

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 SUPPLEMENTAL OBJECTION TO MATADOR'S WELL COSTS AND  
REQUEST FOR HEARING**

Pursuant to Order No. R-14053-E, Jalapeno Corporation (Jalapeno) files this Supplemental Objection to the "Estimate of Actual Well Costs as of 4/5/2017" furnished by Matador Production Company (Matador) to the Division and Jalapeno on or about June 27, 2017. Jalapeno again requests that the Division set this matter for hearing pursuant to Order No. R-14053-E and Rule 19.15.13.13 NMAC.

As grounds for this Objection and Request, 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. Matador did not comply with the Order. 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. The Notification did not include an itemized schedule of costs, but simply listed gross cost amounts by category.

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.

4. Jalapeno filed its Objection to Matador's Well Costs on June 5, 2017. In response, Matador on June 27 filed a Response to Jalapeno's Objection and attached what it labels an "Estimate of Actual Well Costs." The Airstrip State Com 201H well at issue in this proceeding was completed and began producing in January 2017. There is no excuse for Matador to provide an estimate of actual well costs, rather than an itemized list of actual well costs as required by Order No. R-1453-E.

5. Jalapeno has attempted unsuccessfully to secure supporting documentation from Matador regarding the costs listed on the schedule.

6. Jalapeno objects to the entire Estimate of Actual Well Costs because it cannot determine whether the listed costs are actual or estimates based upon Matador's self-reporting.

7. To the extent the itemized costs are actual costs rather than estimates, Jalapeno objects to the following listed items: Land/Legal/Regulatory; Rental: Surface Equipment; Production Vessels; Non-controllable Surface; Flow Lines; Technical Supervision; and Rental Living Quarters.

8. Jalapeno will submit a Subpoena for issuance by the Division in order to allow Jalapeno to fully explore the costs on the most recent Matador schedule. The requested documents, and analysis of same, may provide grounds for additional objections. A copy of Jalapeno's requested Subpoena is attached as Exhibit A.

9. 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 Estimate of Actual Well Costs are of concern to Jalapeno.

10. Both Order R-14053-E and Rule 19.15.13.13 require the Division to give notice and hold a public hearing upon a party's objection to stated well costs. Jalapeno is entitled to a hearing on its objections. The hearing should be set at a future date that will allow production by Matador of relevant documents and also allow Jalapeno to analyze any produced documents.

WHEREFORE, Jalapeno requests that the Division set a hearing on Jalapeno's objections to Matador's original Notification and its June 27 Estimate of Actual Well Costs at a future date that will allow for production by Matador and analysis by Jalapeno of the documents requested by Jalapeno's subpoena.

Respectfully submitted,

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**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 1st day of August, 2017 to:

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