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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 15444

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

March 3, 2016

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
MICHAEL McMILLAN, EXAMINER
DAVID BROOKS, LEGAL EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, SCOTT DAWSON,
Chief Examiner, MICHAEL McMILLAN, Examiner, and DAVID
BROOKS, Legal Examiner, on March 3, 2016, 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: ELLEN H. ALLANIC
NEW MEXICO CCR 100
CALIFORNIA CSR 8670
PAUL BACA COURT REPORTERS
500 Fourth Street, NW
Suite 105
Albuquerque, New Mexico 87102

A P P E A R A N C E S

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For the Applicant Matador Production Company:

James G. Bruce, Esq.
P.O. Box 1056
Santa Fe, New Mexico 87504
(505)982-2043
jamesbruc@aol.com

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1 I N D E X

2 CASE NUMBER 15444 CALLED

3 MATADOR PRODUCTION COMPANY
CASE-IN-CHIEF:

4

5 WITNESS TREY GOODWIN

6

	Direct	Redirect	Further
7 By Mr. Bruce	5		

8

	Examination
9 By Examiner Dawson	13
By Examiner McMillan	12

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12 WITNESS GORDON YAHNEY

	Direct	Redirect	Further
13 By Mr. Bruce	13		

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	Examination
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16 By Examiner Dawson	20
By Examiner McMillan	19

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I N D E X O F E X H I B I T S

MATADOR PRODUCTION COMPANY
Offered and Admitted

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1 (Time noted 8:33 a.m.)

2 EXAMINER DAWSON: Okay. The first case we
3 are going to hear today is case No. 15444. It's
4 application of Matador Production Company for Compulsory
5 Pooling, Eddy County, New Mexico.

6 Call for appearances, please.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa
8 Fe representing the applicant. I have two witnesses.

9 EXAMINER DAWSON: Okay. Anybody else?

10 (No response.)

11 EXAMINER DAWSON: Can your witnesses please
12 stand, identify yourselves, and be sworn in by the court
13 reporter.

14 MR. GOODWIN: Trey Goodwin.

15 MR. YAHNEY: Gordon Yahney.

16 (WHEREUPON, the presenting witnesses
17 were administered the oath.)

18 EXAMINER DAWSON: Okay. Mr. Bruce.

19 TREY GOODWIN
20 having been first duly sworn, was examined and testified
21 as follows:

22 DIRECT EXAMINATION

23 BY MR. BRUCE:

24 Q. Would you please state your name and city of
25 residence for the record.

1 A. It's Trey Goodwin and I live in Frisco, Texas.

2 Q. Who do you work for and in what capacity?

3 A. MRG Energy Company, an affiliate of Matador
4 Production Company, and I'm a senior landman.

5 Q. Have you previously testified before the
6 Division?

7 A. Yes.

8 Q. And were you previously qualified as an expert
9 witness in land matters?

10 A. Yes.

11 Q. What are your responsibilities as a landman for
12 Matador or MRC?

13 A. I negotiate for the acquisition of oil and gas
14 interests, I review abstracts, title opinions, and
15 curative, and work with other operators in drilling
16 wells.

17 Q. Does your area of responsibility at MRC include
18 this portion of southeast New Mexico.

19 A. Yes.

20 Q. And are you familiar with the application and the
21 land matters involved in this case?

22 A. Yes.

23 MR. BRUCE: Mr. Examiner, I would tender
24 Mr. Goodwin as an expert petroleum landman.

25 EXAMINER DAWSON: He is so admitted.

1 Q. Mr. Goodwin, could you identify Exhibit 1 for the
2 Examiner and discuss briefly what Matador seeks in this
3 application.

4 A. Yes. Exhibit 1 here, this is a C-102 plat for
5 the well. This is B. Banker 33, 23 South, 28 East,
6 Rustler Breaks 221H. It is a horizontal well with a
7 surface location of 771 feet from the north line, 384
8 feet from the east line of section 33.

9 The production interval will be unorthodox with
10 the first penetration point being 330 feet from the
11 north line and 330 feet from the east line of section
12 33. And the last perforation point, 330 feet from the
13 north line and 330 feet from the west line of section
14 33.

