

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. 20124
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
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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

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1 (10:00 a.m.)

2 EXAMINER McMILLAN: I'd like to call Case
3 20124.

4 MS. KESSLER: Mr. Examiner, Jordan Kessler
5 from Holland & Hart on behalf of the Applicant.

6 EXAMINER McMILLAN: Do you have a brief
7 summary?

8 MS. KESSLER: Mr. Examiner, I will pass out
9 exhibits shortly, but in this case, Matador Production
10 Company seeks to compulsory pool the Wolfcamp Formation
11 underlying a 240-acre spacing unit comprised of the west
12 half-west half of Section 20 and the west half-northwest
13 quarter of Section 29 in Township 26 South, Range 35
14 East of Lea County.

15 EXAMINER McMILLAN: Any other appearances?
16 Please proceed.

17 MS. KESSLER: In front of you,
18 Mr. Examiner, are three affidavits. The first is from
19 Mr. Chris Carleton. Again, he's previously testified
20 before the Division.

21 Matador seeks to form a 240-acre horizontal
22 spacing unit. The lands for that spacing unit are shown
23 in Tab A, and this is a Midland Map showing also the
24 240-acre spacing unit and the fact that these are all
25 fee lands.

1 Behind Tab B is a draft C-102 for the
2 Grevey Com 20 and 29-26 South, Range 35 East AR #211H
3 well. And, Mr. Examiner, because this C-102 has not
4 been submitted yet, it has not been assigned a pool. I
5 did contact the district office and was told that it
6 would be in the Jabalina; Wolfcamp, Southwest Pool.
7 That's Pool Code 96776.

8 EXAMINER McMILLAN: 96776.

9 MS. KESSLER: Yes. And that's pointed out
10 in paragraph seven of the affidavit. But that is
11 subject to Division confirmation.

12 EXAMINER McMILLAN: Okay. And it's an oil
13 pool, right?

14 MS. KESSLER: An oil pool, 40-acre oil
15 pool.

16 Mr. Examiners, behind Tab C is a summary of
17 interests. Matador seeks to pool working interest
18 owners and unleased mineral interest owners. There are
19 no overriding royalty interest owners.

20 And there is a note here that is discussed
21 in the affidavit that the interest of Orla Petco, Inc.
22 was an unleased mineral interest owner. After this
23 application was filed and after notice was sent, she did
24 sell her interest to Fortis -- Fortis Minerals II, LLC.
25 But pursuant to NMAC 19.15.4.12.A(1)(a), because notice

1 was provided of the application at the time -- to the
2 interest owner of record at the time that the
3 application was filed, we understand that we are in
4 compliance with the Division notice regulations and that
5 the new interest owner bought those minerals subject to
6 notice.

7 EXAMINER BROOKS: That would appear to be
8 correct under the rule.

9 MS. KESSLER: Thank you.

10 Tab D includes a well-proposal letter both
11 to the working interest owners and to the unleased
12 mineral interest owners. The unleased mineral interest
13 owner letter also included an offer to lease, and the
14 efforts to reach an agreement by parties is also
15 reflected in the affidavit. These letters included an
16 AFE, which is also behind Tab D, and the affidavit
17 states that this is -- that the costs on this well are
18 reasonable and in line with what other operators charge
19 in the area.

20 Finally, Mr. Examiner, in paragraph 13,
21 Matador is requesting \$7,000 a month while drilling and
22 700 a month while producing.

23 And paragraph 12 points out there are no
24 depth severances.

25 I'll move to the affidavit of Mr. Andrew

1 Parker. This is Tab 2. He attaches the usual exhibits.
2 The first is a locator map showing the spacing unit and
3 area.

4 Tab B is a structure map which shows that
5 there is -- that the structure is relatively flat.
6 There is virtually no dip in this area. That's included
7 in the affidavit.

8 Tab C shows the cross-section exhibit and
9 the target which is at the very top of the Wolfcamp
10 Formation.

11 And Tab D is a wellbore diagram showing
12 that the well will be orthodox under the horizontal well
13 rules.

14 Exhibit 3 is our affidavit. There are no
15 unlocatable interest owners.

16 And, Mr. Examiner, that concludes my
17 presentation of this application.

18 EXAMINER McMILLAN: I missed the last
19 statement. Unlocatable interests?

20 MS. KESSLER: No.

21 EXAMINER McMILLAN: Okay. And then provide
22 us with what you expect to be the first and last take
23 point.

24 MS. KESSLER: Yeah. Mr. Examiner, that's
25 shown on Tab B as being 100 feet off of the heel and

1 toe. If you would like me to read the footages into the
2 record, I'd be happy to.

3 EXAMINER McMILLAN: I don't see the point.

4 MS. KESSLER: Okay. They're included in
5 the application.

6 EXAMINER McMILLAN: Okay. Hey, tell the
7 geologist if he's going to use colors to make them
8 relevant, you know. A nice looking blue serves no
9 purpose.

10 MS. KESSLER: I'll pass that message along.

11 EXAMINER McMILLAN: Yeah.

12 EXAMINER BROOKS: What are you talking
13 about, Mr. Examiner?

14 EXAMINER McMILLAN: Well, they have this
15 blue map. What's the point?

16 EXAMINER BROOKS: Well, I don't think we
17 should discourage people from --

18 EXAMINER McMILLAN: We shouldn't, but they
19 shouldn't just have a blue. They should use other
20 colors.

21 EXAMINER BROOKS: Well, I don't think --
22 it's in New Mexico. I don't think we're going to think
23 it's offshore. But --

24 MS. KESSLER: I understand the point.

25 EXAMINER BROOKS: -- this is a personal

1 preference, I guess. I was going to congratulate you on
2 putting the blue line on the Midland Map Company because
3 the trouble with Midland Map Company maps is they give
4 too much information and you can't find out what you
5 need. But the blue line shows clearly where the well is
6 and that makes it more --

7 EXAMINER McMILLAN: This relates to the
8 structure map, is my point.

9 MS. KESSLER: Yes, Mr. Examiner.

10 EXAMINER BROOKS: Okay. Well, you know
11 about structure maps. I don't know anything about
12 structure maps.

13 EXAMINER MURPHY: In the map, they could
14 put a -- in the legend, with the dark blue, what the
15 green goes to also on the side.

16 EXAMINER BROOKS: Well, geologists mostly
17 like pretty pictures. I don't know about Mike. I've
18 had my say.

19 EXAMINER McMILLAN: That's funny
20 (laughter).

21 EXAMINER MURPHY: From lower elevation to
22 deeper elevation, they could put in the legend that the
23 darker blue is the deeper on the side.

24 MS. KESSLER: She gets it.

25 EXAMINER McMILLAN: (Indicating.)

1 EXAMINER BROOKS: It's the subsea
2 (laughter).

3 EXAMINER McMILLAN: Okay. Okay. I don't
4 have any questions.

5 Do you?

6 EXAMINER BROOKS: No.

7 EXAMINER McMILLAN: Kathleen?

8 EXAMINER MURPHY: No.

9 MS. KESSLER: Mr. Examiner, I would ask
10 that these exhibits be included as part of the record.

11 EXAMINER McMILLAN: Okay. The exhibits may
12 now be accepted as part of the record.

13 (Matador Production Company Exhibit Numbers
14 1 through 3 are offered and admitted into
15 evidence.)

16 MS. KESSLER: And I would ask that this
17 case be taken under advisement.

18 EXAMINER McMILLAN: Case Number 20124 shall
19 be taken under advisement.

20 Thank you.

21 (Case Number 20124 concludes, 10:09 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 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

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