

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
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 (*de novo*)

**MATADOR PRODUCTION COMPANY'S
OBJECTION TO, AND MOTION TO EXCLUDE, EXHIBITS**

Matador Production Company ("Matador") submits this objection to six additional exhibits filed by Jalapeno Corporation ("Jalapeno") with the Commission on October 13, 2016, and moves to exclude the exhibits from the hearing and record in this case.

1. An evidentiary hearing in this matter was held by the Commission on September 6 and 7, 2016. Both parties filed their exhibits five business days before the hearing, as required by Commission procedural rules.

2. Because the evidentiary hearing could not be completed in September, the hearing was continued to October 17, 2016.

3. Assuming additional exhibits are permitted, the deadline to file them and provide them to Matador was October 10, 2016, at the latest. Jalapeno had 33 days (and 23 business days) from September 7, 2016 to do so. Instead, Matador's counsel received them at 3:29 p.m. on October 13, 2016 -- effectively one business day before the continued hearing.

4. The exhibits were not timely filed with the Commission and provided to Matador as required by Commission procedural rules, and thus are not legally proper nor admissible.

5. In addition, Matador does not have sufficient time to review and respond to the additional exhibits, and thus is prejudiced by them. Moreover, because Matador has already presented its witnesses, Matador would be precluded from having its witnesses address these exhibits in their direct testimony. Allowing these late-filed exhibits into evidence is improper and unfair.

WHEREFORE, Matador requests that Jalapeno's proposed additional exhibits (Nos. 5A, 5B, 6A, 6B, 7, and 22) be excluded from the hearing, not be considered by the Commission, and not be made part of the record.

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 14th day of October, 2016 via e-mail.

J.E. Gallegos
jeg@gallegoslawfirm.net

Michael J. Condon
mjc@gallegoslawfirm.net



James Bruce

GALLEGOS LAW FIRM

A Professional Corporation

460 St. Michael's Drive
Building 300
Santa Fe, New Mexico 87505
Telephone No. 505-983-6686
Telefax No. 505-986-1367
E-Mail glf460@gallegoslawfirm.net

October 13, 2016
(Our File No. 15-467.00)

2016 10 13 11:00 AM

Via Hand-Delivery

Ms. Florene Davidson
New Mexico Oil Conservation Commission
1220 S. St. Francis Drive
P.O. Box 6429
Santa Fe, NM 87504

Re: Application of Matador Production Company, Case No. 15363 (de novo)

Dear Florene:

Enclosed please find six (6) sets of Jalapeno's revised exhibit list and additional Jalapeno's exhibit nos. 5A, 5B, 6A, 6B and 22 for the October 17, 2016 continuation of the Commission hearing on Matador's force pooling application. Also, enclosed is a new Jalapeno exhibit 7, which should replace the existing Jalapeno exhibit 7.

If you have any questions, or need anything else, please contact me. Thank you.

Very truly yours,

GALLEGOS LAW FIRM, P.C.



