

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 TO RE-OPEN CASE NUMBER 15498 TO POOL THE INTERESTS OF ADDITIONAL MINERAL OWNERS UNDER THE TERMS OF COMPULSORY POOLING ORDER R-14229, EDDY COUNTY, NEW MEXICO. CASE NO. 15498
(Re-opened)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 8, 2017

Santa Fe, New Mexico

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

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, Michael McMillan, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, June 8, 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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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

ADAM G. RANKIN, ESQ.
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1 (3:18 p.m.)

2 EXAMINER JONES: Case Number 15498,
3 re-opened, application of Matador Production Company to
4 re-open the case to pool the interests of additional
5 mineral owners under the terms of the compulsory
6 pooling, Order R-14229, Eddy County, New Mexico.

7 Call for appearances.

8 MR. RANKIN: Thank you, Mr. Examiner. Adam
9 Rankin, with Holland & Hart, on behalf of the Applicant,
10 Matador Production Company. I have one witness today.

11 EXAMINER JONES: No other appearances?

12 Will that witness please stand?

13 Will the court reporter swear the witness,
14 please?

15 TREY GOODWIN,
16 after having been first duly sworn under oath, was
17 questioned and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. RANKIN:

20 Q. Mr. Goodwin, would you state your full name for
21 the record?

22 A. Trey Goodwin.

23 Q. And by whom are you employed?

24 A. Matador Resources.

25 Q. What is your job with Matador?

1 A. I'm the area land manager.

2 Q. And how long have you worked with Matador?

3 A. I've been there two-and-a-half years.

4 Q. And have you previously testified before the
5 Division?

6 A. Yes.

7 Q. And have your credentials as an expert in
8 petroleum land matters been accepted and made a matter
9 of record?

10 A. Yes, they were.

11 Q. Are you familiar with the application filed in
12 this case?

13 A. Yes.

14 Q. And are you familiar with the status of the
15 lands that are at issue in this particular case?

16 A. Yes.

17 MR. RANKIN: Mr. Examiner, I would tender
18 Mr. Goodwin as an expert in petroleum land matters.

19 EXAMINER JONES: He's so qualified.

20 Q. (BY MR. RANKIN) Mr. Goodwin, would you please
21 explain to the Examiners what it is that you're asking
22 for the Division to do today?

23 A. Yes. We're seeking to add additional parties
24 to Order 14229. These were subsequently identified as
25 potential interest owners in the subject land.

1 Q. So this -- this -- you've already pooled some
2 interests under Case Number -- rather, Order 14229,
3 correct?

4 A. Yes. That is correct.

5 Q. And did that order provide for a 320-acre
6 spacing and proration unit on the subject land?

7 A. Yes, sir. That order created a 320-acre
8 project area in the north half of Section 13, 24 South,
9 27 East, in Eddy County, New Mexico, and that's where
10 we -- we pooled the uncommitted interest owners in the
11 Wolfcamp Formation, and that was dedicated to the
12 Brantley State Com 13-24 South-27 East RB Number 221H
13 well.

14 Q. Okay. And that was -- that pool, that was
15 originally dedicated to -- it's now since changed; is
16 that correct?

17 A. Yes.

18 Q. Do you recall the pool?

19 A. It changed to the Purple Sage Pool.

20 Q. Is that Pool Number 98220?

21 A. Yes.

22 Q. Now, did that order also dedicate to the unit
23 the Brantley State Com 13-24-27 RB well 221H?

24 A. Yes. That's correct.

25 Q. That's a horizontal well that has now been

1 drilled and is currently producing; is that correct?

2 A. Yes.

3 Q. Now, is Exhibit Number --

4 MR. RANKIN: For the Examiner's benefit,
5 since this is an application to re-open the existing
6 case number, we're continuing our numbering from where
7 the last exhibit left off.

8 Q. (BY MR. RANKIN) Is Exhibit Number 15 a copy of
9 the summary of interests that were identified as parties
10 to be pooled in the original case?

11 A. Yes, it is.

12 Q. And did you prepare this exhibit when you
13 originally brought this case to hearing before the
14 Division?

15 A. Yes, I did.

16 Q. And does this identify all the interest --
17 mineral interest owners that were identified in that
18 original case?

19 A. Yes. If you take a look at the exhibit, it
20 shows Matador's interest in the unit, as well as the
21 other interest owners that we pooled in that original
22 order.

23 Q. And what's happened since that order was
24 entered?

25 A. We have identified additional potential

1 claimants and heirs to the subject property due to
2 incorrectly recorded conveyances in the county records.

3 **Q. How did you come about making that discovery?**

4 A. We were working through title and curative for
5 Division order purposes when we determine through
6 numerous conveyances, mortgages, stipulations and legal
7 proceedings -- there was even an action to quiet title,
8 all which incorrectly referenced the west half of the
9 west of the southwest quarter and not the subject
10 property in the north half. And so it appears that the
11 intention was for the title to pass with what was
12 incorrectly identified. And so just out of an abundance
13 of caution, in the future, if it's ever deemed that
14 title was to pass, including the incorrect legal
15 descriptions, that we've pooled the correct parties.

16 **Q. Okay. So because of that defect in the**
17 **conveyance documents, there is an ambiguity about**
18 **whether or not those interests were intended to be part**
19 **of that north half, which is the subject of this well?**

20 A. Yes. That is correct.

21 This well and the project areas in the
22 north half of the section and all of these conveyances,
23 the tract that they incorrectly identify is located in
24 the south half of the section. And so it was only
25 through our understanding of the tracts in the south

1 half where we were able to kind of put two and two
2 together and decide that, you know, this tract doesn't
3 even exist in the south half. It was probably the
4 intention, through all these conveyances, to be another
5 tract that similarly fits the description located in the
6 north half.

