

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION COMMISSION**

2016 AUG 30 P 4: 48

**APPLICATION OF MATADOR PRODUCTION COMPANY  
FOR A NON-STANDARD SPACING AND PRORATION UNIT  
AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

**Case No. 15363**

**INTERVENOR'S PRE-HEARING STATEMENT**

Comes now New Mexico Oil Conservation Division, Intervenor herein, and files this, its  
Pre-Hearing Statement.

**PARTIES**

Applicant:

**MATADOR PRODUCTION  
COMPANY**

Protestant:

**JALAPENO CORPORATION**

**ATTORNEYS**

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Intervenor:

THE NEW MEXICO  
OIL CONSERVATION DIVISION

David K. Brooks  
Energy, Minerals and Natural Resources Department  
State of New Mexico  
1220 S. St. Francis Drive  
Santa Fe, NM 87505  
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STATEMENT OF THE CASE

This case is before the Commission for *de novo* hearing, pursuant to NMSA 1978 Section 70-12-13, as amended, of Applicant's request for establishment of a 154.28-acre, non-standard spacing and proration unit consisting of Lots 1 through 4 (W/2 W/2 equivalent) of Section 31, Township 18 South, Range 35 East, NMPM, in Lea County, New Mexico. This Unit will be dedicated to be dedicated to Applicant's proposed Airstrip 31 18 35 RN State Com Well No. 201H, which will be drilled as a horizontal well to test the Wolfcamp formation.

Applicant also requests compulsory pooling of its proposed 154.28-acre, non-standard spacing and proration unit, and that the compulsory pooling order appoint Applicant as operator of the unit, and allow it a risk penalty of 200% of "well costs," as defined in Division Rule 19.15.13.8.B NMAC.

Intervenor fully supports issuance of the order Applicant seeks, because it is lawful.

WITNESSES

<u>Name</u>	<u>Employer</u>	<u>Position</u>	<u>Field(s) of Expertise</u>
Michael McMillan	NMEMNRD	Hearing Examiner	Geology

Mr. McMillan's resume is attached as Exhibit A.

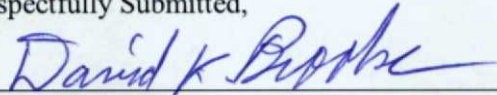
Mr. McMillan will testify that the nature of horizontal wells compels the Division, in most pools, to establish larger spacing and proration units for such wells than are appropriate for vertical wells in the same pool. Intervenor also reserves the right to call Mr. McMillan as a rebuttal witness.

Time for Presentation: 25 Minutes

#### PROCEDURAL MATTERS

The Intervenor will ask the Commission to take administrative notice of the orders listed on Exhibit B. All orders are published on the Division's website, and may be accessed by Order number or Case number:

Respectfully Submitted,



David K. Brooks

Assistant General Counsel

Energy, Minerals and Natural Resources Department

1220 S. St. Francis Drive

Santa Fe, NM 87505

Attorney for Oil Conservation Division

Certificate of Service

I hereby certify that the foregoing pleading was served on counsel of record in the case by electronic mail on this 30<sup>th</sup> day of August, 2016.

  
\_\_\_\_\_  
David K. Brooks



## **Michael McMillan**

1220 South St. Francis Drive Santa Fe, New Mexico. 87505

Michael.McMillan@state.nm.us

505.476.3448 (w)

505.259.9311 (c)

### **Objective**

To help the New Mexico Oil conservation Division where I can use my geology education and experiences to assist businesses to operate effectively within the regulatory framework. I possess a wide range of skills from geologic and geophysical data analysis and opportunity communication to collaborating with technical staff and industry, which will make me an asset at the New Mexico Oil conservation Division.

