

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:

CASE NOS: 16470
16471
16472
16473

APPLICATION OF MATADOR
PRODUCTION COMPANY
FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

MAY 30, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, Examiners Michael McMillan and Leonard Lowe, and Legal Examiner David Brooks, on Thursday, May 30, 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.

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APPEARANCES

For the Applicant:	KAITLYN LUCK HOLLAND & HART 110 N. Guadalupe Street, Ste 1 Santa Fe, NM 87501
For Mewborne Oil Company:	JAMES BRUCE P.O. Box 1056 Santa Fe, NM 87504-1056

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1 EXAMINER McMILLAN: I would like to call this
2 hearing back to order. I'd like to call Case Number 16470,
3 Application of -- Application of Matador Production Company
4 for Compulsory Pooling, Eddy County, New Mexico.

5 Call for appearances.

6 MS. LUCK: Kaitlyn Luck from the Santa Fe Office
7 of Holland & Hart for the applicant Matador Resources.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
9 representing Mewborne Oil Company, and we have no objection
10 to this case, and we do not object to it being put on by
11 affidavit.

12 EXAMINER McMILLAN: Okay.

13 MS. LUCK: Mr. Hearing Examiner, we would ask
14 that Cases Number 16470, 71, 72 and 73 all be consolidated
15 for purposes of this hearing.

16 EXAMINER McMILLAN: So 16470 through 16473 shall
17 be combined.

18 MS. LUCK: Thank you.

19 The applicant in this case, Matador Resources
20 Company, is submitting the first exhibit which is an
21 affidavit of Sam Pryor. This affidavit applies to all four
22 cases.

23 He is the area land manager for Matador, and he
24 has previously testified before the OCD as an expert witness
25 in petroleum lands. He's familiar with these applications

1 and the facts of the land in question.

2 It's his understanding that none of the other
3 proposed pooled parties have indicated that they oppose
4 these applications, and he doesn't expect any opposition at
5 this hearing today.

6 In these consolidated cases, Matador is seeking
7 an order pooling all uncommitted interests in the following
8 horizontal standard spacing units in the Bone Spring
9 formation underlying Sections 29 and 30, Township 20 South,
10 Range 29 East, Eddy County, New Mexico.

11 In Case 16470, a 316.36 acre horizontal spacing
12 unit in the N/2 of the N/2 of Sections 29 and 30 will be
13 dedicated to the Leatherneck 3029 Fed Com 125H well.

14 In Case 16471, the S/2 of the N/2 of Sections 29
15 and 30 will be dedicated to the Leatherneck 3029 Fed Com
16 126H well.

17 In Case 16472, the spacing unit in the N/2 of the
18 S/2 will be dedicated to the Leatherneck 3029 Fed Com No.
19 127H well.

20 And in Case Number 16473, the spacing unit in the
21 S/2 of the S/2 of Sections 29 and 30 will be dedicated to
22 the Leatherneck 3029 Fed Com 128H well.

23 Turning to the exhibits behind the affidavit, the
24 first exhibits are the forms C-102 for each of the wells.
25 Based on the pool code assigned to the 121 and 122H wells,

1 Matador understands that these wells will be assigned to the
2 Avalon, Bone Spring, East Pool, Pool Code 3713.

3 EXAMINER McMILLAN: Which one?

4 MS. LUCK: Based on the pool codes that were
5 assigned to the 121 and 122H wells, there is some confusion
6 on that, those have been renamed to the 125 and 126.

7 EXAMINER McMILLAN: And the pool code?

8 MS. LUCK: Yes. The pool code is 3713, the
9 Avalon, Bone Spring. So the completed intervals will comply
10 with the standard offsets and statewide rules for all four
11 wells.

12 Matador Exhibit A-2 identifies the tracks of land
13 in question in the horizontal spacing unit, and the proposed
14 wellbores are also marked on Exhibit A-2.

15 Exhibit A-3 identifies for each well the working
16 interest owners that Matador is seeking to pool. In each
17 case Matador is also seeking to pool overriding royalty
18 interest owners, and all of those are identified on Exhibit
19 A-4.

