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EMNRD's Oil Conservation Division settles enforcement action with Matador Production for alleged permit violation

Santa Fe, NM – The Energy, Minerals and Natural Resources Department's Oil Conservation Division (OCD) announces that it has settled a notice of violation (NOV) issued to Matador Production Company (Matador) for commingling oil production from different leases without a permit. To settle the alleged violation, as well as other potential violations of the commingling rules that Matador identified during a self-audit, Matador agreed to pay a civil penalty of \$125,000. The OCD considers commingling oil production without a permit to be a serious violation because it undermines both the regulatory process and OCD's ability to ensure that combined production is allocated correctly among the mineral interest owners in different leases.

OCD in the NOV alleged that Matador applied for a permit to commingle oil production from two wells on different leases in November 2019, but then began to commingle the production without first obtaining OCD's approval. OCD's rules require a permit to ensure that operators use methods that properly measure and allocate the commingled oil to the persons who own an interest in the minerals. Matador commingled oil from the wells nearly every day until OCD issued the permit on May 15 of this year.

After OCD issued the NOV, Matador conducted a self-audit and discovered other potential violations of the commingling rules. After disclosing the potential violations to OCD, Matador took prompt action to correct them.

"The OCD takes violations of the permitting rules seriously, and today's settlement highlights our commitment to enforcement," said OCD Director Adrienne Sandoval. "Without proper permitting the OCD cannot ensure that the correlative rights of other interest owners are protected as required by state law. This settlement holds responsible parties accountable and establishes a path forward for improved reporting. OCD also encourages self-reporting of potential violations. We appreciate Matador's willingness to conduct a self-audit and its cooperation to disclose and fix the potential violations."

"Matador is committed to both the proper payment of revenue and compliance with applicable regulations," said Matthew V. Hairford, President of Matador. "Although Matador always had the proper equipment in place and made the correct revenue payments to interest owners, we agree with the OCD regarding the importance of the commingling regulations. We appreciate

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the OCD bringing this issue to our attention and working with us to resolve the NOV and our self-audit.”

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