Caroline Carter
Paralegal

/cc
emc: Jim Bruce
Harvey Yates

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

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

**Case No. 15363 (de novo)
Order No. R-14053
Order No. R-14053-B**

**Jalapeno Corporation Exhibit List (Revised)
Hearing - September 6, 2016 Continued October 17, 2016**

No.	Exhibit
1	Sep. 18, 2014, HEYCO Airstrip Prospect proposal to drill Airstrip 31 State Com #2H – AFE \$7,317,030 – Bone Springs
2	April 28, 2015, H. Yates/ Jalapeno to Melissa Randle/MRC Delaware Resources LLC re unwilling to execute JOA as proposed, problems with AFE elevated costs
3	Handnotes - Options
4	May 9, 2016, Matador AFE Airstrip State Com 31-18S-35E RN 201H
5	Well Production Charts
5A	Bone Springs Horizontal Wells Performance
5B	Matador Wolfcamp Horizontal Well Performance
6	Economic Cases for Force Pooled Permian Shale Wells
6A	Profit made by Force Pooler on Wolfcamp Horizontal Wells in Delaware Basin, SENM
6B	Well Risk Analysis
7	Probability Plots - Wolfcamp and Bone Springs
8	Total Risk Assuming \$6.5 MM Cost
9	Wells Penetrating the Wolfcamp formation
10	Airstrip; Wolfcamp Pool Structure Map
11	Chart
12	Chart
13	Airstrip; Wolfcamp Pool Stratigraphic Cross Section A-A'
14	Rustler Breaks – Focus on Wolfcamp Development in 2016
15	Rustler Breaks Wolfcamp A-XY Wells Performing Above Expectations
16	Estimated Ultimate Recoveries in BOE for Recent Matador Wolfcamp Wells
17	APD Airstrip 31 18 35 RN State Com No. 201H
18	Matador Investor Presentation, July 2016: page 31 Returns by Formations
19	Sep. 29, 2015, Transcript of Proceedings Special Examiner Hearing, Case No. 15363
20	Excerpts of Testimony Special Examiner Hearing, Case No. 15363

21	Definition of a Resource Play
22	Force Pooling Sample Cases of Proof for 200% Risk Penalty

Respectfully submitted,

GALLEGOS LAW FIRM, P.C.

By /s/ J. E. Gallegos
J.E. GALLEGOS
MICHAEL J. CONDON
460 St. Michael's Drive, Bldg. 300
Santa Fe, New Mexico 87505
(505) 983-6686
jeq@gallegoslawnfirm.net
mjc@gallegoslawnfirm.net

Attorneys for Jalapeno Corporation

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail this 13th day of October 2016.

James Bruce
P.O. Box 1056
Santa Fe, NM 87504
jamesbruc@aol.com

Dana Arnold
Matador Production Co.
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 7524
darnold@matadorresources.com

/s/ J. E. Gallegos
J.E. Gallegos

- "Cash flow" after payout
- 1-15 wells revenue for financial realization by forced pooled owners subject to 200% penalty
- 35 wells will not payout (34%)

Horizontal Bone Spring - 4 Township Study Area

		Cash Flow
Asset	MS	
1 PERLA NEGRA FEDERAL COM 1H		34,808.419
2 SUPER COBRA STATE COM 1H		26,368.195
3 PICKARD STATE 1H		24,711.852
4 KING COBRA 2 STATE 1H		16,960.040
5 AIRCOBRA 12 STATE 2H		15,765.013
6 QUAIL 11 STATE 1H		15,465.825
7 CHAPARRAL 33 FEDERAL COM 3H		15,460.211
8 CIMARRON 16 19 34 RN STATE 134H		14,077.328
9 SCHARB 10 PA STATE 1H		13,460.938
10 SCHARB 10 B30B STATE 1H		13,064.872
11 AIRSTRIP 6 STATE COM 2H		12,520.633
12 SCHARB 10 B3NC STATE 1H		11,444.915
13 PERLA NEGRA FEDERAL COM 3H		11,096.913
14 RAPTOR WEST 3 STATE 4H		11,044.401
15 TEAL 12 STATE COM 2H		10,640.854
16 SCHARB 10 B3MD STATE 1H		9,950.172
17 TUSK FEDERAL 2H		9,589.881
18 DOS ABUELOS FEE 1H		9,324.639
19 PERLA VERDE 31 STATE 4H		9,170.896
20 QUAIL 11 STATE 3H		8,628.306
21 QUAIL 11 STATE 2H		8,399.314
22 KING COBRA 2 STATE 2H		7,944.012
23 CORDONIZ 28 FEDERAL COM 4H		7,761.836
24 WEST PEARL 36 STATE COM 6H		7,541.756
25 MALLON 34 FEDERAL COM 18H		7,157.399
26 PERLA NEGRA FEDERAL COM 2H		7,068.554
27 QUAIL 11 STATE 4H		6,502.285
28 IRONHOUSE 24 STATE COM 1H		6,413.255
29 AIRCOBRA 12 STATE 1H		5,745.598
30 MALLON 34 FEDERAL 20H		5,379.101
31 IGGLES STATE COM 1H		4,956.507
32 CHAPARRAL 33 FEDERAL COM 5H		4,780.071
33 RAPTOR WEST 3 STATE 2H		4,603.435
34 IRONHOUSE 19 STATE COM 2H		4,227.904
35 PERLA NEGRA FEDERAL COM 4H		3,887.387
36 TRES PRIMOS 3 STATE 2H		3,644.796
37 CONDOR STATE 2H 2		3,625.456
38 PICKARD 20 18 34 RN STATE 124H		3,506.622
39 PICKARD STATE 2H		3,357.436
40 TEAPOT 2H		3,278.939
41 IRONHOUSE 24 STATE COM 3H		3,039.889
42 CONDOR STATE 1H		3,032.496
43 IRONHOUSE 19 STATE COM 3H		3,027.448
44 MALLON 34 FEDERAL 19H		2,951.263
45 PLAYA 2 STATE 2H		2,738.895
46 TUSK FEDERAL 4H	NMOCC Case No. 15363	2,418.307
47 IRONHOUSE 20 STATE 2H	Hearing: SEP 6, 2016	2,280.360
48 ALBATROSS STATE COM 2H	Continued: OCT 17, 2016	2,189.962
49 WILD COBRA 1 STATE 2H		1,864.556
50 IRONHOUSE 19 STATE COM 1H	Jalapeno EX <u>5A</u>	1,741.252
51 MONGOOSE FEE 1H		1,684.081

