

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 NOS. 16032,
COMPANY FOR A NONSTANDARD SPACING 16033
AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 5, 2018

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
PHILLIP GOETZE, TECHNICAL EXAMINER
LEONARD LOWE, 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, Phillip Goetze and Leonard Lowe, Technical Examiners, and David K. Brooks, Legal Examiner, on Thursday, April 5, 2018, 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
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

ADAM G. RANKIN, ESQ.
HOLLAND & HART, LLC
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
(505) 988-4421
agrarkin@hollandhart.com

INDEX

PAGE

Case Numbers 16032 and 16033 Called 3

Matador Production Company's Case-in-Chief:

Witnesses:

Samuel T. Pryor, Jr.:

Direct Examination by Mr. Rankin	3
Cross-Examination by Examiner Jones	11, 12
Cross-Examination by Examiner Brooks	11

James Andrew Juett:

Direct Examination by Mr. Rankin	13
Cross-Examination by Examiner Jones	18

Proceedings Conclude 20

Certificate of Court Reporter 21

EXHIBITS OFFERED AND ADMITTED

Matador Production Company Exhibit
Numbers 1 through 8 10

Matador Production Company Exhibit
Numbers 9, 10 and 11 18

1 (1:48 p.m.)

2 EXAMINER JONES: Call Cases 16032 and
3 16033, application of Matador Production Company for a
4 nonstandard spacing unit and proration unit and
5 compulsory pooling in Lea County, New Mexico.

6 Call for appearances.

7 MR. RANKIN: Mr. Examiner, Adam Rankin, on
8 behalf of the Applicant, from the Santa Fe office of
9 Holland & Hart. I have two witnesses for these two
10 cases, same two witnesses, who have previously been
11 sworn.

12 EXAMINER JONES: Any other appearances?

13 Let the record reflect the witnesses have
14 been identified and sworn.

15 MR. RANKIN: I'd like to call my first
16 witness, Mr. Sam Pryor.

17 SAMUEL T. PRYOR,
18 after having been previously sworn under oath, was
19 questioned and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. RANKIN:

22 **Q. Mr. Pryor, will you please state your full name**
23 **for the record?**

24 A. Yes, sir. My full name is Samuel Thomas Pryor,
25 Jr. I am the manager of federal lands for Matador.

1 I've been at Matador for eight years.

2 Q. And have you previously testified and had your
3 credentials accepted as a matter of record?

4 A. Yes, sir.

5 Q. Mr. Pryor, are you familiar with the cases that
6 were filed in these two consolidated cases?

7 A. Yes, sir.

8 Q. Have you conducted a study of the lands at
9 issue in these two cases?

10 A. Yes, sir.

11 MR. RANKIN: Mr. Examiner, I tender
12 Mr. Pryor as an expert in petroleum land matters.

13 EXAMINER JONES: So qualified.

14 Q. (BY MR. RANKIN) Mr. Pryor, will you please open
15 the exhibit packet that's before you? And referencing
16 Exhibits 1 and 2, review for the Examiners what it is
17 Matador seeks with these two applications.

18 A. Yes, sir. Exhibit 1, page 1, shows the C-102
19 for the Airstrip 131H well. This is a Bone Spring well
20 permitted to the Airstrip; Bone Spring Pool, Pool Code
21 960. As you can see, the spacing unit is comprised of
22 the west half-west half of this section, 31 of 18 South,
23 35 East, just under 160 acres.

24 Q. And Exhibit 2 is for the second well in the
25 second case; is that correct?

1 A. Yes, sir. Exhibit 2 is the C-102 for the
2 Airstrip 133. This is the same section, again permitted
3 in the Airstrip; Bone Spring Pool, Pool Code 960. And
4 the spacing unit of this well is comprised of the west
5 half of the east half of this Section 31.

