

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. 20690  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 22, 2019

Santa Fe, New Mexico

BEFORE:   MICHAEL McMILLAN, CHIEF EXAMINER  
          KATHLEEN MURPHY, TECHNICAL EXAMINER  
          DYLAN ROSE-COSS, TECHNICAL EXAMINER  
          BILL BRANCARD, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner; Kathleen Murphy and Dylan Rose-Coss, Technical Examiners; and Bill Brancard, Legal Examiner, on Thursday, August 22, 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

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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

KAITLYN A. LUCK, ESQ.  
HOLLAND & HART, LLP  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501  
(505) 988-4421  
kluck@hollandhart.com

FOR INTERESTED PARTY MARATHON OIL PERMIAN, LLC:

LANCE D. HOUGH, ESQ.  
MODRALL, SPERLING, ROEHL, HARRIS & SISK, P.A.  
500 4th Street, Northwest, Suite 1000  
Albuquerque, New Mexico 87102  
(505) 848-1800  
ldh@modrall.com

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1 (3:37 p.m.)

2 EXAMINER McMILLAN: I would like to call  
3 Case Number 20690, application of Matador Production  
4 Company for compulsory pooling, Eddy County, New Mexico.  
5 Call for appearances.

6 MS. LUCK: Kaitlyn Luck, with the Santa Fe  
7 office of Holland & Hart, on behalf of Matador Resources  
8 Company.

9 And I have two witnesses in this case, and  
10 they are the same two witnesses who were previously  
11 sworn in in Case Number 20592.

12 MR. HOUGH: And Lance Hough, from Modrall,  
13 Sperling, on behalf of Marathon Oil Permian, LLC.

14 MS. LUCK: With that, I'd call my first  
15 witness, Robert Helbing.

16 ROBERT HELBING,  
17 after having been previously sworn under oath, was  
18 questioned and testified as follows:

19 DIRECT EXAMINATION

20 BY MS. LUCK:

21 Q. Good afternoon.

22 A. Hi.

23 Q. Please state your name and by whom you're  
24 employed.

25 A. Robert Helbing, Matador Resources, landman.

1 Q. And have you previously testified before the  
2 Division?

3 A. Yes.

4 Q. And that was in Case Number 20592?

5 A. Yes.

6 Q. And in that case, were your credentials  
7 accepted and made a matter of record as a petroleum  
8 landman?

9 A. Yes.

10 Q. And are you familiar with the application filed  
11 in this case?

12 A. Yes.

13 Q. And are you familiar with the status of the  
14 lands in the subject area?

15 A. Yes.

16 MS. LUCK: And with that, I tender  
17 Mr. Helbing as an expert witness in petroleum land  
18 matters.

19 EXAMINER McMILLAN: Any objection?

20 MR. HOUGH: No objection.

21 EXAMINER McMILLAN: So qualified.

22 Q. (BY MS. LUCK) Can you please turn to Exhibit  
23 Number 1 and explain what Matador seeks in this case?

24 A. This shows -- this is an outline of the  
25 480-acre horizontal spacing unit lay-down unit comprised

1 of the southwest quarter of Section 29 and the south  
2 half of Section 30 of Township 22 South, 27 East, Eddy  
3 County. And we're looking to pool the Wolfcamp  
4 Formation.

5 **Q. Thank you.**

6 **And what is the ownership of this acreage?**

7 A. This is fee land.

8 **Q. Are there any depth severances in the acreage?**

9 A. No.

10 **Q. Turning to Exhibit Number 2, identify what**  
11 **these are.**

12 A. These are draft C-102s for the Hazel Inez 203H  
13 and 204H, again outlining the 480-acre lay-down unit.

14 **Q. And do the C-102s also identify the first**  
15 **perforation point and the last perforation point?**

16 A. Yes.

17 **Q. And what pool is involved?**

18 A. The Purple Sage -- the Wolfcamp; Purple Sage  
19 Pool.

20 **Q. And that's pool code 98220?**

21 A. Yes.

22 **Q. And will the completed interval for these wells**  
23 **comply with the Purple Sage; Wolfcamp setbacks?**

24 A. Yes.

25 **Q. Turning to Exhibit Number 3, explain what this**

1     **shows.**

2           A.     This is a summary of interests in the unit, and  
3     it lists Marathon Oil Permian, LLC as the working  
4     interest owner. We're looking to pool here  
5     approximately 38 percent in the unit.

