

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

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

7 APPLICATION OF MATADOR PRODUCTION CASE NOS. 16372,  
8 COMPANY FOR A NONSTANDARD SPACING 16373  
9 AND PRORATION UNIT AND COMPULSORY  
10 POOLING, LEA COUNTY, NEW MEXICO.

11

12

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14 REPORTER'S TRANSCRIPT OF PROCEEDINGS

15

16 EXAMINER HEARING

17

18 August 23, 2018

19

20 Santa Fe, New Mexico

21

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

24

25

26 This matter came on for hearing before the  
27 New Mexico Oil Conservation Division, William V. Jones,  
28 Chief Examiner, and David K. Brooks, Legal Examiner, on  
29 Thursday, August 23, 2018, at the New Mexico Energy,  
30 Minerals and Natural Resources Department, Wendell Chino  
31 Building, 1220 South St. Francis Drive, Porter Hall,  
32 Room 102, Santa Fe, New Mexico.

33

34 REPORTED BY: Mary C. Hankins, CCR, RPR  
35 New Mexico CCR #20  
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40

## 1 APPEARANCES

2 FOR APPLICANT MATADOR PRODUCTION COMPANY:

3 JORDAN L. KESSLER, ESQ.  
 4 HOLLAND & HART, LLP  
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1 (9:11 a.m.)

2 EXAMINER JONES: Call Cases 372 and 373,  
3 and the title on the exhibits are -- of the cases are in  
4 bold on the docket sheet. I'll say it that way.

5 Any appearances in these cases?

6 MS. KESSLER: Mr. Examiner, Jordan Kessler,  
7 from the Santa Fe office of Holland & Hart, on behalf of  
8 the Applicant, and we have two witnesses today.

9 EXAMINER JONES: Any other appearances?

10 This is -- I don't have a record of any  
11 other appearances. This is not one of those Tap Rock  
12 appearances cases.

13 So will the witnesses please stand and the  
14 court reporter please swear the witnesses?

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

16 CHRIS CARLETON,  
17 after having been duly sworn under oath, was  
18 questioned and testified as follows:

19 DIRECT EXAMINATION

20 BY MS. KESSLER:

21 Q. Please state your name for the record and tell  
22 the examiners by whom you're employed and in what  
23 capacity.

24 A. Chris Carleton. I'm employed by Matador  
25 Resources Company as a senior landman.

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

3 A. Yes.

4 Q. Were your credentials as a petroleum landman  
5 accepted and made a matter of record?

6 A. Yes.

7 Q. Are you familiar with the two applications  
8 filed in these consolidated cases?

9 A. Yes.

10 Q. And are you familiar with the status of the  
11 lands in the subject area?

12 A. Yes.

13 MS. KESSLER: Mr. Examiners, I would tender  
14 Mr. Carleton as an expert in petroleum land matters.

15 EXAMINER JONES: He is so qualified.

16 Q. (BY MS. KESSLER) Mr. Carleton, please turn to  
17 Exhibit 1. Identify this exhibit and explain what  
18 Matador seeks in these two applications.

19 A. Exhibit 1 is a Midland Map showing Section 23,  
20 Township 24 South, Range 34 East, and it shows the Brad  
21 Lummis Fed Com 211 located in the west half-west half  
22 with a 160-acre standard spacing unit. This is  
23 comprised of fee lands and one federal tract in the  
24 southwest quarter of the southwest quarter, and the Brad  
25 Lummis Com 212H in the east half of the west half,

1 comprising of 160-acre standard proration unit, and we  
2 seek to pool the uncommitted interests in these two  
3 spacing units.

4 Q. And these spacing units include one federal  
5 lease and several fee leases; is that correct?

6 A. That is correct.

7 MS. KESSLER: So I'm just going to  
8 interject here, Mr. Examiners. The applications  
9 originally requested nonstandard spacing units. The  
10 reason for that is in case the current -- the new  
11 horizontal well rule were to become stayed due to the  
12 ongoing litigation. So what we're doing at Holland &  
13 Hart is requesting nonstandard spacing units, providing  
14 notice and then dismissing that portion of the  
15 application at hearing, assuming the rule has not been  
16 stayed.