52	Dos Abuelos Fee 2H	1,282.256
53	WEST PEARL 36 STATE COM 4H	1,133.581
54	HIBISCUS 08 19 35 RN STATE COM124H	1,112.656
55	BUTTER CUP 36 STATE COM 1H	958.470
56	PERLA VERDE 31 STATE 3H	744.018
57	TUSK FEDERAL 5H	708.685
58	TOMCAT FEE 1H	672.605
59	AIRSTRIIP FEE COM 1H	665.087
60	CUATRO HIJOS FEE 3H	618.049
61	WILD COBRA 1 STATE 1h	564.307
62	BUTTER CUP 36 STATE COM 2H	516.574
63	PERLA VERDE 31 STATE 1H	331.167
64	PLAYA 2 STATE 1H	314.084
65	NIGHTHAWK STATE COM 1H	225.096
66	CUATRO HIJOS FEE 8H	219.933
67	IRONHOUSE 20 STATE COM 1H	47.418
68	TRES PRIMOS 3 STATE 1H	-160.421
69	BUTTER CUP 36 STATE COM 3H	-313.110
70	IRONHOUSE 19 STATE COM 4H	-333.401
71	WEST PEARL 36 STATE COM 3H	-749.904
72	JIM ROLFE 22 18 34 RN STATE 131Y	-857.640
73	ALBATROSS STATE COM 1H	-947.554
74	MALLON 35 FEDERAL 7H	-954.491
75	CHAPARRAL 33 FEDERAL COM 4H	-1,106.158
76	PERLA VERDE 31 STATE 2H	-1,113.411
77	TUSK FEDERAL 3H	-1,436.053
78	WEST PEARL 36 STATE COM 5H	-1,459.684
79	IRONHOUSE 24 STATE COM 2H	-1,758.829
80	MALLON 35 FEDERAL 4H	-1,819.085
81	IRONHOUSE 33 NC STATE COM 1H	-2,200.238
82	MERIT 32 DM STATE COM 1H	-2,214.538
83	QUAIL RIDGE 32 STATE 4H	-2,679.081
84	CUATRO HIJOS FEE 4H	-2,789.439
85	BUTTER CUP 35 STATE COM 2H	-2,925.079
86	IRONHOUSE 24 STATE COM 4H	-3,029.125
87	WEST PEARL 36 STATE 2H	-3,080.732
88	KINGFISHER STATE COM 5H	-3,103.316
89	ORIOLE STATE 1H	-3,154.287
90	QUAIL RIDGE 32 STATE 3H	-3,415.543
91	BUTTER CUP 35 STATE COM 1H	-3,617.178
92	CAPROCK 27 STATE FEDERAL COM 1H	-3,771.386
93	TIN CUP 36 STATE COM 2H	-4,205.306
94	CONDOR STATE 2H	-4,206.087
95	MERIT 6 EH STATE COM 1H	-4,340.339
96	KINGFISHER STATE COM 1H	-4,350.225
97	NIGHTHAWK STATE COM 3H	-4,993.509
98	KLEIN 16 STATE 2H	-5,012.981
99	MAGPIE STATE 1H	-5,187.506
100	HAUMEA STATE 2H	-5,286.123
101	KINGFISHER STATE COM 2H	-5,386.690
102	GATEWAY 2 STATE COM 2H	-5,476.01