20 There has been one change to the working interest
21 that we are pooling. I was advised this morning by counsel
22 for Yates that there is no longer pooling required for Yates
23 because they now have a joint operating agreement with
24 Matador on this. And I spoke with counsel for Yates
25 earlier, but she had to leave, so I just wanted to let the

1 Division know that Yates is no longer being pooled.

2 EXAMINER McMILLAN: John Yates and -- Yates?

3 MS. LUCK: That's correct. So there are no depth
4 severances within the Bone Spring in this area.

5 Exhibit A-5 are the well proposal letters and AFE
6 for each of the wells. In addition to sending the well
7 proposal letters and AFEs, Mr. Pryor has tried to reach an
8 agreement with each of the working interest owners.

9 Matador also estimates the cost at \$7000 a month
10 while drilling and \$700 for well producing and ask those be
11 be incorporated into the order in this case.

12 Matador also provided our office with a list of
13 names and addresses to be pooled, and those parties were
14 provided notice of this hearing as will be reflected in a
15 later exhibit. And that concludes the affidavit of Sam
16 Pryor and Exhibits 1 through 5.

17 Turning to Exhibit B is the affidavit of
18 Mr. James Andrew Juett. He is the geologist in this area.
19 He is the geology manager for Matador. He has also
20 previously testified and his credentials have been accepted
21 by the Division as an expert in petroleum geology.

22 The target intervals for all four of these
23 proposed wells is the Bone Spring formation. And his
24 exhibit reflects the development in that formation. B1 is a
25 project locator map that shows the horizontal spacing unit

1 for all four wells.

2 B2 is the subsea structure map that he has
3 prepared from the top of the Second Bone Spring Sand. The
4 contour interval is 50 feet, and the structure -- in this
5 area. The formation is consistent throughout the proposed
6 wellbore path and he did not observe any faulting, pinchouts
7 or other geologic impediments.

8 B3 is a cross-section from A to A prime on the
9 same structure map shown on B2.

10 B4 takes that cross-section and displays logs for
11 the three representative wells denoted from A to A prime.
12 For each well, the logs are included that demonstrate the
13 target interval within the Second Bone Spring Formation is
14 consistent thickness across the entirety of each of the
15 proposed spacing units.

16 B5 is the -- demonstrates the path of each of the
17 proposed wellbores will comply with the Division's standard
18 offset.

19 It is his opinion that each quarter-quarter section
20 will be productive and contribute more-or-less equally from
21 each respective horizontal spacing unit.

22 Exhibits 1 through 5 were prepared by Mr. Juett.

23 And then finally Exhibit C is an affidavit from
24 me reflecting that our office sent notice to both the
25 working interest owners and overriding royalty interest

1 owners to be pooled in this case, and notice of publication
2 was also provided because not all of those letters had been
3 signed for at the time of this hearing. So that concludes
4 my Exhibit C as well. And with that, that concludes our
5 presentation for all four of these cases.

6 EXAMINER McMILLAN: Any objection?

7 MR. BRUCE: Absolutely not.

8 EXAMINER McMILLAN: You also don't have any
9 objection to the expert --

10 MR. BRUCE: Correct.

11 EXAMINER McMILLAN: Okay. Okay. What's the pool
12 Code in 16472 and 473?

13 MS. LUCK: It's my understanding that we did not
14 have that on our C-102. But it's our understanding that
15 those will be assigned to Avalon Bone Spring Pool.

16 EXAMINER McMILLAN: So the same pool code?

17 MS. LUCK: That is what Mr. Pryor's affidavit
18 reflects in Paragraph 6.

19 EXAMINER McMILLAN: Because I never pay attention
20 to pool names. I just pay attention to pool codes.

21 MS. LUCK: Okay.

22 EXAMINER McMILLAN: And the status of these
23 they're all proposed?

24 MS. LUCK: That's correct.

25 EXAMINER McMILLAN: Okay. The question I'm

1 getting is when I did a review of this, appearances were
2 from Mewborne and Yates Energy and Jalapeno.

3 MR. BRUCE: Mr. Examiner, Mewborne and Matador
4 have come to terms, and I'm just entering an appearance just
5 because Mewborne asked me to, but they have come to terms.
6 And, as a matter of fact, there were conflicting cases which
7 I have dismissed.

8 MS. LUCK: And counsel for Yates, she was here
9 this morning, she asked me to let the Division know that an
10 agreement was reached with Yates, and that's why she decided
11 not to come up for the hearing.

12 EXAMINER McMILLAN: Okay, but then so in
13 essence -- so Yates Energy and Jalapeno did not make an
14 appearance then; right?