6 **Q. In both cases, are these proration units**
7 **subject to statewide spacing and offsets for oil wells?**

8 A. Yes, sir.

9 **Q. And in both cases, will these wells be within**
10 **the prior [sic] setbacks?**

11 A. Yes, sir.

12 **Q. And are there any ownership distinctions based**
13 **on depth between any of the -- on the line of formation?**

14 A. No, sir.

15 **Q. Will you review for the Examiners what's been**
16 **marked as Exhibit Number 3?**

17 A. Yes, sir. Exhibit 3 is the Midland Map showing
18 this Section 31 and the surrounding areas for the
19 Airstrip 131, which is the west half-west half proration
20 unit. This well consists of two state leases. And,
21 again, that would be the west half-west half of the
22 section. And for the Airstrip 133, the spacing unit is
23 comprised of the west half of the east half. It is
24 comprised of two state leases and one fee lease.

25 **Q. And have you identified the working interests**

1 that you're seeking to pool in each of these spacing
2 units?

3 A. Yes, sir, we have.

4 Q. And are those depicted in Exhibits 4 and 5 for
5 each of the two spacing units?

6 A. Yes, sir, they are.

7 Q. Will you review for the Examiners the parties
8 you're seeking to pool?

9 A. Yes, sir. We are seeking to pool all
10 uncommitted working interest owners in these spacing
11 units for the Airstrip 131. You'll see Matador has just
12 over 94 percent, and we've reached voluntary joinder
13 with just 6 percent. And we have two entities, being
14 these two trusts, which are half of 1 percent in this
15 spacing unit.

16 Q. And in addition to these working interest
17 owners you're seeking to pool, have you also provided
18 notice to the overrides in these two spacing units?

19 A. Yes, sir.

20 Q. Are there any other unleased mineral interest
21 owners that have not been committed to the spacing unit?

22 A. No, sir.

23 Q. Have you been able to locate these parties,
24 these two working interest owners that you're seeking to
25 pool?

1 A. No, sir.

2 Q. So you've not been able to contact them and
3 make any arrangements with them or reach an agreement
4 with them?

5 A. No, sir.

6 Q. Would you just review for the Examiners what
7 efforts you've undertaken to try to find these two
8 parties?

9 A. Yes, sir. We've searched the county records
10 for the last known addresses. We have conducted several
11 online searches through LexisNexis for any additional
12 contact information and any telephone directory searches
13 as well. We also are in contact with several related
14 family members but still have not been able to get in
15 touch with these two parties.

16 Q. These parties that you have to pool in other
17 cases and other lands in their surrounding area; is that
18 correct?

19 A. Yes, sir.

20 Q. So you're familiar with trying to track them
21 down over time?

22 A. Yes, sir. We've pooled these two parties in
23 several other pooling hearings.

24 Q. Now, with respect to these working interests,
25 did you prepare a well proposal with an AFE that you

1 issued to them?

2 A. Yes, sir.

3 Q. Has that been marked as Exhibit Number 6?

4 A. It is.

5 Q. Will you review for the Examiners -- this was
6 sent out on what date?

7 A. It was sent out on November 13th, 2017.

8 Q. And did it also include an estimate of the
9 costs for this well?

10 A. It did.

11 Q. And is Exhibit Number 7 a copy of the letter
12 for the second well in this case? I think it's the
13 133H.

14 A. Yes, sir.

15 Q. Did that also include an estimate of the costs
16 for the well?

17 A. Yes, sir.

18 Q. Now, with respect to both these AFEs, are the
19 costs that are reflected in those estimates commensurate
20 with what Matador and other operators have incurred for
21 drilling similar wells in the area?

22 A. Yes, sir.

23 Q. And did you also identify the estimated -- or
24 your overhead and administrative costs that you expect
25 to incur while drilling and while producing these wells?

1 A. Yes, sir. For the purposes of this order, we
2 are seeking 7,000 a month while drilling and 700 a month
3 while producing.

4 Q. Are those administrative and overhead costs
5 also similar to what Matador and other operators are
6 charging for drilling and operating similar wells in the
7 area?

8 A. Yes, sir.

9 Q. Now, with respect to those two unlocatable
10 parties, Exhibit Number 8 is a copy of the affidavit
11 that indicates that we attempted to provide notice to
12 those parties, as well as all the overrides in the
13 spacing unit; is that correct?

