

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

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

CASE NOS. 21543, 21630

**APPLICATIONS OF FLAT CREEK RESOURCES,
LLC, FOR A HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING, EDDY COUNTY, NEW
MEXICO.**

CASE NOS. 21560, 21747

MATADOR'S PRE-HEARING STATEMENT

Matador Production Company ("Matador") (OGRID No. 228937), the applicant in Case Nos. 21543 and 21630, submits this consolidated Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

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OTHER INTERESTED PARTIES

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APPLICANT'S STATEMENT OF CASE

These matters involve competing pooling cases for development of the Purple Sage Wolfcamp (Gas) Pool underlying Section 23, Township 23 South, Range 27 East, Eddy County, New Mexico. Matador owns 75% of the working interest in Section 23 and is the operator of an existing spacing unit in the Purple Sage Wolfcamp (Gas) Pool comprised of the S/2 of Section 23. Matador's existing S/2 spacing unit was created in February of 2018 when the drilling permit for the Norris Thornton Com #204H well (API No. 30-015-44659) was issued by the Division. Division records reflect the 204H well was drilled in July of 2018 and that first production occurred in September of 2018. Flat Creek did not acquire its 25% interest in Section 23 until over a year after this well was drilled and completed, when Flat Creek was issued federal lease NMNM 139351 on or about November 1, 2019.

Matador has been attempting to obtain a voluntary agreement with Flat Creek for the development of Section 23 since Flat Creek acquired its 25% minority interest in 2019. Up until the fall 2020, Flat Creek sought to trade out of Section 23 to Matador and expressed no desire to develop this section with its 25% interest. When the parties were unable to reach agreement on an acceptable trade, Matador filed on November 3, 2020, its application under Case 21543 to pool Flat Creek's subsequently acquired

interest into the existing S/2 spacing unit. Flat Creek responded to Matador's pooling application by submitting a November 12th well proposal letter and objecting to Case 21543 proceeding to hearing. Flat Creek's November 12th well letter proposed a single well (the Thirteen Seconds 23 Fed-Fee 703H) and sought to dedicate that single well to a 480-acre spacing unit comprised of the N/2 and the N/2 S/2 of Section 23. On December 4, 2020, Flat Creek filed its competing pooling application under Case 21560. Matador therefore filed on December 18, 2020 its application in Case 21630 to pool the N/2 of Section 23.

Flat Creek's initial pooling application under Case 21560 is procedurally defective and should be dismissed.

- First, the application filed in Case 21560 seeks approval of what it terms a "standard" 480-acre spacing unit comprised of the N/2 and the N/2 S/2 of Section 23. However, a proposed 480-acre spacing unit is not a "standard" horizontal spacing unit in the Purple Sage Wolfcamp (Gas) Pool. *See* NMAC 19.15.16.15.B. Flat Creek's application does not request approval for a non-standard horizontal spacing unit in the Wolfcamp formation.
- Second, Flat Creek filed its application in Case 21560 only three weeks after submitting the November 12th well proposal. Prior to filing its premature pooling application, Flat Creek did not engage in good faith efforts to discuss its development plans with Matador or explain the basis for its proposed non-standard spacing unit. Rather, Flat Creek focused on attempting to trade its minority interest in Section 23 to Matador.
- Third, Flat Creek's application in Case 21560 references the Thirteen Seconds 23 Fed-Fee 703H well to be drilled in the N/2 S/2 of Section 23, but also references drilling the

Thirteen Seconds 23 Fed-Fee 701H well and the Thirteen Seconds 23 Fed-Fee 702H well in the N/2 of Section 23. Flat Creek's preceding November 12th letter only proposed drilling the Thirteen Seconds 23 Fed-Fee 703H well. At no point prior to filing the premature pooling application in Case 21560 did Flat Creek discuss or propose drilling the 701H or 702H wells, or any other well in the N/2 of Section 23.

Perhaps recognizing these defects, Flat Creek subsequently proposed the Thirteen Seconds 23 Fed-Fee 701H and 702H wells on December 14, 2020, and filed on February 23, 2021, a pooling application under Case 21747 for a proposed N/2 spacing unit. Both the December 14th letter and the February 23rd pooling application state Flat Creek seeks a 320-acre N/2 spacing unit as an alternative to the application filed by Flat Creek in Case 21560 for a 480-acre spacing unit. This new application seeks to dedicate a N/2 spacing unit to the Thirteen Seconds 23 Fed-Fee 701H and 702H wells. Neither the December letter nor the February 23rd pooling application referenced the Thirteen Seconds 23 Fed-Fee 703H.

