

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 CASE NO. 15817
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 31, 2017

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
 GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and Gabriel Wade, Legal Examiner, on Thursday, August 31, 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.

REPORTED BY: Mary C. Hankins, CCR, RPR
 New Mexico CCR #20
 Paul Baca Professional Court Reporters
 500 4th Street, Northwest, Suite 105
 Albuquerque, New Mexico 87102
 (505) 843-9241

1 APPEARANCES

2 FOR APPLICANT MATADOR PRODUCTION COMPANY:

3 JAMES G. BRUCE, ESQ.
 4 Post Office Box 1056
 5 Santa Fe, New Mexico 87504
 (505) 982-2043
 jamesbruc@aol.com

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1 (11:45 a.m.)

2 EXAMINER JONES: Let's call Case Number
3 15817, application of Matador Production Company for
4 compulsory pooling in Eddy County, New Mexico.

5 Call for appearances.

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

9 EXAMINER JONES: Any other appearances?
10 Will the witnesses stand, and the court
11 reporter swear the witnesses?

12 (Mr. Carleton and Mr. Parker sworn.)

13 CHRIS CARLETON,
14 after having been first duly sworn under oath, was
15 questioned and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. BRUCE:

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

20 A. Chris Carleton.

21 Q. Where do you reside?

22 A. Dallas, Texas.

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

24 A. Matador Resources Company as a senior landman.

25 Q. Have you previously testified before the

1 **Division as a petroleum landman?**

2 A. Yes.

3 **Q. And were your credentials as a landman accepted**
4 **as a matter of record?**

5 A. Yes.

6 **Q. And are you familiar with the land matters**
7 **involved in this application?**

8 A. Yes.

9 MR. BRUCE: Mr. Examiner, I tender
10 Mr. Carleton as an expert petroleum landman.

11 EXAMINER JONES: He is so qualified.

12 **Q. (BY MR. BRUCE) Mr. Carleton, can you identify**
13 **Exhibit 1? Identify the well unit and the well name and**
14 **the formation being pooled.**

15 A. This is a C-102 plat for the Miss Sue
16 12-23S-27E RB 202H. It is located in the north half of
17 Section 12, Township 23 South, Range 27 East, in the
18 Purple Sage; Wolfcamp Gas Pool, and we seek to pool all
19 uncommitted interests in the north half.

20 **Q. Could you identify Exhibit 2 and state what it**
21 **shows?**

22 A. Exhibit 2 is a summary of interests. Matador
23 currently is at just under 84 percent. We're seeking to
24 pool 4.7 percent, two mineral interest owners and one
25 working interest owner being Marathon Oil.

1 **Q. The two Munoz persons are unleased mineral**
2 **owners?**

3 A. That is correct.

4 **Q. And what is Exhibit 3?**

5 A. Exhibit 3 is a Midland Map showing the north
6 half of Section 12, Township 23 South, Range 27 East.
7 It is entirely comprised of fee lands.

8 **Q. And could you identify Exhibit 4 and describe**
9 **the steps that Matador took to obtain the voluntary**
10 **joinder of the interest owners in the well unit?**

11 A. Exhibit 4 is a copy of our well proposal sent
12 to all interest owners in the unit, and it includes an
13 AFE for the well shown on Exhibit 5. We reached out to
14 each of these mineral owners, Shelbie Munoz and Tiffany
15 Munoz. We're still having a hard time finding a good
16 address for, but we've located some of the siblings, so
17 continuing to make efforts to find these people and
18 lease them.

19 Marathon Oil, we have sent over an
20 operating agreement, and they have sent back a signed
21 AFE, but we're still negotiating the operating
22 agreement.

23 **Q. If Marathon joins in or if you obtain leases**
24 **from the other unleased mineral interest owners, will**
25 **you so notify the Division so they are not subject to a**

1 pooling order?

