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2017 JUN 30

Case 15772

June 30, 2017

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Matador Production Company and MRC Permian Company, is an application to require an operator to P&A a well, or to remove the operator, together with a proposed advertisement. Please set this matter for the August 3, 2017 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Matador Production Company

Parties Being Notified

Lanexco Inc.
c/o Ernest L. Padilla
P.O. Box 2523
Santa Fe, New Mexico 87504

Angie Repka
XTO Energy Inc.
810 Houston Street
Fort Worth, Texas 76102

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF MATADOR PRODUCTION COMPANY
AND MRC PERMIAN COMPANY TO REQUIRE LANEXCO
INC. TO PLUG AND ABANDON THE CERRO COM. WELL
NO. 1, OR IN THE ALTERNATIVE TO REMOVE LANEXCO
INC. AS OPERATOR OF RECORD OF THE CERRO COM.
WELL NO. 1, EDDY COUNTY, NEW MEXICO.**

2017 JUN 30 7:10:30

Case No. 15772

APPLICATION

Matador Production Company ("Matador") and MRC Permian Company ("MRC") apply for an order (i) requiring Lanexco Inc. ("Lanexco") to commence, within thirty days after entry of the requested order, the plugging and abandonment of the Cerro Com. Well No. 1, or (ii) in the alternative, removing Lanexco as operator of record of the Cerro Com. Well No. 1 and approving Matador as operator, and in support thereof, states:

1. Lanexco is the operator of record of the Cerro Com. Well No. 1 (API No. 30-015-22626), located 2080 feet from the north line and 760 feet from the west line (Unit E) of Section 11, Township 23 South, Range 27 East, N.M.P.M.
2. Lanexco is not in good standing with the Division.
3. MRC is the owner of fee oil and gas leases covering lands in the N/2 of Section 11. Matador (OGRID No. 228937) is the operating entity for MRC, and it is a registered operator in good standing with the Division.
4. The Cerro Com. Well No. 1 was completed in the Morrow formation in 1978, with the W/2 of Section 11 dedicated to the well. It was subsequently completed in the Wolfcamp formation (in two different zones) and was then completed in the Bone Spring formation. Lanexco obtained a downhole commingling order (DHC-774) from the Division in

1990. According to Division records, the well is still open in both the Bone Spring and Wolfcamp formations.

5. The last reported production from the Cerro Com. Well No. 1 was in November 2011. Therefore, all oil and gas leases which were previously held by production from the well have expired.

6. Due to the inactivity of the Cerro Com. Well No. 1 and the failure of Lanexco to file production reports, the Division notified Lanexco that it had revoked its authority to transport or inject as to all of its wells in New Mexico. Thereafter the Division filed an application (Case No. 15446) for a compliance order against Lanexco. Order No. R-14183 dismissed the case due to a Settlement Agreement between Lanexco and the Division dated June 8, 2016 (attached hereto as Exhibit A). The agreement required, among other things, that (i) Lanexco file all past due production reports, (ii) continue to file production reports even if there is no production from the well, (iii) meet the financial assurance requirements of Division regulations, and (iv) bring inactive wells into compliance. Lanexco has not complied with any of the provisions of the Settlement Agreement.

7. Applicant proposes to drill its Michael Collins 11-23S-27E RB Well No. 206H, a horizontal well, to a depth sufficient to test the Wolfcamp formation (Purple Sage-Wolfcamp Gas Pool), with the N/2 of Section 11 dedicated to the well.

8. Matador has obtained Order No. R-14332 from the Division pooling the N/2 of Section 11 so that it may drill the Michael Collins 11-23S-27E RB Well No. 206H. In the process of preparing to drill its well, Matador discovered that the Cerro Com. Well No. 1 was not plugged and abandoned in accordance with Division regulations. The Cerro Com. Well No. 1

must be plugged and abandoned so that Matador can safely and properly drill and complete the Michael Collins 11-23S-27E RB Well No. 206H.

9. Lanexco has no legal right to produce the Cerro Com. Well No. 1; all it possibly owns is the right to remove equipment related to the well. It also has the obligation under the Oil and Gas Act and Division regulations to properly plug and abandon the well.

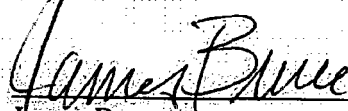
10. Matador and MRC have contacted Lanexco regarding the issues related to the unplugged status of the Cerro Com. Well No. 1, but Lanexco has taken no action to correct this situation.

11. In order to prevent waste and protect correlative rights, Lanexco must be required to take prompt action to properly plug and abandon the Cerro Com. Well No. 1. In the alternative, Lanexco should be removed as operator of the well by the Division, and Matador should be named operator of the Cerro Com. Well No. 1 so that it may plug and abandon the well before drilling its well.

WHEREFORE, applicants request that, after notice and hearing, the Division enter its order:

- A. Requiring Lanexco to commence the plugging and abandonment of the Cerro Com. Well No. 1 within thirty days after entry of the order; and/or
- B. Removing Lanexco as operator of the Cerro Com. Well No. 1 and approving a change of operator to Matador; and
- C. Granting such further relief as the Division deems proper.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James Bruce", is written over a horizontal line.

James Bruce

Post Office Box 1056

Santa Fe, New Mexico 87504

(505) 982-2043

Attorney for MRC Permian Company and
Matador Production Company

PROPOSED ADVERTISEMENT

Case No. 15772 :

Application of Matador Production Company and MRC Permian Company to require Lanexco Inc. to plug and abandon the Cerro Com. Well No. 1, or in the alternative to remove Lanexco Inc. as operator of record of the Cerro Com. Well No. 1, Eddy County, New Mexico.

Applicant seeks an order requiring Lanexco Inc. to commence, within thirty days after entry of the requested order, the plugging and abandonment of the Cerro Com. Well No. 1, or, in the alternative, removing Lanexco Inc. as operator of record of the Cerro Com. Well No. 1 and approving Matador Production Company as operator of the well. The Cerro Com. Well No. 1 (API No. 30-015-22626), is located 2080 feet from the north line and 760 feet from the west line (Unit E) of Section 11, Township 23 South, Range 27 East, N.M.P.M. The Cerro Com. Well No. 1 is located approximately 2 miles south-southeast of Otis, New Mexico.

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