17 EXAMINER JONES: Okay. I saw those coming  
18 through, and I wondered about those.

19 EXAMINER BROOKS: That makes sense, belts  
20 and suspenders.

21 MS. KESSLER: Exactly.

22 Q. (BY MS. KESSLER) Mr. Carleton, could you please  
23 turn to Exhibit 2. Is this the C-102 for the 211H well?

24 A. Yes. This is a C-102 for the Brad Lummis Fed  
25 Com 211H, and it shows the spacing unit being 160 acres,

1 comprising of the west half-west half.

2 Q. And this is a draft C-102, correct, that has  
3 not yet been filed?

4 A. This is a draft. It has been filed with the  
5 BLM but not approved yet.

6 Q. Is the pool for this area the Antelope Ridge;  
7 Wolfcamp Pool?

8 A. That's correct.

9 Q. And is that pool code 2220?

10 A. Yes.

11 Q. Is the pool subject to special rules?

12 A. No.

13 Q. Will the completed interval for this well  
14 comply with the statewide setbacks for oil wells?

15 A. Yes.

16 Q. And, in fact, will Matador sundry this well  
17 such that the first and last take point will be 100 feet  
18 from the outer boundary of the spacing unit?

19 A. That's correct.

20 Q. What is Exhibit 3?

21 A. Exhibit 3 is a C-102 plat for the Brad Lummis  
22 Com 212H. It shows a 160-acre proration unit comprised  
23 of the east half of the west half.

24 Q. And that would be the same pool, correct?

25 A. Correct, same pool.

1 Q. And is this well actually the Brad Lummis Com  
2 well as opposed to the Brad Lummis Fed Com well?

3 A. This is the Brad Lummis Com well.

4 MS. KESSLER: Mr. Examiners, the  
5 application originally reflected a Fed Com well, but  
6 this does not penetrate a federal tract, so this is a  
7 com well.

8 EXAMINER JONES: Can you restate the name  
9 of the pool? I got Antelope Ridge.

10 MS. KESSLER: That'll be the Antelope  
11 Ridge; Wolfcamp Pool, and it's 2220.

12 EXAMINER JONES: Thank you.

13 Q. (BY MS. KESSLER) Will the completed interval  
14 for the 212H well comply with statewide setbacks?

15 A. Yes.

16 Q. This will be sundried to move the first and  
17 take points to 100 feet, correct?

18 A. Yes.

19 Q. Does Exhibit 4 identify the interest owners in  
20 the spacing unit for the 211H well?

21 A. That's correct. Matador currently has roughly  
22 40 percent working interest and roughly 21 percent  
23 voluntary joinder. We seek to pool working interests  
24 and mineral interest owners comprising of approximately  
25 40 percent. And we'll note that we have some mineral

1 interest owners that were noticed at the time as  
2 unleased owners when we sent proposals. Subsequently,  
3 they were leased by Ozark Royalties. And we have been  
4 in contact with Ozark Royalties, and they are aware of  
5 the hearing. And we're currently negotiating with them.

6 Q. Did Ozark lease those interests after the  
7 pooling application had been filed and notice provided?

8 A. Ozark leased these in July, and the application  
9 was filed, I believe, August 3rd, if I'm correct. And  
10 we found out about these leases after the application  
11 was filed.

12 Q. And after notice had been sent?

13 A. And after notice had been sent.

14 Q. So Ozark leased this interest subject to the  
15 notice for the pending applications?

16 A. That is correct. They're subject to notice.

17 Q. And you've had conversations with Ozark?

18 A. Correct.

19 Q. Are they aware of this hearing?

20 A. Yes.

21 Q. And did they file any objection?

22 A. No.

23 Q. If I look at the second page of this exhibit,  
24 does this include the overriding royalty interest  
25 owners?

1 A. Yes.

2 Q. Do you also seek to pool them?

3 A. Yes.

4 EXAMINER BROOKS: Which exhibit is this?  
5 You said "this exhibit."

6 Q. (BY MS. KESSLER) Go ahead.

7 A. Second page of Exhibit 4.

8 EXAMINER BROOKS: Exhibit 4.

9 Q. (BY MS. KESSLER) Is Exhibit 5 a sample of the  
10 well-proposal letter sent to uncommitted working  
11 interest owners for the 211H well?