2 A. Yes.

3 Q. You said they were tough to locate. What
4 records did you check to try to locate Shelbie and --

5 A. Tiffany.

6 Q. -- Tiffany Munoz?

7 A. We did online searches and courthouse -- Eddy
8 County Courthouse searches to find addresses for these
9 folks.

10 Q. In your opinion, has Matador made a good-faith
11 effort to either obtain the voluntary joinder of the
12 parties or locate the parties who own an interest within
13 the well unit?

14 A. Yes.

15 Q. Could you identify the -- you already
16 identified Exhibit 5 as the AFE.

17 What is the estimated costs of the proposed
18 well?

19 A. The estimated costs are right around 6.7
20 million.

21 Q. Is that cost for a well of this type fair and
22 reasonable and in line with the cost of similar wells
23 drilled to this depth in this area of New Mexico?

24 A. Yes.

25 Q. And do you request that Matador be appointed

1 operator of the well?

2 A. Yes, Matador Production Company.

3 Q. And what overhead rates do you request?

4 A. We request 7,000 per month while drilling and
5 700 per month while producing.

6 Q. And are these rates fair and in line with the
7 cost charged by other operators in this area for wells
8 of this type?

9 A. Yes.

10 Q. Do you request that the overhead rates be
11 adjusted pursuant to the COPAS accounting procedure?

12 A. Yes.

13 Q. And do you request that a 200 percent risk
14 charge be assessed against any nonconsenting interest
15 owners?

16 A. Yes.

17 Q. And does Exhibit 6 reflect that written notice
18 was sent to all potential pooled parties?

19 A. Yes.

20 Q. A couple of those, I believe Mario Munoz and
21 Brandon Munoz, are no longer subject to pooling,
22 correct?

23 A. Correct.

24 Q. You obtained leases from them?

25 A. That is correct.

1 MR. BRUCE: And, Mr. Examiner, part of
2 Exhibit 6 is also the Affidavit of Publication showing
3 that, as to the currently unlocatable interest owners,
4 notice was published against their name and address.

5 EXAMINER JONES: Okay.

6 **Q. (BY MR. BRUCE) Were Exhibits 1 through 6**
7 **prepared by you or under your supervision?**

8 A. Yes.

9 **Q. And in your opinion, is the granting of this**
10 **application in the interest of conservation and the**
11 **prevention of waste?**

12 A. Yes.

13 MR. BRUCE: Mr. Examiner, I tender the
14 admission of Exhibits 1 through 6.

15 EXAMINER JONES: Exhibits 1 through 6 are
16 admitted.

17 (Matador Production Company Exhibit Numbers
18 1 through 6 are offered and admitted into
19 evidence.)

20 CROSS-EXAMINATION

21 BY EXAMINER JONES:

22 **Q. Did you say this is all fee, separately owned**
23 **tracts? How many separately owned tracts?**

24 A. There are four separate mineral tracts but
25 there are more owners than just four.

1 Q. Okay. Some of them have more than one owner?

2 A. (Indicating.)

3 Q. Okay. Okay. And no problems deciding who is
4 the ownership. You just haven't found these Munoz
5 parties?

6 A. That's correct.

7 Q. And as far as negotiating the JOA, is that --
8 can you shed any light on the parties' objection to your
9 JOA?

10 A. They have not sent over any request to changes
11 at this time. We've followed up a couple of times. We
12 have phoned and emailed, but it's still routing through
13 their internal review.

14 Q. Is it for a larger area than the north half of
15 Section 12?

16 A. No.

17 Q. It's the same.

18 And it's standard locations, did we say?

19 A. Yeah, standard area, 330 offsets.

20 Q. And it's not a permitted well yet, but you're
21 pretty sure the location is going to be the same?

22 A. Yeah. It should be -- if it isn't submitted at
23 this time, it's pretty close to being submitted.

24 EXAMINER WADE: I have no questions.

25 EXAMINER JONES: Okay. Thank you.

1 THE WITNESS: Thank you.

2 ANDREW PARKER,

3 after having been previously sworn under oath, was
4 questioned and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. BRUCE:

