

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. 16181,
COMPANY FOR A NONSTANDARD OIL SPACING 16182
AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 31, 2018

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF 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, Leonard Lowe, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, May 31, 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.

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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

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1 (11:01 a.m.)

2 EXAMINER JONES: Let's go back on the
3 record and call cases 27 and 28, which is --

4 MR. BRUCE: 23 and 24.

5 EXAMINER JONES: Sorry. I'm jumping ahead
6 here.

7 23 and 24, which are Case Numbers 16181,
8 application of Matador Production Company for a
9 nonstandard oil spacing and proration unit and
10 compulsory pooling in Lea County, New Mexico, and Case
11 Number 16182, which has exactly the same title.

12 Call for appearances.

13 MR. BRUCE: Mr. Examiner, Jim Bruce of
14 Santa Fe representing the Applicant. I have two
15 witnesses.

16 EXAMINER JONES: Any other appearances?
17 Will the witnesses please stand?

18 MR. BRUCE: If the record could reflect
19 they're the same witnesses as in the prior hearing, and
20 they've already been sworn and qualified.

21 EXAMINER JONES: Let the record so reflect.

22 CASSIE HAHN,
23 after having been previously sworn under oath, was
24 questioned and testified as follows:

25

1 DIRECT EXAMINATION

2 BY MR. BRUCE:

3 Q. Would you please state your name for the
4 record?

5 A. Cassie Hahn.

6 Q. And are you familiar with land matters involved
7 in these two applications?

8 A. Yes, I am.

9 Q. Could you turn to Exhibit 1 and describe what
10 is shown under Tabs 1A, 1B and 1C?

11 A. Sure. Tab 1A is the C-102 for the Leslie Fed
12 Com 201.

13 EXAMINER BROOKS: Let me interrupt just a
14 second. Same error in the Table of Contents needs to be
15 corrected, the Lea County instead of Eddy County.

16 Go ahead.

17 THE WITNESS: Tab B is the C-102 for the
18 Leslie Fed Com 215. Tab C is the C-102 for the Leslie
19 Fed Com 202. These exhibits also ID the API numbers,
20 the pool names and the pool codes.

21 Q. (BY MR. BRUCE) And are you seeking to force --
22 and the names are the Leslie Federal wells?

23 A. The Leslie Fed Com.

24 Q. And are the 201H and the 215H both located in
25 the west half-west half of Section 17?

1 A. Yes.

2 **Q. And the Leslie 202 is in the east half-west**
3 **half of Section 17; is that correct?**

4 A. Yes. Correct.

5 **Q. Are the producing intervals of all the wells**
6 **located at orthodox locations?**

7 A. Yes, they are.

8 **Q. And you seek approval of the two 160-acre**
9 **nonstandard units?**

10 A. Yes. Correct, and in the Wolfcamp Formation.

11 **Q. Okay. Let's turn to Exhibit 2. Could you**
12 **identify the types of land in these two well units?**

13 A. Yes. This is a Midland Map showing the
14 leasehold of the well units. As you can see in the
15 legend, there is, again, two federal leases, one in the
16 north half of the south -- sorry -- north half of the
17 northwest quarter, and the entire southwest quarter is a
18 federal lease. And then the south half of the northwest
19 quarter is fee leases.

20 **Q. So there are three tracts with -- each tract**
21 **has a uniform ownership?**

22 A. Correct. Yes.

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

24 A. This is a summary of the interest for all three
25 wells, and we are seeking to pool 10.57 percent working

1 interest.

2 Q. These look to be the same interest owners other
3 than West Texas A & M, as in the prior cases as well?

4 A. Yes. Correct.

5 Q. And will the same apply -- have you been in
6 touch -- all of these parties are locatable?

7 A. Yes.

8 Q. And there are some who have indicated they may
9 join, and others have indicated they may not?

10 A. That's correct.

11 Q. And does Exhibit 4 contain sample of the
12 well-proposal letters that were sent out for all three
13 wells?

14 A. Yes. Tabs A, B and C are for the Leslie Fed
15 Com 201, 215 and 202.

16 Q. Slightly different letters were sent to the
17 unleased mineral owners as opposed to the lessees?

18 A. Correct.

19 Q. And besides these letters, have you had
20 telephone conversations or email contact with these
21 parties?

22 A. Yes, I have.

23 Q. And in your opinion, has Matador made a
24 good-faith effort to obtain the voluntary joinder of all
25 interest owners in the proposed wells?

