CASE NO. 22683

# APPLICATION OF MATADOR PRODUCTION COMPANY TO AMEND ORDER NO. R-2/6/6 LEA COUNTY, NEW MEXICO

## **EXHIBITS**

- 1. Application and Proposed Notice
- 2. Pooling Order
- 3. Landman's Affidavit
- 4. Affidavit of Notice

# BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MATADOR PRODUCTION COMPANY TO AMEND ORDER NO. R-21666 FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

Case No. 22683

### **APPLICATION**

Matador Production Company applies for an order amending Order no. R-21666, and in support thereof, states:

- 1. Order No. R-21666 pooled the Bone Spring formation underlying a horizontal spacing unit comprised of the W/2E/2 of Section 3 and the W/2E/2 of Section 10, Township 22 South, Range 32 East, N.M.P.M.
- 2. Applicant proposes to drill the Nina Cortell Fed. Com. Well No. 127H to a depth sufficient to test the Bone Spring formation, with a first take point in the SW/4SE/4 of Section 10 and a last take point in the NW/4NE/4 of Section 3.
- 3. Case No. 21795 was heard on April 8, 2021, and Order No. R-21666 was entered on April 20, 2021. Paragraph 19 of Order No. R-21666 requires the operator to commence the well within one year of the date of issuance. Paragraph 20 of Order No. R-21666 provides that the order will terminate if the well is not timely commenced, unless the operator "obtains an extension by an amending this Order for good cause shown."
- 4. Applicant requests another one year extension due to market conditions which have altered drilling schedules, the coronavirus situation, and the Prairie Chicken booming season which limits drilling activities on federal land at this time of year. Applicant still intends to drill the subject well. Thus good cause exists for Applicant's request for an extension.

**EXHIBIT** 

7. Applicant requests an extension of the well commencement deadline to April 20, 2023.

**WHEREFORE**, Applicant requests that, after notice and hearing, the Division enter its order amending Order Nos. R-21666 to extend the well commencement deadline to April 20, 2023.

Respectfully submitted,

James Bruce

Post Office Box 1056

Santa Fe, New Mexico 87504

(505) 982-2043

Attorney for Matador Production Company

Application of Matador Production Company to Amend Order No. R-21666, Lea County, New Mexico. Matador Production Company seeks an order amending Order No. R-21666, issued on April 20, 2021, to extend the well commencement deadline one year, to April 20, 2023. Order No. R-21666 pooled mineral interest owners in the Bone Spring formation underlying a horizontal spacing unit comprised of the W/2E/2 of Section 3 and the W/2E/2 of Section 10, Township 22 South, Range 32 East, N.M.P.M., Lea County, New Mexico, for purposes of drilling the Nina Cortell Fed. Com. Well No. 127H. It requires the commencement of drilling within one year of the date of the order unless the operator obtains an extension by amendment of the order for good cause shown. The unit is located approximately 10 miles south-southeast of Halfway, New Mexico.

Case 22683

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

IN THE MATTER OF APPLICATION FOR COMPULSORY POOLING SUBMITTED BY MATADOR PRODUCTION COMPANY

CASE NO. 21795 ORDER NO. R-21666

#### **ORDER**

The Director of the New Mexico Oil Conservation Division ("OCD"), having heard these matters through a Hearing Examiner on April 8, 2021, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Orders:

#### FINDINGS OF FACT

- 1. Matador Production Company ("Operator") submitted an application ("Application") to compulsorily pool the uncommitted oil and gas interests within the spacing unit ("Unit") described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
- 2. Operator will dedicate the well(s) described in Exhibit A ("Well(s)") to the Unit.
- 3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
- 4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
- 5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

#### **CONCLUSIONS OF LAW**

- 6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
- 7. Operator is the owner of an oil and gas working interest within the Unit.
- 8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
- 9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.

