

**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 TO CONSIDER:**

**CASE NO. 15710 Reopened
ORDER NO. R-14413-A**

**APPLICATION OF MATADOR PRODUCTION COMPANY TO RE-OPEN CASE
NO. 15710 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 February 22, 2018, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 7th day of March, 2018, 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 the subject matter.

(2) By Order No. R-14413, issued on July 25, 2017, the Division granted the application of Matador Production Company to pool all uncommitted interests in a standard 320-acre (more or less) gas spacing unit (the "Unit") for oil and gas production from the Wolfcamp formation, Purple Sage; Wolfcamp Gas Pool (Pool code 98220) comprising the S/2 of Section 10, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico.

(3) The Unit was dedicated to the following "proposed well" to be completed at a standard well location:

Tom Matthews 10 24S 28E RB Well No. 223H, API No. 30-015-44257

SHL: 1690 feet from the South line and 354 feet from the East line,
(Unit I) of Section 9, Township 24 South, Range 28 East, NMPM.

BHL: 2277 feet from the South line and 240 feet from the East line
(Unit I) of Section 10, Township 24 South, Range 28 East, NMPM.

(4) Matador Production Company (the "Applicant") now seeks to re-open this case to pool additional owners.

(5) The proposed well is within the Purple Sage; Wolfcamp Gas Pool and subject to Special Rules which provide for 330-foot setbacks from standard 320-acre (half section) unit boundaries.

(6) Applicant appeared through counsel and presented by affidavit the following land testimony:

- (a) the additional parties to be pooled were presented with proposals to join in the well but have not joined.
- (b) notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments; and
- (c) additional notice was provided to those potentially affected parties by newspaper publication as provided in Rule 19.15.4.12.B NMAC.

(7) No other party appeared or otherwise opposed this application.

The Division concludes as follows:

(8) The proposed well has been drilled and completed and is now the "subject well". In addition, the Unit has now been determined to be 319.89 acres (more or less). The geology and the engineering parameters have not changed. The previously approved compulsory pooling order should be amended to pool the additional identified non-consenting parties.

(9) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled the Subject Well to a common source of supply within the Unit at the described location.

(10) There are interest owners in the Unit that have not agreed to pool their interests.

(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 (OGRID 228937) should be designated the

operator of the Subject Well and the Unit.

(13) To ensure protection of correlative rights, any pooled working interest owner whose address is known should be notified and have an opportunity to protest before the Division grants any extension of the time provided herein for commencing drilling.

(14) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC and to the terms and conditions of this order.

(15) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the Subject Well.

(16) 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 that these rates should be adjusted annually pursuant to the overhead adjustment provision of the COPAS form titled "*Accounting Procedure-Joint Operations*."

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Matador Production Company, previously issued Division Order No. R-14413 is hereby amended to read as follows: All uncommitted interests, whatever they may be, in the oil and gas within a standard 319.89-acre (more or less) gas spacing unit (the "Unit"), within the Wolfcamp formation, Purple Sage; Wolfcamp Gas Pool (Pool code 98220), and comprising the S/2 of Section 10, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico, are hereby pooled.

(2) The Unit shall be dedicated to Applicant's following "Subject Well" drilled and completed at a standard location;

Tom Matthews 10 24S 28E RB Well No. 223H, API No. 30-015-44257

SHL: 1690 feet from the South line and 354 feet from the East line,
(Unit I) of Section 9, Township 24 South, Range 28 East, NMPM.

BHL: 2277 feet from the South line and 240 feet from the East line
(Unit I) of Section 10, Township 24 South, Range 28 East, NMPM.

(3) Upon final plugging and abandonment of the Subject Well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit shall terminate, unless this Order has been amended to authorize further operations.

(4) Infill wells within the Unit shall be subject to the terms and conditions of this order.

(5) Matador Production Company (OGRID 228937) is hereby designated the operator of the Subject Well and the Unit.

(6) 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 a separate itemized schedule of estimated costs of drilling, completing and equipping the Subject Well ("well costs").

(7) Within 30 days from the date the schedule of estimated well costs is received, any pooled working interest owner shall have the right to pay its share of estimated 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 estimated well costs as provided above for any well shall remain liable for operating costs but shall not be liable for risk charges for such well. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(8) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs of each well within 90 days following completion of the Subject Well. 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.

(9) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such well or wells in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(10) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

- (a) The proportionate share of reasonable well costs attributable to such interest; and
- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

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

(12) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$7,000 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates may, at the election of the operator, be adjusted annually pursuant to the overhead adjustment provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from each pooled working interest owner's share of production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating such well, not more than what are reasonable.

(13) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to the Subject Well, and all charges for supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs actually incurred for the maintenance and operation of the well, except for "well costs" reported as detailed herein, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

(14) Except as provided above, all proceeds of production from the Subject Well or wells 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 7-8A-31, as amended).

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

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

(17) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(18) 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


HEATHER RILEY
Director