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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

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INDEX

PAGE

Case Numbers 16451, 16452, 16453 and 16454 Called	3
Matador Production Company's Case-in-Chief:	
Witnesses:	
Sara Hartsfield:	
Direct Examination by Mr. Bruce	3
Cross-Examination by Examiner Jones	11, 14
Cross-Examination by Examiner Brooks	12
Recross Examination by Examiner Brooks	16
Clark Collier:	
Direct Examination by Mr. Bruce	17
Cross-Examination by Examiner Jones	22
Proceedings Conclude	25
Certificate of Court Reporter	26

EXHIBITS OFFERED AND ADMITTED

Matador Production Company Exhibit Numbers 1 through 5	11
Matador Production Company Exhibit Numbers 6 through 9	21

1 (8:38 a.m.)

2 EXAMINER JONES: Let's call Cases 16451,
3 16452 and 16453 and 16454. All are styled application
4 of Matador Production Company for compulsory pooling in
5 Eddy County, New Mexico.

6 Call for appearances.

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

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

13 (Ms. Hartsfield and Mr. Collier sworn.)

14 SARA HARTSFIELD,
15 after having been first duly sworn under oath, was
16 questioned and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 **Q. Will you please state your name and city of**
20 **residence?**

21 A. My name is Sara Hartsfield, and I live in Fort
22 Worth, Texas.

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

24 A. I work for Matador Resources Company as a
25 landman.

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

3 A. Yes, I have.

4 Q. And were your credentials as an expert
5 petroleum landman accepted as a matter of record?

6 A. Yes, they were.

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

9 A. I am.

10 Q. And are you familiar with the status of the
11 lands involved in the pooling applications?

12 A. Yes.

13 MR. BRUCE: Mr. Examiner, I tender
14 Ms. Hartsfield as an expert petroleum landman.

15 EXAMINER JONES: Every time she comes up
16 here, it's a complicated case, so she is qualified as an
17 expert.

18 (Laughter.)

19 Q. (BY MR. BRUCE) Could you turn to Exhibit 1 and
20 go through Exhibits 1A through 1B and identify the wells
21 that you seek pooling and the well units, and then at
22 the end -- I think they're all in the same pool -- you
23 can identify the pool.

24 A. Okay. So Exhibits 1A through D are our draft
25 C-102s for four 320-acre Bone Spring wells that we're

1 seeking to pool. This first one in 1A is for the Larry
2 Wolfish #121H. It's located in the west half-west half
3 of Section 1 and Section 12, 23 South, 27 East, and we
4 are seeking to pool the Bone Spring Formation.

5 And if you turn to 1B, this is also a draft
6 C-102 for the Larry Wolfish 122H. This is located in
7 the east half of the west half of Sections 1 and 12 of
8 23 South, 27 East. We're also seeking to pool the Bone
9 Spring Formation.

10 And 1C is the draft C-102 for the Larry
11 Wolfish 123H. This is located in the west half of the
12 east half of Sections 1 and 12, 23 South, 27 East, Eddy
13 County. We're also seeking the Bone Spring Formation
14 here.

15 And then 1D is the draft C-102 for the
16 Larry Wolfish 124H. That's located in the east
17 half-east half of Sections 1 and 12, 23 South, 27 East,
18 Eddy County. All four of these will be in the Cass
19 Draw; Bone Spring Pool. The Pool Code is 10380.

