropriate for the Unit;
- (c) all quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation, so that the Unit as requested will not impair correlative rights;
- (d) notice was provided to lessees or operators of surrounding tracts as affected parties of the proposed non-standard spacing unit;
- (e) notice was provided to all interest owners subject to pooling proceedings as affected parties of the proposed compulsory pooling within the Unit; and
- (f) notice of this proceeding was published in a newspaper of general circulation in this county containing the names of all affected parties who were not located.

(8) No other party entered an appearance or otherwise opposed this application.

The Division concludes as follows:

Case No. 15480
Order No. R-14158
Page 3 of 6

(9) The proposed non-standard unit should be approved in order to enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste and protecting correlative rights.

(10) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(11) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location.

(12) There are interest owners in the Unit that have not agreed to pool their interests.

(13) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(14) Matador Production Company should be designated the operator of the proposed well and the Unit.

(15) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the proposed well.

(16) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7000 per month while drilling and \$700 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations."

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Matador Production Company, a 240-acre non-standard oil spacing and proration unit (the "Unit") is hereby established for oil and gas production from the Bone Spring formation, Quail Ridge; Bone Spring, South Pool (Pool code 50461), comprising the E/2 W/2 of Section 27 and the E/2 SW/4 of Section 22, both in Township 19 South, Range 34 East NMPM, Lea County, New Mexico.

(2) All uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit, are hereby pooled.

Case No. 15480
Order No. R-14158
Page 4 of 6

(3) The Unit shall be dedicated to Applicant's Mallon 27 Federal Com Well No. 3H (the "proposed well"; API No. 30-025-41808), a horizontal well to be drilled from a surface location 298 feet from the South line and 2016 feet from the West line (Unit N) of Section 27 to a bottomhole location 2316 feet from the South line and 1923 feet from the West line (Unit K) of Section 22 all in Township 19 South, Range 34 East, NMPM. The location of the completed interval will be standard for oil production within the Unit.

(4) The portion of Applicant's application seeking approval of an unorthodox well location is dismissed.

(5) The operator of the Unit shall commence drilling the proposed well on or before April 30, 2017, and shall thereafter continue drilling the proposed well with due diligence to test the Bone Spring formation.

(6) In the event the operator does not commence drilling the proposed well on or before April 30, 2017, Ordering Paragraphs (1) and (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(7) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the Unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence. If the proposed well is not completed in all of the standard spacing units included in the proposed project area (or Unit) then the operator shall apply to the Division for an amendment to this order to contract the Unit so that it includes only those standard spacing units in which the well is completed.

(8) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this order shall terminate, unless this Order has been amended to authorize further operations.

(9) Matador Production Company (OGRID 228937) is hereby designated the operator of the well and the Unit.

(10) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

Case No. 15480
Order No. R-14158
Page 5 of 6

(11) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(12) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(13) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(14) The operator is hereby authorized to withhold the following costs and charges from production from each well:

- (a) The proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

(15) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(16) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7000 per month while drilling and \$700 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable attributable to pooled working interest owners.

Case No. 15480
Order No. R-14158
Page 6 of 6

(17) Except as provided in Paragraphs (14) and (16) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-31, as amended).

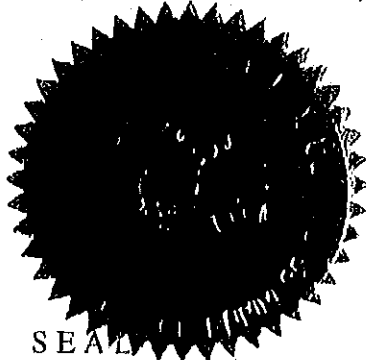
(18) Any unleased mineral interests shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(19) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

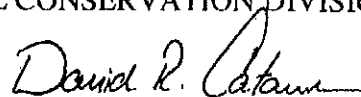
(20) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of parties subject to the compulsory pooling provisions of this order.

(21) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



DAVID R. CATANACH
Director

Affidavit of Publication


STATE OF NEW MEXICO
COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated
October 26, 2021
and ending with the issue dated
October 26, 2021.

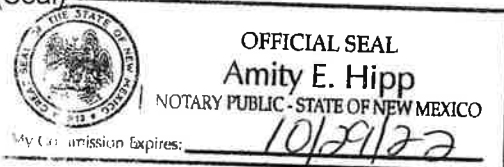

Publisher

Sworn and subscribed to before me this
26th day of October 2021.


