

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

APPLICATION OF MATADOR PRODUCTION COMPANY FOR A NON-STANDARD SPACING AND PRORATION UNIT, APPROVAL OF AN UNORTHODOX WELL LOCATION, AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. 15478

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 240-acre, more or less, spacing and proration unit comprised of the E/2 SE/4 of Section 22 and the E/2 E/2 of Section 27, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico; (2) approving an unorthodox well location; and (3) pooling all uncommitted mineral interests in the Bone Spring formation. In support of its application, Matador states:

1. Matador Production Company's affiliate entity, MRC Delaware Resources, LLC, is a working interest owner in the E/2 SE/4 of Section 22 and the E/2 E/2 of Section 27, and has the right to drill thereon.

2. Matador proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Mallon 27 Federal Com No. 1H Well**, which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 27 to a standard bottom hole location in the NE/4 SE/4 (Unit I) of Section 22.

3. This project area is located within the Lea; Bone Spring Pool (37570) and governed by the Special Rules as adopted by Division Order R-1827. The Special

Rules for the Lea; Bone Spring Pool require 80-acre spacing units for oil wells and that the well be located within 150 feet from the center of any quarter-quarter section.

4. As a result of the Lea; Bone Spring Pool setback requirements, the completed interval for this proposed well encroaches on the spacing and proration units surrounding the proposed non-standard unit. Matador seeks approval of an unorthodox location to allow for an efficient well pattern in the non-standard spacing unit and to maximize the drainage of the reserves underlying this spacing unit.

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

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

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

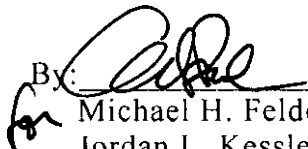
WHEREFORE, Matador requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 14, 2016, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 240-acre, more or less, non-standard spacing and proration unit in the Bone Spring formation, comprised of the E/2 SE/4 of Section 22 and the E/2 E/2 of Section 27, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico;

- B. Approving an unorthodox well location for the proposed well;
- C. Pooling all uncommitted mineral interests in the non-standard spacing and proration unit;
- D. Designating Matador Production Company operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- E. Authorizing Matador Production Company to recover its costs of drilling, completing, and equipping the well;
- 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 well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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CASE 15478:

Application of Matador Production Company for a non-standard spacing and proration unit, unorthodox well location, and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 240-acre, more or less, spacing and proration unit comprised of the E/2 SE/4 of Section 22 and the E/2 E/2 of Section 27, Township 19 South, Range 34 East, Lea County, New Mexico (2) approving an unorthodox well location; and (3) pooling all uncommitted mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Mallon 27 Federal Com No. 1H Well**, which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 27 to a standard bottom hole location in the NE/4 SE/4 (Unit I) of Section 22. The completed interval is unorthodox pursuant to the Special Rules for the Lea; Bone Spring Pool (37570) because it will not remain within 150 feet from the quarter-quarter section. Also to be considered will be the cost of drilling and completing said 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 risk involved in drilling said well. Said area is located approximately 25 miles southwest of Hobbs, New Mexico.