20 **Q. And on these wells, most of them show a**
21 **330-foot setback, north and south. Those wells will**
22 **actually comply with the new statewide rules; will they**
23 **not?**

24 **A. They will. They will have the 100-foot**
25 **setbacks.**

1 Q. Now, have permits been issued on these wells?

2 A. No.

3 Q. At this point you do not own an interest in
4 each quarter-quarter section?

5 A. That's correct.

6 Q. Let's move to Exhibit 2. First of all, what
7 type of lands are involved in these applications?

8 A. This is all fee land.

9 Q. And does Matador or MRC own all of Section 12,
10 the working interests?

11 A. Yes.

12 Q. And so parties who are being notified own in
13 Section 1 only?

14 A. That is correct.

15 Q. Are there any depth severances in the Bone
16 Spring Formation?

17 A. There are no depth severances.

18 Q. Okay. Let's identify interest ownership in
19 each well unit. Let's move on to Exhibits 3A and 3B.

20 A. Okay. So the first is 3A, and this is a
21 summary of all of the interest in the Larry Wolfish
22 121H. It shows a total of the interest in the proposed
23 spacing unit. We're seeking to pool both working
24 interest and unleased mineral interest that is in
25 Section 1 for approximately 24 percent that is

1 uncommitted at this point.

2 If we go to 3B, this is the total interest
3 for the Larry Wolfish 122H. We're seeking to pool
4 approximately 20 percent of uncommitted working interest
5 and unleased mineral interest in Section 1.

6 And, also, this is the tract that has --
7 what we've identified as an orphan tract. At this time
8 this tract -- the ownership is -- we're unable to
9 determine the ownership. We've worked with our title
10 attorneys and with surveyors, and there is no clear
11 answer as to who owns it. We are pretty confident that
12 it could be a strip-and-gore issue. And so at some
13 point, maybe in our division order title process, we
14 would see that this tract actually divides and goes to
15 the contiguous tracts. At that point we would have
16 everybody covered so -- either voluntarily or through
17 this pooling.

18 **Q. And if not, you'd have to come back if you**
19 **can't find a name and pool that person?**

20 A. Correct.

21 So if we go on to 3C, this is all the
22 interest for the Larry Wolfish 123H, and we're seeking
23 to pool approximately 22 percent of uncommitted working
24 interest and unleased mineral interest in Section 1.

25 And one more, 3D. This is a summary of

1 interest for the Larry Wolfish 124H where we are also
2 seeking to pool approximately 26 percent of uncommitted
3 working interest and unleased mineral interest in
4 Section 1.

5 **Q. There are some owners whose letters came back**
6 **or like the unknown tract, so there are some unlocatable**
7 **parties; is that correct?**

8 A. Yes. There are some unlocatables.

9 **Q. And what steps did Matador take to locate these**
10 **individuals?**

11 A. We've done a county records search and utilized
12 online Internet databases, and we're continuing to look
13 for these people and reach out and try to find them.

14 **Q. And in your opinion, did Matador make a**
15 **good-faith effort to locate all of the parties and to**
16 **contact them?**

17 A. Yes.

18 **Q. Let's move on to Exhibit 4. What is reflected**
19 **in those exhibits?**

20 A. Exhibits 4A through D are examples of the
21 well-proposal letters that we sent. We sent two
22 different forms, a participation proposal with a JOA to
23 the working interest owners, along with an AFE, and then
24 also -- to the unleased mineral interest owners, we sent
25 a proposal with an offer to lease and an AFE.

1 Q. And looking at, say, the first page -- the last
2 page of Exhibit 4A, is that an AFE for that particular
3 well, the 121H?

4 A. Yes, it is.

5 Q. And are all of the AFEs for these four wells
6 virtually identical?

7 A. Yes, very similar.

8 Q. And in your opinion, are the -- are the costs
9 set forth in the AFEs fair and reasonable and in line
10 with the costs for similar wells in this area?

11 A. Yes.

12 Q. Did you make a good-faith effort to obtain the
13 voluntary joinder in the well?

14 A. Yes. And we are continuing to negotiate with
15 those parties.

16 Q. One final thing on interest ownership. Are you
17 seeking to pool any overriding royalty interest owners?

18 A. No. We have the authority to pool the
19 overrides that exist in these sections.

20 Q. Okay. And does Exhibit 5 contain my notice
21 affidavits for each of the four wells?

22 A. Yes, it does.

23 MR. BRUCE: And as we mentioned before the
24 hearing, Mr. Examiner, this case will have to be
25 continued to November 15th for notice purposes.