Accordingly, the competing cases, in the order of filing, can be summarized as follows:

- Matador Case No. 21543 seeks to pool Flat Creek's minority interest into the existing S/2 spacing unit already dedicated to the existing **Norris Thornton Com #204H well** (API No. 30-015-44659).¹
- Flat Creek Case No. 21560 seeks to pool what is improperly termed a "standard" 480-acre horizontal spacing unit comprised of the N/2 and N/2 S/2 of Section 23 and seeks to dedicate that spacing unit to the **Thirteen Seconds 23 Fed-Fee 703H**

¹ As part of Matador's good faith discussions with Flat Creek, Matador has also proposed the **Norris Thornton Com #203H** well in the N/2 S/2 of Section 23 as an infill well for this existing S/2 spacing unit.

to be drilled in the N/2 S/2 of Section 23. This application also lists two additional wells to be drilled in the N/2 of Section 23 (the Thirteen Seconds 23 Fed-Fee 701H and Thirteen Seconds 23 Fed-Fee 702H) that were not proposed prior to filing this pooling application.

- Matador Case No. 21630 seeks to pool the N/2 of Section 23 for the proposed **Colonel R. Howard Fed Com #201H** well and the **Colonel R. Howard Fed Com #202H** well.
- Flat Creek Case No. 21747 alternatively seeks to pool the N/2 of Section 23 for the proposed **Thirteen Seconds 23 Fed Fee 701H** well and the **Thirteen Seconds 23 Fed-Fee 702H** well.

The Division should approve Matador's pooling applications and deny Flat Creek's applications. Not only is the application filed by Flat Creek in Case No. 21560 defective, but all factors used by the Division to evaluate competing pooling applications favor Matador:

- Matador owns 75% of Section 23 (including a majority interest in both the S/2 and the N/2 of Section 23) and is the current operator of the S/2 spacing unit in the Wolfcamp formation dedicated to the existing Norris Thornton Com #204H well (API No. 30-015-44659) completed in the S/2 S/2 of Section 23.
- Matador also operates a N/2 spacing unit and a S/2 spacing unit in the Morrow formation underlying Section 23 and recently pooled Flat Creek's subsequently acquired interest in these existing Morrow spacing units. Matador has also proposed the drilling of Bone Spring wells in Section 23 and is in the process of filing pooling applications for these Bone Spring wells.

- Matador has extensive experience drilling horizontal wells in New Mexico and has successfully drilled and completed numerous horizontal wells in the Wolfcamp formation in the subject area. In contrast, a review of the public records indicates Flat Creek Resources has not drilled any horizontal wells in the Permian Basin of New Mexico.
- The spacing and the upper Wolfcamp target zone for Matador's proposed wells are based on Matador's drilling experience in this immediate area and a continuation of Matador systematic development of the surrounding acreage. In contrast, Flat Creek's development plan does not account for the existing development in the subject area and will result in waste or the drilling of unnecessary wells.
- Matador has been attempting to reach agreement on the development of Section 23 with Flat Creek since Flat Creek acquired its minority interest in this section on or about November 1, 2019.
- The well cost estimates (AFE's) proposed by Matador are based on its extensive experience in drilling Wolfcamp wells in this area and are substantially lower than those proposed by Flat Creek in November and December of 2020.
- Matador's proposed overhead rates are consistent with what Matador and other operators are charging in this area for similar wells and lower than those proposed by Flat Creek.
- Due to Matador's extensive investment and ownership in this area, Matador has the surface infrastructure already in place to accommodate the proposed Wolfcamp wells including existing drilling pads; a central facility for water, oil and gas production; and a midstream affiliate with sufficient pipeline capacity to transport

oil, gas and water to and from the existing central facility. In contrast, Flat Creek has no facilities in this area and its proposed development plan will increase surface disturbance and raise concerns over gas takeaway and flaring.

Since Matador will ultimately be responsible for 75% of the development costs for Section 23, Matador asks that the Division grant Matador's pooling applications so that Matador can control these costs and continue with its orderly and systematic development of the Wolfcamp formation in this area, thereby preventing waste.

APPLICANT'S PROPOSED EVIDENCE


WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Sara Hartsfield, Landman	Affidavit	A-1 through A-9
Trey Goodwin, Land Manager	Affidavit	B-1 through B-4
Andrew Parker, Geologist	Affidavit	C-1 through C-6

PROCEDURAL MATTERS

As noted above, Flat Creek's initial pooling application under Case 21560 is procedurally defective and should be dismissed.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on April 29, 2021, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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