

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

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

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

CASE NO. 15641

Consolidated with

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

CASE NO. 15642

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

March 16, 2017

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, March 16, 2017, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

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1 APPEARANCES

2 FOR APPLICANT MATADOR PRODUCTION COMPANY:

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1 (8:23 a.m.)

2 EXAMINER JONES: Okay. Let's just get
3 started. On page 2, let's call Cases Number 15641 and
4 15642. Both of these are the application of Matador
5 Production Company for compulsory pooling, Eddy County,
6 New Mexico.

7 Call for appearances in these two cases.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of
9 Santa Fe representing the Applicant. I have two
10 witnesses.

11 EXAMINER JONES: Any other appearances?
12 Will the two witnesses please stand?

13 (Ms. Hartsfield and Ms. Collier sworn.)

14 SARA HARTSFIELD,
15 after having been first duly sworn under oath, was
16 questioned and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. Would you please state your name for the
20 record?

21 A. Sara Hartsfield.

22 Q. And where do you live?

23 A. Fort Worth, Texas.

24 Q. Who do you work for and in what capacity?

25 A. I work for Matador Resources as an associate

1 landman.

2 Q. Have you previously testified before the
3 Division?

4 A. Yes.

5 Q. And were your qualifications as an expert
6 petroleum landman accepted as a matter of record?

7 A. Yes, they were.

8 Q. Does your area of responsibility at Matador
9 include this area of southeast New Mexico?

10 A. Yes.

11 Q. And are you familiar with the application filed
12 by Matador in these cases?

13 A. Yes, I am.

14 Q. And are you familiar with the lands that are
15 subject to these applications?

16 A. Yes.

17 MR. BRUCE: Mr. Examiner, I tender
18 Ms. Hartsfield as an expert petroleum landman.

19 EXAMINER JONES: She's qualified as an
20 expert in petroleum land matters.

21 Q. (BY MR. BRUCE) Can you please identify Exhibits
22 1A and 1B and describe what they show?

23 A. Yes. Exhibit 1A is a C-102, the acreage and
24 dedication plat for the Michael Collins 206H well. It's
25 a horizontal well. And it is an orthodox well with a

1 surface-hole location in the south half, but we won't
2 start producing. Our first perf will be in the north
3 half. Matador wishes to form a gas spacing and
4 proration unit in the north half.

5 **Q. Then what is Exhibit 1B?**

6 A. 1B is our acreage and dedication plat with Form
7 C-102 for the Michael Collins 208 well. This is also an
8 orthodox horizontal well. The API Number, 3001544082.
9 And it will be comprised of 320 acres in the south half
10 of Section 11, 23 South, 27 East.

11 **Q. And what formation is being pooled, and what is**
12 **the pool name?**

13 A. This is a Wolfcamp, and it's -- a Wolfcamp
14 well. They're both Wolfcamp, both Purple Sage; Wolfcamp
15 Gas Pool, Pool Code 98220.

16 **Q. Turning to Exhibit 2A, could you describe what**
17 **is reflected on this chart?**

18 A. Yes. This is a list of the unleased mineral
19 interests and uncommitted working interest owners that
20 we wish to pool.

21 **Q. And what is the approximate total interest**
22 **being pooled?**

23 A. For our 206 is approximately 26 percent, and
24 for our 208, it's approximately 36.

25 **Q. And the 208 well interests being pooled are**

1 **shown on Exhibit 2B?**

2 A. Yes, sir.

3 **Q. What is Exhibit 3?**

4 A. Exhibit 3 is a Midland Map showing the proposed
5 spacing units, comprised of all fee acreage.

6 **Q. And could you identify Exhibits 4A and 4B?**

7 A. Yes. 4A is an example of our proposal and
8 offer to lease that was sent to -- in this case Charles
9 Skeen is a mineral owner. A similar letter was sent to
10 all unleased mineral owners and working interest owners,
11 and our working interest owners received JOA forms as
12 well.

