

**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. 12877
ORDER NO. R-11794**

**APPLICATION OF MATADOR E&P COMPANY FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 27, 2002, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 16th day of July, 2002, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

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

(2) Matador E&P Company, ("Applicant"), seeks an order pooling all uncommitted mineral interests from a depth of 3900 feet beneath the surface to the base of the Tubb formation underlying the E/2 SE/4 of Section 5, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, in the following manner:

The E/2 SE/4, forming a standard 80-acre oil spacing and proration unit (the "Unit") for all formations or pools spaced on 80 acres within this vertical extent, which presently include, but are not necessarily limited to, the Monument-Tubb Pool.

(3) The above-described unit (the Unit) is to be dedicated to Applicant's existing Laughlin 5 Well No. 1 located at a standard oil well location within the SE/4 SE/4 (Unit P) of Section 5. The well is located 900 feet from the South line and 330 feet from the East line of Section 5. The Unit may also be subsequently dedicated to a well to be drilled in the NE/4 SE/4 (Unit I) of said Section 5.

(4) Two or more separately owned tracts are embraced within the Unit. There are royalty interests in one or more tracts included in the Unit that are separately owned.

(5) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled its Laughlin 5 Well No. to a common source of supply at a standard well location within the SE/4 SE/4 of Section 5.

(6) The entire working interest in the Unit has been voluntarily pooled. However, there are royalty owners in the proposed unit that have not agreed to pool their interests, and the subject oil and gas leases do not authorize the owners of the working interest to pool the royalty interests reserved in those leases without the consent of the royalty owners.

(7) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(8) Pursuant to the request of Applicant, Matador Operating Company should be designated the operator of the proposed well and of the Unit.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Matador E&P Company, all uncommitted interests, whatever they may be, in the oil and gas from a depth of 3900 feet beneath the surface to the base of the Tubb formation underlying the E/2 SE/4 of Section 5, Township 20 South, Range 37 East, N.M.P.M., Lea County, New Mexico, are hereby pooled, as follows:

The E/2 SE/4, forming a standard 80-acre oil spacing and proration unit for all formations or pools spaced on 80 acres within this vertical extent which presently include but are not necessarily limited to the Monument-Tubb Pool.

The Unit shall be dedicated to Applicant's Laughlin 5 Well No. 1, located at a standard oil well location within the SE/4 SE/4 of Section 4. The Operator may also dedicate the Unit to any other well it may subsequently drill to which the Unit could be dedicated if voluntarily pooled.

(2) Pursuant to the request of Applicant, Matador Operating Company is hereby designated the operator of the Laughlin 5 Well No.1 and of the Unit.

(3) Pursuant to NMSA 1978 Section 70-2-18.A, this Order shall be effective from the date of first production from the Laughlin 5 Well No. 1, which was March 26, 2002.

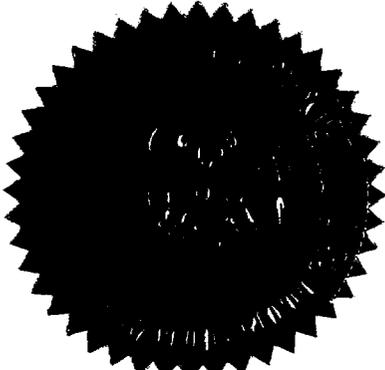
(4) All proceeds from production from the well that are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.

(5) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(6) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(7) 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

LORI WROTENBERY
Director