

4/06/2016 DATE IN	SUSPENSE	MAN ENGINEER	4/19/2016 LOGGED IN	OLM TYPE	PMAM 16 11034 315 APP NO.
----------------------	----------	-----------------	------------------------	-------------	------------------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- 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

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☒ CTB ☐ PLC ☐ PC ☐ OLS ☒ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] ☒ Working, Royalty or Overriding Royalty Interest Owners

- [B] ☐ Offset Operators, Leaseholders or Surface Owner

- [C] ☐ Application is One Which Requires Published Legal Notice

- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

- [E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

- [F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **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.

Jordan L. Kessler
 Print or Type Name

Signature

Attorney
 Title

Date

jlkessler@hollandhart.com
 e-mail Address

RECEIVED OGD
2016 APR -6 P 2:45

WCL
 -DRK 242327E
 RB #203H
 30-015-43378
 -DRK 242327E
 Pool RB# 203H
 30-015-43378
 -Foreland Ranch
 Wolfcamp (GAS)
 76780



April 6, 2016

VIA HAND DELIVERY

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

RECEIVED 000
2016 APR -6 PM 2:45

Re: Application of Matador Production Company for administrative approval for off-lease measurement and approval to surface commingle (lease commingle) oil and gas production from the spacing units comprised of the S/2 of Section 24 and the N/2 of Section 24, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico.

Dear Mr. Catanach,

Matador Production Company (OGRID No. 228937) seeks administrative approval for off-lease measurement and approval to surface lease commingle oil and gas production from the Forehand Ranch; Wolfcamp (Gas) Pool (76780) *from all existing and future wells and existing and future leases* drilled in the following areas of diverse ownership in Township 23 South, Range 27 East, NMPM, in Eddy County, New Mexico:

(a) The 320-acre standard spacing unit comprised of the S/2 of Section 24. This spacing unit is currently dedicated to the Dr. K 24-23S-27E RB No. 203H Well (API No. 30-015-43378) well. This well is producing from the Forehand Ranch; Wolfcamp (Gas) Pool (76780).

(b) The 320-acre standard spacing unit comprised of the N/2 of Section 24. This spacing unit is currently dedicated to the Dr. K 24-23S-27E RB No. 206H Well (API No. 30-015-43379). This well is planned to SPUD in the next couple of months and to produce from the Forehand Ranch; Wolfcamp (Gas) Pool (76780).

Pursuant to NMAC 19.15.12.7, approved spacing units with diverse ownership are considered separate leases for surface commingling purposes. Matador seeks authority to surface commingle production according to the provisions of NMAC 19.15.12.10.C *from all existing and future wells* in these separate areas of diverse ownership at a surface facility located in the NE/4 SE/4 (Unit I) of Section 23. Pursuant to 19.15.12.10(C)(4)(g), Matador also seeks authority to commingle production into the Black River North Trunk Line from future leases with notice



provided only to interest owners within future leases. Prior to commingling, gas production from each well will be separately metered using individual test separators with calibrated orifice meters that are manufactured to AGA specifications. Oil production from each well will also be separately metered using a turbine meter.

Exhibit 1 is a land plat showing Matador's current development and gathering system in the subject area. The plat identifies the wellbores, the spacing units, and the common surface facility located in the NE/4 SE/4 (Unit I) of Section 23. All lands in the Section 24 are fee lands.

Exhibit 2 is a completed Application for Surface Commingling (Diverse Ownership) and Off-Lease Measurement Form C-107-B with attachments.

Exhibit 3 is an in depth engineering explanation of Matador's commingling process.

Exhibit 4 is a C-102 for each of the current wells drilled and planned within the existing spacing units.

Exhibit 5 is a diagram of the surface facilities.

Exhibit 6 is a list of the working interest, royalty, and overriding royalty interests affected by this request for approval to off-lease measure and surface commingle oil and gas production. A copy of this application with all attachments has been sent by certified mail to all affected parties advising them that if they have an objection they must file it in writing with the division within 20 days from the date the division receives Matador's application.