13 **Q. And Exhibit 4A is for the 206 well, and Exhibit**
14 **4B is for the 208H well?**

15 A. Yes.

16 **Q. And have there been other contacts with the**
17 **interest owners besides the proposal letter?**

18 A. Yes. Matador, along with our brokers, have
19 been working to negotiate the unleased mineral owners.
20 We've located them all and feel fairly confident that
21 we'll end up getting them signed up. The uncommitted
22 working interest owners, we've been in talks with them,
23 and we feel confident that they'll sign the JOA when
24 they return from their celebration.

25 **Q. And are those under the BC Operating umbrella?**

1 A. Yes, sir.

2 Q. They're too drunk to sign anything right now?

3 A. I'm told that they'll look at this when they
4 get back from Hawaii or Vail (laughter).
5 Understandable.

6 Q. And, again, has Matador made a good-faith
7 effort to obtain voluntary joinder of the interest
8 owners in the well?

9 A. Yes.

10 Q. And does Exhibit A -- Exhibit 5 contain the
11 AFEs for both wells?

12 A. Yes.

13 Q. And what is the approximate completed well
14 costs?

15 A. For both the 206H and the 208, it is 5.9
16 million.

17 Q. And are these costs in line with the cost of
18 other wells -- other horizontal wells drilled to this
19 depth in this area of New Mexico?

20 A. Yes.

21 Q. And who do you request be appointed operator of
22 the wells?

23 A. Matador Production Company.

24 Q. Do you have a recommendation for the amounts
25 which Matador should be allowed for supervision and

1 **administrative expenses?**

2 A. Yes. We believe 7,000 for drilling and 700 for
3 producing.

4 Q. And are these amounts equivalent to those
5 normally charged by Matador and other operators in this
6 area for wells of this type?

7 A. Yes.

8 Q. And do you request that the overhead rates be
9 adjusted periodically as provided by the COPAS
10 accounting procedure?

11 A. Yes.

12 Q. And does Matador also request that if a party
13 does not join in the well, the maximum cost plus 200
14 percent risk charge be allowed?

15 A. Yes.

16 Q. And were the parties being pooled in both cases
17 notified of this application?

18 A. Yes, they were. And that's identified in
19 Exhibit 6 with the Affidavit of Notice.

20 MR. BRUCE: And, Mr. Examiner, Exhibit 6A
21 is my Affidavit of Notice. I have not received back all
22 of the green cards, but I have also attached a printout
23 from the postal service saying that everyone received
24 actual notice, that the letters were delivered. But
25 also 6B is a publication affidavit to those parties for

1 whom I do not have green cards. That's for the 206
2 well.

3 And for the 208 well, Exhibit 6C is my
4 Affidavit of Notice, and you will see that all of the
5 parties did receive actual notice. You'll see a
6 printout there showing that --

7 **Q. (BY MR. BRUCE) And, Ms. Hartsfield, you had**
8 **three addresses for James Kirby Read; did you not?**

9 A. Correct.

10 **Q. And you'll see some returned mail to him, but**
11 **he did receive actual notice at one of his three**
12 **addresses?**

13 A. Yes.

14 MR. BRUCE: And Exhibit 6 is also an
15 Affidavit of Publication as to the 208H well, and I
16 did -- I actually spoke personally with Mr. Read about a
17 week ago, and he's in the middle of negotiating with
18 Matador.

19 **Q. (BY MR. BRUCE) And were Exhibits 1 through --**
20 **and will you notify the Division if you reach agreements**
21 **with additional parties on these wells?**

22 A. Yes.

23 **Q. And were Exhibits 1 through 6 either prepared**
24 **by you or under your supervision or compiled through**
25 **company business records?**

1 A. Yes.

2 Q. And in your opinion, is the granting of these
3 applications in the interest of conservation and the
4 prevention of waste?