EXHIBIT 7

- 10. Operator has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) in the Unit described in Exhibit A.
- 11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
- 12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
- 13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
- 14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

#### **ORDER**

- 15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
- 16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
- 17. Operator is designated as operator of the Unit and the Well(s).
- 18. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
- 19. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
- 20. This Order shall terminate automatically if Operator fails to comply with Paragraph 19 unless Operator obtains an extension by amending this Order for good cause shown.
- 21. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
- 22. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
- 23. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the

well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

- 24. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
- 25. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
- 26. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
- 27. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
- 28. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of

- the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
- 29. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
- 30. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 29 to each Pooled Working Interest that paid its share of the Estimated Well Costs.
- Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
- 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
- 33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
- 34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
- 35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

DIRECTOR AES/kms Date: 4/20/2021

## Exhibit "A"

	RTED BY SIGNED AFFIDAVITS	
	21795	
	April 8, 2021	
Matador Production Company		
Matador Production Company/OGRID No. 228937		
James Bruce		
Application of Matador Production Company for Compulsory Pooling Eddy County, New Mexico		
ConocoPhillips Company/	'Holland & Hart LLP	
Nina Cortell Bone Spring	Wells	
Bone Spring Formation		
Oil		
Entire Bone Spring formation		
Bilbrey Basin; Bone Spring/Pool Code 5695		
Statewide rules and curre	ent horizontal well rules	
Quarter-quarter sections	Quarter-quarter sections/40 acres	
Horizontal		
320 acres		
40 acres		
South-North		
W/2E/2 §10 and W/2E/2	§3-22S-32E, NMPM, Lea County	
Yes		
	AND EASILIST DE ARREST MAILLES DE PRESENTATION DE LA CONTRACTION DEL CONTRACTION DE LA CONTRACTION DEL CONTRACTION DE LA	
No		
No	EXHIBIT	
Exhibits C-2 and C-3		
Nina Cortell Fed. Com. Well No. 127H, API No. Pending SHL: 244 FSL and 1230 FEL (Unit P) §10-22S-32E BHL: 60 feet FNL and 1980 feet FEL (Unit B) §3-22S-32E FTP: 100 FSL & 1980 FEL §10 LTP: 100 FNL & 1980 FEL §3 Bone Spring Sand/TVD 10850 feet/MD 21114 feet		
	Matador Production Com James Bruce Application of Matador P Eddy County, New Mexico ConocoPhillips Company, Nina Cortell Bone Spring Bone Spring Formation Oil Entire Bone Spring forma Bilbrey Basin; Bone Spring Statewide rules and curr Quarter-quarter sections Horizontal 320 acres 40 acres South-North W/2E/2 §10 and W/2E/2 Yes  No No No Exhibits C-2 and C-3  Nina Cortell Fed. Com. W SHL: 244 FSL and 1230 FE BHL: 60 feet FNL and 198 FTP: 100 FSL & 1980 FEL & LTP: 100 FNL & 1980 FEL	

	•	
Horizontal Well First and Last Take	See above	
Points		
Completion Target (Formation, TVD and	See above	
MD)		
AFE Capex and Operating Costs		
Drilling Supervision/Month \$	\$8000	
Production Supervision/Month \$	\$800	
Justification for Supervision Costs	Exhibit C, page 4	
Requested Risk Charge	Cost + 200%/Exhibit A, Case No. 21795	
Notice of Hearing		
Proposed Notice of Hearing	Exhibit A	
Proof of Mailed Notice of Hearing (20		
days before hearing)	Exhibit B	
Proof of Published Notice of Hearing (10		
days before hearing)	Not necessary	
Ownership Determination		
Land Ownership Schematic of the		
Spacing Unit	Exhibits C-2 and C-3	
Tract List (including lease numbers and		
owners)	Exhibit C-2	
Pooled Parties (including ownership		
type)	Exhibit C-3	
Unlocatable Parties to be Pooled	N/A	
Ownership Depth Severance (including		
percentage above & below)	None	
Joinder		
Sample Copy of Proposal Letter	Exhibit C-4	
List of Interest Owners (i.e. Exhibit A of		
JOA)	Exhibit C-3	
Change of Contact with New Joined		
Chronology of Contact with Non-Joined	5133.64	
Working Interests	Exhibit C-4	
Overhead Rates In Proposal Letter	\$8000/\$800	
Cost Estimate to Drill and Complete	Exhibit C-5	
Cost Estimate to Equip Well	Exhibit C-5	
Cost Estimate for Production Facilities	Exhibit C-5	
Geology		
Summary (including special	Full bis C	
considerations)	Exhibit C	
Spacing Unit Schematic	Exhibits C-1 and C-2	
Gunbarrel/Lateral Trajectory Schematic	Exhibits D-2 and D-3	
Well Orientation (with rationale)	Standup/Exhibit D	
Target Formation	Bone Spring	
HSU Cross Section	Exhibit D-3	
Depth Severance Discussion	Not Applicable	
Forms, Figures and Tables		
C-102	Exhibit C-1	