### **Experience**

**Energy and Minerals Oil Conservation Division Santa Fe, New Mexico November 2013-Present**  
**Petroleum Engineer.**

- Conduct Division hearings primarily for compulsory pooling for oil and gas locations throughout New Mexico
- Also conducted Division hearings for units in Northwest New Mexico in the Basin Mancos/Gallup Oil Pools
- Recommended for signature by the Director Non-standard locations, down hole commingle, and Non-standard spacing Units for the Basin Mancos Gas Pool and other Mancos/Gallup Pools in Northwest New Mexico. The present Basin Mancos Pool was created by Division Order, which listed approximately 50% of the existing Mancos/Gallup pools. Modern horizontal drilling techniques allowed for Basin Mancos Pool and other Mancos/Gallup pools to exist in a single borehole. As a result, a mechanism was required to incorporate the Basin Mancos Gas Pool with existing Mancos/Gallup oil and gas pools. Further, these unique requirements were needed because the primary objective was oil, and the Basin Mancos Pool is a gas pool, while many of the pools which were commingled were oil pools. The Basin Mancos Gas Pool spacing unit is 320-acres, and the oil pool spacing units are 40-acres in most cases. Commenced working on these applications after only one month on the job. The previous petroleum engineer who had initially handled these applications had over 12-years experience with the OCD.
- Recommended for signature by the Director Non-standard location and Non-standard proration Units along the New Mexico/Texas state line. Began working on these applications during Summer 2014 when horizontal drilling techniques created one and half-mile horizontal laterals that approached the Texas state line that previously did not exist.
- Recommended for signature by the Director surface commingle oil and gas from different leases and pools throughout the state
- Recommended for signature by the Director by down hole commingle of two or more pools in vertical pools throughout the state.
- Recommended for signature by the Director Salt-water disposal wells throughout the state.

**Permian Exploration Corporation, Roswell, New Mexico August 1992-May 2005**

Senior Geologist/Geophysicist for an independent oil and gas exploration company. My experience in using geophysical and geologic techniques to successfully delineate oil and gas deposits in New Mexico and West

## **Exhibit A - Case No. 15363**

Texas demonstrate an extensive understanding of southeastern New Mexico geology. My responsibilities included working in collaboration with an exploration team to prepare oil and gas deals to present to teaming partners. Duties included the following:

- Prepare and present technical proposals to management and partners
- Present technical expert testimony to the Oil and Gas Conservation Department in Santa Fe
- Prepare contoured subsurface structure maps, and reservoir characteristic analyses.
- Interpretation of well logs, and sample logs
- Testified before the Oil Conservation Division hearing
- Extensive use of Kingdom 2D and 3D seismic interpretation package, along with Geographix subsurface interpretation package.
- Extensive use of Petra geophysical modeling package. Changing of different inputs showed how the geology of an area could change. Predicted the geology of unknown regions as compared to known regions.
- Analysis of drill cuttings to geologically log boreholes and aid in subsurface correlations

## **Education**

**Texas Tech University, Lubbock, Texas**

**January 1989-May 1991**

M.S. Geology. Master's thesis: Carbonate Deposition and Diagenesis of the San Andres Formation, Slaughter Field, Cochran County, Texas

**University of New Mexico**

**January 1985-December 1988**

B.S. Geology and minor distributed between math, chemistry and physics.

## **Computer Skills**

Microsoft Office Suite, PowerPoint, Excel

Extensive use of GMA geophysical and geological modeling software.

- Changing different inputs showed how the geology of an area might change.
- Predicted the geology of unknown regions as compared to known regions



**ORDERS CREATING NON-STANDARD UNITS AND GRANTING COMPULSORY POOLING SINCE 1-1-2016**

<u>Order No.</u>	<u>Case No.</u>	<u>Date</u>	<u>Applicant</u>
R-14117	15423	1-28-16	COG
R-14118	15425	1-28-16	COG
R-14119	15426	1-28-16	COG
R-14123	15406	2-9-16	Mewbourne
R-14124	15382	2-15-16	Mewbourne
R-14125	15407	2-15-16	Mewbourne
R-14126	15418	2-15-16	Mewbourne
R-14127	15419	2-15-16	Mewbourne
R-14128	15420	2-15-16	Mewbourne
R-14140	15433	3-30-16	Matador
R-14140-A	15433	8-16-16	Matador
R-14145	15447	4-13-16	COG
R-14156	15478	4-27-16	Matador
R-14157	15479	4-27-16	Matador
R-14158	15480	4-27-16	Matador
R-14160	15466	5-3-16	COG
R-14162	15467	5-3-16	COG
R-14163	15468	5-5-16	COG
R-14169	15469	5-20-16	COG
R-14171	15489	5-23-16	OXY USA INC (OXY)
R-14276	15493	6-13-16	COG
R-14177	15494	6-13-16	COG
R-14190	15550	7-18-16	COG
R-14191	15437	7-14-16	Caza Petroleum