

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

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. 20327
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
 PHILLIP GOETZE, 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; Terry Warnell and Phillip Goetze,
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
 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:

JAMES G. BRUCE, ESQ.
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

INDEX

PAGE

Case Number 20327 Called	3
Matador Production Company's Case-in-Chief:	
Witnesses:	
Sara Hartsfield:	
Direct Examination by Mr. Bruce	4
Daniel Brugioni:	
Direct Examination by Mr. Bruce	11
Cross-Examination by Examiner McMillan	16
Cross-Examination by Examiner Goetze	16
Proceedings Conclude	18
Certificate of Court Reporter	19

EXHIBITS OFFERED AND ADMITTED

Matador Production Company Exhibit Numbers 1 through 5	10
Matador Production Company Exhibit Numbers 6 through 8	15

1 (1:42 p.m.)

2 EXAMINER McMILLAN: Let's hear 20327,
3 application -- application of Matador Production Company
4 for compulsory pooling, Eddy County, New Mexico.

5 Call for appearances.

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

9 EXAMINER McMILLAN: Any other appearances?
10 Novo Oil & Gas made a prehearing statement
11 but didn't appear, so proceed.

12 MR. BRUCE: Ms. Callahan is here, but --

13 MS. CALLAHAN: For Novo?

14 EXAMINER McMILLAN: Yeah. I have in my
15 notes that Novo was supposed to appear.

16 MR. BRUCE: I think the parties reached
17 terms.

18 MS. CALLAHAN: Yeah. The parties reached
19 terms, and Novo dismissed their competing cases.

20 EXAMINER McMILLAN: Okay.
21 Proceed.

22 MR. BRUCE: Witnesses sworn in?

23 (Ms. Hartsfield and Mr. Brugioni sworn.)

24

25

1 SARA HARTSFIELD,
2 after having been first duly sworn under oath, was
3 questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. BRUCE:

6 Q. Would you please state your name and city of
7 residence for the record?

8 A. Yes. My name is Sara Hartsfield, and I reside
9 in Fort Worth, Texas.

10 Q. Have you previously testified before the
11 Division?

12 A. Yes, I have.

13 Q. And were your credentials as an expert
14 petroleum landman accepted by the Division as a matter
15 of record?

16 A. Yes, they were.

17 Q. Are you familiar with the application filed in
18 this case?

19 A. Yes, I am.

20 Q. And are you familiar with the land status of
21 the lands in this application?

22 A. Yes.

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

25 EXAMINER McMILLAN: So qualified.

1 Q. (BY MR. BRUCE) Could you identify Exhibit 1 for
2 the examiner and describe what --

3 A. Yes. Exhibit 1 has five draft C-102s. These
4 are for our five initial wells that we're seeking to
5 pool. Each well is planned as a two-mile lateral in the
6 Purple Sage; Wolfcamp gas pool. The pool code is 98220.
7 Each well is located in the west half of Sections 9 and
8 16 in 23 South, 28 East, Eddy County, New Mexico. And
9 those five wells are the Jack Sleeper Com #201H, the
10 Jack Sleeper Com #215H, the Jack Sleeper Com 221H, the
11 Jack Sleeper Fed Com #202H, and the Jack Sleeper Fed Com
12 Number 222H.

13 Q. And you seek to force pool the Wolfcamp
14 Formation underlying the west half of Sections 9 and 16?

15 A. Yes, that's correct.

16 Q. And this is, of course, in the Purple Sage;
17 Wolfcamp gas pool?

18 A. Yes, it is.

19 Q. Will the first and last perforations comply
20 with the setback rules of the Purple Sage; Wolfcamp
21 pool?

22 A. Yes, they do.

23 Q. Move on to Exhibit 2.

24 A. Exhibit 2 is our Midland Map that shows the
25 proposed spacing unit. We're seeking to create a

1 640-acre standard horizontal spacing unit comprised of
2 the west half of Section 9 and Section 16 in 23 South,
3 28 East, Eddy County. We're seeking to pool the
4 uncommitted interests in the Wolfcamp
5 Formation underneath this standard.