6           **Q.     Okay. And on your exhibit, it also notes**  
7     **"anticipated voluntary joinder." Can you explain what**  
8     **that means?**

9           A.     Yes. Those are uncommitted interest owners  
10    right now that we are actually close to either getting  
11    under a JOA or a lease with, so we are not pooling them  
12    today.

13          **Q.     And the second page of this exhibit shows the**  
14    **overriding royalty interest owners that Matador seeks to**  
15    **pool?**

16          A.     Yes.

17          **Q.     And so were all the interest owners you seek to**  
18    **pool locatable?**

19          A.     Yes, based on our title.

20          **Q.     Okay. And what efforts have you undertaken to**  
21    **reach an agreement with the remaining uncommitted**  
22    **interest owner that's Marathon Oil Permian?**

23          A.     Well, we had sent the initial well proposals to  
24    them, and then we have email correspondences and phone  
25    conversations with their landmen working towards some

1 type of voluntary joinder in the unit.

2 Q. And will Matador notify the Division if it  
3 reaches agreement with these uncommitted working  
4 interest owners?

5 A. Yes.

6 Q. Turning to Exhibit Number 4, is this a sample  
7 well proposal -- are these the sample well-proposal  
8 letters, along with the AFE sent to the working interest  
9 owners for each well?

10 A. Yes.

11 Q. And are the costs on the AFE consistent with  
12 what Matador and other operators have incurred for  
13 similar wells in the area?

14 A. Yes.

15 Q. Has Matador made an estimate of the overhead  
16 and administrative costs while drilling the wells and  
17 also while producing the wells?

18 A. Yes.

19 Q. What are those amounts?

20 A. 8,000 per month while drilling and 800 per  
21 month producing.

22 Q. And are these costs similar to what other  
23 operators are charging for these types of wells?

24 A. Yes.

25 Q. And does Matador request that the order include

1 a 200 percent charge for any nonconsenting parties?

2 A. Yes.

3 Q. Turning to Matador Exhibit Number 5, this is an  
4 affidavit prepared by my office with the attached  
5 letters providing notice of the hearing to the parties  
6 you seek to pool in this case?

7 A. Yes.

8 MS. LUCK: And it also includes a Notice of  
9 Publication given that there were notice letters that  
10 were not delivered at the time of this shearing. So it  
11 shows that both mailed notice was provided, as well as  
12 published notice.

13 Q. (BY MS. LUCK) So were Exhibits 1 through 4  
14 prepared by you or compiled under your direction and  
15 supervision?

16 A. Yes.

17 MS. LUCK: And with that, I'd move the  
18 admission into evidence of Matador Exhibits 1 through 5,  
19 which includes our notice affidavit.

20 MR. HOUGH: No objection.

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

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

1 EXAMINER McMILLAN: Cross?

2 MR. HOUGH: No cross.

3 EXAMINER McMILLAN: Do you have any  
4 questions?

5 EXAMINER MURPHY: No.

6 EXAMINER McMILLAN: Do you have any  
7 questions?

8 EXAMINER COSS: I have no questions.

9 EXAMINER McMILLAN: Do you have any  
10 questions?

11 EXAMINER BRANCARD: (Indicating.)

12 CROSS-EXAMINATION

13 BY EXAMINER McMILLAN:

14 Q. What are the building blocks you're going to  
15 use?

16 MS. LUCK: I think these are 160-acre  
17 building blocks to go with the 480.

18 Q. (BY EXAMINER McMILLAN) There are no unlocatable  
19 interests, and there are no depth severances?

20 A. Correct.

21 MS. LUCK: Correct. There are no  
22 unlocatables.

23 EXAMINER McMILLAN: There is not?

24 MS. LUCK: There are no unlocatable  
25 interests. I did ask him if there were any parties that

1 were unlocatable and I think his answer was no. And  
2 just to review, I asked, "Were all the interest owners  
3 that you seek to pool locatable," and he said, "Yes,  
4 they were locatable."