12 A. Yes. And it was sent on April 12th, 2018.

13 Q. So that looks like it's the first two pages.

14 The AFE is the third page; is that correct?

15 A. That's correct. It shows our estimated well  
16 costs at 8,734,000.

17 Q. And that letter was sent to working interest  
18 owners.

19 If I flip the page, do the next two pages  
20 of Exhibit 5 contain a letter that was sent to the  
21 mineral interest owners?

22 A. That's correct, sent on the same date. And  
23 these included -- the difference between the two is that  
24 the letters to mineral interest owners included an offer  
25 to lease.

1 Q. Is the bottom hole for the 211H well different  
2 from what you proposed in this original proposal letter?

3 A. That's correct. In the proposal letter, our  
4 bottom-hole location was 330 feet from the west line,  
5 and our C-102 reflects that the bottom hole is 988 feet  
6 from the west line.

7 Q. But it's in the same unit letter; is that  
8 correct?

9 A. That's correct. It is in the same unit letter.

10 Q. Will this change the cost on the AFE at all?

11 A. No.

12 Q. Turning to Exhibit 6, does this identify the  
13 interest owners in the spacing unit for the 212H well?

14 A. Yes. Matador currently has roughly 47 percent  
15 working interest with voluntary joinder of 50 percent,  
16 and we seek to pool unleased mineral interest owners  
17 comprising of 1.7 percent.

18 Q. And if I turn to the second page of Exhibit 6,  
19 is there one overriding royalty interest owner that you  
20 seek to pool?

21 A. Yes.

22 Q. Is Exhibit 7 a sample of the well-proposal  
23 letter that was sent to working interest owners for the  
24 212H well?

25 A. Yes. This was sent February 9th, 2018, and it

1 includes an AFE for a well cost at 8,754,000. And this  
2 well proposal also included an offer to lease.

3 Q. Are the costs on the AFE consistent with what  
4 other operators in the area have charged for similar  
5 wells?

6 A. Yes.

7 Q. And for each of these wells, have you estimated  
8 overhead and administrative costs while drilling and  
9 producing?

10 A. Yes.

11 Q. What are those costs?

12 A. We request 7,000 per month while drilling and  
13 700 per month while producing.

14 Q. Is that in line with what other operators  
15 charge for Wolfcamp wells in this area?

16 A. Yes.

17 Q. Do you ask that those costs be incorporated  
18 into any order resulting from this hearing?

19 A. Yes.

20 Q. Do you ask that the costs be periodically  
21 adjusted in accordance with the COPAS accounting  
22 procedures?

23 A. Yes, sir.

24 Q. For the uncommitted interest owners, do you  
25 request that the Division impose a 200 percent risk

1 penalty?

2 A. Yes.

3 Q. What efforts have you undertaken to reach  
4 agreement with the parties that you seek to pool?

5 A. For the working interest owners, we've sent  
6 operating agreements and been in contact with the  
7 in-house landman to negotiate those operating  
8 agreements. And for the mineral owners, we've sent out  
9 offers to lease and had our brokers, as well as in-house  
10 landman attempt to contact them and negotiate lease  
11 terms.

12 Q. In your opinion, did you make a good-faith  
13 effort to locate and reach agreement with all of the  
14 parties you seek to pool?

15 A. Yes.

16 Q. Were some of the parties unlocatable?

17 A. Yes. There were a few unlocatable parties. We  
18 used online search applications such as Google and  
19 Accurint to look for these parties, as well as our field  
20 brokers searching the county courthouse records and  
21 sending numerous mail-outs and trying multiple phone  
22 numbers.