6 Q. And what types of land are in the well unit?

7 A. It's comprised of fee land, federal land and
8 state land.

9 Q. Are there any depth severances in the Wolfcamp
10 Formation?

11 A. There are no depth severances in the Wolfcamp.

12 Q. What is Exhibit 3? And look at the first two
13 pages.

14 A. Okay. Exhibit 3 is a summary of the interests
15 that we seek to pool. It's a summary of the interests,
16 including ours. The MRC Permian Company has 81.5104
17 percent, and we're seeking to pool 18.4896 percent.

18 Q. And these are unleased mineral owners other
19 than Marathon and Novo; is that correct?

20 A. Correct. It's a list of the uncommitted
21 working interest owners and uncommitted mineral owners.

22 Q. Were there any unlocatable parties?

23 A. Yes, there were.

24 Q. And what steps did Matador take to locate the
25 interest owners in the well unit?

1 A. We worked with our land brokers to research the
2 BLM records, the state records and the county records,
3 as well as online search engines.

4 Q. In your opinion, did Matador make a good-faith
5 effort to locate the interest owners and to identify
6 them for purposes of this hearing?

7 A. Yes.

8 Q. Now, page 3 of Exhibit 3, what does that show?

9 A. This lists two of the overriding royalty
10 interest owners in the proposed unit that we seek to
11 pool as well.

12 Q. Are these the only overrides in the well unit?

13 A. No. These are not the only overrides. The
14 rest of the overriding royalty interest owners, we have
15 the authority to pool.

16 Q. What is Matador Exhibit 4? And there is 4A and
17 4B. Let's go through that.

18 A. Okay. Exhibit 4A shows the working interest
19 proposal that we sent along with the JOA to the
20 uncommitted working interest owners -- or to all the
21 working interest owners. It outlines the wells that
22 we're proposing, as well as the costs that we're seeking
23 under the JOA. And behind that is a copy of the AFEs
24 for the five initial wells that we're seeking to pool.

25 Q. And is Exhibit 4B slightly different than 4A?

1 A. It's slightly different. This is what we sent
2 to the unleased mineral interest owners. It included an
3 offer to lease.

4 Q. Okay. And it made an offer to join in, but it
5 included the offer to lease; is that correct?

6 A. Correct.

7 Q. And let's go to the five AFEs. Yeah. Go
8 through the costs. There are two -- basically two
9 separate zones in the Wolfcamp A; is that correct?

10 A. That is correct. So the first AFE is for the
11 Jack Sleeper Com 201H, and that total cost is
12 approximately 11,606,000. And the cost of the Jack
13 Sleeper Com 2015H and the Jack Sleeper Fed Com 202H have
14 similar costs.

15 Q. And those are in the same correlative interval?

16 A. That's correct.

17 If you look at the AFE, which I think is
18 the third one, it's for the Jack Sleeper Com 221H, the
19 total cost for this AFE is around 12,269,000. And the
20 AFE costs for the Jack Sleeper Fed Com 222H is similar
21 to that. And this is just because these are deeper
22 wells.

23 Q. And are the costs reflected in the AFEs fair
24 and reasonable and consistent with what Matador and
25 other operators have charged for wells -- similar wells

1 in this area?

2 A. Yes, they are.

3 Q. And what overhead rates do you request?

4 A. We request 8,000 while drilling and 800 while
5 producing.

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

8 A. Yes.

9 Q. And do you request that the rates be adjusted
10 periodically as provided by the COPAS accounting
11 procedure?

12 A. Yes, we do.

13 Q. Does Matador request the maximum cost plus 200
14 percent risk charge for an interest owner who goes
15 nonconsent in a well?

16 A. Yes.

17 MR. BRUCE: And, Mr. Examiner, if you turn
18 to Exhibit 5A, it's my affidavit of mailing. As you can
19 see, there are several people who had returned letters,
20 but the bulk of the people did receive actual notice of
21 this hearing.

22 Q. (BY MR. BRUCE) Ms. Hartsfield, because
23 unlocatable interest owners, was notice published in the
24 newspaper as against them?

25 A. Yes, it was.

1 MR. BRUCE: And, Mr. Examiner, that's
2 Exhibit 5B.

3 Q. (BY MR. BRUCE) To the best of your knowledge,
4 were the notices sent to last known best addresses for
5 these people?