1 A. Yes, we have.

2 Q. And looking at Tab 4A, going three pages back,
3 is this the AFE for the 201H well?

4 A. Yes, it is.

5 Q. And are all of the AFE -- all three AFEs quite
6 similar?

7 A. Yes, they are.

8 Q. And what is the cost -- what is the total cost
9 of these three wells, each of them?

10 A. A little over 8 million.

11 Q. And, again, are these costs reasonable and in
12 line with the cost of similar wells drilled to this
13 depth in this area of southeast New Mexico?

14 A. Yes, they are.

15 Q. And what overhead rates do you request?

16 A. We are requesting 7,000 a month while drilling
17 and 700 a month while producing.

18 Q. And, again, are these amounts similar to costs
19 charged by other operators for wells of this type?

20 A. Yes, they are.

21 Q. Do you request that these rates be adjusted as
22 provided by the COPAS accounting procedure?

23 A. Yes.

24 Q. If you come to terms with any of the interest
25 owners, will you notify the Division?

1 A. Yes, I will.

2 Q. And should Matador be named operator of these
3 wells?

4 A. Yes.

5 Q. And if anyone goes nonconsent, should the
6 maximum cost plus 200 percent risk charge be assessed
7 against the interest owner?

8 A. Yes.

9 Q. And, again, did Matador identify all working
10 interest owners or unleased mineral owners who should be
11 entitled to notice of this hearing?

12 A. Yes, we did.

13 Q. And behind Tab 5, is that my notice letter to
14 the interest owners?

15 A. Yes.

16 MR. BRUCE: And, again, Mr. Examiner,
17 everyone sent back green card except for Ohio State
18 University.

19 (Laughter.)

20 Q. (BY MR. BRUCE) And looking at the last page of
21 Exhibit 5, does that identify all offsetting operators
22 or working interest owners to the proposed well units?

23 A. Yes, it does.

24 MR. BRUCE: And, again, I do not have,
25 well, notice as against Ohio State and the offsets

1 completed at this time, so I'd ask that the matter, at
2 the conclusion, be continued for two weeks.

3 Q. (BY MR. BRUCE) And were Exhibits 1 through 5
4 prepared by you or under your supervision or compiled
5 from company business records?

6 A. Yes, they were.

7 Q. In your opinion, is the granting of this
8 application in the interest of conservation and the
9 prevention of waste?

10 A. Yes.

11 MR. BRUCE: Mr. Examiner, I move the
12 admission of Exhibits 1 through 5.

13 EXAMINER JONES: Exhibits 1 through 5 are
14 admitted.

15 (Matador Production Company Exhibit Numbers
16 1 through 5 are offered and admitted into
17 evidence.)

18 EXAMINER JONES: Mr. Lowe?

19 EXAMINER LOWE: I've got no questions.

20 EXAMINER JONES: Mr. Brooks?

21 EXAMINER BROOKS: No questions -- oh, yeah,
22 one.

23 CROSS-EXAMINATION

24 BY EXAMINER BROOKS:

25 Q. Again, about overrides. Did you have the

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RE CROSS EXAMINATION

BY EXAMINER BROOKS:

Q. Even under the lease, without regard to the proposed pooling?

A. Could you say that again?

Q. The reason I ask the question is, if there were divided interests, the compulsory pooling would morph it into an undivided interest, is the way understand it.

A. Okay.

Q. So I wasn't sure what the significance of that was.

A. Right.

EXAMINER JONES: Well, there are two wells here and two units involved.

EXAMINER BROOKS: That's right. Okay.

Q. (BY EXAMINER BROOKS) So the interest of the -- the fee tracts of common ownership, as the whole thing is common ownership all the way across --

A. Right. Correct.

Q. -- all the way through both units?

A. Correct.

Q. That's what I had understood. Thank you.

A. Yes, sir.

1 RE CROSS EXAMINATION

2 BY EXAMINER JONES:

3 Q. And we know what pool this is? The Dogie Draw,
4 again?

5 A. The Dogie Draw, again.

6 Q. Okay. The Dogie Draw. I don't know if it's
7 dogie or doggie.

8 A. Yes. Maybe it's --

9 EXAMINER BROOKS: Usually spell doggie with
10 two Gs, but since it's not a dictionary word, I'm not
11 sure -- (laughter).

