

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. 20324
COMPANY FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 4, 2019

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
TERRY WARNELL, TECHNICAL EXAMINER
WILLIAM V. JONES, TECHNICAL EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner; Terry Warnell and William V. Jones,
Technical Examiners; and David K. Brooks, Legal
Examiner, on Thursday, April 4, 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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1 APPEARANCES

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11 FOR INTERESTED PARTY MARATHON OIL PERMIAN, LLC:

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16 INDEX

17		PAGE
18	Case Number 20324 Called	3
19	Case Presented by Affidavit	4
20	Proceedings Conclude	15
21	Certificate of Court Reporter	16

22

23 EXHIBITS OFFERED AND ADMITTED

24	Matador Production Company Exhibit Numbers 1 through 3	6
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1 (10:23 a.m.)

2 EXAMINER McMILLAN: Okay. The next case
3 I'd like to call is Case Number 20324, application of
4 Matador Production Company for compulsory pooling, Eddy
5 County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of
8 Santa Fe representing the Applicant. I am submitting
9 this case by affidavit.

10 EXAMINER McMILLAN: Are there any other
11 appearances?

12 MS. SHAHEEN: Yes. Sharon Shaheen offering
13 an appearance on behalf of WPX Energy, belated, I admit.

14 EXAMINER McMILLAN: Well, my notes say
15 "Marathon Oil Permian."

16 MS. SHAHEEN: Am I on the wrong case?

17 EXAMINER McMILLAN: We're on 20324.

18 MS. SHAHEEN: Is that the K Grevey?

19 EXAMINER McMILLAN: Yes.

20 MS. BENNETT: Deana Bennett on behalf of
21 Marathon Oil Permian.

22 EXAMINER McMILLAN: And WPX?

23 MS. SHAHEEN: Yes, WPX Energy, belated
24 appearance.

25 EXAMINER McMILLAN: Okay. Proceed.

1 MR. BRUCE: Mr. Examiner, I've handed you a
2 set of exhibits.

3 Exhibit 1 is the verified statement of Trey
4 Goodwin, who is a landman for Matador, the usual
5 attachments. There is a land plat and then C-102s.
6 Matador is seeking to form a 640-acre horizontal spacing
7 unit in the Wolfcamp Formation, Purple Sage; Wolfcamp
8 gas pool, underlying the north half of Section 35 and
9 the north half of Section 36 of 22-27, for the K Grevey
10 State Com Well #35H and Well #202H.

11 The C-102s show the well paths. That is
12 shown on Attachments A and B. And for your information,
13 the land involved is fee and state.

14 Attachment C is a list of -- not much of a
15 list. Matador seeks to force pool WPX into the well
16 unit.

17 Attachment D is the well proposal sent to
18 WPX, along with the AFEs. As I said, the wells are both
19 Wolfcamp wells, with approximate well costs of about --
20 approximately \$11 million, which costs are stated to be
21 fair and reasonable by Mr. Goodwin. The Applicant seeks
22 a 200 percent risk charge in the event WPX goes
23 nonconsent. They're requesting 8,000 a month for a
24 drilling well and 800 a month for a producing well, and
25 these are fair and reasonable. And they request that

1 these be adjusted under the COPAS accounting procedure.
2 And these would also be the rates that would be
3 contained in a JOA on the well.

4 Exhibit 2 is my Affidavit of Notice showing
5 that a copy of the application was mailed to WPX, and
6 they did receive actual notice.

7 And Exhibit 3 is the affidavit of Clark
8 Collier, the landman for Matador, containing a locator
9 plat, a structure map showing that structure dips gently
10 to the east outlining the well unit and showing the
11 location of the two wells.

12 Attachment C, a cross section showing that
13 the Upper Wolfcamp will be tested by both wells. The
14 target zone is noted on the cross section. Mr. Collier
15 states that the horizontal spacing unit is justified
16 from the geologic standpoint, and each quarter section
17 in the well unit will contribute more or less equally to
18 production, and there is no faulting or other impediment
19 which would impair the drilling of the subject wells.
20 And in this area, there is really no preference for
21 lay-down or stand-up units.

22 With that, I'd move the admission of
23 Exhibits 1 through 3.

24 MS. BENNETT: No objections.

25 MS. SHAHEEN: No objections.

1 EXAMINER McMILLAN: Exhibits 1 through 3
2 may now be accepted as part of the record.

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

6 EXAMINER McMILLAN: Cross?

7 MS. BENNETT: No.

8 EXAMINER McMILLAN: The first thing I'm
9 seeing is I don't see a locator map for your cross
10 section.

11 MR. BRUCE: Well, we can certainly -- I'm
12 sorry. It's on Attachment B to the geologist. It's A,
13 A prime. It starts immediately to the west of the well
14 unit and ends immediately to the east of the well unit.