15 We wish to form a gas spacing and proration unit
16 comprised of the north half of section 33, 23 South, 28
17 East in Eddy County, New Mexico, in order to drill a
18 horizontal well as identified in this plat.

19 Q. And what is the acreage of the well unit?

20 A. It's a 320 acre unit in the Culebra Bluff,
21 Wolfcamp South Gas Pool, Pool Code 75750.

22 Q. And what is the working interest ownership of the
23 well unit and who do you seek to pool?

24 A. Okay. If we flip to Exhibit 2, this is a list of
25 the uncommitted working interests and unleased mineral

1 interests in the well. These are of the parties that
2 have not joined in the well yet that we seek to pool.

3 We are looking to pool 37 percent of the
4 uncommitted working interests and 8 percent of unleased
5 mineral interests listed on Exhibit 3.

6 Q. Okay. And so Exhibit 3 is just a further
7 breakdown of Exhibit 2?

8 A. Yes.

9 Q. And what is the character of the lands involved
10 in this well unit?

11 A. They are fee lands and this is represented on
12 Exhibit 4.

13 Q. And that's a portion of the Midland Map Company
14 plat?

15 A. Yes, sir.

16 Q. What is Exhibit 5?

17 A. Exhibit 5 contains a copy of our well proposal.

18 Q. And could you discuss a little bit of the
19 background, maybe of your negotiations with the parties,
20 especially with respect to Oxy and the unleased mineral
21 owners.

22 A. Yes. Oxy has the largest working interest that
23 we're seeking to pool. And this was just a well that
24 didn't fit into their 2016 non-op budget for this year.
25 So we're still working and negotiating with all of these

1 parties and are very close to reaching agreements with
2 several of them.

3 And I might also mention that we were able to
4 reach an agreement with the Blackmans yesterday. And so
5 we can actually take them off of the exhibit.

6 Q. Okay. So Exhibit 2 and 3, the Blackmans are no
7 longer being pooled.

8 A. Yes, yes. We are in constant communication with
9 Bennett as well and we appear to be very close to
10 reaching an agreement with him.

11 Q. And if you reach an agreement with the Bennetts,
12 will you notify the OCD so they're not subject to a
13 pooling order?

14 A. Yes.

15 Q. In your opinion, has Matador made a good faith
16 effort to obtain the voluntary joinder of the interest
17 holders in the well?

18 A. Yes.

19 Q. With your well proposal, Exhibit 5, did you
20 contain or include in that exhibit an AFE?

21 A. Yes, we did, and a lease as well.

22 Q. And what is -- on Exhibit 6, there's a separate
23 copy of the AFE. Could you describe the costs of the
24 proposal?

25 A. Yes. On Exhibit 6, the well has an estimated

1 dryhole cost of \$3,201,092 and a completed well cost of
2 \$8,082,653.

3 Q. And are these costs in line with the costs of
4 other horizontal wells built to this depth in this area
5 of New Mexico?

6 A. Yes.

7 Q. Who should be appointed operator of the well?

8 A. Matador Production Company.

9 Q. And do you have a recommendation as to the
10 amounts that Matador should be paid through supervision
11 and administrative expenses?

12 A. Yes. We request that \$7,000 a month be allowed
13 for the drilling of the well and \$700 a month be allowed
14 for the producing well.

15 Q. And what is Exhibit 6 -- excuse me. What is
16 Exhibit 7?

17 A. Exhibit 7 is a summary of our communications
18 with the unleased working interest and no interest
19 owners.

20 Q. As to your overhead rates, are these fair and
21 reasonable?

22 A. Yes.

23 Q. And do you request that these rates be adjusted
24 periodically as provided by the Copas accounting
25 procedure?

1 A. Yes.

2 Q. Do you request the maximum cost plus 200 percent
3 risk charge if a party goes nonconsent in the well?

4 A. Yes.

5 Q. And what is Exhibit 8?

6 A. Let's see. Exhibit 8 contains our affidavit of
7 notice.

8 MR. BRUCE: Mr. Examiner, there is one
9 party who is being pooled -- which is that one party,
10 Mr. and Mrs. Bennett, who I have not gotten the green
11 card back yet from. So I would ask that the matter be
12 continued for two weeks, just so we can satisfy the
13 notice.

