

**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. 15363
ORDER NO. R-14053**

**APPLICATION OF MATADOR PRODUCTION COMPANY FOR A NON-
STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

ORDER ON PRE-HEARING MOTION

BY THE DIVISION:

This matter comes before the New Mexico Oil Conservation Division ("Division") on the application of Matador Production Company (Matador) for an order approving a 154.28-acre non-standard oil spacing and proration unit. The Division having conducted a hearing on Jalapeno Corporation and Yates Energy Corporations' (Protestants) "Motion to Dismiss Application for Non-Standard Oil Spacing Project Area" on September 3, 2015, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze and Legal counsel Gabriel Wade.

NOW, on this 24th day of September, 2015, the Division Director, having considered the testimony, the record and the recommendations of the Examiner and Legal counsel,

FINDS THAT:

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

(2) Matador Production Company (Matador), seeks an order approving a 154.28-acre non-standard oil spacing and proration unit and project area (the "Unit") in the Wolfcamp formation comprised of Lots 1-4 (the W/2 W/2) of Section 31, Township 18 South, Range 35 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit (project area) for all pools or formations developed on 40-acre spacing within that vertical extent.

(3) The Unit is to be dedicated to the Airstrip 31 18 35 RN State Com. Well No. 201H (API No. 30-025-41678), a horizontal well with a surface location in Lot 4 of Section 31, and a terminus in Lot 1 of Section 31.

(4) This well is to be completed in the Airstrip; Wolfcamp Pool (Pool code 970). This pool is governed by 19.15.15(9)(A) NMAC, which provides for standard 40-acre well units comprised of a governmental quarter-quarter section. The completed interval of the well is entirely within the prescribed setbacks from the outer boundary of the project area.

(5) On August 28, 2015, Jalapeno Corporation and Yates Energy Corporation (Protestants) filed a "Motion to Dismiss Application for Non-Standard Oil Spacing Project Area."

(6) On August 31, 2015, Matador filed a "Response in Opposition to Motion to Dismiss."

(7) On September 17, 2015, Protestants filed a "Statement of Supplemental Authority."

(8) On September 22, 2015, Matador filed a "Response to Statement of Supplemental Authority."

(9) No other evidence has been heard in this case.

THE DIVISION CONCLUDES THAT:

(1) On October 10, 2013, the New Mexico Oil Conservation Commission ("Commission") heard a De Novo appeal in Case No. 14966, the application of Cimarex Energy Co. for an order approving a 240-acre non-standard spacing and proration unit.

(2) On November 21, 2013, the Commission issued Order No. R-13708-A in the case.

(3) The application and issues of law presented in Case No. 14966 are identical to those before the Division in this case.

(4) Commission Order No. R-13708-A is the most recent Commission determination on the issues of law presented in this case and is precedent in this case.

(5) In Commission Order No. R-13708-A, the Commission stated:

(a) "The amended horizontal well rules do not restrict the lateral length of a horizontal well that may be drilled, or the size of a non-standard

spacing unit for a horizontal well which may be compulsory pooled.” (Commission Conclusions Paragraph 5).

(b) “Accordingly, the Unit should be approved and pooling of the uncommitted interests in the Unit should be approved. Approval of the Unit will enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Units, thereby preventing waste and the drilling of unnecessary wells, and will not impair correlative rights.” (Commission Conclusions Paragraph 7).

(6) As the application and issues of law presented in Case No. 14966 are identical to those before the Division in this case, the Division adopts the Commission’s legal findings in this case and denies the Protestants’ “Motion to Dismiss Application for Non-Standard Oil Spacing Project Area.”

(7) The Division has set this case for September 29, 2015, to determine whether the Unit should be formed based on the evidence to be presented by both parties.

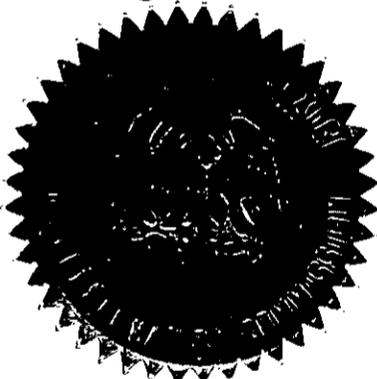
IT IS THEREFORE ORDERED THAT:

(1) The Protestants’ “Motion to Dismiss Application for Non-Standard Oil Spacing Project Area” is hereby **denied**.

(2) This matter is set for hearing on September 29, 2015.

(3) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director