Circulation Clerk

My commission expires
October 29, 2022

(Seal)



This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

LEGAL NOTICE
OCTOBER 26, 2021

To: All affected parties, including: The Allar Company; The Balog Family Trust Karen Krohn & Tina Balog, Co-Trustees; Rubie Crosby Bell Family LLC Frank Janusa, Managing Member; Cargoil & Gas, LLC; Chevron USA, Inc; R.P. & A.D. Earnest Trust Kathleen Earnest Rios, Trustee; First Roswell Company; Global Nevada-Galaxy; Good Earth Minerals LLC c/o Deborah L Goluska; Harle, Inc; HWC Investments, Ltd c/o Will Courington; Magnum Hunter Production Inc; Matlock Minerals c/o Deborah L Goluska; Keith E. McKamey, his heirs and devisees; Edna E. Morrell Living Trust c/o Wells Fargo Bank, NA, Trustee; Moser Revocable Trust Charles E & Vicky J Moser; Nadel & Gussman Capitan, their heirs and devisees; Peggy Runyan, her heirs and devisees; Shogail & Gas Co II LLC; Alyce Garrett Sparks, her heirs and devisees; Celia Stivason, her heirs and devisees; US Geological; Jack V Walker Revocable Trust; Barbara C Wilson, her heirs and devisees; Shannon Titzel, her heirs and devisees; Dream Home Properties; Michael C Hannum, his heirs and devisees; Sharon Lee Hannum, deceased, her heirs and devisees; Wing Resources III LLC; M.M.J. Rickansrud Levi Revocable Living Trust Michelle Taupier, Trustee; Arianna Hannum c/o Susan Phillips, her heirs and devisees; Wallace H Scott III, his heirs and devisees; William W Scott, his heirs and devisees; and McElroy Minerals LLC.

Application of Matador Production Company to authorize pool and lease commingling at the Mallon Tank Battery located in the SW/4 SE/4 (Unit O) of Section 27, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico. Pursuant to 19.15.12.7 NMAC, Matador Production Company (OGRID No. 228937) seeks administrative approval for pool and lease commingling, at the Mallon Tank Battery of production from the Lea; Bone Spring Pool (37570); and the Quail Ride, Bone Spring South Pool (50461), from all existing and future wells drilled in the following spacing units:

(a) The 240-acre, more or less, spacing unit in the Lea; Bone Spring Pool (37570) underlying the E/2 SE/4 of Section 22 and the E/2 E/2 of Section 27. The spacing unit is currently dedicated to the Mallon 27 Fed Com #1 well (API No. 30-025-42212);

(b) The 240-acre, more or less, spacing unit in the Lea; Bone Spring Pool (37570) underlying the W/2 SE/4 of Section 22 and the W/2 E/2 of Section 27. The spacing unit is currently dedicated to the Mallon 27 Fed Com #2 well (API No. 30-025-42315);

(c) The 240-acre, more or less, spacing unit in the Quail Ride, Bone Spring South Pool (50461) underlying the E/2 SW/4 of Section 22 and the E/2 W/2 of Section 27. The spacing unit is currently dedicated to the Mallon 27 Fed Com #3 well (API No. 30-025-41808); and

(d) Pursuant to 19.15.12.10.C(4)(g) NMAC, future spacing units connected to this central tank battery with notice provided only to the interest owners within these future spacing units.

Any objection to this application must be filed in writing within twenty days from date of publication with the New Mexico Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application may be approved administratively by the Division. If you have any questions about this application, please contact Kyle Perkins, Matador Production Company, (972) 371-5202 or KPerkins@matadorresources.com.
#36972

67100754

00259850

HOLLAND & HART LLC
PO BOX 2208
SANTA FE, NM 87504-2208

Mallon PLC C107B
BLM Postal Delivery Report

Tracking Number	Recipient	Status	Created Date
9214890194038357778999	Bureau of Land Management 301 Dinosaur Trail Santa Fe NM 87508	Delivered Signature Received	10/28/2021 15:53
9214890194038357779002	Bureau of Land Management 620 E Greene St Carlsbad NM 88220	Delivered Signature Received	10/28/2021 15:53