- "Cash flow" after payout
- 1-4 wells revenue for financial realization by forced pooled owners subject to 200% penalty
- All wells payout

Horizontal Wolfcamp - Eddy and Lea Counties, NM

Operated by Matador

		Cash Flow
Asset		M/S
1	TIGER 14 24S 28E RB 204H	28,844.58
2	GUITAR 10 24 28 RB 202H	26,323.94
3	TIGER 14 24S 28E RB 224H	21,872.02
4	JANIE CONNER 13 24S 28E RB 224	16,033.07
5	DR K 24 23S 27E RB 203H	10,629.15
6	RUSTLER BREAKS 12 24 27 1H	7,725.79
7	SCOTT WALKER STATE 36 22S 27E RB 204H	3,538.49
8	PICKARD STATE 2H	3,357.44

NMOCC Case No. 15363

Hearing: SEP 6, 2016

Continued: OCT 17, 2016

Jalapeno EX 5B

PROFIT MADE BY FORCE POOLER ON

WOLFCAMP HORIZONTAL WELLS IN DELAWARE BASIN, SE NEW MEXICO

Economic Input Parameters Based on a 10% Non Consent Interest in a \$6,500,000 well

WI = 10% & NRI = 8% until designated risk penalty payouts are achieved and then any additional income that may be generated reverts to the forced pooled party

Money put up by operator for Force Pooled Party's Share of the well= \$650,000

Pricing = Bank of Oklahoma September 2016 Price Deck

* Figures are not discounted

Wolfcamp EUR = 350 MBOE

<u>NON- CONSENT PENALTY</u>	<u>MONEY FORCE POOLER MAKES FROM FORCE POOLED PARTIES</u>	<u>FORCE POOLING PARTY'S RETURN ON</u>	<u>MONEY MADE BY FORCED POOLED</u>
	<u>INTEREST</u>	<u>INVESTMENT</u>	<u>PARTY</u>
200%	\$256,083.00	39%	\$0.00
133%	\$256,083.00	39%	\$0.00
66%	\$256,083.00	39%	\$0.00
34%	\$220,998.00	34%	\$35,085.00

Wolfcamp EUR = 500 MBOE

<u>NON- CONSENT PENALTY</u>	<u>MONEY FORCE POOLER MAKES FROM FORCE POOLED PARTIES</u>	<u>FORCE POOLING PARTY'S RETURN ON</u>	<u>MONEY MADE BY FORCED POOLED</u>
	<u>INTEREST</u>	<u>INVESTMENT</u>	<u>PARTY</u>
200%	\$769,499.00	118%	\$0.00
133%	\$769,499.00	118%	\$0.00
66%	\$428,907.00	66%	\$340,592.00
34%	\$221,023.00	34%	\$548,476.00

Wolfcamp EUR = 700 MBOE

<u>NON- CONSENT PENALTY</u>	<u>MONEY FORCE POOLER MAKES FROM FORCE POOLED PARTIES</u>	<u>FORCE POOLING PARTY'S RETURN ON</u>	<u>MONEY MADE BY FORCED POOLED</u>
	<u>INTEREST</u>	<u>INVESTMENT</u>	<u>PARTY</u>
200%	\$1,299,957.00	200%	\$149,723.00
133%	\$864,561.00	133%	\$585,119.00
66%	\$429,027.00	66%	\$1,020,653.00
34%	\$221,037.00	34%	\$1,228,643.00

**FOUR TOWNSHIP AREA BASED ON PRIOR WELLS DRILLED
BASED ON PRIOR WELLS DRILLED**

*Pricing at Bank of Oklahoma September 2016 Price Deck
Undiscounted Revenue Figures
Assumes each well is drilled for \$5,250,000
Assumed AFE Cost of \$5,250,000 for Bone Spring*