14 Q. Mr. Goodwin, were Exhibits 1 through 8 prepared
15 by you or under your supervision or compiled through
16 company business records?

17 A. Yes.

18 Q. And in your opinion, is the granting of this
19 application in the interests of conservation and the
20 prevention of waste?

21 A. Yes.

22 MR. BRUCE: Mr. Examiner, I move the
23 admission of Exhibit 1 through 8.

24 EXAMINER DAWSON: Exhibits 1 through 8 will
25 be admitted.

1 (Matador Exhibits 1 through 8 were offered
2 and admitted.)

3 MR. BRUCE: I have no further questions of
4 the witness.

5 EXAMINER DAWSON: Thank you.

6 Your next witness. Do you have another
7 witness?

8 MR. BRUCE: Yes, unless you guys have any
9 questions.

10 EXAMINATION BY EXAMINER McMILLAN

11 EXAMINER McMILLAN: What's the status?
12 What's the status of the well?

13 THE WITNESS: Right now we've got this well
14 on our drill schedule to be spud out towards the end of
15 April, so it's coming up pretty quick.

16 We have lease expirations in this section.
17 Our leases start expiring May 1st.

18 EXAMINER MCMILLAN: Are there any
19 unlocatable interests?

20 THE WITNESS: No, sir. We were able to
21 locate everybody.

22 EXAMINER McMILLAN: Okay. With -- are there
23 any gap severances --

24 THE WITNESS: No --

25 EXAMINER McMILLAN: -- that you're intending

1 to pool?

2 THE WITNESS: No, sir.

3 EXAMINER DAWSON: Okay. Do you have any
4 questions?

5 MR. BROOKS: No questions.

6 EXAMINATION BY EXAMINER DAWSON

7 EXAMINER DAWSON: Do you plan on drilling
8 this before May 1st; you have one of the fee leases
9 expiring May 1st?

10 THE WITNESS: Yes, sir. Actually, we have
11 three fee leases that are expiring May 1st.

12 EXAMINER DAWSON: Okay. I have no further
13 questions of Mr. Goodwin.

14 THE WITNESS: Thank you.

15 EXAMINER DAWSON: Thank you.

16 Your next witness.

17 GORDON YAHNEY

18 having been first duly sworn, was examined and testified
19 as follows:

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

22 Q. Would you please state your name and city of
23 residence.

24 A. My name is Gordon Yahney, and I live in Roswell,
25 New Mexico.

1 Q. Who do you work for and in what capacity?

2 A. I work for MRC Energy Company, an affiliate of
3 Matador Production Company. And I'm a senior geologist.

4 Q. What are your responsibilities as a geologist for
5 MRC?

6 A. I recommend new opportunities, locations, well
7 placements, work over opportunities. I do a lot of
8 mapping and evaluation of potential acreage
9 acquisitions.

10 Q. Have you previously testified before the
11 Division?

12 A. I have.

13 Q. And were your credentials as an expert petroleum
14 geologist accepted as a matter of record?

15 A. Yes, they were.

16 Q. And does your area of responsibility at Matador
17 include southeast New Mexico?

18 A. Yes, it does.

19 MR. BRUCE: Mr. Examiner, I tender
20 Mr. Yahney as an expert petroleum geologist.

21 EXAMINER DAWSON: He is so admitted.

22 Q. Mr. Yahney, have you conducted a geologic study
23 of the area embracing the proposed well unit?

24 A. Yes, I have.

25 Q. And would you please turn to Exhibit 9 and tell

1 the Examiner what this document reflects.

2 A. Exhibit 9 is a locator map for southeastern New
3 Mexico showing Eddy and parts of Lea Counties. It's
4 also got a little bit of paleo geography information on
5 it to show that the B. Banker project area is within the
6 northern part of the basin and is out in front of the
7 reef sections in the Permian.