23 Q. In your opinion, have you undertaken a diligent  
24 effort to locate a good address for the parties that you  
25 seek to pool?

1 A. Yes.

2 Q. Is Exhibit 8 an ad prepared by my office with  
3 attached letters providing notice of this party -- of  
4 this hearing for the parties that you seek to pool?

5 A. Yes.

6 Q. And Exhibits 9 and 10 are Notices of  
7 Publication in Lea County; is that correct?

8 A. That is correct.

9 Q. Were Exhibits 1 through 7 prepared by you or  
10 compiled under your direction and supervision?

11 A. Yes.

12 MS. KESSLER: Mr. Examiners, I move  
13 admission of Exhibits 1 through 10, which include three  
14 notice affidavits.

15 EXAMINER JONES: Did you not -- oh, yeah, 1  
16 through 10.

17 Exhibits 1 through 10 are admitted.

18 (Matador Production Company Exhibit Numbers  
19 1 through 10 are offered and admitted into  
20 evidence.)

21 CROSS-EXAMINATION

22 BY EXAMINER JONES:

23 Q. So your exhibit listing the parties is clear on  
24 the bottom. It says Ozark Royalty is currently lessee  
25 of those parties. The next -- so Ozark Royalty, it's

1 the position that they got notice because you noticed,  
2 at that time, the unleased royalty interest owners?

3 A. Yes.

4 MS. KESSLER: That's correct. At the time  
5 Holland & Hart sent notice, they were unleased, and then  
6 the leasing occurred afterwards.

7 EXAMINER JONES: Okay. And you found out  
8 about it enough to put that in there.

9 Q. (BY EXAMINER JONES) Have you had any contact  
10 with Ozark?

11 A. Yes. Ozark Royalty reached out to us to let us  
12 know they had leased these parties, and we've been  
13 talking with them. We let them know the hearing was  
14 happening today, and for the past two weeks or so, we've  
15 been talking to them about them either participating or  
16 acquiring these leases. We're continuing to negotiate  
17 with them.

18 Q. Okay. So it might be a flip situation. They  
19 might have picked them up, and you might pick them up?

20 A. Potentially.

21 Q. The big parties in the 211H, EOG and Marathon,  
22 they didn't enter an appearance in these cases at all?

23 MS. KESSLER: No.

24 Q. (BY EXAMINER JONES) You've talked to them?

25 A. Yes, sir. We're currently negotiating with

1     them on either an operating agreement or some sort of  
2     deal.

3           Q.     And in the well that's all fee, it's just  
4     unleased.  It's just a small amount you're pooling, only  
5     less than 2 percent.

6           A.     That's correct.

7           Q.     And which ones could you not locate in this  
8     group for the 212 well?

9           A.     The 212?  Gwen, Jo Ann, Linda, Lloyd, Marvin.  
10    These folks have been pretty hard to track down.  Our  
11    brokers have been continuing to try and get in touch  
12    with them, but as -- like you said, these are very small  
13    interests, so it's trickled down a ways, and they are  
14    hard to locate.