Profit/Loss Breakdown	No Wells	% of Total	Average Profit or Loss	Expected Results
\$10.5 Million +	15	0.1442308	\$ 16,459,360	\$ 2,373,946.15
\$5.25 M to \$10.5 Million	15	0.1442308	\$ 7,771,789	\$ 1,120,931.11
\$3 M to \$5.2 Million	13	0.1250000	\$ 3,862,949	\$ 482,868.63
\$1 M to \$3 Million	11	0.1057692	\$ 1,945,197	\$ 205,741.99
\$1 to \$1 Million Profit	13	0.1250000	\$ 506,576	\$ 63,322.00
Producing/Not Payout	35	0.3365385	\$ (2,645,326)	\$ (890,253.94)
Dry Holes or Lost	2	0.0192308	\$ (5,250,000)	\$ (100,961.54)
	104	1		\$ 3,255,594.39

Expected Results in Four Township Area Considering all Wells: Invest	\$ 5,250,000.00
and expect this approximate return on investment :	62%
which means this approximate amount of profit after payout:	\$ 3,255,594.39

NMOCC Case No. 15363
Hearing: SEP 6, 2016
Continued: OCT 17, 2016

Jalapeno EX 6B

**ALL MATADOR WC WELLS IN EDDY & LEA BASED ON PRIOR WELLS DRILLED
BASED ON WELLS FOR WHICH PRODUCTION AVAILABLE FROM OCD**

Pricing at Bank of Oklahoma September 2016 Price Deck

Undiscounted Revenue Figures

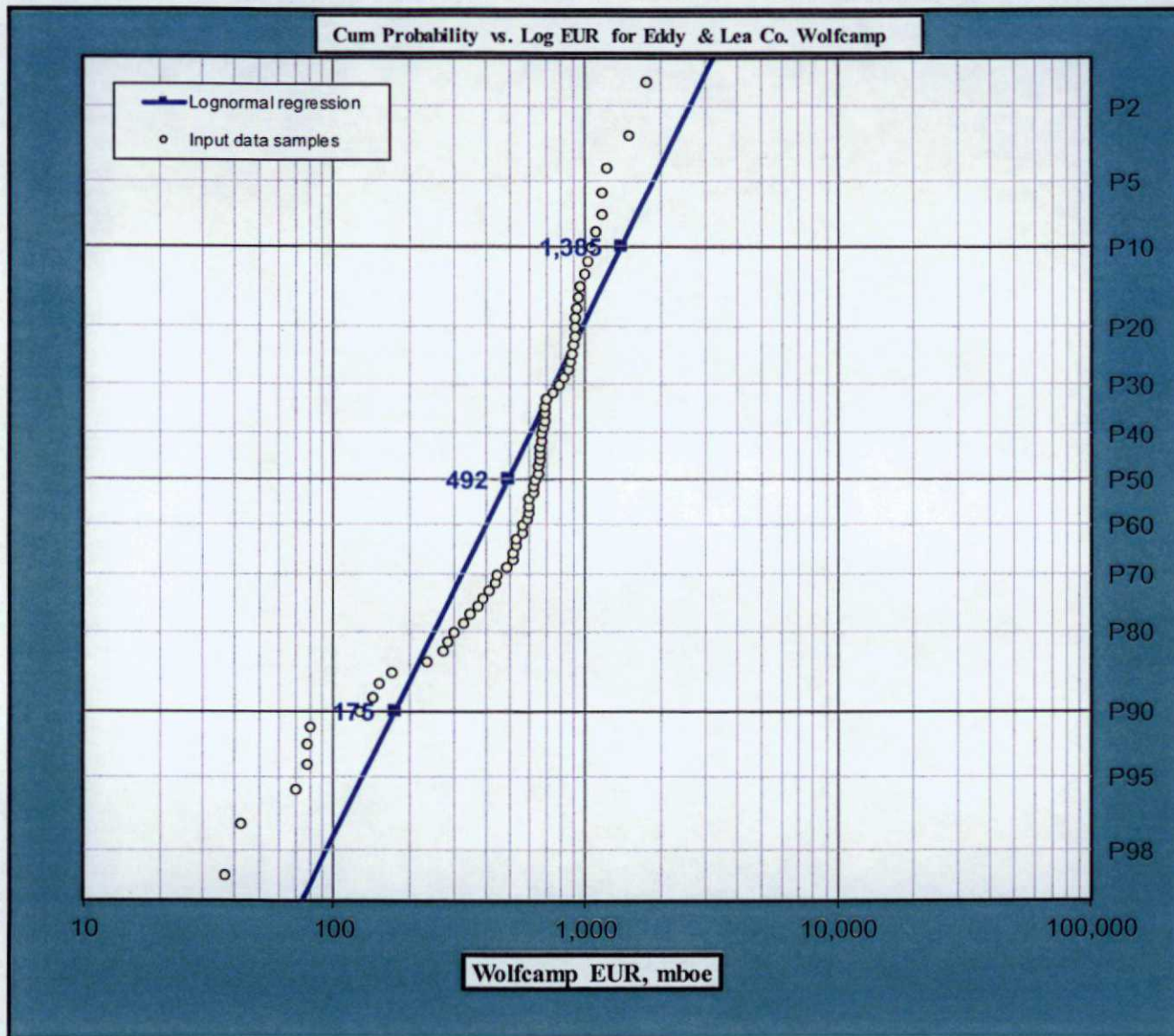
Assumes each well is drilled for \$6,500,000 (Matador's AFE)