From: [Engineer, OCD, EMNRD](#)
To: [Kaitlyn A. Luck](#)
Cc: [McClure, Dean, EMNRD](#); [Kautz, Paul, EMNRD](#); [Hawkins, James, EMNRD](#); [Powell, Brandon, EMNRD](#); lisa@rwbyram.com; [Glover, James](#); [Paradis, Kyle O](#); [Walls, Christopher](#)
Subject: Approved Administrative Order CTB-1017
Date: Monday, January 10, 2022 9:42:20 AM
Attachments: [CTB1017 Order.pdf](#)

NMOCD has issued Administrative Order CTB-1017 which authorizes Matador Production Company (228937) to surface commingle or off-lease measure, as applicable, the following wells:

Well API	Well Name	UL or Q/Q	S-T-R	Pool Code
30-025-42212	Mallon 27 Federal Com #1H	E/2 SE/4	22-19S-34E	50461
		E/2 E/2	27-19S-34E	
30-025-42315	Mallon 27 Federal Com #2H	W/2 SE/4	22-19S-34E	50461
		W/2 E/2	27-19S-34E	
30-025-41808	Mallon 27 Federal Com #3H	E/2 SW/4	22-19S-34E	50461
		E/2 W/2	27-19S-34E	

The administrative order is attached to this email and can also be found online at OCD Imaging.

Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me.

Dean McClure
Petroleum Engineer, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
(505) 469-8211

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

APPLICATION FOR SURFACE COMMINGLING

SUBMITTED BY MATADOR PRODUCTION COMPANY

ORDER NO. CTB-1017

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having considered the application and the recommendation of the OCD Engineering Bureau, issues the following Order.

FINDINGS OF FACT

1. Matador Production Company (“Applicant”) submitted a complete application to surface commingle the oil and gas production from the pools, leases, and wells identified in Exhibit A (“Application”).
2. Applicant proposed a method to allocate the oil and gas production to the pools, leases, and wells to be commingled.
3. To the extent that ownership is identical, Applicant submitted a certification by a licensed attorney or qualified petroleum landman that the ownership in the pools, leases, and wells to be commingled is identical as defined in 19.15.12.7.B. NMAC.
4. To the extent that ownership is diverse, Applicant provided notice of the Application to all persons owning an interest in the oil and gas production to be commingled, including the owners of royalty and overriding royalty interests, regardless of whether they have a right or option to take their interests in kind, and those persons either submitted a written waiver or did not file an objection to the Application.
5. Applicant provided notice of the Application to the Bureau of Land Management (“BLM”) or New Mexico State Land Office (“NMSLO”), as applicable.
6. Applicant in the notice for the Application stated that it sought authorization to add additional pools, leases, and wells and identified the parameters to make such additions.
7. Applicant stated that it sought authorization to surface commingle and off-lease measure, as applicable, oil and gas production from wells which have not yet been approved to be drilled, but will produce from a pool and lease identified in Exhibit A.

CONCLUSIONS OF LAW

8. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, §§ 70-2-6, 70-2-11, 70-2-12, 70-2-16, and 70-2-17, 19.15.12. NMAC, and 19.15.23. NMAC.

9. Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10.A.(2) NMAC, 19.15.12.10.C.(4)(c) NMAC, and 19.15.12.10.C.(4)(e) NMAC, as applicable.
10. Applicant satisfied the notice requirements for the Application in accordance with 19.15.23.9.A.(5) NMAC and 19.15.23.9.A.(6) NMAC, as applicable.
11. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.10.B.(1) NMAC or 19.15.12.10.C.(1) NMAC, as applicable.
12. Commingling of oil and gas production from state, federal, or tribal leases shall not commence until approved by the BLM or NMSLO, as applicable, in accordance with 19.15.12.10.B.(3) NMAC and 19.15.12.10.C.(4)(h) NMAC.
13. Applicant satisfied the notice requirements for the subsequent addition of pools, leases, and wells in the notice for the Application, in accordance with 19.15.12.10.C.(4)(g) NMAC. Subsequent additions of pools, leases, and wells within Applicant's defined parameters, as modified herein, will not, in reasonable probability, reduce the commingled production's value or otherwise adversely affect the interest owners in the production to be added.
14. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Applicant is authorized to surface commingle oil and gas production from the pools, leases, and wells identified in Exhibit A.

Applicant is authorized to store and measure oil and gas production off-lease from the pools, leases, and wells identified in Exhibit A at a central tank battery described in Exhibit A.

Applicant is authorized to surface commingle oil and gas production from wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A.