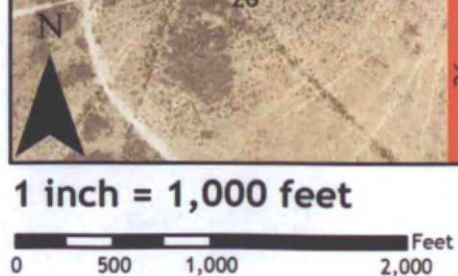
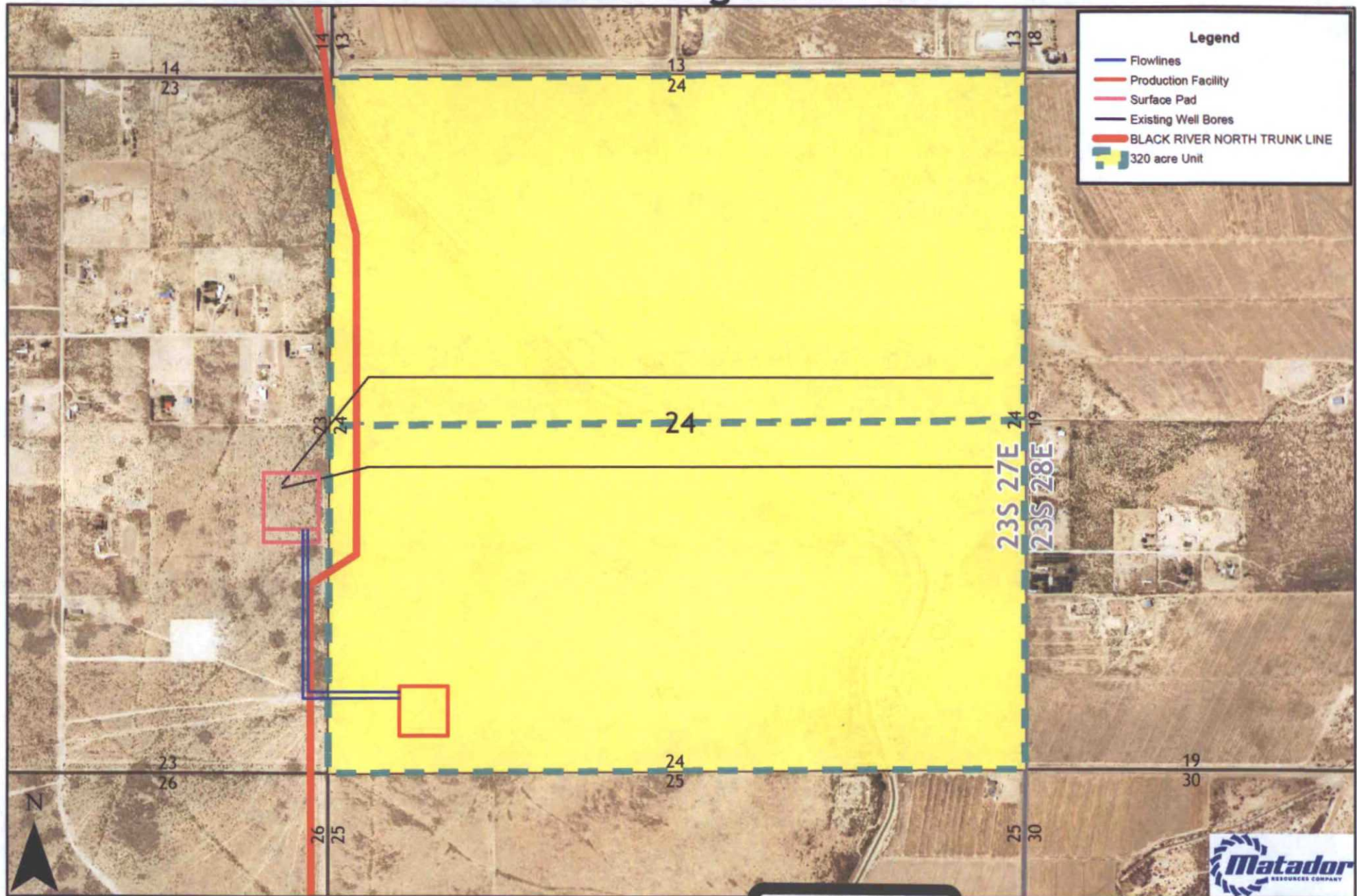
Your attention to this matter is appreciated.