5 EXAMINER McMILLAN: Okay.

6 EXAMINER BRANCARD: Exhibit 5 has a return  
7 to sender on here.

8 MS. LUCK: Right. And we do have an  
9 address for them, and so that's what we consider  
10 locatable. An unlocatable interest would be someone who  
11 we don't have any kind of contact information for. And  
12 there could be an issue with the mailing, which is why  
13 it might not have been delivered, and that's why we go  
14 ahead and publish notice, just in the event that they  
15 don't receive the certified mail in time.

16 EXAMINER COSS: So do you make  
17 qualifications on unlocatable and unreachable and  
18 uncontacted?

19 MS. LUCK: And maybe Mr. Helbing can better  
20 explain what an unlocatable interest would be, but it's  
21 my understanding that an unlocatable would be a party  
22 who we don't have an address or any kind of contact  
23 information for.

24 THE WITNESS: Right.

25 MS. LUCK: It could just be a person in the

1 title --

2 THE WITNESS: Right. I would say  
3 unlocatable is if the title that we get back from our  
4 field brokers, based on their searches of the public  
5 records in the courthouse and online, if they're unable  
6 to come up with an address of any sorts. But they were  
7 able to provide us with addresses and what we use as  
8 current addresses for all the parties.

9 EXAMINER BRANCARD: Was this hearing  
10 continued?

11 THE WITNESS: Yes, I believe it was.

12 MS. LUCK: I think it was continued one  
13 time because of Marathon's interest in the case.

14 MR. HOUGH: Yes. There was a prior request  
15 for continuance from Marathon to this docket from, I  
16 think, the first docket of August.

17 EXAMINER BRANCARD: Right. But the notice  
18 is for an August 8th hearing.

19 MS. LUCK: That routinely occurs where the  
20 hearing is continued, but it's within a time frame where  
21 it's not sufficient time to provide notice again, and so  
22 the parties were provided notice of the initial hearing.  
23 And we provide a link to the website in our letter so  
24 that parties can track the status of the hearing. And  
25 that's why our letter indicates we have requested a

1 hearing on that date, not that it necessarily is set on  
2 that specific date.

3 RE CROSS EXAMINATION

4 BY EXAMINER McMILLAN:

5 Q. Do you have API numbers?

6 A. At this time we do not.

7 EXAMINER MURPHY: I have no questions.

8 EXAMINER COSS: I'm satisfied.

9 MS. LUCK: Thank you.

10 With that, I'd call my second witness,  
11 Mr. Clark Collier, the geologist.

12 CLARK COLLIER,  
13 after having been previously sworn under oath, was  
14 questioned and testified as follows:

15 DIRECT EXAMINATION

16 BY MS. LUCK:

17 Q. Will you state your name, by whom you're  
18 employed and in what capacity?

19 A. My name is Clark Collier, and I'm employed by  
20 Matador Resources Company as a geologist.

21 Q. Thanks.

22 And have you previously testified before  
23 the Division?

24 A. Yes.

25 Q. And were your credentials as an expert in

1     **petroleum geology accepted and made a matter of record?**

2           A.     Yes.

3           **Q.     And your credentials were also reviewed in the**  
4 **prior case, 20592?**

5           A.     Yes.

6           **Q.     And are you familiar with the application filed**  
7 **by Matador in this case?**

8           A.     Yes.

9           **Q.     What is the target interval for the proposed**  
10 **wells?**

11          A.     These are Wolfcamp wells.

12          **Q.     And have you conducted a geologic study of the**  
13 **Wolfcamp Formation underlying the subject area?**

14          A.     Yes.

15                   MS. LUCK:   And with that, I'd tender  
16 Mr. Collier as an expert witness in petroleum geology.

17                   MR. HOUGH:   No objection.

18                   EXAMINER McMILLAN:   So qualified.

19          **Q.     (BY MS. LUCK) Please identify and explain what**  
20 **Matador Exhibit 6 shows.**

21          A.     This is a locator map identifying the project  
22 area For the Hazel Inez 203 and 204 in Eddy County, New  
23 Mexico.

24          **Q.     Thank you.**

25                   **And turning to Exhibit Number 7, identify**

1 **and explain what this exhibit shows?**

2 A. This is a structure map that is on the top of  
3 the Wolfcamp, and we've identified our project area, the  
4 subject wells. We also have identified offset Wolfcamp  
5 producers. They're in yellow this time, and we also see  
6 the control points in black across the map. The dip is  
7 generally to the east at about 1 degree, and so these  
8 wells will be drilling updip.

