

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

**APPLICATIONS OF LEGACY RESERVES OPERATING LP  
FOR A HORIZONTAL SPACING UNIT AND COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.**

**Case Nos. 22226, 22227,  
22228, 22229**

**APPLICATIONS OF MATADOR PRODUCTION COMPANY  
FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

**Case Nos. 22413, 22414,  
22415, 22416**

**PRE-HEARING STATEMENT**

Jalapeno Corporation (“Jalapeno”) provides this Pre-Hearing Statement as required by Rule 19.15.4.13B NMAC. The issues in the above-referenced cases are related as these are competing applications which have been consolidated.

**APPEARANCES-LEGACY APPLICATIONS**

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#### **APPEARANCES-MATADOR APPLICATIONS**

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### **STATEMENT OF THE CASES**

Legacy and Matador have filed competing applications in order to develop the Bone Spring formation in Sections 14 and 23, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico. Each application seeks to create a spacing unit dedicated to one Bone Spring well. Jalapeno owns interests in the affected acreage.

Legacy provided well proposals and AFEs to Jalapeno for each of its proposed wells. Legacy served Jalapeno with notice of its force pooling applications. Legacy and Jalapeno have successfully negotiated an agreement regarding Jalapeno's participation. Legacy has represented that it does not intend to force pool Jalapeno in these cases. Consequently, Jalapeno does not oppose Legacy's application.

Matador has not provided Jalapeno with well proposals or AFEs for its proposed wells. Legacy did not serve Jalapeno with notice of its force pooling applications. In each case, Matador seeks an order "pooling all uncommitted mineral interests," approving the wells proposed, designating Matador as the operator of the unit, approving Matador's charges for the wells, and imposing a 200% non-consent penalty.

### **JALAPENO'S OBJECTIONS TO MATADOR'S APPLICATIONS**

Jalapeno contends the Matador applications should be denied as having any force or effect on Jalapeno for the following reasons:

1. Matador has failed to provide required notice to Jalapeno of Matador's force pooling proceedings. It has failed to provide Jalapeno an opportunity to voluntarily participate. NMSA 1978 § 70-2-17(C) authorizes the Division to approve a force pooling application only where an interest owner has not agreed to pool its interest. The Division lacks the authority under the statute to force pool Jalapeno in these cases.

2. The Division has historically imposed on force pooling applicants an obligation to make a good faith effort to secure voluntary agreement of affected interest owners. Matador has failed to make such a good faith effort.

3. The Bone Spring formation underlying the acreage at issue is a resource play extensively developed by horizontal wells and presents a dependable low risk, highly favorable return on investment. The very fact that two operators have proposed to drill four wells in the affected acreage is a testament to the low-risk to develop the acreage. Under these facts, a 200% non-consent penalty is not warranted.

4. Any force pooling order in this case should make provision for a just and reasonable payment plan for owners like Jalapeno who agree to participate in the drilling of multiple wells. That is, an operator such as Matador should not be entitled to provide AFEs for multiple wells and require immediate payment by Jalapeno of its pro rata share of total costs. Jalapeno asks that any order allow for sequential payment by Jalapeno by (a) requiring that Matador submit AFEs for its wells no sooner than 60 days before the commencement of the drilling of each well and (b) allowing Jalapeno 30 days from receipt of the AFE to make payment.

**PROPOSED EVIDENCE**

WITNESSES	EST. TIME	EXHIBITS
Emmons Yates (practical oil man/landman)	20 min.	None Anticipated

Mr. Yates is the Vice President of Jalapeno. He has worked for Jalapeno for twelve years in various capacities supporting Jalapeno’s oil and gas operations in the Permian Basin. He is currently in charge of Jalapeno’s field operations, is responsible for analyzing Jalapeno’s drilling and investment opportunities and Jalapeno’s financial planning.

Jalapeno will present evidence through Mr. Yates of the history of the communications between Matador and Jalapeno regarding participation. He will testify to the matters reflected in paragraphs 3 and 4, above and the basis for Jalapeno's objections.

### **PROCEDURAL ISSUES**

If Matador's applications are to be considered, the Division should continue the cases until Matador has provided the required notice to Jalapeno.

Respectfully submitted,

GALLEGOS LAW FIRM, P.C.

By /s/ J.E. Gallegos

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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 14th day of April, 2022.

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QUESTIONS

Action 98747

**QUESTIONS**

Operator: JALAPENO CORPORATION P.O. Box 1608 Albuquerque, NM 87103	OGRID: 26307
	Action Number: 98747
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

**QUESTIONS**

<b>Testimony</b>	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	Not answered.
Testimony time (in minutes)	Not answered.