

**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. 14932 Re-Opened
ORDER NO. R-13666-A**

**APPLICATION OF MATADOR PRODUCTION COMPANY TO RE-OPEN
CASE NO. 14932 TO POOL THE INTERESTS OF ADDITIONAL MINERAL
OWNERS UNDER THE TERMS OF COMPULSORY POOLING ORDER NO. R-
13666, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 27, 2016, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 6th day of March, 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-13666, granting the application of RSC Resources Limited Partnership for compulsory pooling of all uncommitted interests from the surface to the base of the Wolfcamp formation underlying the following described acreage in Section 14, Township 24 South, Range 28 East, NMPM, in Eddy County, New Mexico, and in the following matter:

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

- (b) the NW/4 to form a standard 160-acre gas spacing and proration unit for all formations or pools developed on 160-acre spacing within that vertical extent; and
- (c) the NE/4 NW/4 to form a standard 40-acre oil spacing and proration unit for 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-13666 provided that these units be dedicated to the Marra Well No. 1 (API No. 30-015-23752; the "subject well"), an existing vertical well to be re-entered at a location 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 14. Guardian Operating Corporation (OGRID 287300) was designated operator of the subject well and of the Units.

(4) The subject well has been drilled and completed in the Wolfcamp formation and will be assigned to the Purple Sage; Wolfcamp (Gas) Pool.

(5) Matador Production Company (OGRID 228937; "Applicant") became operator of the subject well by Change of Operator filed with the Division on October 21, 2016 and approved on October 25, 2016.

(6) Applicant now requests that the Division amend Order No. R-13666 to compulsory pool additional owners with interests in the lands pooled. These uncommitted interest owners ("recently identified owners") were not identified in the original title review and were omitted from previous notices provided to owners in this case. These additional interest owners are identified in Applicant's Exhibit No. 3.

(7) At the hearing, Applicant presented through counsel testimony and evidence that it had given notice of the application and the re-opened hearing to the recently identified interest owners, or to their heirs, devisees, successors or assigns, by certified mail or by publication pursuant to 19.15.4.12(B) NMAC. No appearance was entered for any of these mineral owners, nor for any of their personal representatives, heirs, devisees, successors or assigns, and no person claiming to own or represent a claimant to an interest derived from any of these mineral owners has otherwise communicated with the Division.

The Division therefore concludes:

(8) Order No. R-13666 should be amended to compulsory pool the interests of the recently identified owners and their heirs, devisees, personal representatives, successors and assigns, whoever they may be.

(9) The recently identified parties should be afforded the opportunity, after issuance of this order, to pay their share of well costs for the subject well, and thereby to become consenting working interest owners under the terms of Order No. R-13666.

(10) Applicant should remain liable to the recently identified parties or to their personal representatives, heirs, devisees or assigns, as their interests may appear, for their respective shares of the one-eighth statutory royalty provided by NMSA 1978 Section 70-2-17.C from the date of first production of the subject well.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the Application of Matador Production Company (OGRID 228937), Order No. R-13666, issued in this case on December 17, 2012, is hereby amended to compulsory pool the recently identified owners and their heirs, devisees, personal representatives and assigns, as well as all other owners of interests in the Units 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 an itemized schedules of actual costs of drilling, completing and equipping the subject well ("well costs"). Within 30 days after receiving the schedule of actual well costs, any recently identified party 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 for such well out of production as provided in Order No. R-13666, and any such owner who pays its share of actual well costs as provided above shall 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 schedule 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 shall receive from the operator the amount, if any, that the actual well costs it has paid exceed its share of reasonable well costs.

(5) Ordering Paragraph (16) of Order No. R-13666 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 subject well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the

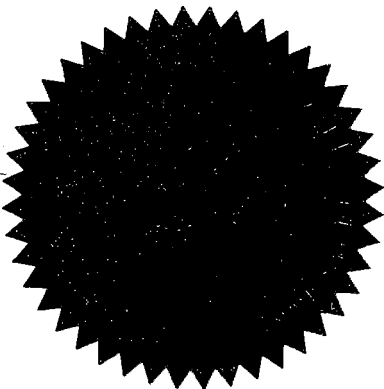
Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-31, as amended).

(6) All other provisions of Order No. R-13666 remain in full force and effect.

Applicant should remain liable to the recently identified parties or their personal representatives, heirs, devisees, successors or assigns, as their interests may appear; for their respective shares of the one-eighth statutory royalty provided by NMSA 1978 Section 70-2-17.C from the date of first production of the subject well.

(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
Director