

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 NOs. 20623,
COMPANY FOR COMPULSORY POOLING, EDDY 20624, 20625,
COUNTY, NEW MEXICO. 20626

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
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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

KAITLYN A. LUCK, ESQ.
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1 (3:25 p.m.)

2 EXAMINER JONES: Call Cases 20623, 20624,
3 20625, 20626. All are styled the application of Matador
4 Production Company for compulsory pooling in Eddy
5 County, New Mexico.

6 Call for appearances.

7 MS. LUCK: Kaitlyn Luck with the Santa Fe
8 office of Holland & Hart.

9 EXAMINER JONES: No other appearances?

10 MS. LUCK: No.

11 So turning to Exhibit A in all four cases,
12 that is the affidavit of Sam Pryor. He is an area land
13 manager for an affiliate company, Matador Production
14 Company, the Applicant in this case. He has previously
15 testified before the Division as an expert witness, and
16 his credentials as a petroleum landman have been
17 accepted by the Division and made a matter of record.
18 He's familiar with these applications and the status of
19 the lands in the subject area.

20 In these consolidated cases, Matador is
21 seeking an order pooling all uncommitted interests in
22 the following spacing units in the Wolfcamp Formation
23 underlying Sections 29 and 30, Township 17 South, Range
24 29 East, Eddy County.

25 So on Case Number 20623, that's the

1 Leatherneck 205H well in the north half-north half.

2 In 20264, it's in the 320-acre spacing unit
3 in the south half of the north half for the Leatherneck
4 206H well.

5 In Case Number 20625, it's another 320-acre
6 spacing unit in the north half of the south half, and
7 that'll be dedicated to the Leatherneck 207H well.

8 In Case Number 20626, the south half-south
9 half spacing unit, dedicated to the 208H well -- the
10 Leatherneck 208H well.

11 Exhibit A1 are the draft C-102s for each of
12 those wells just described. The land in the proposed
13 spacing units is comprised of only federal lease lands.
14 Matador understands that the wells will be assigned to
15 the Burton Flat; Upper Wolfcamp, East, pool code 98315.
16 Each of the completed intervals for these four wells
17 will comply with the standard setbacks.

18 Exhibit A2 identifies the tracts of land
19 comprising the proposed horizontal spacing units on the
20 map, along with the wellbores noted on the maps as
21 well -- on the map as well.

22 Exhibit A3 identifies the working interest
23 owners in each well that Matador is seeking to pool,
24 along with their ownership interests, as well as the
25 overriding royalty interest owners that Matador seeks to

1 pool on Exhibit A4. There is no depth severances within
2 the Wolfcamp Formation in this acreage.

3 Exhibit A5 are the sample well-proposal
4 letters and the AFE that were sent. And Matador would
5 just like to point out that when these well-proposal
6 letters were sent out, the wells had different names,
7 but Matador has since changed its numbering nomenclature
8 for these wells. So the affidavit, paragraph ten,
9 reflects the ways in which the nomenclature has changed
10 for each of the wells, but those name changes were the
11 only changes. The costs remain similar to what other
12 operators are charging in this area, and the AFE remains
13 the same.

14 EXAMINER JONES: So they were called the FC
15 wells instead of Fed Com? Is that the change?

16 MS. LUCK: So what the change was, the 205H
17 was changed from the 201H, and then the 206H was changed
18 to the 202H. So it goes along in numerical order where
19 the wells are changed from 201, 202, 203, 204 to 205
20 through 208.

21 EXAMINER JONES: Okay. But they don't have
22 APIs anyway yet, do they?

23 MS. LUCK: I don't know that they do
24 because these C-102s have not been approved at this
25 time.

1 EXAMINER JONES: Okay.

2 MS. LUCK: So in addition to sending these
3 AFEs and well proposals, Matador made a good-faith
4 effort to reach agreement with the working interest
5 owners it seeks to pool. Matador requests that the
6 overhead and administrative costs be incorporated into
7 order at a rate of \$7,000 per month while drilling and
8 \$700 per month while producing, which is consistent with
9 what other operators in the area are charging.