Sincerely,

Jordan L. Kessler

**ATTORNEY FOR
MATADOR PRODUCTION COMPANY**

Dr K Gathering Land Plat



Southeast New Mexico

Map Prepared by: agreen
Date: March 28, 2016
Filename: DrKGathering_LandPlat
Projection: NAD27 State Plane New Mexico East FIPS 3001
Sources: IHS; ESRI;

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 Commingling)

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.- Forehand Ranch; Wolfcamp (Gas) 76780

(2) Is all production from same source of supply? ☒ Yes ☐ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No

(4) Measurement type: ☒ Metering ☐ 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? ☐ Yes ☒ 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: John Romano

TITLE: Production Engineer

DATE: 4/5/16

TYPE OR PRINT NAME: John Romano

TELEPHONE NO.: (972) 371-5245

E-MAIL ADDRESS: jromano@matadorresources.com

EXHIBIT

2

Matador Production Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240
Voice 972.371.5245 • Fax 972.371.5201
jromano@matadorresources.com

John L. Romano
Production Engineer

March 23, 2016

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

Re: Application of Matador Production Company for administrative approval for off-lease measurement and approval to surface commingle (lease commingle) production from the spacing units comprised of the S/2 of Section 24 and the N/2 of Section 24, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico (the "Lands")

To Whom This May Concern,

Matador Production Company ("Matador"), OGRID: 228937, requests to commingle production from the Dr. K 24-23S-27E #206H well unit with the Dr. K 24-23S-27E #203H well unit. Both wells and future wells located on the Lands will be metered through a test separator. The commingling will occur after individual measurement at each well test separator. Oil is separated and metered by a turbine meter before commingling into a common oil line which flows into tanks for storage and sales. Gas exiting each well test separator is measured by an orifice meter and flows into one gathering line which is measured for total flow before exiting the battery for sales to a third party midstream company.

Each well on the Lands has and will have its own test separator with an oil turbine meter and gas orifice meter manufactured and assembled in accordance with American Petroleum Institute (API) and 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 guidelines.

The flow stream from each wellhead is demonstrated in the Process Flow Diagram (PFD) attached as **Exhibit A** hereto. The PFD shows that the water, oil, and gas leave the wellbore and flow into a wellhead test separator which separates the oil, gas, and water. The oil is metered through a turbine meter which is calibrated with appropriate shrink factors based on individual tests. This process ensures each meter is accurately accounting for the oil produced from each individual well. After the oil is metered, it is then sold out of oil tanks to third party purchasers. The gas is measured on a volume basis by an orifice meter and supporting EFM equipment in accordance with API Chapter 21.1. After the gas is measured, it is sent into a gathering line where it is commingled with gas from the other wells located on the Lands. The gathering line gas is then metered by another



orifice meter to show the total volume of gas leaving the tank battery traveling to the Third Party Pipeline Sales Connect. The Third Party Pipeline has its own orifice meter that measures the gas for custody transfer. At this point, Matador has its own orifice meter to confirm the measurement for all the commingled gas that is sold. This meter is also calibrated periodically to ensure measurement accuracy.

In conclusion, all 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 and AGA as industry standard.

Regards,
MATADOR PRODUCTION COMPANY

A handwritten signature in black ink, appearing to read "J L Romano", written in a cursive style.

John L. Romano
Production Engineer

District I
1625 N. French Dr., Hobbs, NM 88240
Phone (505) 393-6161 Fax: (505) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone (505) 748-1283 Fax: (505) 748-0720
District III
1000 Rio Grande Road, Artesia, NM 88210
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) 476-1462

NM OIL CONSERVATION
State of New Mexico
Energy, Minerals & Natural Resources
Department
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

API Number 30-015-43378		Pool Code 76780	Pool Name FOREHAND RANCH; WOLFCAMP (GAS)
Property Code 315274	Property Name DR. K 24-23S-27E RB		Well Number #203H
GRID No. 228937	Operator Name MATADOR PRODUCTION COMPANY		Elevation 3126'