7 Q. Would you please state your name and city of
8 residence?

9 A. Andrew Parker, Dallas, Texas.

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

11 A. Matador Resources Company as a senior
12 geologist.

13 Q. Have you previously testified before the
14 Division?

15 A. Yes.

16 Q. And were your credentials as an expert
17 petroleum geologist accepted as a matter of record?

18 A. Yes.

19 Q. And are you familiar with the geology involved
20 in this application?

21 A. Yes.

22 MR. BRUCE: Mr. Examiner, I tender
23 Mr. Parker as an expert petroleum geologist.

24 EXAMINER JONES: So qualified.

25 Q. (BY MR. BRUCE) Mr. Parker, would you identify

1 **Exhibit 7 for the Examiner?**

2 A. This is a location map of the Northern Delaware
3 Basin highlighting our project area of the Miss Sue
4 #202, and that is in Eddy County.

5 **Q. What does Exhibit 8 reflect?**

6 A. This is a structure map on the top of the
7 Wolfcamp with 100-foot contour intervals. The green
8 boxes are surface locations for wells. The red well is
9 the well of interest, the Miss Sue #202. The orange
10 wells are existing Wolfcamp producers in the area, and
11 this is also showing the reference line for the cross
12 section in the following figure, A to A prime, as well
13 as labels of the wells that are used in that cross
14 section.

15 **Q. And let's move on to the cross section, Exhibit**
16 **9. Let's discuss that. Do you consider these wells to**
17 **be typical wells showing the Wolfcamp zone in this area?**

18 A. Yes.

19 **Q. Can you further describe the exhibit for the**
20 **Examiner?**

21 A. Okay. Again, this is A to A prime going from
22 east to west through the project area of interest. This
23 cross section is hung on -- it's stratigraphically hung
24 on the top of the Wolfcamp, and it goes all the way down
25 to the Wolfcamp base. And you can see the projected

1 well location of the Miss Sue and approximately where it
2 will target in the Upper Wolfcamp.

3 Q. Is the Wolfcamp continuous across the well
4 unit?

5 A. Yes.

6 Q. And in your opinion, will each quarter section
7 in the well unit contribute more or less equally to
8 production?

9 A. Yes.

10 Q. Are there any faults in this area that would
11 impair the drilling of the horizontal well?

12 A. No.

13 Q. What is Exhibit 10?

14 A. Exhibit 10 is an isopach of the Wolfcamp at
15 50-foot contour intervals showing that there is
16 generally very little thickness change over the project
17 area, again showing the same -- the same well locations
18 in the project area of Miss Sue.

19 Q. Finally, what is Exhibit 11?

20 A. This is the well wellbore diagram of Miss Sue
21 showing the surface location in Section 11, drilling
22 across Section 12, 23 South, 27 East and demonstrating
23 that the perforation points will be no closer than 330
24 feet from the lease lines.

25 Q. In your opinion, is the granting of this

1 application in the interest of conservation and the
2 prevention of waste?

3 A. Yes.

4 Q. And were Exhibits 7 through 11 prepared by you
5 or under your supervision?

6 A. Yes.

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

9 EXAMINER JONES: Exhibits 7 through 11 are
10 admitted.

11 (Matador Production Company Exhibit Numbers
12 7 through 11 are offered and admitted into
13 evidence.)

14 CROSS-EXAMINATION

15 BY EXAMINER JONES:

16 Q. I have no questions except for the location.
17 Why are you putting it outside the project area? I
18 should have asked the landman.

19 A. We do that for pad drilling purposes.

20 Q. Okay. Thank you very much. Thank you for
21 coming.

22 A. Thank you.

23 EXAMINER JONES: So if that's all, we'll
24 take Case 15817 under advisement.

25 (Case Number 15817 concludes, 11:57 a.m.)

(Recess, 11:57 a.m. to 1:15 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
23 Certified Court Reporter
24 New Mexico CCR No. 20
25 Date of CCR Expiration: 12/31/2017
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