

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION RECEIVED, OCD

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IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF MATADOR PRODUCTION
COMPANY FOR A NON-STANDARD SPACING
AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

Case No. 15,363

**MATADOR PRODUCTION COMPANY'S
RESPONSE TO SUBPOENA**

Matador Production Company ("Matador") submits this response to the subpoena issued by the Division on August 21, 2015 at the request of Jalapeno Corporation ("Jalapeno") and Yates Energy Corporation ("Yates").

General Objection: Matador objects to producing any of the requested documents which are not relevant, pertinent to, or within the scope of the issues addressed in this pooling application. In addition, Matador objects to producing any of the requested documents which are confidential, proprietary, or contain trade secret information. Finally, Matador objects to providing data which is publicly available and/or which Jalapeno's and Yates' employees or experts can obtain or calculate and/or which Jalapeno and Yates already have or should have in their possession.

Without waiving its objections, Matador submits the following response to the subpoena, and the documents requested therein.

Item 1: Matador's complete land files, and ownership files, related to the Airstrip State Com 201H which is the subject of the application in this case, including documents which reflect the ownership of all parties subject to this application, including Matador, within the proposed 154.28 acre non-standard spacing unit.

Response:

Matador objects to providing, and will not provide, all documents which reflect the ownership of all parties subject to the application because it is (a) overbroad as such information will not affect Jalapeno's and Yates' decision(s) related to the Airstrip State Com 201H well (the "Airstrip Well"), and other parties are not protesting the application, (b) it is irrelevant to Jalapeno's and Yates' decision regarding whether to participate in the Airstrip Well and (c) as owners of a working interest in leases within the spacing unit of the Airstrip Well, Yates and Jalapeno should consult their own land files.

Despite these objections, Matador will provide:

- Title opinion(s) cover page(s) and interior page(s) which show MRC Delaware Resources' ("MRC") interest and Jalapeno's and Yates' interests [in the spacing unit of the Airstrip Well]. Matador is the operator for MRC.
- Runsheet documents/instruments showing where Jalapeno's and Yates' interests are derived.
- Summary of working interest/mineral interest ownership in the Airstrip Well, including the other parties which will be subject to a compulsory pooling order.

Item 2: Matador's complete well file for Airstrip State Com 201H well which is the subject of the application in this case.

Response: Matador objects to this request because it is overbroad.

Despite this objection, Matador will provide:

- The authorization for expenditure dated March 18, 2015 relating to the Airstrip Well (the "AFE").
- APD (C-101, C-102 and relevant sundries).
- Wellbore schematic.
- Geoplat.
- Drafts of our compulsory pooling exhibits.

Item 3: All documents which support Matador's AFE for the Airstrip State Com 201H, including rig costs, drilling contracts, rig day rates, costs of proposed fracture stimulation, salt water disposal costs, and other well costs.

Response: Matador has previously provided the AFE. Matador's experts will testify as to the information contained on the AFE. Matador will also provide an updated authorization for expenditure after a pooling order is issued, at which point the parties will have 30 additional days to decide if they desire to participate in the Airstrip Well. Additionally, Matador is a public company and makes public disclosure of some of the requested information periodically. The other information requested is confidential until such time that an interest owner has entered into a JOA with Matador and is subject to confidentiality provisions, and Matador objects to providing it.

Item 4: All documents reflecting any bids Matador has solicited and responses Matador has received from third party contractors related to the proposed drilling and completion of the Airstrip State Com 201H well.

Response: Matador objects to this item because it is duplicative and cumulative. The AFE contains estimates calculated at the time the Airstrip Well was proposed. An updated authorization for expenditure will be provided after a pooling order is issued. In addition, Matador objects to providing contracts with vendors because they are confidential until an interest owner is a JOA partner and subject to confidentiality provisions.

Item 5: With respect to any operator owned or contracted drilling rigs, disposal well, or other operator-owned facilities, the actual operating costs Matador incurs or expects to incur, and the costs Matador charges or intends to charge to non-operators for the Airstrip State Com 201H well.

Response:

- Matador does not own drilling rigs or disposal wells or facilities.
- The AFE contains the applicable costs that Matador expects to incur.
- The proposed JOA contains the requested rates for overhead.
- The actual costs will be duly filed with the Commission in accordance with the rules and regulations of the State of New Mexico.

