

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

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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 SECOND MOTION FOR CONTINUANCE**

Matador Production Company ("Matador") submits this response to the Motion for Continuance filed by Jalapeno Corporation ("Jalapeno") and Yates Energy Corporation ("Yates") on August 28, 2015.

1. In this case Matador seeks approval of a non-standard spacing and proration unit in the Wolfcamp formation comprised of the W/2W/2 §31-18S-35E, and the pooling of all uncommitted interests in the non-standard unit. Matador has been negotiating with Jalapeno and Yates for almost six months to obtain their voluntary joinder in the well.

2. Jalapeno and Yates have filed a second Motion for Continuance, requesting that this case be continued to an unspecified date. They previously filed a Motion for Continuance on August 12, 2015. Matador acceded to the motion by its response filed on August 13, 2015. The parties at that time agreed that the hearing would be held on September 3, 2015.

3. The Bone Spring Well Proposal Is Irrelevant.

The references to the Bone Spring proposal made by HEYCO in September 2014 are irrelevant to the current proceeding. Furthermore, as Matador has explained on numerous occasions, it is inaccurate to compare the cost of drilling a Bone Spring well to a Wolfcamp well, and Matador is prepared to present testimony to prove this point.

4. Subpoena Response On August 27, 2015.

Matador timely responded to the overreaching subpoena filed by Jalapeno and Yates, and provided over 200 documents related to this proceeding.

5. Availability of Expert Witness.

Although Jalapeno and Yates make a number of statements in their motion, the only one that is material is that the wife of one witness (Mike Stewart) is having hip replacement surgery on August 31, 2015 (today), and the witness needs to remain in Dallas to care for his wife. **Motion, Para. 10.**

While Matador recognizes the concern of a husband for his spouse, this surgery was certainly not scheduled on August 28, 2015, when the second motion was filed. It is difficult for Matador to believe that Jalapeno and Yates were unaware of this scheduling issue, and yet led Matador to think (on August 13, 2015) that they had agreed to a firm date to hear this matter on September 3, 2015. See email attached as Exhibit A.

6. Jalapeno And Yates Again Raise An Issue Regarding The AFE.

A. Asking for Special Treatment. Despite what Jalapeno and Yates allege, Matador provided the operative AFE to Jalapeno and Yates. Matador's AFE was prepared in mid-March, and sent to Jalapeno and Yates at that time. Furthermore, the March AFE was sent to all uncommitted working interest owners, a total of 21 parties, and all other parties made their decision as to whether or not to participate in the Airstrip well based on that AFE. Of course, an AFE is only an estimate made given the best information available at the time. In this case part of the extended time can be attributed to Matador's extraordinary efforts to work with Jalapeno and Yates to reach a mutually agreeable deal as well as the repeated continuances requested by Yates and Jalapeno. In effect, by requesting that Matador provide an updated AFE at this point, Jalapeno and Yates are asking for special treatment and the chance to make a decision as to whether or not to participate in the well based on different information than was presented to all other working interest parties. This could require Matador to send the updated AFE to all other parties and begin negotiations for the entire well unit again.

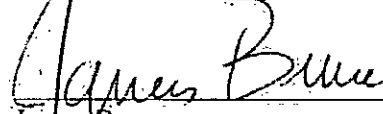
B. Ignore The Fact That Division Procedure Contemplates Changes To AFE Estimates. Pooling orders contemplate that AFE's are likely to change over the period of time it takes to put a well unit together and requires an Operator to submit a revised AFE after a pooling order is issued, which will give Jalapeno and Yates yet another chance to join in the well. Moreover, the most important issue regarding well costs is *actual* well costs. Under a pooling order, and under the requisite regulation NMAC 19.15.13.13, Jalapeno and Yates will have the right to challenge actual well costs after the well is drilled and completed.

C. Misconstruing The Regulations. Finally, Jalapeno and Yates once again cite incorrect authority: They cite NMAC 19.15.4.12(A)(b) to claim that a current AFE must be submitted. That regulation only applies to pooling cases submitted to the Division by affidavit when there is no objection to an application. It does not apply to cases where witnesses will testify. In fact, Matador has informed Jalapeno and Yates that it will have witnesses available at hearing to testify about well costs, provided those witnesses' names and curriculum vitae, and expended significant costs for travel arrangements.

7. The parties have now been negotiating for almost six months. Enough is enough. This matter needs to go to hearing.

WHEREFORE, Matador requests that the Division deny the motion for continuance, or in the alternative set the case for a specific date not later than September 17, 2015.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043


Attorney for Matador Production Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served on the following counsel of record this 31st day of August via e-mail.

J.E. Gallegos
jeg@gallegoslawfirm.net

Michael J. Condon
mjc@gallegoslawfirm.net


James Bruce

-----Original Message-----

From: Michael Condon <mjc@gallegoslawnfirm.net>

To: Jones, William V, EMNRD, EMNRD <WilliamV.Jones@state.nm.us>; Wade, Gabriel, EMNRD, EMNRD <Gabriel.Wade@state.nm.us>

Cc: jamesbruc <jamesbruc@aol.com>; Gene Gallegos <jeg@gallegoslawnfirm.net>

Sent: Fri, Aug 14, 2015 9:50 am

Subject: RE: Case 15363/Matador - motion for a continuance

To all: Jalapeno and Yates Energy are agreeable to Matador's proposal to vacate the August 20 hearing and continue Case No. 15363 to the Examiner hearing scheduled for September 3, 2015. Please let me know if you need anything further from us. Thank you.

Michael J. Condon
Gallegos Law Firm, P.C.
460 St. Michael's Drive Bldg. 300
Santa Fe, NM 87505
505-983-6686

From: Jones, William V, EMNRD [<mailto:WilliamV.Jones@state.nm.us>]

Sent: Thursday, August 13, 2015 4:13 PM

To: Wade, Gabriel, EMNRD <Gabriel.Wade@state.nm.us>

Cc: jamesbruc@aol.com; Gene Gallegos <jeg@gallegoslawnfirm.net>; Michael Condon <mjc@gallegoslawnfirm.net>

Subject: FW: Case 15363/Matador - motion for a continuance

Mr. Division Counselor,
Here you go...

From: jamesbruc@aol.com [<mailto:jamesbruc@aol.com>]

Sent: Thursday, August 13, 2015 3:40 PM

To: Davidson, Florene, EMNRD; Goetze, Phillip, EMNRD; Jones, William V, EMNRD; McMillan, Michael, EMNRD

Cc: jeg@gallegoslawnfirm.net; mjc@gallegoslawnfirm.net

Subject: Case 15363/Matador - motion for a continuance

All: Attached is Matador's Response to Jalapeno/Yates' motion. Please note that Matador agrees to a continuance so long as it is to the September 3rd hearing.

Jim

EXHIBIT

A