5 A. Yes.

6 MR. BRUCE: Mr. Examiner, I move the
7 admission of Exhibits 1A through 6D.

8 EXAMINER JONES: 1A through 6C?

9 MR. BRUCE: D, as in dog.

10 EXAMINER JONES: Exhibits 1A through 6D are
11 admitted.

12 (Matador Production Company Exhibit Numbers
13 1A through 6D are offered and admitted into
14 evidence.)

15 MR. BRUCE: I have no further questions of
16 the witness.

17 CROSS-EXAMINATION

18 BY EXAMINER JONES:

19 Q. I would only ask that the date on these
20 letters, January -- this was a typical letter that you
21 show. So was that about the same date you mailed them
22 all out?

23 A. Yes, sir. Our working interest owners, we did
24 mail those out last fall.

25 Q. Are there any other -- anybody refuse to sign

1 the JOA? Or the working interest owners that have not
2 signed up, they haven't signed both the AFE and the JOA;
3 is that correct?

4 A. I haven't received AFEs. They did sign the
5 election letter but not the JOA at this point. And
6 they're all BC affiliates. So --

7 Q. Okay. Okay. Are there any other wells
8 involved in these two north half-of-the-south half
9 spacing units? No other wells exist to this date; is
10 that correct?

11 A. No, not -- not Matador wells.

12 MR. BRUCE: No Wolfcamp wells.

13 THE WITNESS: No Wolfcamp wells.

14 REDIRECT EXAMINATION

15 BY MR. BRUCE:

16 Q. One final question, Ms. Hartsfield: Are there
17 any depth severances in the Wolfcamp Formation in this
18 section?

19 A. No.

20 EXAMINER JONES: Okay.

21 RECROSS EXAMINATION

22 BY EXAMINER JONES:

23 Q. And is the definition of the Wolfcamp -- is
24 that in your JOA, the definition of the Wolfcamp here?
25 It just says "Wolfcamp"?

1 A. Our JOA actually covers -- the operating
2 agreement actually covers all 640 acres in all depths.

3 Q. All depths?

4 A. So no, there's not a definition of it in there.

5 Q. Okay. And so why are we spudding down in
6 the -- let's see. I've got to get the wells straight
7 here. Is 206 in the north half or 208 in the north
8 half?

9 A. 206 is in the north half.

10 Q. Okay. Okay. And why are we spudding 206 down
11 in the Unit Letter I?

12 A. We have an existing pad at that location for
13 another Matador well that goes to the east into Section
14 12.

15 Q. Okay. But the first -- the first perf, I saw,
16 on either that well or the other well is going to be 330
17 from the line. So it's going to go down and go over and
18 then back?

19 A. I'm not entirely sure how our drilling
20 engineers plan to do that, but they will -- I know that
21 we will not be -- the first point of perforation will be
22 at that 330 in the north half. So --

23 Q. Have any of the people you talked to have
24 concern about the cost, or are they just worried
25 about --

1 A. No, no concerns about cost. I think it's just
2 a timing issue at this point. It hasn't been -- for the
3 working interest owners, it hasn't been the top priority
4 for them recently.

5 **Q. And the people you're trying to lease, you say**
6 **you're confident they're going to be leased --**

7 A. Yes.

8 **Q. -- they will sign a lease?**

9 A. I feel confident in that but not 100 percent
10 sure. So --

11 **Q. Yeah. Okay.**

12 EXAMINER BROOKS: No questions.

13 EXAMINER JONES: Okay. Thank you.

14 THE WITNESS: Thank you.

15 CLARK COLLIER,

16 after having been previously sworn under oath, was
17 questioned and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

