

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

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

2016 SEP -2 A 11: 49

**Case No. 15363**

**INTERVENOR, OIL CONSERVATION DIVISION'S RESPONSE TO  
MOTION TO STRIKE NOTICES OF INTERVENTION**

Comes now the **New Mexico Oil Conservation Division** and files the following response to Jalapeno Corporation's Motion to Strike its Notice of Intervention.

[1] The basis for the Division's intervention in this case as defender of the public interest is stated in its Notice of Intervention.

[2] Jalapeno Corporation has injected into this case the issue of whether it is lawful or appropriate for the Division or the Commission to compulsory pool units suitable for the drilling of single horizontal wells. This issue did not go away because the Commission overruled Jalapeno's Motion to Dismiss. That decision remains interlocutory, and the effect of the Commission's ultimate decision cannot be known until it issues a final order and the time for rehearing has expired.

[3] The Division is charged by statute with a duty to prevent waste of hydrocarbons and to protect the correlative rights of owners of interests therein. NMSA 1978 Section 70-2-11. Horizontally drilled wells are the principal means now being used to develop new hydrocarbon resources in New Mexico. If the Commission's final order were to preclude or substantially curtail the Division's power to consolidate ownership of units suitable for such wells, the Division's

ability to perform these duties would be impaired. Fewer such wells would be drilled, resulting in waste due to producible hydrocarbons being left in the ground, and correlative rights would be impaired by inflating the value of small tracts or interests at the expense of the owners of larger tracts or interests.

[4] Intervenor will necessarily make its presentation after the conclusion of Applicant's case and will not offer repetitive evidence or argument.

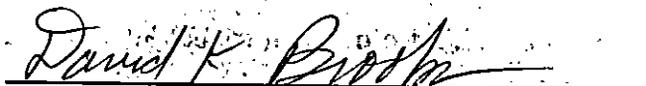
Respectfully submitted,



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Energy Minerals and Natural Resources Department  
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Certificate of Service

I hereby certify that the foregoing pleading was served on counsel of record in the case by electronic mail on this 2<sup>nd</sup> day of September, 2016.

  
David K. Brooks