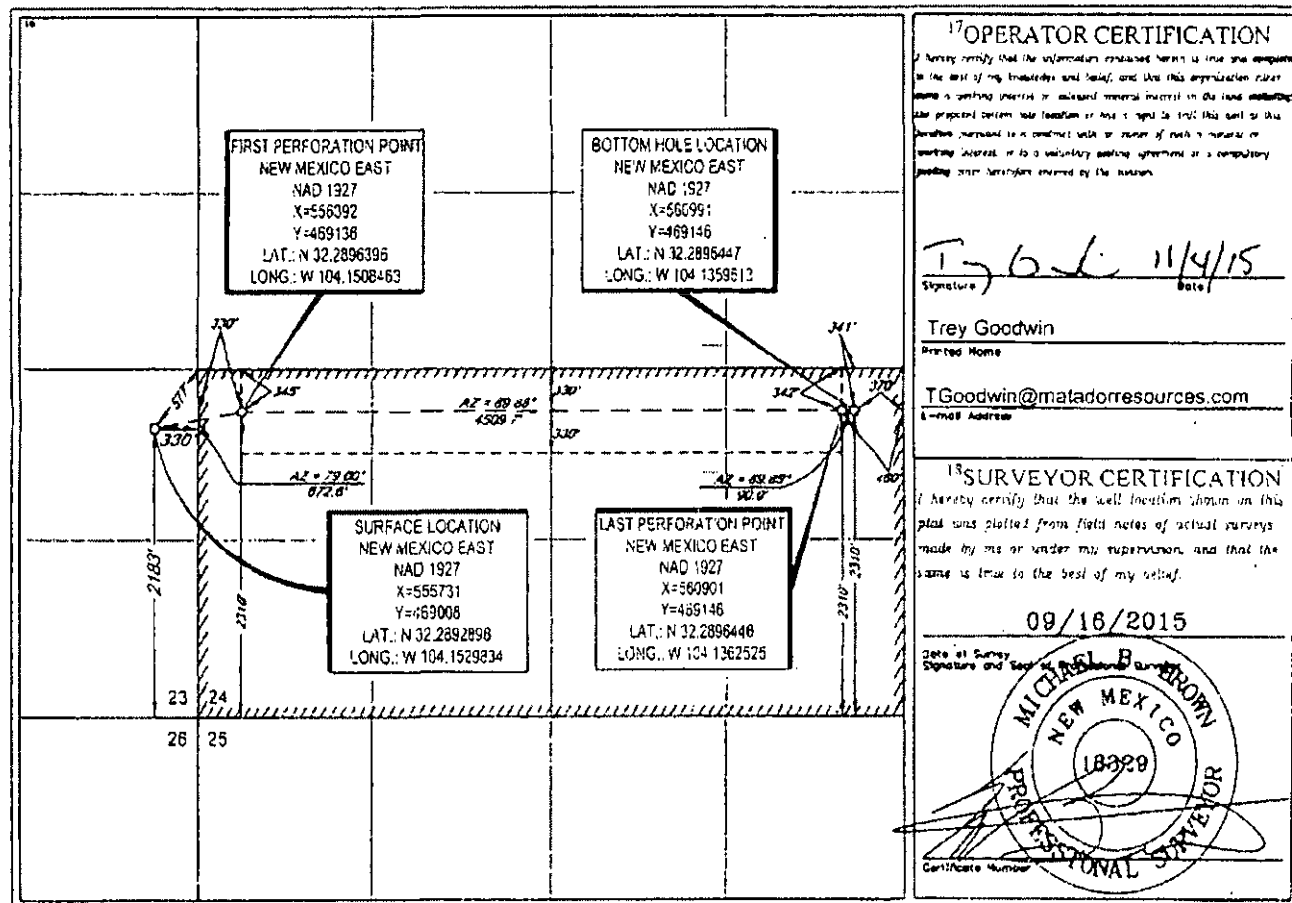
10 Surface Location

UL or lot no.	Section	Township	Range	Lot line	Feet from the	North/South line	Feet from the	East/West line	County
I	23	23-S	27-E	-	2183'	SOUTH	330'	EAST	EDDY

UL or lot no.	Section	Township	Range	Lot line	Feet from the	North/South line	Feet from the	East/West line	County
I	24	23-S	27-E	-	2310'	SOUTH	370'	EAST	EDDY

Dedicated Acres 320	Joint or Latch	Consolidation Code	Order No.
-------------------------------	----------------	--------------------	-----------

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.



