

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. _____

APPLICATION

Matador Production Company applies for an order pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit comprised of the N/2S/2 of Section 21 and the N/2S/2 of Section 22, Township 20 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is an operator in the N/2S/2 of Section 21 and the N/2S/2 of Section 22, and has the right to drill a well thereon.
2. Applicant proposes to drill the Michael K&B 2122 Fed. Com. Well No. 123H to a depth sufficient to test the Bone Spring formation, and dedicate the N/2S/2 of Section 21 and the N/2S/2 of Section 22 to the well. The well has a first take point in the NW/4SW/4 of Section 21 and a last take point in the NE/4SE/4 of Section 22.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N/2S/2 of Section 21 and the N/2S/2 of Section 22 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 Bone Spring

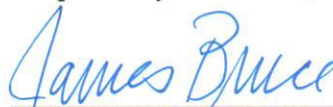
formation underlying the N/2S/2 of Section 21 and the N/2S/2 of Section 22, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests in the Bone Spring formation underlying the N/2S/2 of Section 21 and the N/2S/2 of Section 22 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 Bone Spring formation underlying the N/2S/2 of Section 21 and the N/2S/2 of Section 22;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the costs among the well's 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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