

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:

ORIGINAL

APPLICATION OF MATADOR PRODUCTION  
COMPANY FOR COMPULSORY POOLING,  
AND AN UNORTHODOX WELL LOCATION,  
EDDY COUNTY, NEW MEXICO.

CASE NO. 15190

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 4, 2014

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER

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This matter came on for hearing before the  
New Mexico Oil Conservation Division, Phillip Goetze,  
Chief Examiner, on Thursday, September 4, 2014, 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  
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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

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FOR INTERESTED PARTY KAISER-FRANCIS OIL COMPANY:

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1 (8:53 a.m.)

2 EXAMINER GOETZE: Now moving to Case 15190,  
3 application of Matador Production Company for compulsory  
4 pooling and an unorthodox well location, Eddy County,  
5 New Mexico.

6 Call for appearances.

7 MR. FELDEWERT: May it please the Examiner,  
8 Michael Feldewert, with the Santa Fe office of Holland &  
9 Hart, appearing on behalf of the Applicant, and I have  
10 one witness.

11 EXAMINER GOETZE: Any other appearances?

12 MR. BRUCE: Mr. Examiner, Jim Bruce  
13 appearing on behalf of Kaiser-Francis Oil Company. I  
14 have no witnesses.

15 EXAMINER GOETZE: Very good.

16 Would the witness please stand, give your  
17 name to the court reporter and be sworn in, please.

18 MR. SPORICH: Clayton Sporich, geologist  
19 with EOG.

20 CLAYTON SPORICH,  
21 after having been first duly sworn under oath, was  
22 questioned and testified as follows:

23 EXAMINER GOETZE: Mr. Feldewert, you have  
24 the show.

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DIRECT EXAMINATION

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BY MR. FELDEWERT:

Q. Would you please state your full name, identify by whom you're employed and in what capacity?

A. Clayton Sporich, with Matador Resources Company as a landman.

Q. Now, the Applicant in this case is Matador Production Company. What's your relationship with Matador Resources?

A. Matador Resources is the parent company of Matador Production Company.

Q. And during your employment as a landman with Matador Resources Company, have your responsibilities included the Permian Basin of New Mexico?

A. They have.

Q. Have you ever had the opportunity to previously testify before this Division?

A. I have not.

Q. Would you please review your educational background?

A. I have a bachelor's of business administration from the University of Mississippi. I have a law degree from South Texas College of Law.

Q. And when did you receive your law degree?

A. December of 2009.

1 Q. What's been your work history since receiving  
2 your law degree in 2009?

3 A. Since 2010 -- from 2010 to 2013, I was employed  
4 by Chesapeake Energy Corporation as a lease analyst for  
5 one year and as a landman for roughly two years, and  
6 since November of 2013 as a landman for Matador  
7 Resources.

8 Q. And have your responsibilities included the  
9 Permian Basin?

10 A. Not with Chesapeake Energy, only with Matador  
11 Resources.

12 Q. What were your responsibilities with  
13 Chesapeake?

14 A. The handling of the Barnett Shale.

15 Q. Difficult project?

16 A. Very much.

17 Q. Are you a member of any professional  
18 organizations?

19 A. I'm a member of the State Bar of Texas since  
20 2011. I'm a member of AAPL for three years and a member  
21 of the Dallas APL for one year and a member of the Rocky  
22 Mountain Law Foundation for one year.

23 Q. Are you, Mr. Sporich, familiar with this  
24 application?

25 A. I am.

1 Q. And are you familiar with the status of the  
2 lands of the subject area?

3 A. I am.

4 MR. FELDEWERT: I would tender Mr. Sporich  
5 as an expert witness in petroleum land matters.

6 EXAMINER GOETZE: Mr. Bruce?

7 MR. BRUCE: No, no objection.

8 EXAMINER GOETZE: You are so qualified.

9 Q. (BY MR. FELDEWERT) Would you please turn to  
10 what's been marked as Matador Exhibit Number 1?  
11 Identify it first, and explain what the company seeks  
12 under this application.

13 A. This is a draft APD for the Tiger 14-24S-28E  
14 RB, Well Number 224H. We are seeking compulsory pooling  
15 and an unorthodox location.

16 Q. If I turn to the last page of Exhibit Number 1,  
17 it shows the location of your proposed well; does it  
18 not?

19 A. It does.

20 Q. It also identifies the pool?

21 A. It does.

22 Q. Who chose this particular pool for this well?

23 A. I contacted T.C. Shapard from the Artesia  
24 office, and he assigned this pool.

25 Q. And this pool is on -- was under the Division

1 statewide rules for spacing of gas pools?

2 A. It is.

3 Q. That's why you're seeking a 320-acre spacing  
4 unit?

5 A. Correct.

6 Q. And you seek to pool, then, the uncommitted  
7 interest owners in the south half of Section 14 in this  
8 Wolfcamp Formation?

