

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION

4 IN THE MATTER OF THE HEARING CALLED
5 BY THE OIL CONSERVATION DIVISION FOR
6 THE PURPOSE OF CONSIDERING:

ORIGINAL

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

CASE NO. 15710

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS
11 EXAMINER HEARING

12 June 8, 2017

13 Santa Fe, New Mexico

14 BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
15 MICHAEL McMILLAN, TECHNICAL EXAMINER
16 DAVID K. BROOKS, LEGAL EXAMINER

17 This matter came on for hearing before the
18 New Mexico Oil Conservation Division, William V. Jones,
19 Chief Examiner, Michael McMillan, Technical Examiner,
20 and David K. Brooks, Legal Examiner, on Thursday,
21 June 8, 2017, at the New Mexico Energy, Minerals and
22 Natural Resources Department, Wendell Chino Building,
23 1220 South St. Francis Drive, Porter Hall, Room 102,
24 Santa Fe, New Mexico.

25 REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
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1 APPEARANCES

2 FOR APPLICANT MATADOR PRODUCTION COMPANY:

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22 EXHIBITS OFFERED AND ADMITTED

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1 (8:20 a.m.)

2 EXAMINER JONES: Well, if Mr. Bruce is
3 ready, we'll start on the first -- on the number two
4 case of the day, which is Case Number 15710, application
5 of Matador Production Company for compulsory pooling in
6 Eddy County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of
9 Santa Fe representing the Applicant. I have two
10 witnesses.

11 EXAMINER JONES: Any other appearances?
12 Will the witnesses stand?

13 (Ms. Hartsfield and Mr. Green sworn.)

14 SARA HARTSFIELD,
15 after having been first duly sworn under oath, was
16 questioned and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. Would you please state your name and city of
20 residence for the record?

21 A. My name is Sara Hartsfield. I live in Fort
22 Worth, Texas.

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

24 A. I work for Matador Resources as an associate
25 landman.

1 Q. Have you previously testified before the
2 Division?

3 A. I have.

4 Q. And were your credentials as an expert
5 petroleum landman accepted as a matter of record?

6 A. Yes, they were.

7 Q. Are you familiar with the land matters involved
8 in this application?

9 A. I am.

10 MR. BRUCE: Mr. Examiner, I tender
11 Ms. Hartsfield as an expert petroleum landman.

12 EXAMINER JONES: She is so qualified.

13 Q. (BY MR. BRUCE) Can you identify Exhibit 1 for
14 the Examiners and describe the lands involved in this
15 application and the name of the well?

16 A. Exhibit 1 is a Form C-102 for the Tom Matthews
17 10-24 South-28 East RB #223H well. This well is located
18 in the south half of Section 10, 24 South, 28 East, Eddy
19 County. We just received a permit yesterday. The API
20 number associated with this well is 30-015-44257. It's
21 a Purple Sage; Wolfbone gas well, with Pool Code 98220.

22 Q. And do you seek to force pool all uncommitted
23 interests in the Wolfcamp Formation under the south half
24 of Section 10?

25 A. Yes. We are seeking to pool the south half.

1 Q. What type of land is involved in this case?

2 A. This is all fee land.

3 Q. And as to the Wolfcamp Formation, are there any
4 depth severances in that formation?

5 A. No, sir.

6 Q. Would you identify Exhibit 2 for the Examiner?

7 A. Exhibit 2 is a summary of interests. It shows
8 Matador's current interest, the voluntary joinder, and
9 the interest that we're seeking to pool today sits
10 around 10-and-a-half percent.

11 Q. Now, this is fee land, and it's near Malaga, I
12 believe, correct?

13 A. Yes, sir. This is Malaga.

14 Q. So it's pretty cut up, either tracts or
15 minerals, in this area; is that correct?

16 A. Very cut up, yes.

17 Q. Approximately how many fee mineral owners were
18 there in this tract?

19 A. There's approximately -- there are around 107,
20 I believe, quite a few.

21 Q. And you seek to force pool -- do you seek to
22 force pool everybody who is on this list?

23 A. Yes. These are the parties that we are still
24 currently -- the unleased mineral interest owners, most
25 of them we are still trying to find. We're undergoing

1 curative work currently to continue to identify. There
2 are a lot of estates and people.

3 Q. There are a lot of descendants, but -- with no
4 probates in New Mexico?

5 A. Yes. That's correct.

6 Q. And so it's hard to tie down who the interest
7 owners are?

8 A. Yes.

9 Q. Let's move on to Exhibit 3. What is that?

10 A. Exhibit 3 is a Midland Map showing the south
11 half of Section 10 and the Tom Matthews 223. It's
12 comprised of fee lands and leases.