1 Q. (BY MR. BRUCE) What overhead rates do you seek?

2 A. We seek 8,000 while drilling and 800 while
3 producing.

4 Q. And are those the rates set forth in your JOAs
5 for the proposed wells?

6 A. Yes.

7 Q. And are these costs similar to what other
8 operators are charging in this area for these types of
9 wells?

10 A. Yes.

11 Q. Do you request that the charges be revised
12 periodically as provided by the COPAS accounting
13 procedure?

14 A. Yes.

15 Q. Were Exhibits 1 through 4 prepared by you or
16 under your supervision or compiled from company business
17 records?

18 A. Yes, they were.

19 Q. And the notice exhibits in Exhibit 5 were
20 prepared by you; were they not?

21 A. Yes.

22 Q. In your opinion, will the granting of this
23 application be in the interest of conservation and the
24 prevention of waste?

25 A. Yes.

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

3 EXAMINER JONES: 1 through 5 are admitted.
4 (Matador Production Company Exhibit Numbers
5 1 through 5 are offered and admitted into
6 evidence.)

7 MR. BRUCE: And I have no further questions
8 for the witness.

9 EXAMINER BROOKS: I don't have any
10 questions. I think you covered everything.

11 THE WITNESS: Okay.

12 EXAMINER JONES: He's smarter than I am.

13 CROSS-EXAMINATION

14 BY EXAMINER JONES:

15 Q. So Section 12 is all Matador; is that correct?

16 A. Yes.

17 Q. And you're putting the surface-hole location up
18 in Section 36 because of the federal ownership of the
19 surface in Section 1, at least the north half-north
20 half?

21 A. No. We already own Section 36, so we do have
22 some facilities there and some pads that are already
23 located there.

24 Q. Okay. So this orphan tract is well #122H,
25 correct? That's the --

1 A. Yes.

2 Q. -- west half-east half?

3 A. Yes.

4 Q. Where is that? I assume it's up in Section 1
5 somewhere?

6 A. It's in Section 1. It's actually -- it's going
7 to be -- it's located in this -- the southeast corner of
8 the southwest corner of Section 1, and it kind of is
9 right in between a couple of different right-of-ways, so
10 a railroad and a state highway. And so we're -- it's
11 unclear as to who actually owns that at this time.

12 Q. How big is it?

13 A. Oh, it is less than half an acre.

14 Q. Okay.

15 CROSS-EXAMINATION

16 BY EXAMINER BROOKS:

17 Q. Let's see. Which of the -- which of the
18 exhibits shows the orphaned tract?

19 A. That's going to be Exhibit 3B.

20 Q. 3B.

21 And I gather it's not specifically shown on
22 the plats?

23 A. Not on these plats, no.

24 Q. Now, the way our notice rule is -- well, I
25 assume that at some point in the title, it was common

1 ownership, and so the person who would have been
2 required to be noticed would be -- if you don't have
3 other information, would be the last titleholder of
4 record who is probably dead, so you would have to notice
5 his estate. But you said you were going to renotice it
6 when you got better title data?

7 A. If it -- if it requires. I think this might be
8 a strip-and-gore situation where this tract would then
9 go into a contiguous tract, at which point we would have
10 already noticed.

11 Q. Right.

12 A. I think it would be either the State Highway
13 Commission of New Mexico or someone that's currently
14 leased.

15 Q. State Highway Commission likes to leave a lot
16 of money on the table from oil and gas.

17 A. I've actually been talking to someone over
18 there about -- about -- I think they're starting to
19 change their stance on these things.

20 Q. Well, they could get -- they could get a
21 significant amount of money. Of course, they may be in
22 a situation where there is some statute that requires it
23 to go to some other fund so they can't use it. I don't
24 know.