9 A. Yes.

10 Q. All right. And you mentioned you also seek  
11 approval of the nonstandard location for this well?

12 A. Yes.

13 Q. What will be the location of the completed  
14 interval for the well?

15 A. The completed interval will be -- the first  
16 take point will be 330 feet from the east line, 350 feet  
17 from the south line, and the last take point will be 330  
18 feet from the west line and 350 feet from the south  
19 line.

20 Q. And since this is a pool that's subject to the  
21 Division's statewide <sup>400</sup>~~160~~-foot setback requirements, this  
22 is -- this is an unorthodox location?

23 A. It is.

24 Q. And you're encroaching on the spacing units to  
25 the -- I guess it would be the east, southeast, the

1 south, the west and southwest; is that correct?

2 A. Correct.

3 Q. All right. What's the reason for the  
4 unorthodox location for the initial horizontal well in  
5 the Wolfcamp Formation?

6 A. Our engineers believe that this will allow for  
7 more efficient well spacing in the future, as well as  
8 proper drainage of the Wolfcamp Formation.

9 Q. Do you expect -- based on your discussions with  
10 the engineers, what type of production do you expect. I  
11 mean, do you expect just gas or --

12 A. We expect some oil production, along with gas.

13 Q. Is the south half of Section 14 all fee lands?

14 A. It is.

15 Q. If you will turn to what's been marked as  
16 Matador Exhibit Number 2, does this identify all of the  
17 interest owners in your proposed 320-acre spacing unit?

18 A. It does.

19 Q. And is this based on -- and this also shows the  
20 total interest in your spacing unit based on your  
21 knowledge today?

22 A. Yes, it does.

23 Q. And what is that based upon?

24 A. It's based off of the field work from our title  
25 brokers compiling a mineral ownership report.

1 Q. How many of these interest owners listed on  
2 here do you seek to pool?

3 A. We seek to pool five remaining.

4 Q. And can you identify those for us, please?

5 A. Yes. Devon, ConocoPhillips, Paw Prints, Brad  
6 Bennett and William Bennett.

7 Q. Okay. Now, with respect to these interest  
8 owners that you seek to pool, were you able to locate an  
9 address of record for all of these interest owners?

10 A. I was.

11 Q. And if I turn to what's been marked as Matador  
12 Exhibit Number 3, is this a copy of the well-proposal  
13 letter with AFE that was sent to these uncommitted  
14 interest owners?

15 A. It was.

16 Q. And it contains an AFE with it?

17 A. It does.

18 Q. In addition to sending this well proposal, what  
19 efforts did the company undertake to reach agreement  
20 with the interest owners that you seek to pool?

21 A. We've been in contact with all uncommitted  
22 interest owners to either participate in the well or to  
23 acquire their interest via assignment or lease.

24 Q. And with respect to the number of these  
25 remaining interest owners, do you expect to have an

1 agreement from them soon?

2 A. We do.

3 Q. And will the lease stem from the pooling order?

4 A. It will.

5 Q. With respect to the AFE that was submitted with  
6 your well-proposal letter, are the costs reflected on  
7 the AFE consistent with what the company and other  
8 operators incur for drilling similar horizontal wells in  
9 the Wolfcamp Formation?

10 A. It is.

11 Q. And does the company have an estimate of the  
12 overhead and administrative costs while drilling and  
13 while producing if you are successful?

14 A. It's \$7,000 per month for drilling, \$700 per  
15 month for production.

16 Q. And are these costs similar to what other  
17 operators charge for these types of wells?

18 A. They are.

19 Q. Turning back to the nonstandard location, did  
20 the company identify the affected parties in the station  
21 units to which the wells are encroaching?

22 A. It did.

23 MR. FELDEWERT: And I apologize,  
24 Mr. Examiner. I'm going a little bit out of order, if  
25 you'll turn to Exhibit Number 5.

1 Q. (BY MR. FELDEWERT) Does Matador Exhibit Number  
2 5 reflect the offset well information that was utilized  
3 in providing notice of the nonstandard location?

4 A. It does.

5 Q. And if I turn to the last page of this exhibit,  
6 just to orient the Examiner, what's reflected here on  
7 the last page of this plat?

8 A. This shows the operators -- they have the  
9 spacing units that are in question for offset  
10 operations.

11 Q. So you've identified on here the south half of  
12 Section 15 in yellow?

13 A. Correct.

14 Q. And then with respect to the surrounding  
15 acreage, you've identified the areas that have operators  
16 of record?

17 A. Correct.

18 Q. In the Wolfcamp?

19 A. Correct.

20 Q. And you've been able to cover the entire area  
21 towards which you are encroaching whether it be a  
22 stand-up or a lay-down, correct?