7 Q. And so for that reason, just to ensure that
8 you're not -- that there are no uncommitted interests in
9 this unit, you're seeking to pool those interests now?

10 A. Yes. That is correct.

11 Q. Now, is Exhibit 2 [sic] a copy of a list of
12 those interests that you've been able to identify?

13 A. Yes. That is the -- if we turn to 16 here --

14 Q. I'm sorry. It's Exhibit Number 16.

15 A. Exhibit Number 16. And highlighted in yellow
16 here are the additional interest owners that we're
17 seeking to pool. They're identified as A through K.
18 There are numerous others that are on this list that we
19 got protection leases on.

20 Q. So have you been able to identify all the
21 interests that -- that are potentially incorrectly
22 subject to these conveyances?

23 A. Yes, we were.

24 Q. And have you also been able to locate all these
25 interests?

1 A. When we sent out our well proposals, there were
2 a few that came back undeliverable.

3 **Q. Okay. So as a result of that, did you also**
4 **publish notice of your proposal to pool those parties?**

5 A. Yes, we did. If you turn to Exhibit 18, that's
6 a copy of our Notice of Publication.

7 **Q. And that may be, I think for the record,**
8 **Exhibit 17.**

9 A. Oh, yeah. You're correct. Sorry.

10 **Q. Now, explain for the Examiner your efforts to**
11 **reach a voluntary agreement with the interests you're**
12 **seeking to pool today.**

13 A. Yes. We sent them a proposal to participate in
14 the well. We also sent them an offer to lease and also
15 an offer to participate their interest as well, and that
16 is Exhibit 18. If you turn to Exhibit 18, this is a
17 copy of our well proposal that we sent and lease, as
18 well as the AFE that we included. This is dated
19 December 22nd, 2016.

20 **Q. Okay. This is a sample letter. The same**
21 **letter was sent to all these individuals that you've**
22 **identified in Exhibit 16?**

23 A. Yes. That's correct.

24 **Q. And is this before -- with respect to the AFE**
25 **that you provide, the estimated costs, are these costs**

1 reflected in the AFE consistent with what Matador and
2 other operators have incurred for drilling similar
3 horizontal wells in the area?

4 A. Yes.

5 Q. And does the well-proposal letter identify the
6 overhead and administrative costs while drilling and
7 while producing?

8 A. Yes. They're 7,000 for drilling and 700 for
9 producing.

10 Q. And are those overhead rates consistent with
11 what Matador and other operators are charging for
12 similar wells in the area?

13 A. Yes.

14 Q. Do you ask that these administrative and
15 overhead costs be incorporated into any order resulting
16 from this hearing?

17 A. Yes.

18 Q. Do you ask as well that the cost be adjusted in
19 accordance with COPAS accounting procedures?

20 A. Yes.

21 Q. And with respect to the uncommitted mineral
22 interests you're seeking to pool, do you request that
23 the Division impose a 200 percent risk penalty --

24 A. Yes.

25 Q. And will you notify the Division if you reach a

1 subsequent agreement with any of these parties?

2 A. Yes.

3 Q. Now, in your opinion, has Matador undertaken a
4 good-faith effort to enter an agreement with the
5 additional parties?

6 A. Yes.

7 Q. And, once again, you've determined that all
8 parties that you're seeking to pool and may be subject
9 to pooling are locatable? You've been able to locate
10 them all?

11 A. Yes, with respect to the three that we did
12 proposals to that were undeliverable. So we utilized
13 online databases, searched county records, and we also
14 used a third-party company to help us find different
15 addresses and phone numbers and contacted, you know,
16 other folks on the list and potential heirs that we've
17 got under protection leases to try to locate those
18 folks.

19 EXAMINER BROOKS: Okay. Well, I think
20 you're just winding down here.

21 MR. RANKIN: Yeah, I am.

22 EXAMINER BROOKS: And I need to go to my
23 3:30 meeting.

24 EXAMINER JONES: You know, it could have
25 been changed to 4:00.

1 EXAMINER BROOKS: It may have been in the
2 last 20 minutes.

3 (Examiner Brooks exits the hearing.)

4 Q. (BY MR. RANKIN) Mr. Goodwin, is Exhibit Number
5 19 a copy of the affidavit that was prepared by me
6 indicating that we provided notice of this hearing to
7 the parties entitled to notice according to the Division
8 rules?

9 A. Yes.

10 Q. And the following pages, is that a copy of the
11 actual letter that we sent to those individuals?

12 A. Yes.

13 Q. And on the subsequent pages, is that a list of
14 all the parties who were entitled to notice?

15 A. Yes, it is.

16 Q. And on the following page is the copy of the
17 green cards and the receipts that we received?

18 A. Yes.

19 Q. Thank you.

20 MR. RANKIN: With that, Mr. Examiner, I
21 would ask that Exhibits 15 through 19 be admitted into
22 the record.

23 EXAMINER JONES: Exhibits 15 through 19 are
24 admitted.

25 (Matador Production Company Exhibit Numbers

1 A. Yeah. Thank you. Appreciate it.

2 MR. RANKIN: With that, Mr. Examiner, ask
3 that the Division take this application under
4 advisement.

5 EXAMINER JONES: Okay. Case Number 15498,
6 re-opened, is taken under advisement for the second
7 time.

8 And the docket is closed. Thank you-all
9 for coming.

10 (Case Number 15498 concludes, 3:29 p.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
Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2017
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