

**STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION**

**Meeting Minutes  
Regular Meeting  
October 17, 2016  
Porter Hall  
Wendell Chino Building  
1220 S. St. Francis Drive  
Santa Fe, New Mexico 87505**

**MEMBERS PRESENT:**

David Catanach	Chair, Oil Conservation Division
Robert Balch	Designee, Energy, Minerals and Natural Resources Department
Patrick Padilla	Designee, Commissioner of Public Lands

**OTHERS PRESENT:**

Bill Brancard, Counsel for the Commission

The Meeting was called to order by Chair Catanach at 10:00 a.m.

**Item 1. Roll Call.**

Roll was taken; a quorum was present.

**Item 2. Approval of Agenda.**

**Action:** Commissioner Padilla moved adoption of the agenda. Commissioner Balch seconded the motion. The motion passed unanimously.

**Item 3. Approval of minutes of October 6, 2016 meeting.**

**Action:** Commissioner Padilla moved to approve the minutes. Commissioner Balch seconded the motion. The motion passed unanimously.

**Item 4. Resume hearing: De Novo Case No. 15363: Application of Matador Production Company for a Non-Standard Oil Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.**

**Action:** Appearances were made by Jim Bruce and Dana Arnold, attorneys for Matador Production Company and J.E. Gallegos, attorney for Jalapeno Corporation.

Jalapeno presented technical witness Maurice P. Gaddis Jr. P.E. Mr. Gaddis' testimony related to the range of oil recovery that can be expected in horizontal Bone Spring and Wolfcamp wells in Southeast New Mexico. Mr. Gaddis also testified as to the risk penalty Jalapeno Corporation believes is appropriate for the well that Matador proposes to drill. Jalapeno Corporation is proposing that a 50-66% risk penalty be imposed against non-consenting working interest owners.

Jalapeno presented witness Emmons Yates. Mr. Yates testified as a fact witness. Mr. Yates testified as to Jalapeno's current operations in New Mexico and their interaction and participation with other companies who have drilled horizontal wells in Texas and New Mexico.

Matador presented rebuttal witnesses Van H. Singleton II, Executive Vice-President of Land, Dr. Ned Frost, Chief Geologist and Bradley M. Robinson, Senior Vice President of Reservoir Engineering.

After the evidentiary presentations were concluded, Matador Production Company and Jalapeno Corporation gave brief closing statements.

Commissioner Balch moved to go into Executive Session. Commissioner Padilla seconded the motion. The motion passed unanimously.

After deliberation, the Commission returned from Executive Session and went back on the record. Chairman Catanach announced that the only thing discussed during Executive Session was the disposition of Case No. 15363. Thereafter, Chairman Catanach requested that Mr. Brancard announce the decision by the Commission.

Mr. Brancard announced that the application of Matador Production Company in Case No. 15363 was approved, subject to the following conditions. As a charge for the risk involved in drilling and completing the subject well, a penalty of 150% shall be assessed against non-consenting interest owners. In addition, the 150% risk penalty shall not apply to surface equipment, provided however that actual costs for surface equipment can be recovered.

Chairman Catanach requested Mr. Bruce to prepare a draft order in this case.

**Item 5. Next Meeting: November 10, 2016**

The Commission will meet and consider the application of Caza Petroleum, Inc. in De Novo Case No. 15437 for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico.

**Item 6. Adjournment**

The meeting was recessed at 6:00 p.m.

**DAVID R. CATANACH, Chair**