10 And in his opinion, Matador's made a
11 good-faith effort to reach agreements with the parties
12 that it seeks to pool and will let the Division know if
13 it reaches agreement with the parties to be pooled.

14 Matador also provided our office with a
15 list of names to be provided notice of this hearing, and
16 those parties were provided notice as reflected on
17 Exhibit C, which will come up later.

18 Turning to Exhibit B, that's the affidavit
19 of Matador's geologist for these four cases, James
20 Andrew Juett. He is the area geology manager for
21 Matador, and he has previously testified before the
22 Division and had his credentials accepted as a matter of
23 record. He's familiar with the applications filed in
24 this case, and he's conducted a geologic study of these
25 lands. The target interval for all four proposed wells

1 is in the Wolfcamp Formation.

2 His Exhibit B1 is another project locator
3 map showing the spacing units and the wellbores.

4 His Exhibit B2 is a subsea structure map
5 that he prepared for the top for the Wolfcamp Formation.
6 It has 50-foot contour interval lines, and it shows that
7 the formation is gently dipping to the southeast. He
8 also notes that there is no faulting, pinch-outs or
9 geologic impediments to horizontal drilling.

10 On Exhibit B3, there is a line of cross
11 section from A to A prime, which is the same map shown
12 on Exhibit B2.

13 On Exhibit B4, he uses that line of cross
14 section to prepare these logs for the Wolfcamp. He
15 notes that the logs in the cross section demonstrate the
16 target interval is consistent in thickness and character
17 across the entirety of each of the proposed spacing
18 units.

19 And then finally in his Exhibit B5, he's
20 included wellbore diagrams that show the path of the
21 proposed wellbores that comply with the standard
22 setbacks -- at the completed intervals, comply with the
23 standard setbacks. And in his opinion, each
24 quarter-quarter section will be productive and
25 contribute more or less equally to production from each

1 respective spacing unit and will be the most efficient
2 method to develop this acreage. And finally, he says in
3 his opinion that the horizontal drilling is the most
4 efficient method to prevent the drilling of unnecessary
5 wells and will result in the greatest ultimate recovery.

6 Turning to Exhibit Number C -- Exhibit
7 Letter C is an affidavit from me reflecting that my
8 office provided notice of this hearing to the parties to
9 be pooled in this proceeding, along with an affidavit
10 showing that notice of these four applications were
11 provided in the "Carlsbad Current-Argus."

12 And with that, I would move the admission
13 of Exhibits A, B and C, along with the attachments and
14 the support pieces.

15 EXAMINER JONES: Exhibits A, B and C, along
16 with the attachments, in all four of the aforementioned
17 cases are admitted.

18 (Matador Production Company Exhibits A, B
19 and C are offered and admitted into
20 evidence.)

21 MS. LUCK: Thank you.

22 EXAMINER JONES: So basically this is Eddy
23 County Wolfcamp, but it's Upper Wolfcamp oil, so it's
24 Burton Flat; Upper Wolfcamp, East Oil Pool.

25 MS. LUCK: Right.

1 EXAMINER JONES: We had one of these the
2 other day that I was working on. It's kind of confusing
3 when it's Wolfcamp, Eddy County. You think it's Purple
4 Sage, but it's not. It's Upper Wolfcamp oil.

5 MS. LUCK: Uh-huh. And it's typically more
6 gassy in that area.

7 EXAMINER JONES: I guess. I guess so.
8 Okay. So was there a newspaper notice?

9 MS. LUCK: Yes, there is. And that's
10 included with Exhibit C, and we published notice in all
11 four cases.

12 EXAMINER JONES: Okay. And we had no other
13 appearances even in the files that didn't show up today?

14 MS. LUCK: I'm not aware of any
15 appearances. I didn't receive any prior to the hearing.

16 EXAMINER JONES: Okay. Thanks. Is that it
17 on these cases?

18 MS. LUCK: With that, I'd ask that these
19 four cases, 20623 through 20626 be taken under
20 advisement.

21 EXAMINER JONES: Okay. They're taken under
22 advisement. Thank you very much.

23 MS. LUCK: Thank you.

24 (Case Numbers 20623 through 20626 conclude,
25 3:33 p.m.)

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 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

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