6 A. Yes.

7 Q. And do you request that Matador Production
8 Company be designated operator of these wells?

9 A. Yes.

10 Q. In your opinion, will the granting of this
11 application be in the interest of conservation and the
12 prevention of waste?

13 A. Yes.

14 Q. And were Matador Exhibits 1 through 5 either
15 prepared by you or under your supervision or compiled
16 from company business records?

17 A. Yes, they were.

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

20 EXAMINER McMILLAN: Exhibits 1 through 5
21 may now be accepted as part of the record.

22 (Matador Production Company Exhibit Numbers
23 1 through 5 are offered and admitted into
24 evidence.)

25 MR. BRUCE: And I have no further questions

1 of the witness.

2 EXAMINER BROOKS: I have none.

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

5 EXAMINER GOETZE: I have no questions.
6 Thank you.

7 THE WITNESS: Thank you.

8 DANIEL BRUGIONI,
9 after having been previously sworn under oath, was
10 questioned and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. BRUCE:

13 Q. Would you please state your name and city of
14 residence for the record?

15 A. Daniel Brugioni. I reside in Dallas, Texas.

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

17 A. I work for Matador Resources Company as a
18 geologist.

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

21 A. No.

22 Q. How long have you been with Matador?

23 A. Just under two years?

24 Q. Do your responsibilities at Matador include
25 this portion of southeast New Mexico?

1 A. Yes, they do.

2 Q. Would you explain your employment and
3 educational experience for the examiner?

4 A. Yes. I have my undergraduate degree in earth
5 environmental science from Wesleyan University in
6 Connecticut and then a Master's Degree in Geology from
7 the Colorado School of Mines. And after that, I went to
8 work for Matador Resources.

9 Q. And you've been a geologist with Matador that
10 entire time?

11 A. Yes.

12 Q. Are you a member of any professional
13 organizations?

14 A. Yes, the American Association of Petroleum
15 Geologists, as well as the West Texas Geological
16 Society.

17 Q. And as part of your employment, does Matador
18 require you to complete at least 40 hours of training or
19 continuing education each year?

20 A. Yes, they do.

21 Q. Are you familiar with the application filed in
22 this case?

23 A. Yes, I am.

24 Q. And have you conducted a geologic study of the
25 lands which are the subject of this case?

1 A. Yes.

2 MR. BRUCE: Mr. Examiner, I tender the
3 witness as an expert witness in petroleum geology.

4 EXAMINER McMILLAN: So qualified.

5 Q. (BY MR. BRUCE) Could you identify Exhibit 6 for
6 the examiner briefly?

7 A. Yes. This is a locator map showing the Jack
8 Sleeper project area in yellow in the Northern Delaware
9 Basin.

10 Q. And have you prepared a structure map and cross
11 section of this targeted formation -- of the Wolfcamp
12 Formation?

13 A. Yes.

14 Q. Let's move on to Exhibit 7. What is that?

15 A. Okay. So this is the structure map made on the
16 top of the Wolfcamp and subsea true vertical depths, and
17 it is showing the project area in yellow, as well as the
18 Jack Sleeper wells and their location, surrounding
19 horizontal producers from the Wolfcamp, surrounding well
20 control use for the structure map. And I do apologize,
21 but also the location of the cross section from A to A
22 prime, south to north. And the structure map is showing
23 a slight 1 degree dip to the east. No faulting, no
24 pinch-outs present or any geological hazards that will
25 impede these horizontal wells.

1 Q. And if you're looking at this map, there are
2 both lay-down and stand-up Wolfcamp wells. Is there any
3 preferred orientation?

4 A. No.

5 Q. And are the wells chosen for the cross section
6 representative of the Wolfcamp Formation in this area?

7 A. Yes, they are.

8 Q. Could you identify Exhibit 8 for the examiner?

9 A. Yes. So this is the structural cross section,
10 A to A prime, in the previous exhibit, and it is showing
11 the overall Wolfcamp section from the top of the
12 Wolfcamp to the base of the Wolfcamp and the three
13 targets for the Jack Sleeper area from top to bottom,
14 the top target being for the 201 and 202 wells, the
15 middle target being for the 215 wells and the bottom
16 target for the 221 and 222 wells.