15 EXAMINER McMILLAN: Oh, okay.

16 Once again, the same thing I told them.

17 MR. BRUCE: Yes. Yes, sir.

18 EXAMINER McMILLAN: Let's see. Any
19 unlocatable interests?

20 MR. BRUCE: No.

21 EXAMINER McMILLAN: Any depth severances?

22 MR. BRUCE: No.

23 EXAMINER BROOKS: Any overrides?

24 MR. BRUCE: No, none that -- none that
25 require pooling. None that require compulsory pooling.

1 EXAMINER BROOKS: Okay.

2 EXAMINER McMILLAN: And you expect each
3 quarter section to contribute equally?

4 MR. BRUCE: Yes. That is stated by
5 Mr. Collier. And the landman does state there are no
6 depth severances in the Wolfcamp.

7 EXAMINER McMILLAN: Completed interval will
8 be orthodox, right?

9 MR. BRUCE: Correct, the 330-foot setbacks
10 for the Purple Sage.

11 EXAMINER McMILLAN: Okay.
12 Do you have anything?

13 EXAMINER BROOKS: No.

14 MR. BRUCE: With that, I'd ask that the
15 case be taken under advisement.

16 MS. BENNETT: No objection.

17 MS. SHAHEEN: May I make a statement?

18 EXAMINER McMILLAN: Sure.

19 MS. SHAHEEN: On behalf of WPX, we have a
20 competing application for the Collie well, and I believe
21 there will be a competing application for the Beagle
22 well coming up. And we ask that those be considered by
23 the Division at the same time.

24 Also, our understanding is that there are
25 quite a few parties who have not been noticed with

1 respect to this application, and we just wanted to bring
2 that to the Division's attention.

3 EXAMINER BROOKS: Who are those parties and
4 what interest do they own?

5 MS. SHAHEEN: I have a list of the parties,
6 but I do not have a list of what their interests are.

7 EXAMINER McMILLAN: That changes
8 everything.

9 EXAMINER BROOKS: It does.

10 MS. SHAHEEN: Yes. I have a list of
11 interests that -- my understanding -- were noticed for
12 the Collie well that are competing, and I understand
13 that these folks were not noticed for the application
14 that Mr. Bruce is presenting today.

15 EXAMINER BROOKS: Well, why don't we do
16 this? The examiners can go on -- we'll suspend this
17 hearing. The examiners can go on to another case, and
18 you and Mr. Bruce talk about this, see if you can figure
19 out why there is a difference of opinion.

20 MS. SHAHEEN: I can do that.

21 EXAMINER BROOKS: Because I know Mr. Bruce
22 examines his own titles.

23 MR. BRUCE: I am unaware -- I was unaware
24 of any competing case.

25 EXAMINER BROOKS: Well, I'm unaware of a

1 competing case also, but maybe you-all can straighten
2 out what's going on here and we can determine how to
3 dispose of this matter. Because if a competing case is
4 in the wings, hasn't been filed, well, that doesn't
5 influence anything because you're supposed to file it
6 when you know a case is set for hearing. But if there
7 is a competing case in some way in the mill, well, we
8 need to know what the facts are so we can deal with
9 that. So would you-all see if you can figure this out
10 for me and make some kind of presentation? I think we
11 need to get some order to what we know about the cases
12 when we make decisions.

13 MR. BRUCE: Well, I mean, we're only
14 seeking to force pool WPX and the case is complete, and
15 I'd ask that the case be taken under advisement at this
16 time.

17 EXAMINER BROOKS: But Ms. Shaheen has
18 raised the question that there are people entitled to
19 notice in this -- in this hearing that have not been
20 noticed, and that's something we have to notice, so to
21 speak.

22 MR. BRUCE: Well, if they're unnoticed,
23 then they're not subject to pooling.

24 EXAMINER BROOKS: If you say there is
25 nobody that's been noticed, then that's fine. But

1 you-all need to figure out why -- why you can't agree on
2 something like that. If you're talking about the same
3 title, it should have the same noticeable parties.

4 MR. BRUCE: Well, I'm unaware of this
5 so-called competing application.

6 EXAMINER BROOKS: Well, I was unaware of it
7 until just a moment ago, and so we need some details.
8 So if you can't work it out, then you'll each have to
9 state what you know. That's why I want you to figure
10 this out.