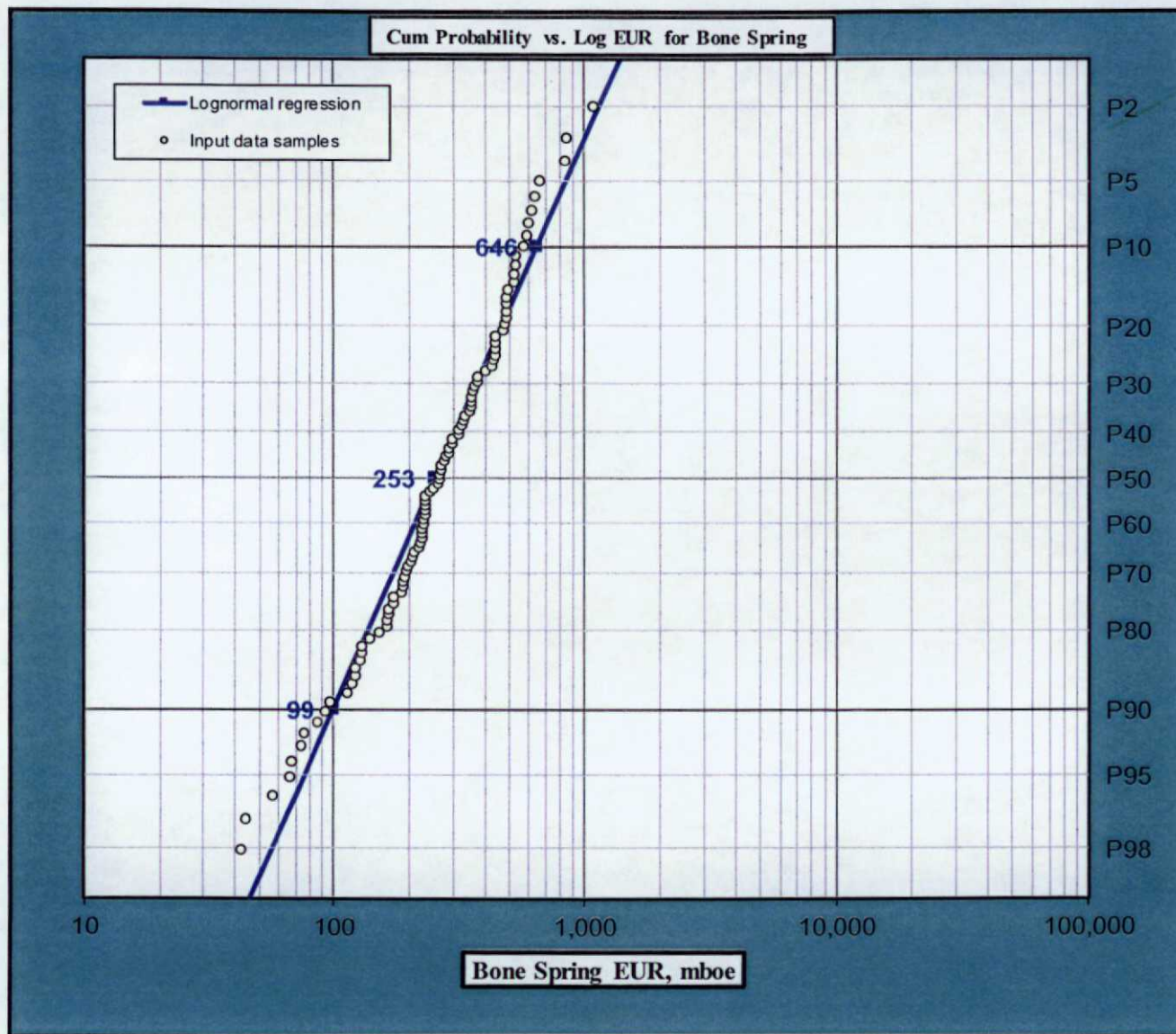
Assumes One Well Lost in Drilling Process