Item 6. Documents reflecting the proposed drilling plan for the Airstrip State Com 201H, including but not limited to documents that reflect how far below the top of the Wolfcamp formation the proposed lateral will be drilled; whether the well will test or penetrate the Bone Spring formation as well as the Wolfcamp formation; and whether Matador proposes to frac the well so as to penetrate both the Bone Spring and Wolfcamp formations.

Response:

- As indicated in its well proposal and application, Matador intends to drill and complete the Airstrip Well in the Wolfcamp Formation;
- Matador will provide technical exhibits which demonstrate its plans for drilling and completing the Airstrip Well as a Wolfcamp well.
- Matador will have its technical experts available at the hearing to answer any additional questions the protestant may have.

Item 7: The complete well file for the Heyco (now Matador) Southeast Airstrip #1 well which was drilled in Unit N of Section 31, T-18-S, R-35-E, API # 3002527618, including but not limited to documents that reflect results of the drill-stem test of the Wolfcamp formation, logs, and engineering analysis for said well.

Response: Matador objects to the relevance of the data on this vertical well. However, as Jalapeno and Yates are subject to a JOA for that well they should have been provided with that data at the time it was drilled. As a courtesy, Matador will check

Heyco's files for such information and provide it to them outside the scope of this hearing.

Item 8: All documents which reflect the actual drilling and completion costs of the Tiger 14-24S-28E RB No. 204H well drilled in June 2015 (API NO. 30-015-43087), and any well Matador has drilled to the Bone Spring or Wolfcamp in T18S-R34E, T18S-R35E, T19S-R34E, and T19S-R-35E, in Lea County.

Response: Matador objects to the request as to the Tiger 204H well, because it is approximately 55 miles away from the Airstrip Well, and thus is irrelevant and not comparable. Matador also objects to providing Bone Spring well data in the four township area in Lea County because the proposed well is a Wolfcamp test, and thus that data is irrelevant. Matador also objects to providing Wolfcamp well data in the four township area in Lea County because the request is overbroad and seeks information that is confidential and proprietary.

Item 9: All documents which reflect engineering analysis of the reserves and ultimate expected recovery for oil wells Matador has drilled or plans to drill in T18S-R34E, T18S-R35E, T19S-R34E, and T19S-R-35E, in Lea County, New Mexico.

Response: Matador objects to this request because it is overbroad, overreaching, and burdensome. In addition, such estimates are confidential and proprietary.

Item 10. All documents which reflect any analysis Matador has undertaken to assess its risk in drilling the Airstrip 201 including documents which support its requested risk penalty.

Response: Matador objects because of the following:

(a) NMAC 19.15.13.8(A) provides that "Unless otherwise ordered pursuant to Subsection D of 19.15.13.8 NMAC, the charge for risk is 200 percent of well costs."

(b) NMAC 19.15.13.8(D) provides that "A person responding to a compulsory pooling application who seeks a different risk charge than that provided in Subsection A... shall so state in a timely pre-hearing statement filed with the division and served on the applicant in accordance with 19.15.4.13 NMAC, and *shall have the burden to prove the justification for the risk charge sought by relevant geologic or technical evidence...*"

Notwithstanding the foregoing, Matador will provide Jalapeno and Yates with its exhibits supporting its requested penalty, and will present land, geology, engineering, and drilling witnesses to testify about the requested risk charge.

Item 11. All documents which reflect Matador's economics and financial analysis related to the Airstrip State Com 201H well, including actual price Matador anticipates receiving for well production, whether any of that production is hedged, and if hedged, the hedge price and hedge agreements.

Response: Matador objects to this request because:

(a) Each company has its own internal guidelines on whether to participate in a well, and such guidelines are confidential. In addition, Matador's economic and financial analysis related to the Airstrip Well is confidential and proprietary and Jalapeno and Yates are not entitled to the benefit of such information.

(b) Furthermore, Matador's pricing and hedging information is confidential and proprietary.

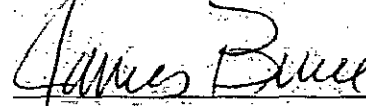
Item 12: A current resume or curriculum vitae for the "technical experts" referenced in Mr. Bruce's letter of August 11, 2015, whom Matador intends to call as witnesses at the hearing in this matter.

Response: These will be provided.

Item 13: Any exhibits that Matador intends to introduce at the hearing in Case No. 15363.

Response: These will be provided. However, applicant would like to make clear the exhibits are drafts, and may be subject to change before introduction at the hearing in Case No. 15363.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served on the following counsel of record this 21st day of August, 2015 via e-mail.

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