SURVEY BY MATADOR RESOURCE CORP., W. 24-23S-27E, RB, 203H, REVISED 11/4/2015 BY 11/12/15, 11/12/15



District I
 1623 N. French Dr., Hobbs, NM 88240
 Phone: (505) 393-6151 Fax: (505) 397-0720
 District II
 511 S. First St., Artesia, NM 88210
 Phone: (505) 749-1285 Fax: (505) 749-9720
 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) 476-7460 Fax: (505) 476-7462

NM OIL CONSERVATION
 State of New Mexico
 Energy, Minerals & Natural Resources
 Department
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

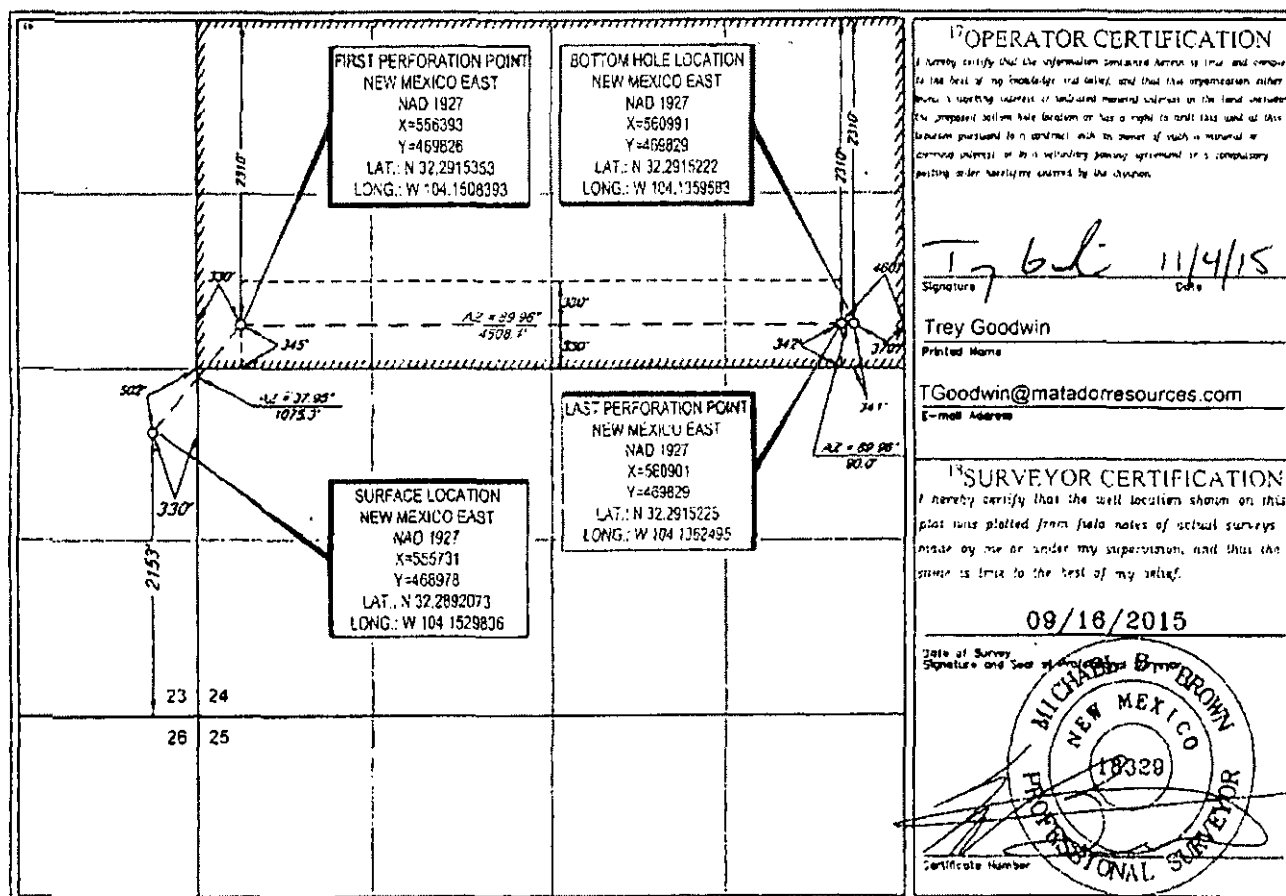
API Number 30-015-43379	Pool Code 76780	Pool Name FOREHAND RANCH; WOLFCAMP (GAS)
Property Code 315274	Property Name DR. K 24-23S-27E RB	
OCRID No. 228937	Operator Name MATADOR PRODUCTION COMPANY	Well Number #206H Elevation 3127'

Surface Location									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	23	23-S	27-E	-	2153'	SOUTH	330'	EAST	EDDY

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	24	23-S	27-E	-	2310'	NORTH	370'	EAST	EDDY

Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.
------------------------	-----------------	--------------------	-----------

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.