Data from Matador WC Wells Drilled in Eddy and Lea Countie

Profit/Loss Breakdown	No Wells	% of Total	Average Profit or Loss	Expected Results
\$20 Million +	3	0.3333333	\$ 25,680,180	\$ 8,560,060.00
\$10 M to \$20 Million	2	0.2222222	\$ 13,331,110	\$ 2,962,468.89
\$5 M to 10 Million	1	0.1111111	\$ 7,725,790	\$ 858,421.11
\$1 to \$5 Million	2	0.2222222	\$ 3,447,965	\$ 766,214.44
				\$ -
Producing/Not Payout	0	0.0000000	\$ -	\$ -
Dry Holes or Lost	1	0.1111111	\$ (6,500,000)	\$ (722,222.22)
	9	1		\$ 12,424,942.22

Expected Results Considering all WC Wells Available on OCD: Invest	\$ 6,500,000.00
and expect this approximate return on investment :	191%
which means this approximate amount of profit after payout:	\$ 12,424,942.22





Sample Matador Compulsory Pooling Cases - Wolfcamp

Case No. 15302 filed April 12, 2015

Seeks a nonstandard 320 acre spacing for horizontal out well in a Gas Pool.

Hearing May 28, 2015

Evidence in support of risk penalty:

Trey Goodwin, Matador landman:

"Q. Are you also asking the Division to incorporate a 200 percent charge for risk for any owners that go non-consent with regard to the proposed well?"

A. Yes." Tr. 11

ORDER R-13997, JUNE 8, 2015

Approves subject to 160 acres on proof of actual production for well costs.
Orders 200% risk charge. pp. 3-4

Case No. 15372 filed August 18, 2015

Seeks a nonstandard 160 acre unit for a horizontal well Wolfcamp formation.

Hearing November 12, 2015

Evidence in support of risk penalty:

Trey Goodwin, Matador landman:

"Q. Does Matador request the maximum cost plus 200 percent risk charge in the event a working interest owners goes nonconsent in a well?"

A. Yes" Tr. 8

ORDER R-14083, DECEMBER 8, 2015

Grants application.

Provides (13) 200% of well costs for the risk in drilling well.

Case No. 15444 filed February 2, 2016

Seeks a 320 acre spacing unit in a gas pool for a horizontal Wolfcamp formation well.

Hearing March 3, 2016

Evidence concerning risk penalty:

Trey Goodwin, Matador landman:

"Q. Do you request the maximum cost plus 200 percent risk charge if a party goes nonconsent in the well?

A. Yes" Tr. 11

ORDER R-14139, MARCH 31, 2016

Grants application.

(13) Any pooled working interest owner . . . reasonable well costs plus an additional 200% . . . for the risk . . . "