

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. 20593
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 11, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, July 11, 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

FOR INTERESTED PARTY XTO ENERGY, INC.:

ADAM G. RANKIN, ESQ.
HOLLAND & HART, LLC
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
(505) 988-4421
agrarkin@hollandhart.com

INDEX

PAGE

Case Number 20593 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, 2 and 3	6
--	---

1 (2:41 p.m.)

2 EXAMINER JONES: Call Case 20593,
3 application of Matador Production Company for compulsory
4 pooling in Lea County, New Mexico.

5 Call for appearances.

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

9 EXAMINER JONES: Any other appearances?

10 MR. RANKIN: Mr. Examiner, I make an
11 appearance in this case. Adam Rankin of Holland & Hart
12 on behalf of XTO.

13 EXAMINER JONES: I knew when I saw Sara
14 Hartsfield that this was a complicated case.

15 (Laughter.)

16 EXAMINER JONES: There is always something
17 going on when she's the landman.

18 MR. BRUCE: I'll threaten to tell her that.

19 Mr. Examiner, I've handed you three
20 exhibits. The first is the affidavit of Sara
21 Hartsfield. In this case Matador seeks the pooling of
22 the -- I don't want to mess this up -- the west
23 half-east half of Section 21 and the northwest quarter
24 of the northeast quarter of Section 28 for a 200-acre
25 well unit. This -- going back to your last question,

1 this is a Wolfbone Pool created by Mr. Kautz, pool code
2 98098. The information is given in paragraph four of
3 the affidavit. There are no -- one of the wells, the
4 John Callahan #133, is essentially a Lower 3rd Bone
5 Spring test, and then the #217 well is an Upper Wolfcamp
6 test. And there are no depth severances in either the
7 Bone Spring or the Wolfcamp Formation.

8 If you go back to the attachments, there
9 are C-102s for the wells giving the wells' surface- and
10 bottom-hole locations. If you turn to Exhibit -- that's
11 Attachment A1.

12 Attachment A2 shows the well unit is
13 comprised of two federal leases.

14 Attachment A3 shows the interest owners in
15 the well. It's 60 percent MRC Permian Company, 20
16 percent Occidental Permian and 20 percent XTO Holdings.
17 Although it's not written out, you can see from
18 Attachment A2 that both OXY and XTO own in the west
19 half-northeast quarter of Section 21. You see the OXY
20 lease terminology and below that Mobil, which would be
21 Exxon -- or XTO, I should say.

22 Exhibit A4 is the proposal letter sent out
23 to the parties. You know, this prospect has been going
24 on for a number of months, October 2018. Ms. Hartsfield
25 states that they've made a good-faith effort to obtain

1 the voluntary joinder of the wells, and they are still
2 working with the interest owners in the wells and hope
3 to get them -- either through a JOA or a trade or
4 something to get them signed up in the wells. There are
5 no overriding royalty owners who are required to be
6 force pooled because the overrides that do exist can be
7 pooled by Matador.

8 The AFEs for the wells are part of
9 Attachment A4, and you can see these are about
10 \$8-1/4 million well tests. One of them is a little
11 deeper, so it's another half million dollars more than
12 that. The AFEs are stated to be fair and reasonable and
13 in line with the other costs of wells of this type
14 drilled in Lea County. Matador requests 8,000 a month
15 while drilling, 800 a month while producing, and they
16 request the maximum cost plus 200 percent risk charge.

17 Matador gave me the names of the interest
18 owners to be pooled, and Exhibit 2 is my self-verified
19 statement showing that notice was given to Occidental
20 Permian and to XTO Holdings, and they both received
21 actual notice. Therefore, notice is complete.

22 And finally, Exhibit 3 is the affidavit of
23 Andrew Parker, the geologist, who has the usual
24 displays, kind of a location plat. And at
25 Mr. McMillan's urging, I'll have to tell them to stop

1 the many shades of blue structure and isopach maps and
2 add in different colors. And then a cross section
3 showing the Lower 3rd Bone Spring zone being tested, as
4 well as the Upper Wolfcamp zone being tested. Each
5 quarter-quarter section in the well is anticipated to
6 contribute more or less equally to production. There
7 are not any geological problems which would impair the
8 drilling of the wells, and horizontal drilling would be
9 the most efficient method to develop the acreage.

10 And with that, I'd move the admission of
11 Exhibits 1, 2 and 3.

12 EXAMINER JONES: Exhibits 1, 2 and 3 are
13 admitted.

14 (Matador Production Company Exhibit Numbers
15 1, 2 and 3 are offered and admitted into
16 evidence.)

17 MR. BRUCE: And do you have any questions?
18 Otherwise, I would ask that the matter be taken under
19 advisement.

20 EXAMINER BROOKS: No questions.

21 EXAMINER JONES: The interest is the same
22 from the top of the Wolfcamp --

23 MR. BRUCE: Top of the Bone Spring to the
24 base of the Wolfcamp. And I don't know how Mr. Kautz
25 divides it. I presume he's taken --

1 EXAMINER JONES: He's taking the top of the
2 3rd Bone Spring Carbonate to, I believe, 500 feet into
3 the Wolfcamp.

4 MR. BRUCE: Okay. I didn't know that.
5 Live and learn.

6 EXAMINER JONES: I wish it was in some kind
7 of nomenclature order, but --

8 MR. BRUCE: Well, I complained for years
9 for that and nothing ever happened, so I stopped.

10 EXAMINER BROOKS: Some of us within the
11 agency have done the same.

12 EXAMINER JONES: Yeah. He's just so busy,
13 he can't --

14 EXAMINER BROOKS: He has too much work to
15 do and not enough people to do it.

16 MR. BRUCE: Yeah. I understand.

17 EXAMINER JONES: Okay. Let's take Case
18 20539 under advisement.

19 (Case Number 20593 concludes, 2:49 p.m.)

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 26th day of July 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