

**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 15641
ORDER NO R 14332**

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

ORDER OF THE DIVISION

BY THE DIVISION

This case came on for hearing at 8 15 a m on March 16 2017, at Santa Fe New Mexico before Examiner William V Jones

NOW, on this 27th day of April 2017, the Division Director having considered the testimony the record and the recommendations of the Examiner,

FINDS THAT

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[1] Due public notice has been given and the Division has jurisdiction of this case and of the subject matter

[2] Matador Production Company (' Applicant) seeks compulsory pooling of a 320-acre standard gas spacing unit and project area (the Unit) for oil and gas production from the Wolfcamp formation Purple Sage Wolfcamp (Gas) Pool (Pool code 98220) comprising the N/2 of Section 11 Township 23 South Range 27 East NMPM Eddy County, New Mexico

[3] The Unit will be dedicated to Applicant's Michael Collins 11 23S-27E RB Well No 206H (the proposed well API No [pending]) a horizontal well that Applicant proposes to drill from a surface location 2051 feet from the South line and 405 feet from the East line (Unit I) of Section 11 Township 23 South Range 27 East, to a bottom hole location 2281 feet from the North line and 240 feet from the West line (Unit E) of Section 11

[4] The well is within the Purple Sage Wolfcamp (Gas) Pool and is subject to statewide Rule 19 15 15 10 B NMAC, which provides for standard 320 acre spacing units

each comprising a governmental half section and to the Special Rules for the Purple Sage Wolfcamp (Gas) Pool set forth in Order No R-14262 issued in Case No 15535 which provide that the completed interval of any horizontal well shall be at least 330-foot from the unit boundaries The proposed Unit and project area consists of a single half-section

[5] The location of the completed interval of the proposed well is orthodox for the above described formation and pool

[6] Applicant appeared through counsel and presented the following land and geologic evidence

- (a) The Wolfcamp formation in this area is suitable for development by horizontal drilling
- (b) The proposed orientation of the horizontal well east to west is appropriate for the Unit
- (c) Notice was provided for compulsory pooling within the Unit to all owners of interests reflected in instruments lawfully of record or known to Applicant at the time the application was filed and to any other owners of interests whose ownership and identity were then known to Applicant
- (d) Notice was provided by publication to those interest owners whose whereabouts could not be ascertained by the exercise of reasonable diligence or who failed to receive notice at their last known address

[7] No other party or person appeared at the hearing or indicated any opposition to the granting of the application

The Division concludes as follows

[8] Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned

[9] Applicant is owner of or an affiliate of the owner of an oil and gas working interest within the Unit Applicant has the right to drill and proposes to drill the well to a common source of supply within the Unit at the above described location

[10] There is at least one interest owner in the Unit that has not agreed to pool its interest

[11] 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 a 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

[12] Matador Production Company should be designated the operator of the well and the Unit

[13] Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well

[14] Reasonable charges for supervision (combined fixed rates) should be fixed at \$7 000 per month per well while drilling and \$700 per month per well, while producing provided these rates should be adjusted annually pursuant to Section III 1 A 3 of the COPAS form titled *Accounting Procedure Joint Operations*

IT IS THEREFORE ORDERED THAT

(1) Pursuant to the application of Matador Production Company, all uncommitted interests whatever they may be in the oil and gas in the Wolfcamp formation Purple Sage Wolfcamp (Gas) Pool (Pool code 98220) underlying the N/2 of Section 11, Township 23 South Range 27 East NMPM, Eddy County New Mexico are hereby pooled within a standard 320-acre gas spacing unit (the Unit') in said pool

(2) The Unit shall be dedicated to Applicant's Michael Collins 11-23S-27E RB Well No 206H (the proposed well API No pending) a horizontal well that Applicant plans to drill from a surface location 2051 feet from the South line and 405 feet from the East line (Unit I) of Section 11, Township 23 South, Range 27 East to a bottom-hole location, 2281 feet from the North line and 240 feet from the West line (Unit E) of Section 11

(3) The completed interval of the proposed well is orthodox

(4) The operator of the Unit shall commence drilling the proposed well on or before April 30 2018 and shall thereafter continue drilling the proposed well with due diligence to test the Wolfcamp Formation

(5) In the event the operator does not commence drilling the proposed well on or before the date above specified Ordering Paragraphs (1) and (2) shall be of no effect unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence

(6) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraph (1) shall be of no further effect, and the Unit and project area created by this order shall terminate unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence

(7) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19 15 13 9 NMAC the pooled Unit created by this Order shall terminate unless this Order has been amended to authorize further operations

(8) Matador Production Company (OGRID 228937) is hereby designated the operator of the well and the Unit

(9) After pooling uncommitted working interest owners are referred to as pooled working interest owners (' Pooled working interest owners are owners of working interests in the Unit including unleased mineral interests, who are not parties to an operating agreement governing the Unit) After the effective date of this Order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of actual costs of drilling completing and equipping the proposed well (' well costs ')

(10) Within 30 days from the date the schedule of well costs is furnished any pooled working interest owner shall have the right to pay its share of actual well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges Pooled working interest owners who elect not to pay their share of well costs as provided in this paragraph shall thereafter be referred to as non-consenting working interest owners

(11) If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule the actual well costs shall be deemed to be the reasonable well costs If there is an objection to actual well costs within the 45-day period the Division will determine reasonable well costs after public notice and hearing

(12) Within 60 days following determination of reasonable well costs any pooled working interest owner who has paid its share of actual costs in advance as provided above shall receive from the operator the amount, if any that the actual well costs it has paid exceed its share of reasonable well costs

(13) The operator is hereby authorized to withhold the following costs and charges from production from the well

- (a) The proportionate share of reasonable well costs attributable to each non-consenting working interest owner and
- (b) As a charge for the risk involved in drilling the well 200% of the above costs

(14) The operator shall distribute the costs and charges withheld from production proportionately to the parties who advanced the well costs

(15) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7 000 per month, per well while drilling and \$700 per month, per well while producing, provided that these rates shall be adjusted annually pursuant to Section III 1 A 3 of the COPAS form titled '*Accounting Procedure Joint Operations*' The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well not in excess of what are reasonable, attributable to pooled working interest owners

(16) Except as provided in the foregoing paragraphs all proceeds from production from the well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended) If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A 1 through 70-8A 28, as amended)

(17) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order Any well costs or charges that are to be paid out of production shall be withheld only from the working interests share of production and no costs or charges shall be withheld from production attributable to royalty interests

(18) 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

(19) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order

(20) 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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



DAVID R CATANACH
Director

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