15          Q.     But you did locate Sidney Ray and Family Tree?

16          A.     That's correct.

17          Q.     What about the voluntary people?  Who were  
18    they?  Who are they?

19          A.     There are a number of working interest owners  
20    that we've got voluntary joinder from.

21          Q.     And you have a JOA --

22          A.     Right.

23          Q.     -- for them?

24          A.     Yeah, operating agreement, or we've worked out  
25    other agreements, trades.

1 Q. Okay. This is Wolfcamp. So is there depth  
2 severances?

3 A. No.

4 CROSS-EXAMINATION

5 BY EXAMINER BROOKS:

6 Q. Okay. You've got two wells here and two  
7 separate cases; is that correct?

8 A. That is correct.

9 Q. And which one is the Wolfcamp and which one is  
10 the Bone Spring?

11 A. They're both Wolfcamp.

12 Q. They're both Wolfcamp?

13 A. Yes, sir.

14 Q. Everybody's Wolfcamp and Bone Spring these  
15 days.

16 Okay. Where are the lists of your owners  
17 and respective wells?

18 A. So the 212H well is Exhibit 4, and the -- I'm  
19 sorry. The 211 is Exhibit 4.

20 Am I saying that correctly?

21 MS. KESSLER: Yes.

22 THE WITNESS: The 211 is Exhibit 4, and the  
23 212 is Exhibit 6.

24 Q. (BY EXAMINER BROOKS) Exhibit 6. Okay.

25 You were talking about how many interests

1 there are here. There's not very many listed, and  
2 they're all small on the -- well, let me take them one  
3 at a time. The 214 -- 21 -- no, we're not into 214.

4 16372, the well 211, that's the interest  
5 set forth in Exhibit 4 right?

6 A. That is correct.

7 Q. Now, is that -- looks like -- I'm  
8 approximating. I don't have a calculator to run the  
9 numbers. But it looks like 100 percent of the mineral  
10 interest is tallied on that table; is that correct?

11 A. That is correct.

12 Q. Okay. And it says, "The mineral interest owner  
13 currently leased to Ozark Royalty Company." What does  
14 that -- tell me about that.

15 A. These are owners that were unleased when we  
16 sent out our proposals and applications, and we found  
17 out from Ozark Royalty Company that they acquired a  
18 lease during the process, during that time period, and  
19 we're currently negotiating now with Ozark.

20 Q. But did you notice Ozark?

21 A. Ozark is aware of the hearing. We did not  
22 notice them because we were unaware of the leases.

23 Q. But they -- yeah. The lease was not of record  
24 when you filed the application?

25 A. Right. Right. At the time we filed the

1 application, the lease had been filed, but not very  
2 long. Probably ten days.

3 Q. It had been filed --

4 A. That's correct.

5 Q. -- for record in the county, is what you mean?

6 A. Yes.

7 Q. So you're required to notice them, and you  
8 didn't do so. But you're saying they have actual  
9 notice?

10 A. They have actual notice.

11 Q. But they didn't appear in the proceeding?

12 A. They did not appear.

13 Q. Okay. That raises some interesting questions,  
14 but based on your testimony -- well, we have two things  
15 going for us. You're testifying that they have actual  
16 notice, and they're not here. So both of those tend to  
17 confirm that they're not interested. But still, we were  
18 talking about a belt-and-suspenders operations a minute  
19 ago. I would think the belt-and-suspenders approach  
20 would be to put this off for four weeks and send them  
21 some kind of formal notice.

22 REDIRECT EXAMINATION

23 BY MS. KESSLER:

24 Q. Would we be able to obtain a waiver from Ozark?

25 A. Yeah. We can likely obtain a waiver.

1 EXAMINER BROOKS: If you can obtain a  
2 waiver, that would be an alternative.

3 EXAMINER JONES: They're listed as a pooled  
4 party, though, right?

5 THE WITNESS: That's correct.

6 RECROSS EXAMINATION

7 BY EXAMINER BROOKS:

8 Q. Yeah. You're going to want to pool Ozark  
9 definitely, right?

10 A. (Indicating.)

11 Q. Now, you said EOG and Marathon are working  
12 interest owners. They would -- you don't have -- well,  
13 they're going to be pooled, right?

14 A. Yes, sir.

15 Q. Okay. So those are parties you're requesting  
16 to pool, and that covers all the interests in that --  
17 well, Marathon -- you're Marathon?

18 A. We're Matador.

19 Q. No, you're Matador.

20 Who is the applicant? Matador, right?

21 A. Yes, sir.

22 EXAMINER JONES: But not MRC Permian.

23 THE WITNESS: Matador Production Company.

24 EXAMINER BROOKS: I get Matador and  
25 Marathon mixed up. They both start with M-A.

1 Q. (BY EXAMINER BROOKS) All right. Let's go to  
2 Exhibit 6 then. Now, on Exhibit 6, you say you have  
3 50 -- you have 47.8751 percent in the 212 well, and  
4 you've got voluntary joinder of 50.375?

