

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,
EDDY COUNTY, NEW MEXICO.

CASE NO. 15591

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

December 1, 2016

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, William V. Jones,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
Thursday, December 1, 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: Mary C. Hankins, CCR, RPR
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APPEARANCES

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FOR APPLICANT MATADOR PRODUCTION COMPANY:

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FOR COG OPERATING, LLC:

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ALSO PRESENT: Ocean Munds-Dry, Esq.
Dana Arnold, Esq.

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1 (10:37 a.m.)

2 EXAMINER JONES: Let's go back on the
3 record and call the last case listed on the docket,
4 which is Case Number 15591, application of Matador
5 Production Company for compulsory pooling in Eddy
6 County, New Mexico.

7 Call for appearances.

8 MS. KESSLER: Jordan Kessler, from the
9 Santa Fe office of Holland & Hart, on behalf of the
10 Applicant.

11 MR. CARR: May it please the Examiner,
12 William F. Carr, senior counsel for Concho Resources.
13 We're appearing on behalf of COG Operating, LLC. I do
14 not have a witness.

15 MS. KESSLER: Two witnesses today.

16 EXAMINER JONES: Any other appearances?
17 Will the witness or witnesses please stand?
18 (Mr. Carleton and Ms. Conrad sworn.)

19 CHRIS CARLETON,
20 after having been first duly sworn under oath, was
21 questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MS. KESSLER:

24 Q. Please state your name for the record and tell
25 the Examiners by whom you are employed and in what

1 capacity.

2 A. Chris Carleton, employed by Matador Resources
3 Company as a landman.

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

6 A. Yes.

7 Q. Were your credentials as a petroleum landman
8 accepted and made a matter of record?

9 A. Yes.

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

12 A. Yes.

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

15 A. Yes.

16 MS. KESSLER: Mr. Examiners, I tender
17 Mr. Carleton as an expert in petroleum land matters.

18 EXAMINER JONES: Any opposition?

19 MR. CARR: No.

20 EXAMINER JONES: Mr. Carlton is qualified
21 as an expert in land matters.

22 Q. (BY MS. KESSLER) Mr. Carleton, can you please
23 turn to Exhibit 1? Identify this exhibit and explain
24 what you're seeking under this application.

25 A. This is a Midland map that has the spacing unit

1 for the Zach McCormick Fed Com #226H outlined in red.
2 The lands hatched in blue are federal minerals, and the
3 rest of the lands that are not hatched are fee minerals.
4 And we're seeking to pool the uncommitted interests in
5 the spacing unit.

6 Q. And that spacing unit will be dedicated to the
7 Zach McCormick Fed Com #226H wells; is that correct?

8 A. That is correct.

9 Q. And you mentioned that there are federal and
10 fee lands in this acreage?

11 A. That is correct.

12 Q. What is Exhibit 2?

13 A. Exhibit 2 is our C-102. This is the Zach
14 McCormick Fed Com #226 designated the Pierce Crossing;
15 Wolfcamp; Northwest Gas Pool, Pool Code 96712.

16 Q. The spacing unit is comprised of the north half
17 of Section 18; is that correct?

18 A. That is correct.

19 Q. And 24 South, 28 East?

20 A. Yes.

21 Q. And you mentioned that the Division has
22 designated the Pierce Crossing pool. Is this pool
23 subject to statewide rules for gas wells?

24 A. Yes. And we're seeking a nonstandard location,
25 which will be filed administratively, separately, take

1 point to 330 from the hard line.

2 Q. That has not been requested in the case before
3 the Division today; is that correct?

4 A. That is correct.

5 Q. Does Exhibit 3 identify the interest owners in
6 the spacing unit?

7 A. Yes. And we're seeking to pool COG Operating,
8 LLC and Concho Oil & Gas, LLC.

9 Q. Are those working interest owners?

10 A. Yes.

11 Q. Is Exhibit 4 a copy of the letter that you sent
12 to Concho along with an AFE?

13 A. Yes. We sent our well-proposal letter, dated
14 August 29, 2016, and the AFE for approximately 6.5
15 million.

16 Q. Are the costs reflected on this AFE consistent
17 with what other operators in the area charge for similar
18 wells?

19 A. Yes.

20 Q. And have you estimated overhead and
21 administrative costs while drilling and producing this
22 well?

23 A. Yes. We're seeking 7,000 while drilling and
24 700 while producing.

25 Q. Are those costs similar to what other operators

1 in the area are charging?

2 A. Yes.

3 Q. Do you ask that those administrative costs be
4 incorporated into any order resulting from this hearing?

5 A. Yes.

6 Q. And do you ask that it be adjusted according to
7 the appropriate accounting procedures?

8 A. Yes.

9 Q. With respect to the uncommitted working
10 interest owners, do you request that the Division impose
11 a 200 percent risk penalty?

