

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

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

Case No. 16064

OXY USA, INC.'S PRE-HEARING STATEMENT

OXY USA, INC. ("OXY"), by and through undersigned counsel, submits its Pre-Hearing Statement in the above case.

APPEARANCES

APPLICANT

Matador Production Company

ATTORNEY

James Bruce
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OPPONENT

OXY USA, INC.

ATTORNEY

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STATEMENT OF THE CASE

APPLICANT:

Matador Production Company seeks an order (i) approving a 160 acre non-standard oil spacing and proration unit in the Bone Spring formation comprised of the E $\frac{1}{2}$ E $\frac{1}{2}$ Section 7, Township 22 South, Range 32 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. Matador proposes to drill the Laurie Wyman Fed. Com. Well No. 134H to a depth sufficient to test the Bone Spring formation. Applicant seeks to dedicate the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 7 to the well to form a non-standard 160 acre oil spacing and proration unit (project area) in the Bone Spring formation. The well is a horizontal well with a surface location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$, and a terminus in the SE $\frac{1}{4}$ SE $\frac{1}{4}$, of Section 7. The producing interval will be orthodox. Applicant seeks to be designated as the operator of the well. Other issues to be considered are the cost of drilling and completing the well, allocation of the costs among the well's working interest owners, approving actual operating charges and costs charged for supervision, and setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

OPPONENT:

OXY is a working interest owner in Section 7 and does not agree with Applicant's development plans for that section. OXY holds a working interest in Section 7 and a number of adjacent and surrounding areas and has a plan to orderly and efficiently develop Section 7 along with the adjacent and nearby areas. OXY has drilled appraisal wells in the area and has plans for additional appraisal wells to gain additional information needed to complete development and implementation of plans to develop Section 7 and adjacent and nearby areas. OXY contends that

Matador's plan to develop section 7 independent of the surrounding areas, using one-mile laterals and Matador's proposed drilling locations, would result in stranded acreage due to restrictions on drilling locations on adjacent and nearby sections and would hinder OXY's plan of development using two-mile laterals. Matador's plan also would result in additional surface disturbance compared to OXY's proposed plans due to the need for additional drilling locations and additional infrastructure. OXY has concerns that Matador's proposal to stack laterals with a 300' vertical separation may result in vertical interference and poor performance of the lower laterals. OXY has concerns with inferior economics of the Matador proposal, due to the issues discussed above. Based on the available information, OXY would propose a plan of development that calls for fewer wells with longer laterals. OXY will present evidence to show that its competing plan of development would develop the resource more effectively, would prevent waste, and would protect correlative rights at lower cost and risk and with reduced impacts to the environment.

PROPOSED EVIDENCE

<u>WITNESS</u>	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
Amber Delach (Land Negotiator)	15 minutes	2
Jay Skinner (Geologist)	20 minutes	5
Sunil Lakshminarayanan (Reservoir Engineer)	30 minutes	8

OXY reserves the right to call one or more rebuttal witnesses if appropriate.

PROCEDURAL ISSUES

It may be appropriate to consolidate related cases, 16061-068 for purposes of presenting testimony and evidence in order to avoid duplicative presentations.

Respectfully submitted,

GALLAGHER & KENNEDY, P.A.

By 

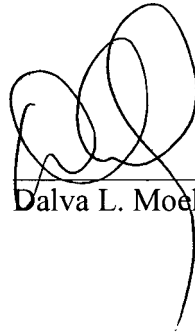
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ATTORNEYS FOR OXY USA, INC.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading, was served by email and regular mail upon the following counsel on this 24th day of May, 2018.

James Bruce
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A handwritten signature in black ink, consisting of several loops and a long vertical stroke extending downwards.

Dalva L. Moellenberg