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

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

Case No 15363

JALAPENO'S OBJECTION TO MATADOR'S WELL COSTS

Pursuant to Order No R-14053-E Jalapeno Corporation (Jalapeno) files this Objection to the Cost Bill furnished by Matador Production Company (Matador) to the Division on or about April 21 2017 As grounds for this Objection Jalapeno states as follows

1 The Oil Conservation Commission approved Matador's force pooling application in this case on de novo hearing by Order No R-14053-E Paragraph 11 of that Order requires Matador to furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well

2 On or about April 21 2017 Matador provided to the Division its Well Cost Notification which Matador claims was submitted pursuant to the requirement of Order No R-14053-E given that the well at issue has now been drilled and completed The Notification does not include an itemized schedule of costs but simply lists gross cost amounts by category A copy of the Notification is attached as Exhibit A

3 Matador did not provide a copy of this Notification to Jalapeno Nevertheless Jalapeno discovered the Notification on or about May 16 2017 when

reviewing the case file on the Division's website Jalapeno has requested a true itemized list of expenses but to date none has been furnished

4 Jalapeno takes exception to the entire Well Cost Notification because it cannot determine which listed costs are or are not reasonable based on the conclusory nature of the listed expenses

5 On or about May 31 2016 Matador furnished an Estimate of Costs and Authorization for Expenditure A copy is attached as Exhibit B The estimate provides the type of itemized expenses that should have been included in the Well Cost Notification

6 The actual costs reported by Matador in the Well Cost Notification have increased significantly from the projected costs reflected in Exhibit B

7 Jalapeno will be responsible for its share of actual costs of drilling the well and a risk penalty The Commission denied Matador's request for a 200% risk penalty and instead approved a 150% risk penalty on drilling and completion costs The Commission denied Matador's request for a risk penalty on surface equipment costs Consequently the expenses reflected in the Well Cost Notification are of concern to Jalapeno Individual expense items may be subject to challenge upon provision by Matador of an itemized schedule

8 Both the Division and Jalapeno are entitled to a detailed itemized schedule of costs to evaluate whether the reported costs are actual and reasonable

WHEREFORE Jalapeno requests that the Division order Matador to provide a detailed itemized Well Cost Notification to both Jalapeno and the Division and set a hearing following service of that Notification to resolve any remaining objections

Respectfully submitted

GALLEGOS LAW FIRM P C

By /s/ Michael J Condon

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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 5th day of June 2017 to

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Dana R Arnold
Operations and Regulatory Counsel

April 20 2017

New Mexico Oil Conservation Division
Attn David Catanach
1220 South St Francis Drive
Santa Fe New Mexico 87505
David Catanach@state nm us

Re Well Cost Notification
Case No 15363
Order No R 14053 E

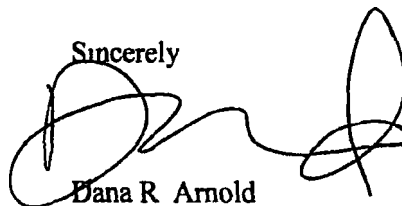
2017 APR 21 10 45
MCM

Dear Mr Catanach

Pursuant to Paragraph 11 of Order No R 14053 E, Matador Production Company hereby submits notice that the Airstrip 31 28 35 State Com Well No 201H well has been drilled and completed and the following are the itemized schedule of well costs as of today s date

	Intangible	Tangible
Drilling	\$ 2 878,439	\$ 770 683
Completion	\$ 2 871 499	\$ 47 581
Production	\$ 89 405	\$ 152,826
Surface Equipment	\$ 90 176	\$ 902 310 81
Total	\$ 5 929 519	\$ 1 873 400 81

Sincerely



Dana R Arnold

cc florene davidson@state nm us

Exhibit A

MATADOR PRODUCTION COMPANY

ONE LINCOLN CENTRE • 5400 LBJ FREEWAY • SUITE 1500 • DALLAS, TEXAS 75240
Phone (972) 371-5200 • Fax (972) 371-5201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

DATE:	May 9, 2016	AFE NO.:	300017 014-01
WELL NAME:	Airstrip State Com 31-1BS-35E RN 201H	FIELD:	Wolfcamp
LOCATION:		MD/TVD:	15700/10780
COUNTY/STATE:	Lea	LATERAL LENGTH:	4,300
MRC Well:			
GEOLOGIC TARGET:	Wolfcamp A		
REMARKS:	Drill and complete a horizontal Wolfcamp A well with 21 stages. Install AL, build TB, and construct PL to gas connect.		