5 A. Yes, sir.

6 Q. So you've practically got this one nailed, but  
7 you've got a few unleased mineral owners?

8 A. We've got a few on this, correct.

9 Q. And you told me -- you told us about the  
10 diligence you --

11 A. Yes, sir.

12 Q. Did you serve any of these peoples, or were  
13 they all unlocatable?

14 A. We served Family Tree and Sidney Ray Goodson.

15 Q. And the others -- okay. I think that's all I  
16 have.

17 RECROSS EXAMINATION

18 BY EXAMINER JONES:

19 Q. Can you tell me where these people -- what  
20 tracts?

21 A. Yeah, if you want to turn back to Exhibit 1 on  
22 the Midland Map. This would be the south half of the  
23 southeast-northwest quarter and the northeast-southwest.

24 Q. So just two of the quarter-quarters are not --

25 A. 60 acres.

1 Q. 60 acres. Okay. Oh, wow. It's split up.

2 So how did Matador get their interest? Was  
3 it MRC obtaining a lease?

4 A. That's right. We've leased in here, and we've  
5 also done a few trades to get into this acreage.

6 Q. Okay. Thank you very much. Thanks for coming.

7 MS. KESSLER: We'll call our next witness.

8 ANDREW PARKER,

9 after having been previously sworn under oath, was  
10 questioned and testified as follows:

11 DIRECT EXAMINATION

12 BY MS. KESSLER:

13 Q. Good morning.

14 A. Morning.

15 Q. Can you please state your name for the record  
16 and tell the examiners by whom you're employed and in  
17 what capacity?

18 A. Andrew Parker with Matador Resources, and I'm a  
19 geologist.

20 Q. Have you previously testified before the  
21 Division?

22 A. Yes.

23 Q. Were your credentials as a petroleum geologist  
24 accepted and made a matter of record?

25 A. Yes.

1 Q. Are you familiar with the applications filed by  
2 Matador in these consolidated cases?

3 A. Yes.

4 Q. Have you conducted a geologic study of the  
5 lands underlying the subject acreage?

6 A. Yes.

7 MS. KESSLER: Mr. Examiners, I would tender  
8 Mr. Parker as an expert in petroleum geology.

9 EXAMINER JONES: He is so qualified.

10 Q. (BY MS. KESSLER) Mr. Parker, please turn to  
11 Exhibit 11 and identify this exhibit for the examiners.

12 A. This is a regional map of southeast New Mexico  
13 zoomed in on the northern part of the Delaware Basin so  
14 you can see the project areas for the Brad Lummis 211H  
15 well in the yellow boxes.

16 Q. And this has a pool and pool code listed at the  
17 top of the exhibit; is that correct?

18 A. I'm sorry?

19 Q. The pool and pool code listed at the top of  
20 this exhibit?

21 A. Yes.

22 EXAMINER JONES: Oh, good.

23 Q. (BY MS. KESSLER) What is Exhibit 12?

24 A. This is a structure map on the top of the  
25 Wolfcamp. It's 50-foot contours, showing a gentle dip

1 to the south and southeast. You can see the project  
2 areas with the well locations for both the 211 and the  
3 212. The orange sticks are existing Wolfcamp producers  
4 in the area, and there is a cross-section reference  
5 line, A to A prime, roughly north to south through the  
6 area.

7 Q. Did you select these three wells because they  
8 are north to south of the project area?

9 A. Yes.

10 Q. And do you consider them to be representative  
11 of the Wolfcamp wells in the area?

12 A. Yes.

13 Q. Please turn to Exhibit 13. Is this your  
14 corresponding cross-section exhibit?

15 A. Yes.

16 Q. Can you walk us through this exhibit, please?

17 A. This is a stratigraphic cross section, A to A  
18 prime, which is, again, roughly north to south parallel  
19 across the proposed wellbores. It goes from the top of  
20 the Wolfcamp to the base of the Wolfcamp, and the orange  
21 box highlights the target interval for both Brad Lummis  
22 211 and 212.