14 A. Yes, sir.

15 Q. And in addition to the overrides and the two
16 parties that you're seeking -- working interests that
17 you're seeking to pool, did you also identify the
18 offsetting operators and mineral lessees of record in
19 the surrounding spacing units?

20 A. We have.

21 Q. And does this affidavit reflect that we
22 provided all those interested parties notice?

23 A. Yes, sir.

24 Q. Behind the affidavit, are there copies of the
25 letters that were sent out to those affected parties?

1 A. Yes, sir.

2 **Q. Along with the addresses that you identified**
3 **for us for each of the two wells and spacing units?**

4 A. Yes, sir.

5 MR. RANKIN: Now, Mr. Examiner, I'll say,
6 as with the prior case, we had some returns, in
7 particular with the pooled parties, and the Notice of
8 Publication was not timely published. So we'd ask that
9 the case be continued to May 3rd so we can perfect
10 notice by publication, at which time we will present an
11 Affidavit of Publication.

12 EXAMINER JONES: Which case?

13 MR. RANKIN: For both cases, Mr. Examiner.
14 Yeah.

15 I will move the admission of Exhibits 1
16 through 8 for the record.

17 EXAMINER JONES: 1 through 8 are admitted.
18 (Matador Production Company Exhibit Numbers
19 1 through 8 are offered and admitted into
20 evidence.)

21 MR. RANKIN: Thank you very much.

22 No further questions.

23 EXAMINER JONES: Mr. Goetze?

24 EXAMINER GOETZE: I do not have any
25 questions for this witness. Thank you.

1 EXAMINER JONES: Mr. Lowe?

2 EXAMINER LOWE: No questions.

3 EXAMINER JONES: Mr. Brooks?

4 MR. BROOKS: No questions.

5 CROSS-EXAMINATION

6 BY EXAMINER JONES:

7 Q. The overrides were just on the 16033 case? The
8 first case just had the two -- the two trusts; is that
9 correct?

10 MR. RANKIN: Both cases. There are
11 overrides for both cases.

12 EXAMINER JONES: Those were overrides for
13 both?

14 MR. RANKIN: No. They were working
15 interests.

16 EXAMINER JONES: Yeah, the two trusts?

17 EXAMINER BROOKS: I believe the testimony
18 was --

19 CROSS-EXAMINATION

20 BY EXAMINER BROOKS:

21 Q. Didn't you testify that you had notified any
22 overrides?

23 A. Yes, sir. So for both of these cases, we
24 notified all overrides.

25 Q. That's what I thought you said.

1 A. Yes, sir. But the parties listed under the
2 exhibit -- Exhibit 5 designated as uncommitted working
3 interest owners are just that, working interest owners.

4 **Q. I can't keep track of those things. There are**
5 **so many compulsory pooling cases presented today, I get**
6 **confused which is which.**

7 MR. RANKIN: Just to be clear,
8 Mr. Examiner, there are two exhibits, 4 and 5, and
9 they're the same parties, but they're both -- both
10 wells.

11 EXAMINER BROOKS: Yeah. I noticed they
12 were the same parties.

13 EXAMINER JONES: They're overrides. You
14 just noticed them.

15 MR. RANKIN: Yeah.

16 EXAMINER JONES: But you're not asking --

17 MR. RANKIN: Yeah. I mean -- yes. They're
18 uncommitted, so we're seeking to pool all uncommitted
19 interest owners. Yeah.

20 EXAMINER JONES: Okay. Okay.

21 CONTINUED CROSS-EXAMINATION

22 BY EXAMINER JONES:

23 **Q. These are -- they both have APIs, so we're all**
24 **set. No, they don't have APIs yet.**

25 A. Sir, actually, I believe both -- the 131 has

1 been approved. Both wells should have APIs. They may
2 not be reflected here.

