

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 COMPANY FOR A NONSTANDARD SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO. CASE NO. 16407

Consolidated with

APPLICATION OF MATADOR PRODUCTION COMPANY FOR A NONSTANDARD SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO. CASE NO. 16435

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 15, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER  
KEITH W. HERRMANN, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner, and Keith W. Herrmann, Legal Examiner, on Thursday, November 15, 2018, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Third Floor Meeting Room, 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

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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

JORDAN L. KESSLER, ESQ.  
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1 (8:58 a.m.)

2 EXAMINER McMILLAN: Okay. The next case I  
3 would like to call will be Case Number 16407,  
4 application of Matador Production Company for a  
5 nonstandard spacing and proration unit and compulsory  
6 pooling, Lea County, New Mexico.

7 Is this going to be combined with 16435?

8 MS. KESSLER: Yes.

9 EXAMINER McMILLAN: That case shall be  
10 combined with Case Number 16435, application of Matador  
11 Production Company for a nonstandard spacing and  
12 proration unit and compulsory pooling, Lea County, New  
13 Mexico.

14 Call for appearances.

15 MS. KESSLER: Mr. Examiner, Jordan Kessler,  
16 from the Santa Fe office of Holland & Hart, on behalf of  
17 the Applicant.

18 EXAMINER McMILLAN: Any other appearances?  
19 Please proceed.

20 MS. KESSLER: Mr. Examiners, these two  
21 cases will be combined and presented by affidavit.

22 Our first request, Mr. Examiners, request  
23 for a nonstandard spacing unit for each of the two  
24 applications be dismissed. These applications were both  
25 filed after the horizontal well rule went into effect.

1 I'll just briefly lay out each of the  
2 affidavits, Mr. Examiners. The first affidavit is from  
3 a landman, Trey Goodwin. He works for Matador. He sets  
4 out the two spacing units in paragraphs five and six.

5 Case Number 16435 pertains to a 160-acre  
6 horizontal spacing unit comprised of the east half-west  
7 half of Section 35, Township 22 South, Range 32 East,  
8 and Case Number 16407 pertains to the west half-west  
9 half of Section 35, Township 22 South, Range 32 East,  
10 both in Lea County. And in each of these cases, Matador  
11 seeks to pool the Bone Spring Formation for two Brad  
12 Dyer wells.

13 The C-102 for each of these cases are  
14 attached as Exhibits A1 and A2.

15 A3 reflects that this is a single federal  
16 lease, as Mr. Goodwin testifies in his affidavit.

17 Exhibit 4 is a summary of interests showing  
18 that Matador seeks to pool approximately 5 percent  
19 working interest and a handful of overriding royalty  
20 interest owners.

21 Exhibits 5 and 6 are the well-proposal  
22 letters sent to the working interest owners and the  
23 AFEs.

24 Exhibit B is the affidavit from Mr. Clark  
25 Collier, a geologist who has previously been sworn in

1 and recognized as an expert in petroleum geology.

2 He includes an overview of the area as  
3 Exhibit B1.

4 B2 is a structure map, and he, in his  
5 affidavit, states that he does not see any impediments  
6 to development.

7 And the other exhibits, I believe,  
8 Mr. Examiner, are self-explanatory and laid out in the  
9 affidavit. If you have any additional questions, I'd be  
10 happy to point to the paragraph of the affidavit that  
11 addresses any questions.

12 Finally, Exhibits C and D are affidavits  
13 prepared by my office with attached letters. The  
14 working interest owner, Mr. Examiner, was locatable.  
15 There are a couple of override royalty owners on the  
16 fourth page of each of the exhibits that are highlighted  
17 for whom we did not receive green cards back. And we  
18 did publish notice directed to those overriding royalty  
19 interest owners, and the affidavits are included as the  
20 last page of Exhibits C and D.

21 Mr. Examiner, I'd move admission of  
22 Exhibits A through D.

23 EXAMINER McMILLAN: Exhibits A through D  
24 may now be accepted as part of the record.

25 (Matador Production Company Exhibit Letters

1                   A through D are offered and admitted into  
2                   evidence.)

3                   MS. KESSLER:   And I would ask that these  
4                   cases be taken under advisement.

5                   EXAMINER McMILLAN:   Okay.   First of all,  
6                   what are the costs?

7                   MS. KESSLER:   The costs are identified in  
8                   paragraph 15 of the landman's affidavit as 7,000 per  
9                   month while drilling and 700 per month while producing.

10                  EXAMINER McMILLAN:   And the pool code is  
11                  98297?

12                  MS. KESSLER:   Mr. Examiner, as the landman  
13                  lays out in his affidavit in paragraph seven, these  
14                  wells were originally mistakenly placed into a gas pool.  
15                  The landman has conferred with Paul Kautz, and Paul  
16                  Kautz, as the landman says in paragraph seven, has  
17                  stated that these pools will be placed into a wildcat  
18                  Wolfcamp oil pool.   That's Pool Code 98286.

19                  EXAMINER McMILLAN:   Okay.   98296?

20                  MS. KESSLER:   98286.

21                  EXAMINER McMILLAN:   98286.

22                  And will the completed interval be  
23                  orthodox?

24                  MS. KESSLER:   Yes.   That is identified on  
25                  the C-102s.

1 EXAMINER McMILLAN: Depth severances?

2 MS. KESSLER: No. Mr. Examiner, he states  
3 in paragraph 12 of his affidavit that there are no depth  
4 severances.

5 EXAMINER McMILLAN: And the geologist also  
6 states all quarter-quarter sections will equally  
7 contribute to production?

8 MS. KESSLER: That is stated in his  
9 affidavit.

10 EXAMINER McMILLAN: Okay. And looking at  
11 this, tell the geologist that if he's going to use  
12 color, he should make it relevant. I mean, a purple map  
13 is kind of worthless. And you'll fix that.

14 Do you have any questions?

15 MR. HERRMANN: No, I do not.

16 EXAMINER McMILLAN: And status is proposed?

17 MS. KESSLER: That's correct.

18 EXAMINER McMILLAN: The 205 -- is the API  
19 number 45918?

20 MS. KESSLER: The API numbers are on each  
21 of the C-102s. That's not the API number that I see. I  
22 see -- for the 202H, I see 45914, and for the 205H,  
23 45915.

24 EXAMINER McMILLAN: Compulsory pooling,  
25 working interests plus overrides?

1 MS. KESSLER: Correct.

2 EXAMINER McMILLAN: Okay. Okay.

3 MS. KESSLER: I would ask that this case --  
4 these two cases be taken under advisement.

5 EXAMINER McMILLAN: Cases 16407 and 435  
6 shall be taken under advisement.

7 (Case Numbers 16407 and 16435 conclude,  
8 9:06 a.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 DATED THIS 18th day of December 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

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