20 **Q. Would you please state your name and city of**
21 **residence?**

22 A. My name is Clark Collier, and I live in Dallas,
23 Texas.

24 **Q. Who do you work for and in what capacity?**

25 A. I work for Matador Resources as a geologist.

1 Q. And you've previously testified before the
2 Division?

3 A. Yes.

4 Q. Were your credentials as an expert petroleum
5 geologist accepted as a matter of record?

6 A. Yes.

7 Q. And are you familiar with the application and
8 the geologic matters within the applications today?

9 A. Yes.

10 Q. And have you conducted a geologic study of the
11 area embracing the two proposed wells?

12 A. Yes.

13 MR. BRUCE: Mr. Examiner, I tender
14 Mr. Collier as an expert petroleum geologist.

15 EXAMINER JONES: He's qualified as an
16 expert in petroleum geology.

17 Q. (BY MR. BRUCE) Would you turn to Exhibit 7,
18 Mr. Collier, and identify that for the Examiner?

19 A. Sure. Exhibit 7 is a map that shows where the
20 Michael Collins acreage is in relation to the Delaware
21 Basin in New Mexico.

22 Q. And what is Exhibit 8?

23 A. This exhibit shows a cross section -- excuse
24 me -- a structure map on top of the Wolfcamp Formation,
25 and you can see the cross section from A to A prime.

1 And this is a structure map of the Wolfcamp Formation,
2 of the Purple Sage; Wolfcamp Pool. So it shows the
3 Wolfcamp dipping slightly to the east about one to two
4 degrees. There are no geological impediments to
5 drilling this well. The Matador acreage is depicted in
6 yellow, and the Michael Collins wells are located in
7 Section 11, 23 South, 27 East.

8 **Q. And is the line of cross section depicted on**
9 **this plat?**

10 A. Yes. The line of cross section from A to A
11 prime, you can see, starts at the Miller Com #1, and I
12 believe that is Section 10. And then it goes to the
13 Cerro Com #1 in Section 11 and the Bird Com #1 in
14 Section 12.

15 **Q. Let's move on to the cross section marked**
16 **Exhibit 9. Please discuss that for the Examiner.**

17 A. Sure.

18 MR. BRUCE: Mr. Examiner, there is 8-by-11,
19 and then there is a larger cross section.

20 EXAMINER JONES: Okay.

21 THE WITNESS: So this cross section shows
22 those wells that we previously identified. You can see
23 the top of the Wolfcamp and the base of the Wolfcamp.
24 We see the thickness of about 1,425 feet, porosity
25 around 8 to 12 percent. You can see the porosity cutoff

1 on the far right well, the Bird Com. It's the only one
2 with a high density porosity curve. But there is a
3 cutoff of about 10 percent that's highlighted in red and
4 showing where the Michael Collins 206 and 208 are
5 planned to be drilled within the Wolfcamp.

6 Q. (BY MR. BRUCE) And are these logs
7 representative of the Wolfcamp in this area?

8 A. Yes.

9 Q. And pretty uniform thickness through the
10 Wolfcamp in this section?

11 A. Yes.

12 Q. In your opinion, will each quarter section
13 contribute more or less equally to production?

14 A. Yes.

15 Q. And have you prepared an isopach?

16 A. Yes.

17 Q. Is that Exhibit 10?

18 A. That is Exhibit 10. So this is an isopach that
19 shows the thickness of the Wolfcamp. As you can see,
20 our project area is about 1,425 feet. We expect no
21 impediments, relatively equal thickness across the
22 project area. We expect each quarter to be relatively
23 equally productive.

24 Q. And could you summarize your opinions from your
25 geologic study of the area?

1 A. Sure. We believe that there will no
2 impediments to drilling this horizontal well in this
3 area. We, again, fully expect each quarter section to
4 be productive in the Wolfcamp, and we expect horizontal
5 drilling to be the most effective method to develop this
6 acreage and will prevent the drilling of unnecessary
7 wells and result in the highest EUR.