8 The project is about a mile and a half south of
9 Loving, New Mexico.

10 Q. Would you please turn to Exhibit 10 and discuss
11 that for the Examiner.

12 A. Exhibit 10 is a structure map that was built on
13 the top of the Wolfcamp Formation. It also shows the
14 proposed location and wellbore path, the project
15 proration unit, and the local Wolfcamp producers in the
16 local mapped area.

17 Dip, structural relationships: We have an east
18 dip, fairly gentle and no really apparent faulting in
19 the area.

20 Q. Did you prepare a cross section of wells in this
21 area?

22 A. Yes, I did. And it is also noted on Exhibit 10
23 there, the path of that cross section.

24 Q. Could you turn to Exhibit 11 and identify that
25 and discuss its contents.

1 A. Exhibit 11 is that cross section. It is a
2 stratigraphic cross section so it is datum'd at the top
3 of the Wolfcamp, showing thickness relationships of the
4 Wolfcamp.

5 You can see from the placement of the B. Banker
6 well there that it is going to be going into the middle
7 of the Wolfcamp Formation. Locally that's called the
8 Wolfcamp B or sometimes the Blair Shale.

9 Both the top and the bottom of the Wolfcamp are
10 present there. Thickness, it's quite a thick formation
11 in this area.

12 Q. And do consider the wells on this log
13 representative of the Wolfcamp Formation in the area
14 near the well unit?

15 A. Yes, I do. And I believe it to be fairly uniform
16 in the local area of the proposed well.

17 Q. Can you walk us through Exhibit 12.

18 A. Exhibit 12 goes along with the cross section
19 there. It shows the isopach of the Wolfcamp Formation
20 again for the Wolfcamp producers that are in the local
21 area of the proration unit and the well path that are
22 shown on the plat.

23 Wolfcamp isopach, the thickness is increasing
24 gently to the south and a little bit to the southwest in
25 this local area.

1 Q. But the thickness is quite uniform across the
2 well unit.

3 A. Right. The thickness is quite uniform at about
4 1,700 feet.

5 Q. What conclusions have you drawn from your
6 geologic study of the area?

7 A. Okay. We believe that there will be no
8 impediments to the drilling of the horizontal well here
9 at this project area and fully expect each quarter
10 section to be productive in the Wolfcamp Formation,
11 specifically that Wolfcamp B middle part of the
12 Wolfcamp.

13 We expect the horizontal drilling would be the
14 most effective method to develop this acreage and this
15 pool, which is a retrograde gas condensate field, in
16 general.

17 Also, this particular proposal will prevent the
18 drilling of unnecessary wells and result in the greatest
19 recovery ultimately.

20 Q. Would you identify Exhibit 13 for the Examiner.

21 A. Exhibit 13 is a well path diagram, showing the
22 B. Banker in relationship to the east and west section
23 lines and the plan of it so that we -- it also shows the
24 first perforations that were talked about by Mr. Goodwin
25 and it shows that last perforation in relationship to

1 these boundaries.

2 Q. Is the completed interval standard under the
3 statewide rules?

4 A. No, it is not.

5 Q. Has Matador obtained approval of the unorthodox
6 location for the well?

7 A. Yes. Matador has received earlier this week
8 order NSL-7390 for nonstandard.

9 Q. In your opinion is the granting of Matador's
10 application in the interests of conservation and the
11 prevention of waste?

12 A. Yes, it is.

13 Q. And were Exhibits 9 through 13 either prepared by
14 you or compiled under your direction and supervision?

15 A. Yes, they were.

16 MR. BRUCE: Mr. Examiner, I move the
17 admission of Exhibits 9 through 13.

18 EXAMINER DAWSON: Exhibits 9 through 13 are
19 so admitted.

20 (Matador Exhibits 9 through 13 were offered
21 and admitted.)

