

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MATADOR PRODUCTION
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Case No. 20492

APPLICATION

Matador Production Company applies for an order pooling all mineral interests in the Wolfcamp formation underlying a horizontal spacing unit comprised of the S/2 of Section 35 and the S/2 of Section 36, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

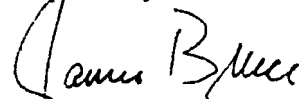
1. Applicant is an operator in the S/2 of Section 35 and the S/2 of Section 36, and has the right to drill a well thereon.
2. Applicant proposes to drill the K Grevey State Com. Well No. 203H to a depth sufficient to test the Wolfcamp formation (Purple Sage-Wolfcamp Gas Pool), and dedicate the S/2 of Section 35 and the S/2 of Section 36 to the well. The well is a horizontal well, with a first take point in the NE/4SE/4 of Section 36 and a final take point in the NW/4SW/4 of Section 35.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S/2 of Section 35 and the S/2 of Section 36 for the purposes set forth herein.
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the S/2 of Section 35 and the S/2 of Section 36, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the S/2 of Section 35 and the S/2 of Section 36 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the Wolfcamp formation underlying the S/2 of Section 35 and the S/2 of Section 36;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost among the wells' working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



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Attorney for Matador Production Company

PROPOSED ADVERTISEMENT

Case No. _____:

Application of Matador Production Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in the Wolfcamp formation (Purple Sage-Wolfcamp Gas Pool) underlying a horizontal spacing unit comprised of the S/2 of Section 35 and the S/2 of Section 36, Township 22 South, Range 27 East, NMPM. The unit will be dedicated to the K Grevey State Com. Well No. 203H, a horizontal well with a first take point in the NE/4SE/4 of Section 36 and a final take point in the NW/4SW/4 of Section 35. Also to be considered will be the cost of drilling and completing the well 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 well, and a 200% charge for the risk involved in drilling and completing the well. The unit is centered approximately 1 mile east of Otis, New Mexico.