8 **Q. What is shown on Exhibits 11A and 11B?**

9 A. Exhibits 11A and 11B are wellbore diagrams of
10 the two Michael Collins wells that we plan to drill.

11 **Q. And, again, the productive interval will be --**
12 **for each well will be at orthodox locations?**

13 A. That's correct.

14 **Q. Were Exhibits 7 through 11 prepared by you or**
15 **under your supervision?**

16 A. Yes.

17 **Q. And in your opinion, is the granting of this**
18 **application in the interest of conservation and the**
19 **prevention of waste?**

20 A. Yes.

21 MR. BRUCE: Mr. Examiner, I move the
22 admission of Exhibits 7 through 11?

23 EXAMINER JONES: Exhibits 7 through 11 are
24 admitted.

25 (Matador Production Company Exhibit Numbers

1 7 through 11 are offered and admitted into
2 evidence.)

3 MR. BRUCE: I have no further questions.

4 CROSS-EXAMINATION

5 BY EXAMINER JONES:

6 Q. So 10 percent cutoff and 8 to 10 percent
7 porosity.

8 A. (Indicating.)

9 Q. Is that -- I just had a -- saw an article about
10 the Wolfcamp porosity being somewhat underestimated by
11 some of the logs. And is that something -- do you know
12 about that? Is there some more science that says
13 Wolfcamp --

14 A. There's a lot of variability in the logs,
15 especially with some of these older -- we use a lot of
16 the older vertical wells that were drilled to the Morrow
17 over the past, you know, 20 or 30 years or even older.
18 So some of the vintage logs need to be recalibrated and
19 adjusted, and we've done that on a number our wells but
20 not all of them. So there is definitely a margin of
21 error on the density porosity.

22 Q. Okay. Okay. Maybe it will be a little bit
23 better than it was estimated before?

24 A. Maybe. It's possible.

25 Q. Possible?

1 A. Uh-huh.

2 Q. So you're going for the upper part of the
3 Wolfcamp on these?

4 A. Yes. Yes, sir.

5 Q. Looks like there's a lot going on in the
6 Wolfcamp here. There's a lot of variability in your
7 logs all the way up and down.

8 Do you see a possibility you might come in
9 and deepen the Purple Sage pool to the Upper Penn -- to
10 include the Upper Penn?

11 A. I don't know if we have any plans to do that.
12 I think we maybe originally included that in our -- very
13 much like the Midland Basin Wolfcamp stratigraphy, we
14 included that into our -- into our proposal. So we
15 haven't discussed what we are going to do with that
16 internally.

17 Q. Okay. So you don't see much risk in drilling
18 these wells? I mean as far as the drilling risk --

19 A. Right. Nothing more than usual. Uh-huh.

20 Q. Okay. Even if you are bending them around to
21 meet your 330 cutoff?

22 A. It's not the first time we've done that. We
23 usually have quite a bit of directional drilling to do
24 in the shallow portion of these wells. And I don't
25 think we've run into any issues in the past, so I expect

1 this to be pretty routine.

2 **Q. What about the Bone Spring? Is it cased off**
3 **here? Are you going to case it off?**

4 A. It will be cased off before we start the
5 production hole.

6 **Q. Okay. Thanks very much. Thanks for coming**
7 **today.**

8 A. Thank you.

9 EXAMINER JONES: I'm sorry. David, do you
10 have any --

11 EXAMINER BROOKS: I don't have any
12 questions.

13 THE WITNESS: Thank you.

14 EXAMINER JONES: We'll take Case Numbers
15 15641 and 15642 under advisement.

16 (Case Numbers 15641 and 15642 conclude,
17 8:46 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
6 Reporter, New Mexico Certified Court Reporter No. 20,
7 and Registered Professional Reporter, do hereby certify
8 that I reported the foregoing proceedings in
9 stenographic shorthand and that the foregoing pages are
10 a true and correct transcript of those proceedings that
11 were reduced to printed form by me to the best of my
12 ability.

13 I FURTHER CERTIFY that the Reporter's
14 Record of the proceedings truly and accurately reflects
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither
17 employed by nor related to any of the parties or
18 attorneys in this case and that I have no interest in
19 the final disposition of this case.

20

21

22 MARY C. HANKINS, CCR, RPR
23 Certified Court Reporter
24 New Mexico CCR No. 20
25 Date of CCR Expiration: 12/31/2017
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25