22 MR. BRUCE: And I have no further questions
23 of the witness.

24 EXAMINER DAWSON: Okay. Mr. McMillan, do
25 you have any questions?

1 EXAMINATION BY EXAMINER McMILLAN

2 EXAMINER McMILLAN: What is the oil gravity?

3 THE WITNESS: The liquid gravity of this is
4 running around 62, so it is a condensate.

5 EXAMINER McMILLAN: What's the GOR?

6 THE WITNESS: GOR for the wells, they start
7 out somewhere in the 5- to 10,000 range and, with age,
8 they increase to quite a bit more than that.

9 EXAMINER McMILLAN: And what are the
10 physical characteristics of the oil? Is it kind of
11 light, kind of clear distillate?

12 THE WITNESS: Well, I'm assuming it's a
13 light, clear distillate. With a 62 gravity, it pretty
14 much has to be.

15 Some of our other wells in that particular
16 area have a little bit lower gravity, something in the
17 55 range.

18 EXAMINER McMILLAN: I'm surprised it's 62
19 because from what was stated earlier, it has been in the
20 mid-fifties.

21 THE WITNESS: Yes.

22 EXAMINER McMILLAN: Thank you.

23 EXAMINER DAWSON: And do you have any
24 questions?

25 MR. BROOKS: No questions.

1 EXAMINATION BY EXAMINER DAWSON

2 EXAMINER DAWSON: The unorthodox location,
3 is there some kind of impediments on the surface there
4 that made you go for the unorthodox -- why did you go
5 for the unorthodox --

6 THE WITNESS: We went for the unorthodox
7 location primarily to maximize our opportunities in the
8 north half of the section. We feel that we can drill a
9 number of Wolfcamp wells in here.

10 And the industry is pretty much looking at,
11 you know, proper spacing to get the best recovery out of
12 this. And, so far, it's looking like an 80-acre spacing
13 will recover adequately without serious drainage
14 interference.

15 So we plan in the future to have multiple
16 wells here off of this particular location.

17 EXAMINER DAWSON: In looking at your map on
18 Exhibit No. 12, a lot of those wells that are drilled in
19 the nearby sections, the Wolfcamp producer wells,
20 identified as Wolfcamp producer wells, it looks like
21 they're drilled in the north/south orientation. There
22 are some down to the southwest in section 5 of 23
23 South -- sorry -- that's 24 South, 28 East, I believe --

24 THE WITNESS: Right.

25 EXAMINER DAWSON: Is there any indication as

1 to which orientation, whether it's standup or laydown
2 performs better --

3 THE WITNESS: I do not have any information
4 that tells me that one direction is preferential to
5 another. Matador had -- this will be Matador's third or
6 fourth well in this specific area. And we drilled them
7 in both directions and they both turned out real well.

8 EXAMINER DAWSON: Okay. I have no further
9 questions. Thank you very much.

10 THE WITNESS: Thank you.

11 EXAMINER DAWSON: And we will continue this
12 case for two more weeks to March 17th to give you a
13 chance to satisfy your notice requirements.

14 MR. BRUCE: Thank you.

15 EXAMINER DAWSON: And this case will be
16 taken under advisement -- I'm sorry. This case will be
17 continued until March 17th. That concludes this hearing
18 for this case.

**I do hereby certify that the foregoing is
a correct record of the proceedings in
the examiner hearing of Case No. _____
heard by me on _____**

_____, Examiner
Oil Conservation Division

(Time noted 8:50 a.m.)

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1 STATE OF NEW MEXICO)
 2) ss.
 3 COUNTY OF BERNALILLO)
 4
 5
 6

7 REPORTER'S CERTIFICATE

8
 9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR
 10 No. 100, DO HEREBY CERTIFY that on Thursday, March 3,
 11 2016, the proceedings in the above-captioned matter were
 12 taken before me, that I did report in stenographic
 13 shorthand the proceedings set forth herein, and the
 14 foregoing pages are a true and correct transcription to
 15 the best of my ability and control.

16
 17 I FURTHER CERTIFY that I am neither employed by
 18 nor related to nor contracted with (unless excepted by
 19 the rules) any of the parties or attorneys in this case,
 20 and that I have no interest whatsoever in the final
 21 disposition of this case in any court.

22
 23
 24
 25


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