23 A. Correct.

24 Q. There are a number of letters shown on this  
25 plat. Do they then correspond to the preceding pages?

1 A. It does.

2 Q. And, for example, if I looked at the area to  
3 the south of Section 14, which is identified with an I,  
4 the preceding page is what identified the operator  
5 associated with that particular spacing unit?

6 A. It does.

7 Q. If I then turn to what's been marked as Matador  
8 Exhibit Number 4, is that an affidavit prepared by my  
9 office with attached letters providing notice of this  
10 hearing not only to the pool parties but also the  
11 parties affected by the nonstandard location?

12 A. It is.

13 Q. Now, when I look at the letters of notice of  
14 the hearing to the pooled parties, okay, I note that  
15 there are a couple of parties for whom we are missing --  
16 do not have a return receipt. There is a Mr. Brad  
17 Bennett. There is a Paw Prints Oil and Gas, and there  
18 is a Mr. William H. Bennett. Okay? Have you had  
19 discussions with each of these parties with respect to  
20 your pooling efforts?

21 A. We have.

22 Q. And has at least one of these parties signed  
23 the election and the AFE?

24 A. Yes. Paw Prints has signed the election to  
25 participate in the well, as well as the AFE.

1 Q. And the addresses that you utilized for these  
2 three interest owners, are they addresses that you  
3 previously successfully utilized to give various notices  
4 to them?

5 A. They have.

6 Q. Were Exhibits 1 through 3 and Exhibit Number 5  
7 prepared by you or compiled under your direction or  
8 supervision?

9 A. They were.

10 MR. FELDEWERT: At this point, then,  
11 Mr. Examiner, I would move the admission into evidence  
12 of Matador Exhibits 1 through 5, which includes my  
13 affidavit marked as Exhibit Number 4.

14 MR. BRUCE: No objections.

15 EXAMINER GOETZE: No objections.

16 Very well. Then Exhibits 1 through 5 are  
17 so entered.

18 (Matador Resources Company Exhibit Numbers  
19 1 through 5 were offered and admitted into  
20 evidence.)

21 EXAMINER GOETZE: Any questions, Mr. Bruce?

22 MR. BRUCE: A couple of questions,  
23 Mr. Examiner.

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CROSS-EXAMINATION

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BY MR. BRUCE:

Q. With respect to the unorthodox location, does Matador -- or would Matador, or MRC, object to mirror locations for any offset to the unorthodox location?

A. We have no objection.

Q. And then just one other, if you turn to your Exhibit 1 and go to the C-102. You said your engineers wanted to place the well here for, among other reasons, future development. At this point does Matador foresee having more than one -- excuse me -- more than two Wolfcamp wells per well unit?

A. At this point I don't know. I can't answer that.

Q. Okay. Thank you.

MR. BRUCE: That's all.

EXAMINER GOETZE: Very good. So I'll just follow up with one more question.

CROSS-EXAMINATION

BY EXAMINER GOETZE:

Q. Based upon your discussion with your engineers, they feel this is going to be a gas well and not necessarily an oil well?

A. They believe it'll be a mix.

Q. Okay. Well, I don't have any further questions

1 for this case.

2 EXAMINER GOETZE: Any more from you?

3 MR. FELDEWERT: No, Mr. Examiner. That  
4 concludes our presentation.

5 EXAMINER GOETZE: Any more from you,  
6 Mr. Bruce?

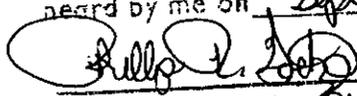
7 MR. BRUCE: No, sir.

8 EXAMINER GOETZE: On that, we will go ahead  
9 and take Case 15190 under advisement.

10 And let's give people a few minutes' break.  
11 Come back in ten, and we'll start it up again.

12 (Case Number 15190 concludes, 9:06 a.m.)

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 15190  
heard by me on Sept. 20, 2014.  
  
\_\_\_\_\_, Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

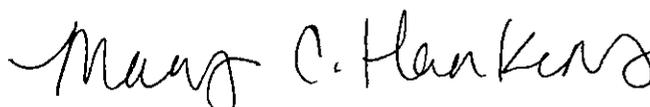
5 I, MARY C. HANKINS, New Mexico Certified  
6 Court Reporter No. 20, and Registered Professional  
7 Reporter, do hereby certify that I reported the  
8 foregoing proceedings in stenographic shorthand and that  
9 the foregoing pages are a true and correct transcript of  
10 those proceedings that were reduced to printed form by  
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's  
13 Record of the proceedings truly and accurately reflects  
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither  
16 employed by nor related to any of the parties or  
17 attorneys in this case and that I have no interest in  
18 the final disposition of this case.

19

20



21

MARY C. HANKINS, CCR, RPR  
Paul Baca Court Reporters, Inc.  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2014

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