9 Q. Okay. And the two proposed wells in this case  
10 are identified with the red lines and the green squares  
11 within the yellow box?

12 A. Yes.

13 Q. And your contour interval is 50 feet?

14 A. That's right.

15 Q. And on this map, do you identify any geologic  
16 hazards to horizontal drilling?

17 A. No.

18 Q. And are there any faulting, pinch-outs or other  
19 geologic impediments?

20 A. No.

21 Q. Sorry. That's repetitive.

22 Turning to Exhibit Number 8, identify and  
23 explain what this map shows.

24 A. So this is a copy of the map from the previous  
25 exhibit, and we're highlighting the line of cross

1 section from -- through the three wells, the City of  
2 Carlsbad Com #2, the Hagerman #1, and the Calvani #1.  
3 The cross section is from west to east or A to A prime.

4 **Q. Did you prepare a cross section of logs to**  
5 **determine the relative thickness and porosity of the**  
6 **Wolfcamp in this area?**

7 A. Yes.

8 **Q. And so turning to Matador Exhibit Number 9,**  
9 **could you explain what this shows?**

10 A. So this is the cross section of those three  
11 wells, and we've highlighted the target interval in the  
12 upper portion of the Wolfcamp. Both of these wells will  
13 be targeting the same interval in the Wolfcamp A.

14 **Q. And do you consider these wells to be**  
15 **representative of the Wolfcamp for the area near the**  
16 **proposed spacing unit?**

17 A. Yes.

18 **Q. And did you also testify that the formation is**  
19 **continuous throughout?**

20 A. Yes.

21 **Q. Okay. So explain what Matador Exhibit Number**  
22 **10 shows.**

23 A. This is a wellbore diagram showing the Hazel  
24 Inez 203. The next exhibit is the 204. They're both  
25 just showing our wellbore as it will be abiding by the

1 setbacks set by the Wolfcamp -- excuse me -- the Purple  
2 Sage Pool.

3 Q. And I just want to go over your conclusions of  
4 your geologic study of the area. So is the Wolfcamp in  
5 this area suitable for development by horizontal wells?

6 A. Yes.

7 Q. And is the proposed orientation of the  
8 horizontal wells appropriate for the area?

9 A. It is.

10 Q. Do you expect each quarter-quarter section  
11 within the proposed standard spacing unit to contribute  
12 more or less equally to the production from the  
13 wellbores?

14 A. Yes.

15 Q. And in your opinion, is the granting of  
16 Matador's application in the best interest of  
17 conservation, the prevention of waste and the protection  
18 of correlative rights?

19 A. Yes.

20 MS. LUCK: With that, I move the admission  
21 of Exhibits 7 through 10.

22 MR. HOUGH: No objection.

23 EXAMINER McMILLAN: Exhibits 7 through 10  
24 may now be accepted as part of the record.

25 EXAMINER BRANCARD: Was Exhibit 6 admitted?

1 MS. LUCK: Yeah. Exhibits 1 through 6 were  
2 previously admitted, but if not, I'd ask that --

3 EXAMINER McMILLAN: Plus Exhibit 6.  
4 Any objections?

5 MR. HOUGH: No objection.

6 EXAMINER McMILLAN: Exhibit 6 also.  
7 (Matador Production Company Exhibit Numbers  
8 6 through 10 are offered and admitted into  
9 evidence.)

10 MR. HOUGH: No cross.

11 EXAMINER McMILLAN: Okay.

12 CROSS-EXAMINATION

13 BY EXAMINER McMILLAN:

14 Q. So you expect each quarter section to  
15 contribute equally to production, right? You said  
16 quarter-quarter section.

17 A. Right. We expect the well to produce more or  
18 less uniformly across the length of the lateral.

19 CROSS-EXAMINATION

20 BY EXAMINER COSS:

21 Q. Oil or gas?

22 A. Good question. It'll be a mix in this well  
23 also. It'll be more oil than gas.

24 Q. Is the reason -- or why is Matador deciding to  
25 drill this well from east to west instead of north to

1 south?