3 **Q. Okay. That's fine. I can look them up.**

4 **Okay. Thanks very much.**

5 **A. Thank you.**

6 MR. RANKIN: No further questions.

7 I would ask the case be continued to the
8 May 3rd docket. We'll perfect notice.

9 EXAMINER GOETZE: Do you have your
10 geologist?

11 MR. RANKIN: Oh. I have one more witness,
12 Mr. Examiner (laughter).

13 JAMES ANDREW JUETT,
14 after having been previously sworn under oath, was
15 questioned and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. RANKIN:

18 **Q. Mr. Juett, will you please state your full name**
19 **for the record?**

20 **A. James Andrew Juett.**

21 **Q. And what is your job with Matador?**

22 **A. I'm a senior staff geologist.**

23 **Q. And have you previously testified and had your**
24 **credentials as an expert in petroleum geology accepted**
25 **by the Division?**

1 A. Yes, I have.

2 **Q. Have you conducted a geologic study of the**
3 **lands at issue in these two cases?**

4 A. Yes, I have.

5 **Q. And you're familiar with the applications that**
6 **were filed?**

7 A. Yes, I am.

8 MR. RANKIN: Mr. Examiner, I would retender
9 Mr. Juett as an expert in petroleum geology.

10 EXAMINER JONES: He is so qualified.

11 **Q. (BY MR. RANKIN) Mr. Juett, will you please**
12 **identify for the Examiners the target interval for both**
13 **these cases?**

14 A. These are both going to be Lower 3rd Bone
15 Spring Sand targets.

16 **Q. Will you orient the Examiners as to the**
17 **location of these two wells, referring to Exhibit Number**
18 **9?**

19 A. Yes. Exhibit Number 9 shows the approximate
20 location of our two project areas in Lea County, New
21 Mexico. They're designated by the red boxes filled with
22 green. The surface-hole locations have blue squares,
23 and the bottom-hole locations have red circles.

24 **Q. Have you prepared a structure map analyzing the**
25 **target interval here?**

1 A. Yes, I have.

2 **Q. And is that identified as Exhibit Number 10?**

3 A. Yes, it is.

4 **Q. Will you review it, please, for the Examiners?**

5 A. Yes. Exhibit 10 is a subsea structure map that
6 is on the top of the 3rd Bone Spring Sand. This map
7 also identifies the project area with the red squares
8 filled with green. The structure shows that we are
9 dipping to the south within this location. It doesn't
10 indicate any faulting that would hinder the drilling of
11 a horizontal well in this area. It looks like it's a
12 fairly consistent dip through the project areas. On
13 this map are also the -- designated with the colored
14 attributes are the horizontal-producing wells with 3rd
15 Bone Spring. Horizontals are shown with the red
16 attributes on the map.

17 We also have -- the green line designated
18 as A, A prime shows the line of cross section that's
19 used in the next exhibit.

20 **Q. With respect to those wells -- the four wells**
21 **that you selected for your cross section, are there --**
22 **in your opinion, are those wells representative of the**
23 **wells and the geology in the area?**

24 A. Yes, they do [sic].

25 **Q. I note in this structure map, you show there**

1 are some wells in the same 3rd Bone Spring that are
2 oriented east-west, lay-down; is that right?

3 A. Yes, sir.

4 Q. In your opinion, is there a preferential
5 orientation of horizontal wells in this area, in this
6 formation?

7 A. There are good wells and there are bad wells
8 that go east-west or good wells and bad wells that go
9 north-south, so we haven't picked out a preference yet.
10 In these locations and in this section, we already have
11 a 3rd Bone Spring north-south lateral. So in this
12 section, we'll have to go north-south.

13 Q. So partly you're dictated by existing well
14 development. But, otherwise, no real clear, at this
15 point, preference up, down or lay-down?

16 A. That is correct.

17 Q. Now, let's turn to the next exhibit, which is
18 your cross section. Will you review for the Examiners
19 what this shows?

20 A. Yes. This is a stratigraphic cross section
21 that's hung on the top of the Wolfcamp, which is the
22 base of the 3rd Bone Spring Sand. This cross section
23 shows, with the two green lines, the laterals in the
24 interval that we intend to drill and where we intend to
25 land these laterals.