15 MS. LUCK: Essentially, yes.

16 EXAMINER McMILLAN: They gave a prehearing
17 statement, but did not -- so you moved the surface locations
18 on these wells. Did the AFEs change?

19 MS. LUCK: So there were changes to the surface
20 location on two of the wells so that they could combine the
21 half-shared pad for two wells on one pad and two wells on
22 another pad.

23 So we submitted -- we prepared these different
24 C-102s on those wells. So there were original C-102s with
25 the original location, and then the ones that are included

1 are the revised.

2 EXAMINER McMILLAN: But the question I'm getting
3 is, when you move the surface, what does the AFE represent?
4 Does it represent the original location or the move or the
5 final location?

6 MS. LUCK: I'm sorry, I thought you said on the
7 AFE. So the AFE reflects the original location, but the
8 cost, if any, have actually been reduced by combining
9 surface locations. So the well proposal letter did reflect
10 the original location.

11 EXAMINER McMILLAN: Well, there -- this provides
12 some -- get a statement from an engineer saying that the
13 locations changed, the AFE costs -- the AFE costs have not
14 changed.

15 Well, just say they are unchanged. Yeah, provide
16 that for the record. I think that's a fair thing to do.

17 MS. LUCK: And the costs that were submitted
18 originally with the well proposal letters were estimates.
19 They are not the actual costs.

20 EXAMINER McMILLAN: I understand that, but you
21 are going to provide it.

22 MS. LUCK: Okay.

23 EXAMINER McMILLAN: I really -- okay. I get
24 utterly confused by notice, so I want to make sure the
25 notice conforms to what David Brooks says because apparently

1 he said -- I get confused over the definition of unlocatable
2 interests.

3 MS. LUCK: And there were no unlocatable
4 interests. We just provided notice to all of the working
5 interest owners and all of overriding by mail. There were
6 some that reflected at the time of hearing that they had not
7 been delivered, so we are submitting the Notice of
8 Publication to reflect that all parties were provided notice
9 both by mail and then also published as well.

10 EXAMINER McMILLAN: Well, speaking of the devil,
11 you can explain it to him. His opinion is exactly the same
12 as mine.

13 MR. BROOKS: What is the issue?

14 EXAMINER McMILLAN: I get confused on what's
15 unlocatable interest and your answer is the same as mine.

16 MR. BROOKS: An unlocatable interest is an
17 interest that is owned by a person who is either deceased
18 and assets have not been identified or whose whereabouts are
19 presently not discoverable after reasonable diligence.

20 EXAMINER McMILLAN: So then explain it to David
21 Brooks your situation.

22 MS. LUCK: Yeah, I just want to clarify. There
23 are no unlocatable interests in our case. We just are
24 pooling working interest owners and overriding royalty
25 interest owners.

1 MR. BROOKS: Well, if there are none, why is it
2 an issue?

3 MS. LUCK: I'm not sure. I don't think it is an
4 issue.

5 EXAMINER McMILLAN: Well, then that answers the
6 question.

7 MR. BROOKS: It can only be decided on the facts
8 of the case because the person whose whereabouts are unknown
9 is unlocatable if, but only if, their location cannot be
10 discovered by reasonable diligence.

11 MS. LUCK: It's my understanding there are no
12 unlocatable interests.

13 MR. BROOKS: Okay. Well, are there any unlocated
14 interests, any people who own interests who have -- for whom
15 you do not have a good address?

16 MS. LUCK: No. So we provided notice to the
17 working interest owners of which we all had addresses for,
18 and the overriding royalty interest owners for which we all
19 had addresses for.

20 MR. BROOKS: Okay. Well, that seems like you got
21 the area covered.

22 EXAMINER McMILLAN: Okay.

23 MR. BROOKS: You do not have to prove that they
24 received it, though. I was checking that just this morning.
25 Receipt is -- the proof of receipt has to be filed with the

1 OCD only if it's available. It's not available.

2 EXAMINER McMILLAN: That's fine. I get confused
3 by that. So then I'm satisfied if he is satisfied, so --

4 MS. LUCK: We move the admission of all of our
5 Exhibits A through C and ask that the case be taken under
6 advisement.

7 EXAMINER McMILLAN: Objection?

8 MR. BRUCE: No objection.

9 EXAMINER McMILLAN: Exhibits A through C may now
10 be accepted as part of the record. Cases 16470 through 473
11 shall be taken under advisement. Thanks.

12 (Exhibits A, B, C admitted.)

13 (Concluded.)

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