Tracts	Exhibit C-1 and C-2
Summary of Interests, Unit	
Recapitulation (Tracts)	Exhibits C-1 and C-3
General Location Map (including basin)	Exhibit D-1
Well Bore Location Map	Exhibit C-1
Structure Contour Map - Subsea Depth	Exhibit D-2
Cross Section Location Map (including wells)	Exhibit D-3
Cross Section (including Landing Zone)	Exhibit D-3
Additional Information	
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative):	James Bruce
Signed Name (Attorney or Party Representative):	James Bully
Date:	April 6, 2021

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

APPLICATION OF MATADOR PRODUCTION COMPANY TO AMEND ORDER NO. R-21666, LEA COUNTY, NEW MEXICO.

CASE NO. 22683 (Order R-21666)

#### AFFIDAVIT OF ROBERT HELBING

Robert Helbing, of lawful age and being first duly sworn, declares as follows:

- 1. My name is Robert Helbing. I work for MRC Energy Company, an affiliate of Matador Production Company ("Matador"), as a Landman.
- 2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My credentials as a petroleum landman have been accepted by the Division and made a matter of public record.
- 3. I am familiar with the application filed by Matador in this newly filed case and the status of the development efforts for the pooled spacing unit.
- 4. Under Case No. 21795, the Division entered Order R-21666 on April 20, 2021. This Order created a standard 320-acre horizontal well spacing unit in the Bone Spring formation (Bilbrey Basin; Bone Spring [5695]) underlying the W/2 E/2 of Sections 10 and 3, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico. The Order further dedicated the Nina Cortell Fed Com Well No. 127 well (API No. pending) as the initial well in the spacing unit and required the commencement of drilling by April 20, 2022. Matador is in the process of separately filing to amend the initial well under the Order to the Nina Cortell Fed Com #133, to drill in the Third Bone Spring formation rather than the Second Bone Spring formation.

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- 5. Matador has applied for a federal drilling permit for both Nina Cortell Fed Com #127 and #133 but they have not yet been approved. Once approved, Matador intends to promptly drill the Nina Cortell Fed Com #133, based on availability in it drill schedule. Good cause therefore exists to extend the deadline to commence drilling under the order for a year, until April 20, 2023.
- 6. None of the working interest owners that remain subject to these pooling orders have been asked at this time to make an election on the applicable well, or to pay their estimated share of the costs to drill, complete and equip the applicable well.
  - 7. The granting of this application will prevent waste and protect correlative rights.

FURTHER AFFIANT SAYETH NOT.

ROBERT HELBING

STATE OF TEXAS

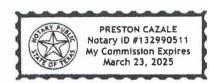
COUNTY OF Pallas

SUBSCRIBED and SWORN to before me this 19th day of April, 2022 by Robert Helbing.

NOTARY PUBLIC

My Commission Expires:

3/23/2025



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

APPLICATIONS OF MATADOR PRODUCTION COMPANY TO AMEND ORDERS, LEA COUNTY, NEW MEXICO.

Case No. 22683 - 22686

# SELF-AFFIRMED STATEMENT OF NOTICE

COUNTY OF SANTA FE	)
STATE OF NEW MEXICO	) ss. )

James Bruce deposes and states:

- 1. I am over the age of 18, and have personal knowledge of the matters stated herein.
- 2. I am an attorney for Matador Production Company.
- 3. Matador Production Company has conducted a good faith, diligent effort to find the name and correct addresses of the interest owners entitled to receive notice of the applications filed herein.
- 4. Notice of the application was provided to the interest owner, at its last known address, by certified mail. Copies of the notice letter and certified return receipt are attached hereto as Attachment A.
  - 5. Matador Production has complied with the notice provisions of Division Rules.
- 6. I understand that this Self-Affirmed Statement will be used as written testimony in this case. I affirm that my testimony in paragraphs 1 through 5 above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date handwritten next to my signature below.