12 THE WITNESS: Right.

13 EXAMINER JONES: It's not sitting in the
14 window.

15 EXAMINER BROOKS: It's probably not in the
16 dictionary.

17 THE WITNESS: I'll look it up.

18 CLARK COLLIER,

19 after having been previously sworn under oath, was
20 questioned and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. BRUCE:

23 Q. Please state your name for the record.

24 A. Clark Collier.

25 Q. And are you familiar with the geology involved

1 with these two applications?

2 A. Yes, sir.

3 Q. And have you prepared geologic exhibits for
4 this hearing?

5 A. Yes, sir.

6 Q. Now, the wells in this case, 16182, are
7 immediately to the east -- 16181 and 16182 are
8 immediately to the west --

9 A. Yes.

10 Q. -- of -- or to the east of the prior cases,
11 right? They're immediately adjoining those wells?

12 A. These are in Section 17.

13 Q. And the prior cases involve Section 18?

14 A. That was in Section 18. Yes.

15 Q. So is the geology essentially the same in these
16 two cases as in the prior three cases?

17 A. Yes.

18 Q. And are Exhibits 6, 7, 8 and 9 basically, other
19 than outlining the different well units -- are they
20 basically identical to your prior exhibits?

21 A. Right. The geology in this case is basically
22 identical to the previous case.

23 Q. And do you request that the -- your testimony
24 from the prior three cases be incorporated into these
25 two cases?

1 A. Yes, sir.

2 Q. And the Wolfcamp is consistently -- is
3 consistent across the proposed well units?

4 A. Yes.

5 Q. And will each quarter-quarter section in each
6 well unit contribute more or less equally to production?

7 A. Yes.

8 Q. And there is no faulting or other problems out
9 here which would impair the drilling of a horizontal
10 well?

11 A. Right. There is not.

12 Q. And is Exhibit 10A, B and C simply the wellbore
13 cartoons for these three wells?

14 A. They are.

15 Q. And they will have -- the producing interval in
16 each well will be at orthodox locations?

17 A. Yes.

18 Q. And were Exhibits 6 through 10 prepared by you
19 or under your supervision?

20 A. Yes.

21 Q. And in your opinion, is the granting of this
22 application in the interest of conservation and the
23 prevention of waste?

24 A. Yes.

25 MR. BRUCE: Mr. Examiner, I move the

1 admission of Exhibits 6 through 10.

2 EXAMINER JONES: Exhibits 6 through 10 are
3 admitted.

4 (Matador Production Company Exhibit Numbers
5 6 through 10 are offered and admitted into
6 evidence.)

7 EXAMINER JONES: Mr. Lowe?

8 EXAMINER LOWE: I've got no questions at
9 this time. Thank you.

10 EXAMINER BROOKS: No questions.

11 CROSS-EXAMINATION

12 BY EXAMINER JONES:

13 Q. The only question I have is: The surface-hole
14 location for the 202H, is that -- is that going to be in
15 unit letter O or unit letter N? I think I had it --

16 A. So it should be on the C-102, right?

17 Q. It should be -- it says "O" on the C-102, but I
18 think the application --

19 A. The 202, is that what you're asking about?

20 Q. Yes, 202.

21 A. So that is an off-lease location. It looks
22 like it's in O.

23 Q. It's in O?

24 A. Looks like that on my map. That's the way I
25 interpret it. Is that conforming with the C-102?

1 **Q. Yeah. The location said it would be in N.**
2 **It's not a big deal. But why are you putting it over**
3 **there instead of putting it in --**

4 A. So we have -- we're going to develop the east
5 half of this section as well. So this was just what --
6 our drilling engineers identified this as the most
7 efficient place to put this wellbore.

8 **Q. Okay. Okay. Thank you. That's all I have.**
9 **Thank you very much.**

10 A. Thank you.

11 EXAMINER JONES: Okay. That's all in these
12 two cases. They have been heard. We'll continue them
13 for -- Cases 16181 and 16182, until June 14th.

14 (Case Numbers 16181 and 16182 conclude.)

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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 DATED THIS 23rd day of June 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