WORKING INTERESTS/MINERAL INTERESTS:

Artesia Oil & Gas LLC
P.O. Box 1768
Artesia, NM 88211

Big Three Energy Group, LLC
P. O. Box 429
Roswell, NM 88202

Blackbird Royalties LLC
28 Haley Circle
Roswell, NM 88201

Chalcam Exploration LLC
200 West First
Suite 434
Roswell, NM 88201

Featherstone Development
Corporation
P.O. Box 429
Roswell, NM 88202

Lovella Williams Kilman
8425 James, NE
Albuquerque, NM 87111

Melissa McCarthy
(f/k/a Melissa G. Williams)
48073 Larrabee St.
Edwall, WA 99008

Prospector, LLC
P.O. Box 429
Roswell, NM 88202

Reed T. Kimbley
PO Box 595
Loving, NM 88202-0429

Ross Duncan Properties, LLC
3349 South St Paul
Wichita, KS 67217

Shrader Enterprises, LP
3349 South St Paul
Wichita, KS 67217

Tierra Oil Company, LLC
P.O. Box 700968
San Antonio, TX 78270-0968

Xplor Resources, LLC
1104 North Shore Drive
Carlsbad, NM 88220-4638

Bonnie R. Norfleet Newman
1564 Northcrest Lane
Vista, CA 92083

Gumesinda Carrasco Onsurez
Revocable Trust
P.O. Box 598
Loving, NM 88256

Madison M. Hinkle
P. O. Box 2292
Roswell, NM 88202-2292

Rolla R. Hinkle III
P. O. Box 2292
Roswell, NM 88202-2292

Sandra K. Norfleet Clark
2725 Aspen Ridge Court
Beaver Creek, OH 45431

ROYALTY INTERESTS:

Gumesinda Carrasco Onsurez
Revocable Trust
P.O. Box 598
Loving, NM 88256

Tierra Oil Company, LLC
P.O. Box 700968
San Antonio, TX 78270-0968

Chalcam Exploration LLC
200 West First
Suite 434
Roswell, NM 88201



Blackbird Royalties LLC
28 Haley Circle
Roswell, NM 88201

Artesia Oil & Gas LLC
P.O. Box 1768
Artesia, NM 88211

Lovella Williams Kilman
8425 James, NE
Albuquerque, NM 87111

Big Three Energy Group, LLC
P. O. Box 429
Roswell, NM 88202

Melissa McCarthy (f/k/a
Melissa G. Williams)
48073 Larrabee St.
Edwall, WA 99008

Reed T. Kimbley
PO Box 595
Loving, NM 88202-0429

Sandra K. Norfleet Clark
2725 Aspen Ridge Court
Beaver Creek, OH 45431

Bonnie R. Norfleet Newman
1564 Northcrest Lane
Vista, CA 92083

Rolla R. Hinkle III
P. O. Box 2292
Roswell, NM 88202-2292

Madison M. Hinkle
P. O. Box 2292
Roswell, NM 88202-2292

Shrader Enterprises, LP
3349 South St Paul
Wichita, KS 67217

Ross Duncan Properties, LLC
3349 South St Paul
Wichita, KS 67217

Xplor Resources, LLC
1104 North Shore Drive
Carlsbad, NM 88220-4638

Featherstone Development
Corporation
P.O. Box 429
Roswell, NM 88202

Prospector, LLC
P.O. Box 429
Roswell, NM 88202

OVERRIDING ROYALTY INTERESTS:

Mo Oil, LLC
P.O. Box 429
Roswell, NM 88202

Rolla R. Hinkle and Rosemary
H. Hinkle
P. O. Box 2292
Roswell, NM 88202-2292



April 6, 2016

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: ALL AFFECTED PARTIES

Re: Application of Matador Production Company for administrative approval for off-lease measurement and approval to surface commingle (lease commingle) oil and gas production from the spacing units comprised of the S/2 of Section 24 and the N/2 of Section 24, Township 23 South, Range 27 East, NMPM, Eddy 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:

Dana Arnold
Matador Production Company
972-371-5284
darnold@matadorresources.com

Sincerely,

Jordan L. Kessler
ATTORNEY FOR
MATADOR PRODUCTION COMPANY