Date:

James Bruce

**EXHIBIT** 

JAMES BRUCE ATTORNEY AT LAW

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213 SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone) (505) 660-6612 (Cell) (505) 982-2151 (Fax)

jamesbruc@aol.com

April 28, 2022

#### CERTIFIED MAIL – RETURN RECEIPT REQUESTED

ConocoPhillips Company 925 North Eldridge Parkway Houston, Texas 77079 ATTACHMENT /

Ladies and gentlemen:

Enclosed are copies of the following applications filed with the New Mexico Oil Conservation Division by Matador Production Company ("Matador"), seeking orders extending well commencement deadlines to April 20, 2023 in the following cases:

- 1. Case 22683: amending Order No. R-21666 which pooled mineral interest owners in the Bone Spring formation underlying a horizontal spacing unit comprised of the W/2E/2 of Section 3 and the W/2E/2 of Section 10, Township 22 South, Range 32 East, N.M.P.M., Eddy County, New Mexico, for purposes of drilling the Nina Cortell Fed. Com. Well No. 127H.
- 2. Case 22684: amending Order No. R-21667 which pooled mineral interest owners in the Bone Spring formation underlying a horizontal spacing unit comprised of the E/2E/2 of Section 3 and the E/2E/2 of Section 10, Township 22 South, Range 32 East, N.M.P.M., Eddy County, New Mexico, for purposes of drilling the Nina Cortell Fed. Com. Well No. 128H.
- 3. Case 22685: amending Order No. R-21668 which pooled mineral interest owners in the Wolfcamp formation underlying a horizontal spacing unit comprised of the W/2E/2 of Section 3 and the W/2E/2 of Section 10, Township 22 South, Range 32 East, N.M.P.M., Eddy County, New Mexico, for purposes of drilling the Nina Cortell Fed. Com. Well No. 203H.
- 4. Case 22686: amending Order No. R-21669 which pooled mineral interest owners in the Wolfcamp formation underlying a horizontal spacing unit comprised of the E/2E/2 of Section 3 and the E/2E/2 of Section 10, Township 22 South, Range 32 East, N.M.P.M., Eddy County, New Mexico, for purposes of drilling the Nina Cortell Fed. Com. Well No. 204H.

Released to Imaging: 7/18/2022 8:01:09 AM

These matters are scheduled for hearing at 8:15 a.m. on Thursday, May19, 2022. During the COVID-19 Public Health Emergency, state buildings are closed to the public and the hearing will be conducted remotely. To determine the location of the hearing or to participate in an electronic hearing, go to <a href="mailto:emnrd.state.nm.us/OCD/hearings">emnrd.state.nm.us/OCD/hearings</a> or see the instructions posted on the Division's website, <a href="http://emnrd.state.nm.us/OCD/announcements.html">http://emnrd.state.nm.us/OCD/announcements.html</a>. You are not required to attend this hearing, but as an owner of an interest who may be affected by the applications, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting these matters at a later date, party appearing in a Division case is required by Division Rules to file a Pre-Hearing Statement five business days before the hearing date. This statement may be filed online with the Division at <a href="mailto:ocd.hearings@state.nm.us">ocd.hearings@state.nm.us</a>, and should include: The name of the party and his or her attorney; a concise statement of the case; the name of the witness(es) the party will call to testify at the hearing; the approximate time the party will need to present his or her case; and identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to the undersigned.

Very truly yours,

James Bruce

Attorney for Matador Production Company

0847	U.S. Postal Service™ CERTIFIED MAIL® FEC	EN Scholle		
10	For delivery information, visit our website at www.usps.com®.			
	OFFICIAL	USE		
0002 0368	Certified Mail Fee  \$ Extra Services & Fees (check box, add fee as appropriate)  Return Receipt (hardcopy)  Return Receipt (electronic)  Certified Mail Restricted Delivery  Adult Signature Required  Adult Signature Restricted Delivery \$	Postmark Here		
0450	Postage \$			
	Total Postage and Fees			
7021	Sent To ConocoPhillips Company 925 North Eldridge Parkway Freet and Apt. No., Houston, Texas 77079			
	City, State, ZIP+4®			
	PS Form 3800, April 2015 PSN 7530-02-000-9047	See Reverse for Instructions		

COMPLETE THIS SECTION ON DELIVERY
A. Signature
X Addresses
B. Received by (Printed Name) C. Date of Deliver
D. Is delivery address different from item 1? Yes If YES, enter delivery address below: No
3. Service Type ☐ Priority Mail Express® ☐ Registered Mail™ ☐ Registered Mail Restricted Delivery ☐ Registe
☐ Certified Mail Restricted Delivery ☐ Signature Confirmation™ ☐ Collect on Delivery ☐ Signature Confirmation
Wery Restricted Delivery Restricted Delivery Restricted Delivery (over \$500)
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