

**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. 14933 Re-Opened
ORDER NO. R-13667-A**

**APPLICATION OF MATADOR PRODUCTION COMPANY TO RE-OPEN
CASE NO. 14933 TO POOL THE INTERESTS OF ADDITIONAL MINERAL
OWNERS UNDER THE TERMS OF COMPULSORY POOLING ORDER NO. R-
13667, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 15, 2016, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze.

NOW, on this 23rd day of January, 2017, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) Pursuant to previous hearings, the Division, on December 17, 2012, issued Order No. R-13667, granting the application of RSC Resources Limited Partnership for approval of compulsory pooling of all uncommitted interests from the surface to the base of the Wolfcamp formation underlying the following described acreage in Section 10, Township 24 South, Range 28 East, NMPM, in Eddy County, New Mexico, and in the following manner:

- (a) the N/2 to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the undesignated South Culebra Bluff, Wolfcamp Gas Pool;
- (b) the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations or pools developed on 160-acre spacing within that vertical extent; and

- (c) the NW/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Malaga-Delaware pool and the Undesignated Malaga-Bone Spring pool.
- (3) Order No. R-13667 designated that these units be dedicated to the Guitar 10 Well No. 1 (API No. 30-015-23099; the "subject well"), an existing vertical well to be re-entered at a location 660 feet from the North line and 2310 feet from the East line (Unit B) of Section 10. Guardian Operating Corporation (OGRID 287300) was designated as the operator of the subject well and of the Units.
- (4) On July 24, 2013, Guardian Operating Corporation released the workover rig after re-entry and completion of new perforations from 10614 feet to 10721 feet in the Wolfcamp formation.
- (5) Matador Production Company (OGRID 228937; the "Applicant" or "Matador") sought and received an extension, approved in a Division correspondence dated August 27, 2014, of the period for recompletion of the subject well due to the change in ownership.
- (6) On September 26, 2014, the Division approved the transfer of the subject well from the previous designated operator, Guardian Operating Corporation (OGRID 287300), to the current operator, Matador.
- (7) On December 30, 2014, Matador released the drilling rig that completed the **Guitar 10 24S 28E RB Well No. 202H** (API 30-015-42660), a horizontal infill well, also dedicated to the N/2 of Section 10, with a surface location 1733 feet from the North line and 204 feet from the East line (Unit H) of Section 10 to a terminus 2305 feet from the North line and 240 feet from the West line (Unit E) of Section 10, Township 24 South, Range 28 East, NMPM, in Eddy County. The infill well was completed in the Culebra Bluff; Wolfcamp, South (Gas) pool with the unorthodox location of the completed interval approved under administrative order NSL-7180.
- (8) On April 27, 2016, the Division approved the change for the name of the subject well from the Guitar 10 Well No. 1 to the **Guitar 10 24 28 RB Well No. 1**.
- (9) Subsequently, Matador Production Company sought to amend Order No. R-13667 to compulsory pool additional owners with an interest in the lands pooled. These uncommitted interest owners ("recently identified owners") were not identified in the original title record review and were subsequently omitted from previous notices provided to owners in this case, as required by Division Rule 19.15.4.12(A)(1) NMAC. These additional interest owners are identified in Applicant's Exhibit No. 5 (four parties in total).
- (10) At the hearing, Applicant presented, through counsel, testimony and evidence that it had given notice of the original application and the re-opened hearing to

the recently identified interest owners, or their heirs, successors or assigns, by certified mail and by publication pursuant to 19.15.4.12(B) NMAC. No appearance was entered for these mineral owners, nor any personal representative, heir or successor, and no person claiming to own or represent a claimant to an interest derived from these mineral owners has otherwise communicated with the Division.

The Division therefore concludes:

(11) Order No. R-13667 should be amended to compulsory pool the interests of recently identified owners and their heirs, devisees, personal representatives, successors and assigns, whoever they may be.

(12) The recently identified parties should be afforded the opportunity, after issuance of this order, to pay their share of well costs for either or both wells, and thereby to become consenting working interest owners under the terms of Order No. R-13667.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the Application of Matador Production Company (OGRID 228937), Order No. R-13667, issued in this case on December 17, 2012, is hereby amended to compulsory pool the recently identified owners and their heirs, devisees, personal representatives, successors and assigns, as well as all other owners of interests in the Unit established thereby, from the date said Order was originally issued.

(2) Within 90 days after the effective date of this order, the operator shall furnish the Division and each recently identified party whom it has located separate itemized schedules of actual costs of drilling, completing and equipping the subject well and the infill well ("well costs"). Within 30 days after receiving the schedules of actual well costs, any recently identified party shall have the right to pay its share of actual well costs for either or both wells to the operator in lieu of paying its share of reasonable well costs for such well out of production as provided in Order No. R-13667, and any such owner who pays its share of actual well costs of either well as provided above shall, as to such well, remain liable for operating costs but shall not be liable for risk charges.

(3) Each recently identified party shall have the right, for a period of 45 days after the date when the Division receives the schedules of actual well costs as provided in Ordering Paragraph (2), to object to such costs. 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.

(4) Within 60 days following determination of reasonable well costs, any recently identified party who has paid its share of actual costs as provided above for either well shall receive from the operator the amount, if any, that the actual well costs it has paid exceed its share of reasonable well costs of such well.

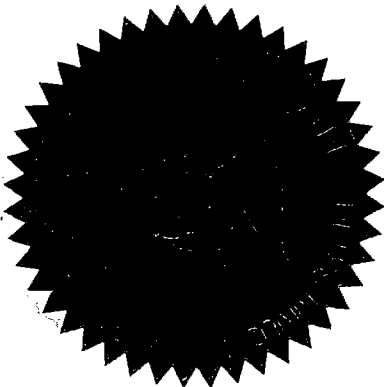
(5) Ordering Paragraph (16) of Order No. R-13667 is hereby amended to read in its entirety as follows:

(16) Except as provided in Paragraphs (13) and (15) above, all proceeds from production from the proposed 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 7-8A-31, as amended).

(6) All other provisions of Order No. R-13667 remain in full force and effect.

(7) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director