23 Q. What do you see with respect to continuity of  
24 the target interval across the proposed spacing unit?

25 A. The target interval is very uniform in

1 thickness and the reservoir quality across the entire  
2 interval.

3 Q. Based on your study of this area, have you  
4 identified any geologic hazards that would prevent  
5 horizontal wells?

6 A. No.

7 Q. And do you expect each tract to be more or less  
8 productive and contribute equally to production?

9 A. Yes.

10 Q. In your opinion, is horizontal drilling the  
11 most efficient way to develop this area?

12 A. Yes.

13 Q. What are Exhibits 14 and 15?

14 A. 14 is a well -- wellbore diagram from the Brad  
15 Lummis 211, and 15 is for the Brad Lummis 212. They  
16 both show surface location and the lateral and showing  
17 that we will perforate new 100-foot setbacks.

18 Q. In your opinion, will granting Matador's  
19 applications be in the best interest of conservation,  
20 the prevention of waste and the protection of  
21 correlative rights?

22 A. Yes.

23 Q. Were Exhibits 11 through 15 prepared by you or  
24 compiled under your direction and supervision?

25 A. Yes.

1 MS. KESSLER: Mr. Examiner, I would move  
2 Exhibits 11 through 15.

3 EXAMINER JONES: Exhibits 11 through 15 are  
4 admitted.

5 (Matador Resources Company Exhibit Numbers  
6 11 through 15 are offered and admitted into  
7 evidence.)

8 CROSS-EXAMINATION

9 BY EXAMINER JONES:

10 Q. This dramatically shows a difference between  
11 the Upper Wolfcamp and the Lower Wolfcamp in Lea County,  
12 it seems. Can you talk about that, the differences in  
13 the Wolfcamp from top to bottom -- or bottom to top, I  
14 guess as the geologists always say.

15 A. Yeah. I mean, regionally, there is -- there is  
16 a fair amount of structural change as you go to the  
17 north. There is some really well-known large faults in  
18 the area that are, you know, miles away from here, but  
19 that set up the topography that creates that thinning.  
20 And that thinning is more or less in the middle part of  
21 the Wolfcamp. The Upper Wolfcamp is well expressed all  
22 the way across this.

23 Q. So there is a middle -- so you would split  
24 this -- your target interval, first of all, what are you  
25 calling it? Everybody calls these things --

1 A. We call this A Lower.

2 Q. Lower A or A Lower?

3 A. Yeah. So Wolfcamp A, a lot of people will  
4 break it out into X-Y. You know, there is a Z sand in  
5 places, and then there is a shalier interval that we  
6 refer to as A Lower. But it's all still Upper Wolfcamp.

7 Q. Okay. Upper Wolfcamp in Lea County.

8 A. Yes.

9 Q. So Paul, I think -- you must be in good with  
10 Paul to get the pool code.

11 MS. KESSLER: Somebody is.

12 EXAMINER JONES: Somebody is.

13 Q. (BY EXAMINER JONES) So you're calling it --  
14 what's the difference -- if 12 -- like on the Buckeye  
15 #1, like 12,750 feet, there is a huge change in the  
16 gamma ray there. What is that?

17 A. 12,750?

18 Q. Yeah.

19 A. Yeah. That's about where a lot of people would  
20 pick maybe a Wolfcamp B top, which is, you know, an  
21 organic-rich target. Well, some people call it -- yeah.  
22 It's just an organic-rich interval that is targeted in  
23 other parts of the basin.

24 Q. But not here?

25 A. Well, I think you're starting to see some

1 operators target that zone in parts of Lea County, but  
2 that's relatively new compared to the Upper Wolfcamp.

3 Q. So the Upper, you've got more -- you've got a  
4 cleaner gamma ray. So it's kind of a bunch of silt --  
5 silt inside the shale; is that right? You've got more  
6 porosity?