12 A. Yes.

13 Q. In addition to sending this well-proposal
14 letter, what other efforts did you undertake to reach an
15 agreement with Concho?

16 A. We've met with their landman in Midland and had
17 several phone calls and emails, and we're still working
18 to achieve a deal. And if we do, we will remove them
19 from the order.

20 Q. Looking at Exhibit 5, did Concho receive notice
21 of this hearing?

22 A. Yes.

23 Q. And it looks like the first page of Exhibit 5
24 is an Affidavit of Publication; is that correct?

25 A. Yes.

1 Q. Is the second page of Exhibit 5 an affidavit
2 with an attached letter from my office providing notice
3 of this hearing to Concho?

4 A. Yes.

5 Q. And looking two pages later, it looks like the
6 green card was returned?

7 A. Yes.

8 Q. Were Exhibits 1 through 4 prepared by you or
9 compiled under your direction and supervision?

10 A. Yes.

11 MS. KESSLER: Mr. Examiners, I'd move
12 Exhibits 1 through 5, including my affidavits.

13 MR. CARR: No objection.

14 EXAMINER JONES: 1 through 5 are admitted.
15 (Matador Production Co. Exhibit Numbers 1
16 through 5 are offered and admitted into
17 evidence.)

18 EXAMINER JONES: Mr. Carr?

19 MR. CARR: I have no questions.

20 CROSS-EXAMINATION

21 BY EXAMINER JONES:

22 Q. The newspaper notice, why did we do a newspaper
23 notice in this case?

24 A. Double suspenders, in case we didn't get the
25 green card back.

1 Q. Okay. Okay. So you're still trying to reach
2 an agreement?

3 A. That's correct.

4 Q. And is it last-of-the-year budget issues or
5 something or --

6 A. I think Concho has several things going on
7 right now, so they're just still working through it.

8 Q. Okay. But Concho Oil & Gas, LLC, that's -- is
9 that the leasing arm of the --

10 A. I'm not sure how their entities are separated.

11 Q. But that's the way it was listed?

12 A. That's the way the title came out. Yup.

13 Q. So you have a clear indication of what the
14 title is?

15 A. Yes.

16 Q. And why would -- why would these three 40-acre
17 tracts be fee and the rest of it be federal? How did
18 that happen?

19 A. Yeah. It's just how the pads were issued by
20 the government. It's just kind of odd how these things
21 shake out.

22 Q. Is this the river -- I wonder if a river runs
23 through this.

24 A. Yeah. The Pecos runs through this. Uh-huh.
25 We need to get an off-lease location because of that,

1 just to stay out of the floodplain.

2 Q. So you're you wanting to spud over in Section
3 13?

4 A. That's correct.

5 Q. So the river must run through the fee land?

6 A. That's correct.

7 EXAMINER WADE: I have no questions.

8 EXAMINER JONES: Thank you very much.

9 THE WITNESS: Thank you.

10 LAUREN CONRAD,

11 after having been previously sworn under oath, was
12 questioned and testified as follows:

13 DIRECT EXAMINATION

14 BY MS. KESSLER:

15 Q. Please state your name for the record and tell
16 the Examiners by whom you are employed and in what
17 capacity.

18 A. Yes. Lauren Conrad. I work for Matador as a
19 reservoir engineer.

20 Q. Have you previously testified before the
21 Division?

22 A. Yes, I have.

23 Q. Were your credentials as a petroleum engineer
24 accepted and made a matter of record?

25 A. They were.

1 Q. Are you familiar with the application filed by
2 Matador in this case?

3 A. Yes.

4 Q. And have you conducted a geologic and technical
5 study of the Wolfcamp in this subject area?

6 A. Yes.

7 MS. KESSLER: I would tender the witness as
8 an expert in petroleum engineering.

9 EXAMINER JONES: Any objection?

10 MR. CARR: No.

11 EXAMINER JONES: She is so qualified.

12 Q. (BY MS. KESSLER) Let's turn to Exhibit 6, and
13 identify Exhibit 6 for the Examiners, please.

14 A. Yes. Exhibit 6 is one of our locator maps.
15 Here we see the Zach McCormick approximate area in
16 yellow, highlighted in red.

17 Q. What is Exhibit 7?

18 A. Exhibit 7 shows our structure map. We see
19 that 320 project area in the north half of the section
20 there. The surface hole, as Chris previously mentioned,
21 off location to the west, bottom hole designating to the
22 east shown by the circle there. Here we have, in a
23 purple line, our cross-section map view denoting the
24 wells that we've chosen to exemplify this well with. We
25 see A to A prime there, cross lateral, as best we could

1 for the well control in this area.