Applicant is authorized to store and measure oil and gas production off-lease from wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A at a central tank battery described in Exhibit A.

2. The allocation of oil and gas production to wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A shall be determined in the same manner as to wells identified in Exhibit A that produce from that pool and lease, provided that if more than one allocation method is being used or if there are no wells identified in Exhibit A that produce from the pool and lease, then allocation of oil and gas production to each well not included in Exhibit A shall be determined by OCD prior to commingling production from it with the production from another well.
3. The oil and gas production for each well identified in Exhibit A shall be separated and metered prior to commingling.

4. Applicant shall measure and market the commingled oil at a central tank battery described in Exhibit A in accordance with this Order and 19.15.18.15. NMAC or 19.15.23.8. NMAC.
5. Applicant shall measure and market the commingled gas at a well pad, central delivery point, central tank battery, or gas title transfer meter described in Exhibit A in accordance with this Order and 19.15.19.9. NMAC, provided however that if the gas is vented or flared, and regardless of the reason or authorization pursuant to 19.15.28.8.B. NMAC for such venting or flaring, Applicant shall measure or estimate the gas in accordance with 19.15.28.8.E. NMAC.
6. Applicant shall calibrate the meters used to measure or allocate oil and gas production in accordance with 19.15.12.10.C.(2) NMAC.
7. If the commingling of oil and gas production from any pool, lease, or well reduces the value of the commingled oil and gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new surface commingling application to OCD to amend this Order to remove the pool, lease, or well whose oil and gas production caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.
8. Applicant may submit an application to amend this Order to add pools, leases, and subsequently drilled wells with spacing units adjacent to or within the tracts commingled by this Order by submitting a Form C-107-B in accordance with 19.15.12.10.C.(4)(g) NMAC.
9. If a well is not included in Exhibit A but produces from a pool or lease identified in Exhibit A, then Applicant shall submit Forms C-102 and C-103 to the OCD Engineering Bureau after the well has been approved to be drilled and prior to off-lease measuring or commingling oil or gas production from it with the production from another well. The Form C-103 shall reference this Order and identify the well and proposed method to determine the allocation of oil and gas production to it.
10. Applicant shall not commence commingling oil or gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.
11. If OCD determines that Applicant has failed to comply with any provision of this Order, OCD may take any action authorized by the Oil and Gas Act or the New Mexico Administrative Code (NMAC).
12. OCD retains jurisdiction of this matter and reserves the right to modify or revoke this Order as it deems necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**ADRIENNE SANDOVAL
DIRECTOR**

DATE: 12/29/21

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: **CTB-1017**

Operator: **Matador Production Company (228937)**

Central Tank Battery: **Mallon Tank Battery**

Central Tank Battery Location: **Unit O, Section 27, Township 19 South, Range 34 East**

Gas Title Transfer Meter Location: **Unit O, Section 27, Township 19 South, Range 34 East**

Pools

Pool Name	Pool Code
QUAIL RIDGE; BONE SPRING, SOUTH	50461

Leases as defined in 19.15.12.7(C) NMAC

Lease	UL or Q/Q	S-T-R
CA Bone Spring NMNM 136532	E/2 SE/4	22-19S-34E
	E/2 E/2	27-19S-34E
CA Bone Spring NMNM 136533	W/2 SE/4	22-19S-34E
	W/2 E/2	27-19S-34E
CA Bone Spring NMNM 136534	E/2 SW/4	22-19S-34E
	E/2 W/2	27-19S-34E

Wells

Well API	Well Name	UL or Q/Q	S-T-R	Pool
30-025-42212	Mallon 27 Federal Com #1H	E/2 SE/4	22-19S-34E	50461
		E/2 E/2	27-19S-34E	
30-025-42315	Mallon 27 Federal Com #2H	W/2 SE/4	22-19S-34E	50461
		W/2 E/2	27-19S-34E	
30-025-41808	Mallon 27 Federal Com #3H	E/2 SW/4	22-19S-34E	50461
		E/2 W/2	27-19S-34E	

District I

1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720

District II

811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720

District III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

CONDITIONS

Action 57779

CONDITIONS

Operator: MATADOR PRODUCTION COMPANY One Lincoln Centre Dallas, TX 75240	OGRID: 228937
	Action Number: 57779
	Action Type: [C-107] Surface Commingle or Off-Lease (C-107B)

CONDITIONS

Created By	Condition	Condition Date
dmcclure	Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me.	1/10/2022