25 A. I don't know either, but I have had some

1 conversations with someone over there.

2 Q. Well, that's often the case in state
3 government. The legislature's got it tied up so even if
4 you get the money, you can't use it so there is not much
5 incentive to go after it.

6 Okay. Thank you.

7 CONTINUED CROSS-EXAMINATION

8 BY EXAMINER JONES:

9 Q. The -- the unleased mineral interest owners --
10 we've had several -- well, a couple of cases at least
11 lately anyway that somebody shows up and says, Okay,
12 we've leased these people. But you've already noticed
13 these people, so it would be covered even if somebody
14 else shows up or --

15 EXAMINER JONES: How does that work, David?

16 EXAMINER BROOKS: Well, it's unleased. If
17 it's -- if there is somebody -- if none of the people
18 for whom they have leases owns it, it's unleased.

19 What she is suggesting is that there are
20 title doctrines that would cause the people who own the
21 adjacent tracts to have a valid claim to it, and if that
22 is the case, then it will be covered under their
23 subsequent oil and gas leases.

24 EXAMINER JONES: I was thinking about all
25 these unleased mineral owners. There is a company --

1 Jordan knows all about them, I think -- that comes in
2 and leases after they've been noticed for compulsory
3 pooling. So that's what I'm wondering about here.

4 Q. (BY EXAMINER JONES) But you've already provided
5 notice to the unleased mineral owner, and I guess if
6 somebody picks them up, those leases, they will -- they
7 will negotiate with you about joining the well?

8 A. Yes.

9 EXAMINER BROOKS: That's a business that
10 has a bad reputation, but it's not illegal.

11 (Laughter.)

12 EXAMINER JONES: Yeah. We have lots of
13 phone calls up here for that now.

14 Q. (BY EXAMINER JONES) The wells, you show them to
15 be 330 from the end lines.

16 A. Yes.

17 Q. Is that going to be the case, or are you going
18 to --

19 A. No. We're going to change that to 100-foot
20 setbacks on the heel and the toe.

21 Q. Okay. So by the time you show up for the
22 next -- I don't think I saw any permitted wells for
23 these yet.

24 A. Correct.

25 Q. So you'll have a C-102 at the next hearing,

1 correct?

2 A. It will probably still be a draft because at
3 this point, we don't own in every quarter-quarter.

4 Q. Yeah.

5 **REXCROSS EXAMINATION**

6 BY EXAMINER BROOKS:

7 Q. Just one other question. Who is Larry Wolfish?

8 A. He is a friend, possibly an old law school
9 buddy of our CEO.

10 Q. Oh, so he's a lawyer?

11 A. Our CEO?

12 Q. No.

13 A. Yes.

14 EXAMINER JONES: He just wants to know if
15 he went to UT.

16 (Laughter.)

17 THE WITNESS: I think that that is -- I
18 think that that's the case. I know that they're old
19 friends. So most of our wells are named after our CEO,
20 who is a lawyer, after his friends and family and
21 investors.

22 Q. (BY EXAMINER BROOKS) What is your CEO's name?

23 A. Joe Foran.

24 Q. I don't know if I've heard of him, but there
25 was a Larry Wolfish who, back in the 1980s, practiced

1 law with Geary, Stahl & Spencer in Dallas.

2 A. That might be one and the same.

3 Q. And there was also a David Brooks who practiced
4 law with that firm.

5 (Laughter.)

