

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

**APPLICATION OF WPX ENERGY PERMIAN, LLC
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO**

CASE NO. 20450

**APPLICATION OF WPX ENERGY PERMIAN, LLC
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO**

CASE NO. 20451

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

CASE NO. 20324

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

CASE NO. 20492

WPX ENERGY PERMIAN, LLC'S AMENDED PREHEARING STATEMENT

WPX ENERGY PERMIAN, LLC, formerly known as RKI Exploration & Production, LLC ("WPX"), provides this Amended Prehearing Statement in the above referenced proceedings, in accordance with the rules of the Division.

APPEARANCES

APPLICANTS-OPPONENTS

WPX ENERGY PERMIAN, LLC
(Applicant for Case Nos. 20450 and 20451;
Opponent for Case Nos. 20324 and 20492)

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OTHER PARTY

MARATHON OIL COMPANY

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STATEMENT OF THE CASE

In Case No. 20450, Applicant-Opponent WPX seeks an order from the Division pooling all uncommitted interests in the Wolfcamp formation, Purple Sage Wolfcamp Gas Pool (Pool Code 98220), underlying a 640-acre, more or less, standard horizontal spacing unit comprised of the S/2 of Sections 34 and 35, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the proposed **Beagle 35-34-22-27 Fee 401H** well to be drilled from a surface hole location in the NW/4 SW/4 (Unit L) of Section 36 to a bottom hole location in the NW/4 SW/4 (Unit L) of Section 34. The completed interval for the proposed well will comply with the setback requirements imposed by the Special Rules for the Purple Sage Wolfcamp Gas Pool. Also to be considered will be the cost of drilling and completing the well, the allocation of the cost thereof, the actual operating costs and charges for supervision, the designation of applicant as operator, and the imposition of 200% charge for risk involved in drilling and completing each well. Said area is located approximately 5 miles southeast of Carlsbad, New Mexico.

In Case No. 20451, Applicant-Opponent WPX seeks an order from the Division pooling all uncommitted interests in the Wolfcamp formation, Purple Sage Wolfcamp Gas Pool (Pool Code 98220), underlying a 640-acre, more or less, standard horizontal spacing unit comprised of the N/2 of Sections 34 and 35, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the proposed **Collie 35-34-22-27 Fee 401H** well to be drilled from a surface hole location in the NW/4 SW/4 (Unit L) of Section 36 to a bottom hole location in the SW/4 NW/4 (Unit E) of Section 34. The completed interval for the proposed well will comply with the setback requirements imposed by the Special Rules for the Purple Sage Wolfcamp Gas Pool. Also to be considered will be the cost of drilling and completing the well, the allocation of the cost thereof, the actual operating costs and charges for supervision, the designation of applicant as operator, and the imposition of 200% charge for risk involved in drilling and completing each well. Said area is located approximately 5 miles southeast of Carlsbad, New Mexico.

In Case No. 20324, Applicant-Opponent Matador Production Company (“Matador”) seeks an order from the Division pooling all mineral interests in the Wolfcamp formation (Purple Sage Wolfcamp Gas Pool) underlying a horizontal spacing unit comprised of the N/2 of Section 35 and the N/2 of Section 36, Township 22 South, Range 27 East, NMPM. The unit will be dedicated to (a) the **K Grevey State Com. Well No. 35H**, a horizontal well with a first take point in the NE/4 NE/4 of Section 36 and a final take point in the NW/4 NW/4 of Section 35, and (b) the **K Grevey State Com. Well No. 202H**, a horizontal well with a first take point in the SE/4NE/4 of Section 36 and a final take point in the SW/4NW/4 of Section 35. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating

costs and charges for supervision, designation of Matador as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells.

In Case No. 20492, Applicant-Opponent Matador seeks an order from the Division pooling all mineral interests in the Wolfcamp formation (Purple Sage Wolfcamp Gas Pool) underlying a horizontal spacing unit comprised of the S/2 of Section 35 and the S/2 of Section 36, Township 22 South, Range 27 East, NMPM. The unit will be dedicated to the **K Grevey State Com. Well No. 203H**, a horizontal well with a first take point in the NE/4 SE/4 of Section 36 and a final take point in the NW/4 SW/4 of Section 35. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Matador as operator of the well, and a 200% charge for the risk involved in drilling and completing the well.

WPX and Matador have filed competing applications in these cases, each of which seeks an order pooling all uncommitted interests in the above-described units. Although Matador filed the first application, it did so on March 5, 2019 with the knowledge that WPX had competing proposals. No later than January 17, 2019, WPX informed Matador of its development plans for Sections 34 and 35. Matador received WPX's well proposals for the Collie well, No. 20451, on January 24, 2019, and for the Beagle well, No. 20450, on January 14, 2019. Moreover, notwithstanding the filing of WPX's instant applications on April 2, 2019, Matador waited until May 10 to file its proposal in Case No. 20492. In light of the foregoing, Matador's position that it is the "first mover" does not support approval of its applications. Although Matador may have filed the first application, WPX is the "first mover" in other areas, having already staked the Collie well and the Beagle well and been in negotiations with surface owners on pad location.

Contrary to Matador's representations, neither of its offers are equally beneficial to the parties. WPX's first proposal would leave WPX with a 1-mile unit in Section 34 and result in an advantage for Matador, as Matador currently has a minimal interest in the S/2. Matador's second proposal would contribute to waste and harm correlative rights. Under the second proposal, WPX would have a 1.5-mile unit in the S/2 of Section 34 and SW/4 of Section 35, leaving the S/2 of the SE/4 (80 acres) of Section 35 stranded. It could only be developed by a less efficient half-mile lateral.

WPX has also offered alternatives in an effort to resolve the competing proposals. Currently pending is WPX's proposal to split the N/2 into 1.5-mile units, while WPX develops the S/2 of Sections 34 and 35 with 2-mile units, which would leave no stranded tracts. Matador has yet to respond to WPX's latest offer.

Further, WPX owns the majority interest in its applications. Notably, WPX owns the majority interest in the disputed tract, Section 35. Indeed, Matador owns a minimal interest in the S/2 of Section 35. In addition to the majority interest that WPX owns in the competing section (Section 35), WPX has also obtained letters of support and elections to participate from multiple interest owners in its proposed two mile unit applications.

In short, WPX's development plan is superior to that of Matador's, and is furthermore in the interest of conservation and the prevention of waste, while Matador's is not. WPX therefore opposes Matador's applications and requests that its applications be approved and Matador's denied.

PROPOSED EVIDENCE

<u>WPX'S WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Brennan West – Landman	45	5-7
Kasmira Workman – Geologist	45	2-3
Jeremy Harvard – Engineer	30	5-7
<u>MATADOR'S WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
[TBD]		
<u>MARATHON'S WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
[TBD]		

PROCEDURAL MATTERS

WPX requests that Case Nos. 20450 and 20451 be heard with Matador Production Company's competing applications in Case Nos. 20324 and 20492.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By: /s/Sharon T. Shaheen

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CERTIFICATE OF SERVICE

I hereby certify that on July 5, 2019, a true and correct copy of the foregoing *Prehearing*

Statement was served by electronic mail on the following counsel of record:

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