

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

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MATADOR PRODUCTION COMPANY
APPLICATION OF ~~EXY USA INC.~~
FOR A NON-STANDARD SPACING AND
PRORATION UNIT, AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 15931

APPLICATION

Matador Production Company, ("Matador") (OGRID No. 228937), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 152.78-acre non-standard spacing and proration unit comprised of the N/2 S/2 of Section 19, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. In support of its application, Matador states:

1. Matador Production Company's affiliate entity is a working interest owner in the proposed non-standard spacing and proration unit and has the right to drill thereon.
2. Matador proposes to dedicate the above-referenced spacing and proration unit as the project area for two proposed initial wells, to be drilled and completed simultaneously: the proposed **Marbob 19 State Com No. 123H Well** and the proposed **Marbob 19 State Com No. 133H Well**. These wells will be horizontally drilled from a surface location in the NW/4 SW/4 (Lot 3) to a standard bottom hole location in NE/4 SE/4 (Unit I) of Section 19.
3. The completed interval for both wells will remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC.

4. Matador has sought and been unable to obtain voluntary agreement for the development of these lands from all of the interest owners in the subject spacing unit.

5. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

6. In order to permit Matador to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this non-standard spacing unit should be pooled and Matador Production Company should be designated the operator of this proposed horizontal wells and spacing unit.

WHEREFORE, Matador requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 11, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 152.78-acre non-standard spacing and proration unit comprised of the N/2 S/2 of Section 19, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico;
- B. Pooling all uncommitted interests in the non-standard spacing and proration unit;
- C. Designating two initial wells for the proposed spacing unit;
- D. Designating Matador Production Company operator of this non-standard spacing unit and the horizontal wells to be drilled thereon;
- E. Authorizing Matador Production Company to recover its costs of drilling, equipping and completing the wells;
- F. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

- G. Imposing a 200% penalty for the risk assumed by Matador in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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**ATTORNEYS FOR
MATADOR PRODUCTION COMPANY**

CASE 15931

Application of Matador Production Company for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 152.78-acre non-standard spacing and proration unit comprised of the N/2 S/2 of Section 19, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be project area for two proposed initial wells, to be drilled and completed simultaneously: the proposed **Marbob 19 State Com No. 123H Well** and the proposed **Marbob 19 State Com No. 133H Well**. These wells will be horizontally drilled from a surface location in the NW/4 SW/4 (Lot 3) to a standard bottom hole location in NE/4 SE/4 (Unit I) of Section 19. The completed interval each well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Matador Production Company as operator of the wells and a 200% charge for risk involved in drilling said well. Said area is located approximately 16 miles northeast of Carlsbad, N.M.