2 The structure map shows the top of the
3 Wolfcamp in a subsea depth and similar sort of 1-to-2
4 degree dip from the west, going into the east, similar
5 for this area.

6 Q. Based on the structure of this area, have you
7 identified any geologic hazards to drilling a horizontal
8 well?

9 A. No major geologic hazards that are known to
10 date.

11 Q. And do you consider the wells used on the A to
12 A prime line representative of wells in this area?

13 A. Yes.

14 Q. What is Exhibit 8?

15 A. Exhibit 8 shows that cross section of those
16 wells shown on the previous exhibit. We have shown a
17 thickness of the Wolfcamp in this area around 2,100
18 feet. Where the Jack McCormick is planned to be
19 drilled, we show the red planned lateral path there.

20 Q. And Exhibit 9, is this a gross isopach map of
21 the area?

22 A. Yes. So we're mapping out the thickness in the
23 area. We'll see thickness change maybe of 50 feet in
24 the area around 2,100, as mentioned before. Very
25 continuous studies of this map would show us that,

1 again, there are no major geologic hazards that we know
2 of in the area, no pinch-outs in the Wolfcamp as a zone
3 and that we do believe that horizontal drilling is the
4 best way to produce the Wolfcamp in this area, resulting
5 in the greatest EUR, with the least waste, and that each
6 quarter-quarter section in this would be expected to
7 produce similarly.

8 Q. Is Exhibit 10 a schematic showing the
9 perforation points for this interval?

10 A. Yes. They are -- we are planning to perforate
11 no closer than 330 feet from the east and west lines of
12 this section.

13 Q. And, again, Matador has applied
14 administratively for an unorthodox location?

15 A. Correct.

16 Q. In your opinion, will granting Matador's
17 application be in the best interest of conservation, for
18 the prevention of waste and the protection of
19 correlative rights?

20 A. Yes, I do.

21 Q. Were Exhibits 7 through 10 prepared by you or
22 under your direction and supervision?

23 A. Yes.

24 MS. KESSLER: Mr. Examiners, I would move
25 admission of Exhibits 7 through 10.

1 EXAMINER JONES: Any objection, Mr. Carr?

2 MR. CARR: No questions.

3 MS. MUNDS-DRY: No objection.

4 EXAMINER WADE: Any questions?

5 MR. CARR: I have no questions.

6 EXAMINER JONES: Exhibits 7 through 10; is
7 that correct?

8 MS. KESSLER: Correct.

9 EXAMINER JONES: 7 through 10 are admitted.
10 (Matador Production Co. Exhibit Numbers 7
11 through 10 are offered and admitted into
12 evidence.)

13 CROSS-EXAMINATION

14 BY EXAMINER JONES:

15 Q. Appreciate you coming up here, even though it's
16 one spacing unit we're talking about, but still.

17 A. One at a time.

18 Q. It is an issue with the horizontal wells, and
19 it's nice to have an expert that talks about it.

20 So, again, the geology was done by a
21 geologist working with you or --

22 A. Yes.

23 Q. And this -- the actual -- are you guys thinking
24 about multiple targets within the Wolfcamp, or is this
25 Upper -- is this considered kind of Upper Wolfcamp here?

1 A. We consider this more mid-Wolfcamp in this
2 area, but yes, multiple targets are possible in the
3 Wolfcamp area.

4 Q. Wolfcamp A or -- I got that there might be two
5 different pools involved here. I know you said Pierce
6 Crossing; Wolfcamp; Northwest Gas, but there weren't any
7 special rules that --

8 MS. KESSLER: Not at this point,
9 Mr. Examiner.

10 EXAMINER JONES: And I am hoping that you
11 don't even need the nonstandard location.

12 MS. ARNOLD: Me, too.

13 EXAMINER JONES: I saw where the Black
14 River; Wolfcamp East Gas Pool is just extremely close
15 and maybe even in that same section. So --

16 THE WITNESS: Yes.

17 EXAMINER JONES: I could be wrong on that.

18 THE WITNESS: I believe they are.

19 EXAMINER JONES: Hopefully that'll be
20 cleared up pretty soon.

21 THE WITNESS: Right. The consolidation of
22 the pools would be most useful.

23 EXAMINER JONES: Yeah.

24 I don't have any other questions. I better
25 stop with that.

1 EXAMINER WADE: Good job (laughter).

2 EXAMINER JONES: Okay. Anything else in
3 this case?

4 Any statement from COG?

5 MR. CARR: No, no statement. Thank you.

6 EXAMINER JONES: No statement.

7 Okay. With that, we'll take Case Number
8 15591 under advisement.

9 (Case Number 15591 concludes, 10:52 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. _____
heard by me on _____

Oil Conservation Division : Examiner

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.

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21 

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23 Certified Court Reporter
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