6 Q. Okay. Thank you.

7 A. Thank you.

8 EXAMINER JONES: Thanks a lot.

9 CLARK COLLIER,

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

12 DIRECT EXAMINATION

13 BY MR. BRUCE:

14 Q. Will you please state your name and city of
15 residence?

16 A. My name is Clark Collier. I live in Dallas,
17 Texas.

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

19 A. I work for Matador Resources as a geologist.

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

22 A. Yes.

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

25 A. Yes.

1 **Q. And are you familiar with the applications**
2 **filed in these cases?**

3 A. Yes.

4 **Q. And have you conducted a geologic study of the**
5 **Bone Spring Formation and the lands which are the**
6 **subject of these pooling hearings?**

7 A. Yes.

8 MR. BRUCE: Mr. Examiner, I tender
9 Mr. Collier as an expert petroleum geologist.

10 EXAMINER JONES: One question: Do you have
11 to drive over to Fort Worth to go the office? Is that
12 right?

13 THE WITNESS: No. Our office is in Dallas.

14 EXAMINER JONES: Okay. He's qualified.

15 (Laughter.)

16 EXAMINER BROOKS: If you never lived in
17 Dallas, I would strongly suspect that you did.

18 **Q. (BY MR. BRUCE) Would you identify Exhibit 6 for**
19 **the examiner?**

20 A. Exhibit 6 is a locator map. It shows the
21 outline of the Delaware Basin in New Mexico, and we've
22 got our Larry Wolfish project areas outlined in yellow
23 there in Sections 1 and 12 of 23 South, 27 East.

24 **Q. Is there a slight error on this exhibit?**

25 A. The pool code has an error. I believe that 4

1 needs to be a 1, so the pool code would be 10380. Is
2 that right?

3 Q. Right.

4 A. Okay.

5 Q. Let's go on to Exhibit 7 and please discuss
6 that for the examiner.

7 A. This exhibit is a structure map at the top of
8 the Bone Spring Formation through the project area. As
9 you can see, it's dipping slightly from west to east
10 about 1 to 2 degrees, and we show our Larry Wolfish
11 wells with their surface-hole locations to the north,
12 drilling to the south more or less along strike. We've
13 also identified all of the -- all of the yellow or
14 orange dots across this map are the control points, so
15 those are vertical wells that penetrated the Bone
16 Spring, and we picked the Bone Spring top on that and
17 used those as our control points on this map.

18 Also, there is a cross section from A to A
19 prime from north to south through the project area,
20 which we'll see on the next exhibit.

21 Q. And there are quite a few control points on
22 here, so you're confident of the top of the Bone Spring
23 zone; is that correct?

24 A. That's correct.

25 Q. And what is -- I'll wait until the next

1 exhibit.

2 Is there any impediment to drilling
3 horizontal wells in these sections?

4 A. No.

5 Q. Are there any pinch-outs around here that you
6 need to concern yourself with?

7 A. No. None that we've identified.

8 Q. Let's move on to Exhibit 8, the cross section.
9 Are the wells on this cross section representative of
10 the Bone Spring in this area?

11 A. Yes, they are.

12 Q. And could you further discuss Section 8?

13 A. So this is the cross section that we identified
14 on the previous exhibit, from A to A prime, going more
15 or less from north to south, and we've identified our
16 target interval there, in the middle of the Bone Spring,
17 as the 2nd Bone Spring Sand. As you can see, it's
18 relatively continuous in thickness throughout the
19 project area.

20 Q. And in your opinion, is horizontal drilling the
21 proper way to efficiently and economically develop this
22 acreage?

23 A. Yes, it is.

24 Q. And in your opinion, will each quarter-quarter
25 section in each of the well units contribute more or

1 **less equally to production?**

2 A. Yes.

3 **Q. Finally, what is shown on Exhibit 9?**

4 A. This is a wellbore schematic. So I guess there
5 is 9A through 9D. We've got all four wellbore
6 schematics here. And the point of these are to show
7 that we will be complying with the required setbacks.
8 So we've identified the north section line through
9 Section 1, the section line between 1 and 12 and the
10 south section line for Section 12, and we're showing
11 that we will not perforate or produce oil and gas
12 outside of the 100-foot setbacks.

