

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 NO. 20123  
COMPANY FOR COMPULSORY POOLING, LEA  
COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

January 24, 2019

Santa Fe, New Mexico

BEFORE:   MICHAEL McMILLAN, CHIEF EXAMINER  
          KATHLEEN MURPHY, TECHNICAL EXAMINER  
          TERRY WARNELL, TECHNICAL EXAMINER  
          DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner; Kathleen Murphy and Terry Warnell, Technical Examiners; and David K. Brooks, Legal Examiner, on Thursday, January 24, 2019, 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:

JORDAN L. KESSLER, ESQ.  
HOLLAND & HART, LLP  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501  
(505) 988-4421  
jlkessler@hollandhart.com

FOR INTERESTED PARTY EOG RESOURCES:

ERNEST L. PADILLA, ESQ.  
PADILLA LAW FIRM, P.A.  
1512 South St. Francis Drive  
Post Office Box 2523  
Santa Fe, New Mexico 87504  
(505) 988-7577  
padillalaw@qwestoffice.net

INDEX

PAGE

Case Number 20123 Called	3
Case Presented by Affidavit	3
Proceedings Conclude	7
Certificate of Court Reporter	8

EXHIBITS OFFERED AND ADMITTED

Matador Production Company Exhibit Numbers 1 through 3	7
---	---

1 (9:53 a.m.)

2 EXAMINER McMILLAN: The next case I'd like  
3 to call is 20123.

4 Can you give a brief description of the  
5 case?

6 MS. KESSLER: Certainly.

7 Mr. Examiner, in Case 20123, Matador  
8 Production Company seeks to compulsory pool the Bone  
9 Spring Formation in the 160-acre spacing unit comprised  
10 of the west half-west half of Section 23, Township 24  
11 South, Range 34 East in Lea County, New Mexico and  
12 dedicate the spacing unit to the Brad Lummis Fed Com  
13 #11H well.

14 MR. PADILLA: Mr. Examiner, I'd like to  
15 enter an appearance for EOG Resources. My participation  
16 is strictly going to be to enter an appearance. We're  
17 very close to working out a deal, and that should occur  
18 soon.

19 EXAMINER McMILLAN: Okay.

20 MS. KESSLER: And I believe that  
21 Mr. Padilla had formally told me that there was no  
22 objection to presenting this by affidavit.

23 EXAMINER McMILLAN: Oh, okay. Thank you.

24 MS. KESSLER: I'll proceed, if I may,  
25 Mr. Examiner.

1           As I mentioned, this case seeks to pool the  
2 Bone Spring Formation in the west half-west half of  
3 Section 23, Township 24 South, Range 34 East in Lea  
4 County. Before you is three affidavits. The first is  
5 the affidavit of Mr. Chris Carleton who is a landman  
6 with Matador. He describes the spacing unit.

7           The first attachment is a Midland Map, and  
8 he states in his affidavit that this shows the spacing  
9 unit as comprised of one federal lease and fee acreage.

10           The C-102 attached as Exhibit -- as Tab B  
11 shows that this APD has been approved and an API number  
12 assigned, and the Division has placed this well into the  
13 Red Hills; Bone Spring, North Pool. The pool code is  
14 listed.

15           Exhibit C shows a summary of interests.  
16 The first page is a working interest, and EOG -- I'm  
17 sorry -- EOG and Marathon are the two parties that  
18 Matador seeks to pool.

19           The second page of this exhibit shows the  
20 overriding royalty interest owners that Matador seeks to  
21 pool.

22           Tab D is the well-proposal letter, and a  
23 sample of the well-proposal letter sent to each of the  
24 working interest owners, and it includes an AFE. And  
25 the affidavit states that the AFE is similar to what is

1 charged for other wells in the area. Included in the  
2 affidavit is proposed well costs for -- administrative  
3 costs while drilling and producing, and Matador is  
4 asking for 7,000 a month while drilling and 700 a month  
5 while producing.

6 Exhibit 2 is the affidavit of Mr. Andrew  
7 Parker. He includes, first, just a locator map to show  
8 where the spacing unit is in relation to each of the  
9 counties.

10 Tab B is a structure map showing there are  
11 no major structural issues preventing the development by  
12 horizontal wells.

13 Tab C is a cross-section exhibit showing  
14 the Bone Spring target, and they're targeting the first  
15 Bone Spring interval with their Brad Lummis 11H well.

16 And Tab D is a wellbore diagram showing the  
17 well will be at an orthodox location.

18 Our notice is included in Tab 3.

19 And that concludes my presentation of the  
20 these affidavits.

21 EXAMINER McMILLAN: Okay. The first  
22 question I've got relates essentially to the C-102 and  
23 D. So the surface location is 4- -- 400 from the  
24 north, 426, and the first take point is 400, 330. And  
25 the last take point is 330, 660?

1 MS. KESSLER: So, Mr. Examiner, the  
2 C-102 -- the APD looks like it was submitted before the  
3 horizontal well rule change, so I imagine that Matador  
4 will submit an updated C-102 showing 100 feet off the  
5 heel and toe.

6 EXAMINER McMILLAN: Yeah. You'll have to  
7 submit that.

8 MS. KESSLER: Yeah. To the Division  
9 district office, right?

10 EXAMINER McMILLAN: And submit it to the  
11 Examiner Bureau because there will be an updated C-102.

12 MS. KESSLER: Okay.

13 EXAMINER McMILLAN: So the next question:  
14 Are there any depth severances?

15 MS. KESSLER: No.

16 EXAMINER McMILLAN: Unlocatable?

17 MS. KESSLER: No.

18 EXAMINER McMILLAN: And then the  
19 quarter-quarter business?

20 MS. KESSLER: The geology affidavit does  
21 state that each of the quarter-quarter quarter sections  
22 will contribute more or less equally to production.

23 EXAMINER McMILLAN: Status, proposed?

24 MS. KESSLER: Correct.

25 EXAMINER BROOKS: I have nothing. I think

1 you've covered everything. You've identified all the  
2 overrides. That's what we like to see.

3 EXAMINER McMILLAN: Kathleen, do you have  
4 any questions?

5 EXAMINER MURPHY: No. Thank you.

6 MS. KESSLER: I would move admission of  
7 these exhibits.

8 MR. PADILLA: No objection.

9 EXAMINER McMILLAN: The exhibits may now be  
10 accepted as part of the record.

11 (Matador Production Company Exhibit Numbers  
12 1 through 3 are offered and admitted into  
13 evidence.)

14 MS. KESSLER: Thank you.

15 And I'll ask that the case be taken under  
16 advisement.

17 MR. PADILLA: That's fine with us.

18 EXAMINER McMILLAN: Case 20123 shall be  
19 taken under advisement --

20 MS. KESSLER: Thank you.

21 EXAMINER McMILLAN: -- with the required  
22 information.

23 (Case Number 20123 concludes, 9:59 a.m.)

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 8th day of February 2019.

21

22

23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2019  
Paul Baca Professional Court Reporters

25