7 A. Yeah. For the Upper Wolfcamp, there is -- you  
8 know, there is a fair amount more sand. And in the  
9 shales, there is good organic porosity that contributes.

10 Q. Okay. I think Paul sometimes splits the  
11 Wolfcamp in Lea County into different pools. Is that  
12 not the case here? Does this -- does this Antelope  
13 Ridge; Wolfcamp go all the way to the base of the  
14 Wolfcamp?

15 A. I can't -- I can't speak to that.

16 Q. Okay.

17 A. Yeah.

18 Q. Okay. And at the base of the Wolfcamp, it  
19 starts grading into cleaner -- in other words, how do  
20 you pick the base of the Wolfcamp and the Upper -- let's  
21 just go or whatever you're calling it?

22 A. Yeah. I mean, historically, you know, a lot of  
23 people, including Paul, just kind of go down to where  
24 there is a fairly noticeable gamma ray spike that's been  
25 called Cisco. But that's not -- I would say that that

1 isn't, you know, really well defined. It certainly  
2 isn't, you know, well defined by, you know, paleontology  
3 or anything like that.

4 Q. Or the bugs or fusulinids or something below  
5 that?

6 A. Yeah. Yeah. You don't really -- you probably  
7 don't get a lot of fusulinids out in that environment,  
8 and I've never seen conodont work or paleontology work  
9 or anything like that on that.

10 Q. Okay. Your wells starting at whatever location  
11 you can get here and going back and turning so you can  
12 get your 100-foot setback from the north line, if it  
13 takes 500 feet to make that curve, that means your well  
14 must be going into the section to the north of Section  
15 23; is that correct?

16 A. Well, there's no plan for the heel of the well  
17 to go into the adjacent section, so, you know, we may  
18 not be able to get exactly 100 feet to that setback, but  
19 we'll get as close as we can. And, you know, some of  
20 the perforations will come up a little bit into the heel  
21 but not -- which is -- well -- but not high enough that  
22 we would get out of zone or anything like that.

23 Q. Okay. Have you had any complaints when you --  
24 when you do do your curve inside somebody else's leased  
25 acreage and then to get your 100-foot setback?



1 amount on that. I mean, within our group, you know,  
2 Matador, obviously, we have agreement, and we have our  
3 own internal stratigraphy, but it doesn't always line up  
4 with every other --

5 Q. I find the other companies have, too, as their  
6 general rule according to geologists' testimony, but  
7 they're different. They don't use the same  
8 designations.

9 A. No. So what one company calls Wolfcamp B may  
10 not -- is probably not exactly what another company  
11 calls the Wolfcamp B. But I would say generally  
12 speaking, they're in the ballpark.

13 Q. Okay. Thank you.

14 RE CROSS EXAMINATION

15 BY EXAMINER JONES:

16 Q. But he brings up a good point. You're not  
17 asking for Bone Spring -- Bone Spring poolings here or  
18 units, but is it because the Bone Spring is no good  
19 here?

20 A. No. Bone Spring is certainly prospective here.  
21 We're focused on the Wolfcamp development right now in  
22 this area, and we'll get to Bone Spring later.

23 Q. Sounds good. Thank you very much for coming  
24 today.

25 MS. KESSLER: Mr. Examiners, I would ask

1 that this case be taken under advisement, and we'll  
2 supplement the waiver from Ozark.

3 EXAMINER BROOKS: Okay. Well, if you  
4 promise you can get one. If you fail to get it, now  
5 that the issue has been raised, we may have to exclude  
6 them from the order, and that might cause you to have to  
7 come back, but I'll let you make that decision.

8 MS. KESSLER: That's fine. Thank you.

9 EXAMINER JONES: Okay. Let's take Case  
10 16372 and Case 16373 under advisement and have a break  
11 until 10:00 a.m.

12 (Case Numbers 16372 and 16373 conclude,  
13 9:47 a.m.)

14 (Recess, 9:47 a.m. to 10:15 a.m.)

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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 23rd day of September 2018.

21

22

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