13 **Q. Were Exhibits 6 through 9 prepared by you or**
14 **under your supervision?**

15 A. Yes, they were.

16 **Q. And in your opinion, is the granting of these**
17 **applications in the interest of conservation and the**
18 **prevention of waste?**

19 A. Yes.

20 MR. BRUCE: Mr. Examiner, I move the
21 admission of Exhibits 6 through 9.

22 EXAMINER JONES: Exhibits 6 through 9 are
23 admitted.

24 (Matador Production Company Exhibit Numbers
25 6 through 9 are offered and admitted into

1 evidence.)

2 MR. BRUCE: No further questions of the
3 witness.

4 EXAMINER JONES: Mr. Brooks?

5 EXAMINER BROOKS: No questions.

6 CROSS-EXAMINATION

7 BY EXAMINER JONES:

8 Q. So north-south is the way to drill out here?

9 A. So we've gone either way in this area. We've
10 gone east-west and north-south. I think the orientation
11 of the principal stress is such that we believe we'll
12 have a similar result in this area going north-south or
13 east-west.

14 Q. Okay. Is there any special pool rules in the
15 Cass Draw; Bone Spring Pool? I know they would be
16 trumped by the new horizontal well rule, but they might
17 make different -- I assume they're 40-acre spacing in
18 the pool.

19 MR. BRUCE: Yes.

20 Q. (BY EXAMINER JONES) And the zone you're going
21 for here -- this looks like kind of a thin sand, but
22 actually that scale is really --

23 A. Right. So you're seeing the entire Bone Spring
24 section from top to bottom here, and I've identified the
25 2nd Bone Spring Sand, so it's about 200 feet thick.

1 Q. Okay. And that's a 2nd Bone Spring?

2 A. Yes, sir.

3 Q. And you're going to drill all four of these
4 wells in the 2nd Bone Spring Sand?

5 A. That's correct.

6 Q. And what's the next available potential target
7 besides this 2nd Bone Spring?

8 A. We're always evaluating it, so we like a lot of
9 zones over here.

10 Q. The cross section -- those three wells in the
11 cross section, are they recent wells or --

12 A. So the dates, I think -- usually those are up
13 on the header. It doesn't look like they're on the
14 headers here. But we did not drill any of these wells.

15 Q. They're Morrow well?

16 A. Yeah. They're Morrow wells. They're probably
17 older wells. You'll find an occasional one that was
18 drilled at the end of the '90s or in the last 15 or 20
19 years, but most of them are a little older than that.

20 Q. Okay. How are you going to stay in zone?
21 You're pretty confident of your depth, but you haven't
22 done anything else besides these old logs to --

23 A. Well, we have the seismic over the area, so
24 we'll use that to help us. We'll also use MWD gamma
25 when we're drilling to steer the wells. So it's pretty

1 routine for us. We're pretty good at staying in zone,
2 so we're confident we'll be in our target interval.

3 Q. Okay. And are you going to frac all these
4 wells at the same time or -- or are you -- these are all
5 separate compulsory poolings, so they're far enough
6 spaced apart they're not going to influence each other
7 that much.

8 A. Yeah. I'm not sure exactly what we'll do in
9 terms of the completion. If we drill them all at the
10 same time, that would make sense, but I'm not sure where
11 they are on our drill schedule. So we may drill one and
12 then come back. We may drill all four at the same time,
13 frac them at the same time. We may drill these with
14 other horizons and do it that way. I don't exactly have
15 the answer, but we'll do whatever makes the best
16 economical sense for us.

17 Q. Okay. Yeah. Our default is 120 days, you
18 know, so I guess you can ask for something different
19 later on.

20 Thanks very much for coming up here.

21 A. Thank you.

22 MR. BRUCE: And please continue the case to
23 November 15th, the cases.

24 EXAMINER JONES: Cases 16451, 16452, 16453
25 and 16454 have been heard, and they're continued to

1 November 15.

2 (Case Numbers 16451 through 16454 conclude,
3 9:07 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 29th day of October 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