2 A. It's primarily a land issue there. I think  
3 it's -- we'd be happy to drill it north-south,  
4 east-west.

5 Q. Would your stress field have to be a better  
6 direction?

7 A. From our studies, we don't think that there is  
8 a preferred orientation in this area. We've drilled  
9 wells in both directions. We also have internal data  
10 that indicates the maximum horizontal stress kind of at  
11 a north 45 east direction, so you could -- you could  
12 drill the wells north and south in this area.

13 Q. So north and south might be preferable to east  
14 and west?

15 A. Excuse me. North-south or east-west. There is  
16 no preferable direction in this area, to our knowledge.

17 Q. So if you could optimally do it, which way  
18 would you do it?

19 A. We've drilled and continue to drill wells  
20 north-south in the area and east-west, so --

21 Q. If you had a full 360 degree, what would you  
22 like to do?

23 A. I think we would just pick the direction that  
24 fits best with our -- with our land layout. So we would  
25 not -- you know, we would just go based on, you know,

1    whichever way the best opportunity to operate and get  
2    the project through.

3           **Q.    Thank you.**

4                                   **RE CROSS EXAMINATION**

5    BY EXAMINER McMILLAN:

6           **Q.    I've got a question on Exhibit 7.  I'm looking**  
7    **at Sections 4 and 5.  Did you operate those wells?**

8           A.    No, sir.

9           **Q.    One's a mile and one's two miles.  Are you**  
10   **getting that much more reserves out of the dead zones?**

11          A.    We did not operate those two wells --

12          **Q.    Oh, okay.**

13          A.    -- so I can't speak to those specifically.

14          **Q.    You can't answer.**

15          A.    Uh-huh.

16                               EXAMINER McMILLAN:  Go ahead.

17                                   **CROSS-EXAMINATION**

18    BY EXAMINER BRANCARD:

19           **Q.    So just in conclusion, in this application**  
20    **you're seeking to pool 82.7 percent of the interests, if**  
21    **I read Exhibit --**

22                               MS. LUCK:  I'll defer to our land witness.

23                               EXAMINER BRANCARD:  -- 3 correctly?

24                               MS. LUCK:  Sorry.  I'll let him answer that  
25    question.  I know that the exhibit shows that we're

1 seeking to pool 38.273026. And so that's correct as  
2 shown on the exhibit, that the interest we are seeking  
3 to pool is 38.273026, because as Mr. Helbing explained  
4 earlier, he expects there will be a voluntary agreement  
5 with the parties for the 17 percent reflective of the  
6 anticipated voluntary joinder.

7 EXAMINER BRANCARD: So in drafting an  
8 order, we have to be careful that we're not pooling all  
9 the interests here. We're just pooling yours, plus that  
10 which make 82.7 percent.

11 EXAMINER McMILLAN: Then we run into the  
12 problem of what happens when one of the 17.25 percent  
13 don't agree to participate. Tend to just compulsory  
14 pool the working interest owners, and then when they've  
15 signed the voluntary agreement, they're no longer  
16 subject to the compulsory pooling.

17 EXAMINER BRANCARD: Right. But these folks  
18 haven't signed -- the 17.25 percent have not signed the  
19 agreement, nor will they be subject to this order.

20 EXAMINER McMILLAN: Yes, they would be  
21 subject to the order.

22 MS. LUCK: No. In this case we're just  
23 seeking to pool the interest of Marathon Oil Permian,  
24 LLC, as reflected on Exhibit 7, and if there are any --  
25 in addition to the overrides also shown on Exhibit 7.

1 But if there are any of these interests reflected under  
2 the anticipated voluntary joinder that we are not able  
3 to reach an agreement with, then we will ask the  
4 Division to re-open the case.

5 EXAMINER McMILLAN: Okay.

6 EXAMINER BRANCARD: Seems a bit premature.

7 EXAMINER McMILLAN: Okay.

8 MS. LUCK: And if there are no further  
9 questions, I'd ask the Division take the case under  
10 advisement.

11 EXAMINER McMILLAN: Any objections?

12 MR. HOUGH: No objection.

13 EXAMINER BRANCARD: Does Marathon have a  
14 position?

15 MR. HOUGH: Not at this time.

16 EXAMINER BRANCARD: Okay.

17 EXAMINER McMILLAN: Case Number 20690 shall  
18 be taken under advisement.

19 MS. LUCK: Thank you.

20 (Case Number 20690 concludes, 3:56 p.m.)

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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 13th day of September 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