1 It also shows that the Lower 3rd Bone
2 Spring section is consistent across the project area,
3 and we should expect all quarter-quarter sections to be
4 productive. And there are no pinch-outs or don't really
5 see any faulting in this section.

6 **Q. Okay. So in your opinion, this area is**
7 **appropriate for development of horizontal wells?**

8 A. Yes, it is.

9 **Q. No other geologic hazards or impediments that**
10 **you can identify across this zone?**

11 A. That is correct.

12 **Q. In your opinion, is the Bone Spring Formation**
13 **suitable for development by horizontal wells?**

14 A. Yes, it is.

15 **Q. And if I missed it, did you testify already**
16 **that you believe each quarter-quarter section for these**
17 **two spacing units will contribute more or less equally**
18 **to the production of these two wellbores?**

19 A. Yes, I do.

20 **Q. And in your opinion, will the granting of these**
21 **two applications be in the best interest of**
22 **conservation, the prevention of waste and the protection**
23 **of correlative rights?**

24 A. Yes, it will.

25 MR. RANKIN: Mr. Examiner, I would move the

1 admission of Exhibits 9, 10 and 11 in Cases 16032 and
2 16033.

3 EXAMINER JONES: Exhibits 9, 10 and 11 in
4 Cases 16032 and 16033 are admitted.

5 (Matador Production Company Exhibit Numbers
6 9, 10 and 11 are offered and admitted into
7 evidence.)

8 MR. RANKIN: I have no further questions.

9 EXAMINER GOETZE: Mr. Goetze has no
10 questions for this witness.

11 EXAMINER LOWE: I have no questions.

12 EXAMINER BROOKS: No questions.

13 CROSS-EXAMINATION

14 BY EXAMINER JONES:

15 **Q. That Upper Wolfcamp gamma ray, what is going on**
16 **there?**

17 A. That is -- the Upper Wolfcamp, the gamma ray
18 there, there is a line that we're sitting on top of --

19 **Q. Okay.**

20 A. -- and that provides a pretty good frac barrier
21 for the 3rd Bone Spring to keep us out of the Upper
22 Wolfcamp as well at this location. But that's what that
23 is. It's a detrital limestone that -- debris flow --
24 lime debris flow that came.

25 **Q. However you geologists say it.**

1 A. Yeah (laughter).

2 **Q. So you would have gone up in the 3rd Bone**
3 **Spring except there is no porosity a little higher; is**
4 **that correct?**

5 A. There is porosity that's higher. If you look
6 on the track that's on the far right-hand side, that is
7 our porosity track. That's a neutron-density curve in
8 there. And on this scale, it's a little hard to see,
9 but we have 8 percent density porosity or greater shaded
10 in red. If you look up, oh, gosh, 100 or so feet, you
11 can still see that lobe has some porosity up there as
12 well.

13 **Q. It's not much, though, is it?**

14 A. It is amazing how the 3rd Bone Spring produces.
15 The other well that we drilled in the area right in
16 between these wells is going to be -- looks like a very
17 good producer.

18 **Q. Okay. Well, good luck.**

19 A. Thank you very much.

20 MR. RANKIN: No further questions,
21 Mr. Examiner.

22 So now we ask that this case be continued
23 to the May 3rd docket so we can perfect notice by
24 publication.

25 EXAMINER JONES: Okay. Cases 16032 and

1 16033 are continued to May the 3rd.

2 MR. RANKIN: Thank you, Mr. Goetze, for
3 reminding me of my other witness.

4 EXAMINER GOETZE: We don't like the
5 geologists to be neglected.

6 EXAMINER BROOKS: Can we take a brief
7 recess?

8 EXAMINER JONES: Sure. Sure.

9 (Case Numbers 16032 and 16033 conclude,
10 2:06 p.m.)

11 (Recess, 2:06 p.m. to 2:18 p.m.)

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

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 DATED THIS 22nd day of April 2018.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
Paul Baca Professional Court Reporters

25