	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
INTANGIBLE COSTS					
Land / Legal / Regulatory	\$ 95,000	\$ -	\$ -	\$ -	\$ 95,000
Location, Surveys & Damages	111,500	17,500	5,000	-	134,000
Drilling	707,000	-	-	-	707,000
Cementing & Float Equip	205,000	-	-	-	205,000
Logging / Formation Evaluation	-	3,850	-	-	3,850
Mud Logging	32,500	-	-	-	32,500
Mud Circulation System	34,720	-	-	-	34,720
Mud & Chemicals	120,000	24,000	-	-	144,000
Mud / Wastewater Disposal	155,000	-	-	-	155,000
Freight / Transportation	18,000	16,500	-	-	34,500
Rig Supervision / Engineering	95,200	52,300	2,400	30,000	179,900
Drill Bits	97,000	-	-	-	97,000
Fuel & Power	70,000	-	-	-	70,000
Water	42,500	530,000	-	-	572,500
Drig & Completion Overhead	14,000	7,500	-	-	21,500
Plugging & Abandonment	-	-	-	-	-
Directional Drilling, Surveys	185,000	-	-	-	185,000
Completion Unit, Swab, CTU	-	60,000	12,000	-	72,000
Perforating, Wireline, Stickleline	-	66,000	-	-	66,000
High Pressure Pump Truck	-	33,000	10,500	-	43,500
Stimulation	-	945,000	-	-	945,000
Stimulation Flowback & Disp	-	45,500	6,000	-	51,500
Insurance	27,000	-	-	-	27,000
Labor	124,000	15,500	8,000	-	147,500
Rental - Surface Equipment	101,200	112,000	450	6,000	219,650
Rental - Downhole Equipment	45,000	38,000	-	-	83,000
Rental - Living Quarters	60,675	25,350	150	1,000	86,175
Contingency	234,050	199,362	2,600	3,700	439,712
TOTAL INTANGIBLES >	2,574,545	2,192,982	45,100	40,700	4,853,327
TANGIBLE COSTS					
Surface Casing	\$ 54,725	\$ -	\$ -	\$ -	\$ 54,725
Intermediate Casing	122,100	-	-	-	122,100
Drilling Liner	293,400	-	-	-	293,400
Production Casing	229,875	-	-	-	229,875
Production Liner	-	-	-	-	-
Tubing	-	-	52,500	-	52,500
Wellhead	60,000	-	40,000	-	100,000
Packers, Liner Hangers	-	35,000	-	-	35,000
Tanks	-	-	-	120,000	120,000
Production Vessels	-	-	50,000	45,000	95,000
Flow Lines	-	-	40,000	-	40,000
Rod string	-	-	-	-	-
Artificial Lift Equipment	-	-	53,000	-	53,000
Compressor	-	-	-	-	-
Installation Costs	-	-	30,000	90,000	120,000
Surface Pumps	-	-	5,000	-	5,000
Non-controllable Surface	-	-	-	120,000	120,000
Non-controllable Downhole	-	-	-	-	-
Downhole Pumps	-	-	-	-	-
Measurement & Meter Installation	-	-	20,000	15,000	35,000
Gas Conditioning / Dehydration	-	-	-	-	-
Interconnecting Facility Piping	-	-	-	-	-
Gathering / Bulk Lines	-	-	-	40,000	40,000
Valves, Dumps, Controllers	-	-	-	-	-
Tank / Facility Containment	-	-	-	40,000	40,000
Flare Stack	-	-	-	20,000	20,000
Electrical / Grounding	-	-	7,500	10,000	17,500
Communications / SCADA	-	-	-	-	-
Instrumentation / Safety	-	-	10,000	25,000	35,000
TOTAL TANGIBLES >	790,100	38,000	308,000	529,000	1,633,100
TOTAL COSTS >	3,334,645	2,228,982	353,100	569,700	6,486,427

PREPARED BY MATADOR PRODUCTION COMPANY:

Drilling Engineer	Patrick Walsh	Team Lead - WTX/NM	<u>JTG</u>
Completions Engineer	Matt Bell		TG
Production Engineer	Kenneth Dodson		

MATADOR RESOURCES COMPANY APPROVAL:

Executive VP, COO/CFO	CEL	VP - Res Engineering	BMP	VP - Drilling	BC
Executive VP, Legal	CA	Exec Dir - Exploration	NLF	VP - Production	TWIS
President	MWH	VP & General Manager	RDL		

NON OPERATING PARTNER APPROVAL:

Company Name	Working Interest (%)	Tax ID
Signed by	Date	
Title	Approval	res No (mark ONE)

This AFE is submitted to you and may not be used as a basis for any other purpose. It is the responsibility of the operator to ensure that the AFE is accurate and that all necessary permits and approvals are obtained. The operator warrants that the information provided in this AFE is true and correct to the best of their knowledge and belief. The operator warrants that the information provided in this AFE is true and correct to the best of their knowledge and belief. The operator warrants that the information provided in this AFE is true and correct to the best of their knowledge and belief.