11 MR. BRUCE: Well, as I said, anybody who
12 isn't noticed would not be subject to the pooling order,
13 but --

14 EXAMINER BROOKS: I know that, Johnson and
15 Uhden.

16 MR. BRUCE: What's that?

17 EXAMINER BROOKS: Johnson and Uhden.

18 MR. BRUCE: Yeah. Right. I'm kind of
19 familiar with that.

20 EXAMINER BROOKS: Everybody is.

21 Okay. Well, we're going to go on to the
22 next case, and we'll call you back up here and see if
23 you have anything to tell us. If you don't have
24 anything to tell us, then we'll proceed by -- on our
25 instinct.

1 EXAMINER McMILLAN: Okay. Let me ask you a
2 question, Jim. Is it quicker to do 16207?

3 MR. BRUCE: Yeah.

4 EXAMINER McMILLAN: We'll do 16207, then
5 you two get together.

6 Sound good to you?

7 EXAMINER BROOKS: Sounds good to me.

8 (Recess, 10:34 a.m. to 10:57 a.m.)

9 EXAMINER BROOKS: Ms. Shaheen had raised
10 the question of parties that should have been noticed in
11 this case that were not, and we need to work that out.

12 MR. BRUCE: Well, I think I'll make things
13 easier now, Mr. Examiner. We were only seeking to force
14 pool WPX, but I confirmed with Mr. Feldewert.
15 Ms. Shaheen couldn't see the exact filing date, but
16 Mr. Feldewert confirmed that WPX did file pooling
17 applications just in the last couple of days. So those
18 would be set for, what, May 2nd, I believe?

19 EXAMINER BROOKS: Well, let's see.
20 Depending on what date they were set, they would have --

21 MR. FELDEWERT: Yes.

22 EXAMINER BROOKS: Yeah. Even if they were
23 set yesterday --

24 MR. BRUCE: They were filed at least by
25 Tuesday.

1 EXAMINER BROOKS: Yeah. If they were filed
2 today, they couldn't be set in May, or if they were
3 filed yesterday, they could.

4 MR. BRUCE: And so -- and we were unaware
5 of that, but if it's competing pooling cases, you
6 know --

7 EXAMINER BROOKS: That's a long-standing
8 policy.

9 MR. BRUCE: Yeah. So I guess -- I think
10 you can ignore the first issue and just go to the second
11 issue, which would --

12 EXAMINER BROOKS: Okay. Well, that's good.
13 Then we'll just have to continue this case, right?

14 MR. BRUCE: Correct.

15 EXAMINER McMILLAN: Okay.

16 EXAMINER BROOKS: Since somebody's made a
17 decision that we don't continue to a specific date, I
18 guess you'll have to wait until --

19 MR. BRUCE: Whatever, yeah.

20 EXAMINER McMILLAN: So we'll continue the
21 WPX case to that --

22 MR. BRUCE: They're set for May 2nd.

23 EXAMINER BROOKS: Well, this should be
24 continued to May 2nd. In my opinion, this should be
25 continued to May 2nd to keep the competing applications

1 on the same docket, but I'm not sure my opinion counts.

2 MR. BRUCE: I know mine doesn't.

3 (Laughter.)

4 EXAMINER BROOKS: It'll come out with the
5 docket. Mr. Warnell has left us in limbo.

6 MR. BRUCE: Okay.

7 EXAMINER McMILLAN: So what I need from you
8 is to send Terry Warnell and include Ms. Shaheen in
9 what's going on.

10 MR. BRUCE: Okay.

11 EXAMINER McMILLAN: That way he may be able
12 to move the cases.

13 EXAMINER BROOKS: He may be.

14 EXAMINER McMILLAN: Let's just do that.
15 Does that sound good?

16 MR. BRUCE: That's fine.

17 MS. SHAHEEN: That sounds good.

18 EXAMINER McMILLAN: So 20324 shall be
19 continued.

20 MS. SHAHEEN: And just for the record, can
21 I -- my last name is S-H-A-H-E-E-N, Shaheen.

22 (The court reporter responds.)

23 EXAMINER BROOKS: I think the problem is
24 that some people have been, including me, pronouncing it
25 "Shehan" because of knowing other people with that name.

1 MS. SHAHEEN: That's all right. Everybody
2 does it. I just hate to see it in the transcript that
3 way.

4 EXAMINER BROOKS: I can understand that.

5 (Case Number 20324 concludes 11:00 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 24th day of April 2019.
21

22
23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
25 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters

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