17 Q. And is the Wolfcamp in each of these zones that
18 are going to be tested continuous across the well unit?

19 A. Yes, they are.

20 Q. In your opinion, are there any geologic
21 impediments to developing the Wolfcamp Formation by
22 horizontal drilling?

23 A. No, there are not.

24 Q. And can the acreage be effectively and
25 efficiently drained by development by horizontal wells?

1 A. Yes, it can.

2 Q. In your opinion from a geologic perspective,
3 will each quarter section in the well unit be productive
4 and contribute more or less equally to production from
5 the well?

6 A. Yes, they will.

7 Q. And will Matador comply with the setback
8 requirements for the Purple Sage; Wolfcamp pool rules?

9 A. Yes.

10 Q. In your opinion, is the granting of this
11 application in the interest of conservation and the
12 prevention of waste?

13 A. Yes.

14 Q. And were Exhibits 6, 7 and 8 prepared by you or
15 under your direction and supervision?

16 A. Yes, they were.

17 MR. BRUCE: Mr. Examiner, I'd move the
18 admission of Exhibits 6, 7 and 8.

19 EXAMINER McMILLAN: Exhibits 6 through 8
20 may now be accepted as part of the record.

21 (Matador Production Company Exhibit Numbers
22 6, 7 and 8 are offered and admitted into
23 evidence.)

24 MR. BRUCE: I have no further questions for
25 the witness.

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

CROSS-EXAMINATION

BY EXAMINER McMILLAN:

Q. My first comment is you're going to have a color display of your structure map. So you need to resend that. What's the point of having a color map when it's all blue?

A. Yes, sir.

Q. Don't worry. I tell them that all the time.

(Laughter.)

Q. And which one of the zones has better reserves, or are they more or less the same?

A. We believe the upper -- upper one has the most reserves, but there isn't a large difference.

Q. Oh, okay.

EXAMINER McMILLAN: (Indicating.)

EXAMINER GOETZE: I'll ask a question.

CROSS-EXAMINATION

BY EXAMINER GOETZE:

Q. First of all, congratulations surviving the Colorado School of Mines and finding a job in Texas.

(Laughter.)

Q. The second one is: The three target intervals, briefly your understanding of permeability and porosity between the three zones. Are they -- they're all

1 conventional or they're tight shales, or what are you
2 looking at as far as what you're going to be seeing down
3 the road as far as enhanced fracking techniques?

4 A. Sure. So the upper zone is a pure sandstone
5 that has some of the best porosity out of the three
6 targets. And then the lower target is a mix of most of
7 everything you see, with sand to siltstones, some
8 carbonates depending on the area you're in, with
9 relatively lower to equal porosity as the upper zone.
10 And then the base zone is pure shale.

11 Q. So you're running a full spectrum of tests, in
12 a sense, going from all extremes, from a native porosity
13 to a very unconventional for these wells?

14 A. That's correct.

15 Q. Thank you. Those are my only questions.

16 EXAMINER BROOKS: No questions.

17 EXAMINER McMILLAN: Okay. Thank you.

18 THE WITNESS: Thank you.

19 EXAMINER GOETZE: With one note, you will
20 re-send the structure map --

21 THE WITNESS: Yes.

22 EXAMINER GOETZE: -- so we can understand?

23 THE WITNESS: Yes.

24 EXAMINER BROOKS: That's R-E-S-E-N-D, not
25 R-E-S-C-I-N-D.

1 (Laughter.)

2 MR. BRUCE: Are you sure, or do we have to
3 rescind the first one before we re-send it?

4 EXAMINER GOETZE: We're prodding you along.
5 Would you like this to be --

6 EXAMINER McMILLAN: Taken under advisement?

7 MR. BRUCE: Ask it be taken under
8 advisement.

9 EXAMINER McMILLAN: 20327 shall be taken
10 under advisement.

11 (Case Number 20327 concludes, 2:00 p.m.)

12

13

14

15

16

17

18

19

20

21

22

23

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 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