13 Q. Now, the surface location is actually in
14 Section 9, correct?

15 A. Yes, sir.

16 Q. But the producing interval will be at orthodox
17 locations in the south half of Section 10, correct?

18 A. Yes.

19 Q. What have you done to obtain the interest
20 joinder of interests in this half section of land?

21 A. Well, we have sent out proposal letters and
22 offers to lease to all the unleased parties. We have
23 brokers in the field that are continuing to work with
24 and locate these parties, and we have negotiations that
25 are still ongoing. I expect that we will reach an

1 agreement with quite a few of the parties that are
2 listed.

3 Q. Now, the EOG parties who you seek to pool, they
4 are lessees, correct?

5 A. Yes, sir. Those are working interest owners.

6 Q. And so you've included a sample there to EOG A
7 Resources, and then the second letter is a sample that
8 was sent out to all of the unleased mineral interests?

9 A. Yes.

10 Q. And are you continuing to work with all of
11 these people, at least the locatable ones?

12 A. Yes.

13 Q. And if they subsequently reach voluntary
14 agreement with Matador, will you notify the Division so
15 that they are not subject to the pooling order in this
16 matter?

17 A. Yes.

18 Q. With respect to -- there are some unlocatable
19 interests in this half section of land?

20 A. That is correct.

21 Q. And what have you and other people in Matador
22 done to locate the interest owners of this land?

23 A. We continue to do curative work in trying to
24 locate. We've made phone calls and sent letters and
25 done quite a bit of research in trying to locate

1 somewhat tiny interests, in most cases. So --

2 Q. And have you used the Internet searches to try
3 to locate these people?

4 A. Yes, as well as county searches in both Eddy,
5 Lea and really anyplace we have a lead.

6 Q. In your opinion, has Matador made a good-faith
7 effort to either locate the people involved in this
8 matter or to obtain their voluntary joinder in this
9 matter?

10 A. Yes.

11 Q. What is Exhibit 5?

12 A. Exhibit 5 is our AFE that outlines the cost of
13 this well.

14 Q. And what is the completed well cost, estimated?

15 A. The estimated total cost is 7 million -- about
16 7.4 million.

17 Q. And is this cost fair and reasonable and in
18 line with the cost of similar horizontal wells drilled
19 in the Wolfcamp Formation in this area?

20 A. Yes, it is.

21 Q. And if any interest owner goes nonconsent in
22 the well, do you request a maximum cost plus 200 percent
23 risk charge be assessed against that owner?

24 A. Yes.

25 Q. What overhead rates do you request?

1 A. 7,000 while drilling and 700 while producing.

2 Q. And are those rates also the rates set forth in
3 your JOA for this half section of land?

4 A. Yes.

5 Q. And are they fair and reasonable and in line
6 with the costs charged by other operators in this area?

7 A. Yes, I believe so.

8 Q. And was notice of this hearing mailed to all of
9 the interest owners?

10 A. Yes. Notice was mailed and also published.

11 MR. BRUCE: Mr. Examiners, Exhibit 6
12 contains both my Affidavit of Notice and the Affidavit
13 of Publication in the Carlsbad newspaper combining
14 both -- everyone has been sent notice, but I think we
15 would like a two-week continuance just to verify that
16 everybody possible has received notice.

17 EXAMINER BROOKS: Okay.

18 Q. (BY MR. BRUCE) Were Exhibits 1 through 6 either
19 prepared by you or under your supervision or compiled
20 from company business records?

21 A. Yes, they were.

22 Q. And in your opinion, is the granting of this
23 application in the interest of conservation and the
24 prevention of waste?

25 A. Yes.

1 MR. BRUCE: Mr. Examiner, I move admission
2 of Exhibits 1 through 6.

3 EXAMINER JONES: Exhibits 1 through 6 are
4 admitted.

5 (Matador Production Company Exhibit Numbers
6 1 through 6 are offered and admitted into
7 evidence.)

8 MR. BRUCE: I have no further questions of
9 the witness.

10 EXAMINER JONES: Mr. Brooks?

11 EXAMINER BROOKS: I have no questions.

12 CROSS-EXAMINATION

13 BY EXAMINER JONES:

14 Q. So this is all one bunch of fee owners and it's
15 all south half. So is it all undivided ownership, or is
16 it tracts -- separate tracts, that you know where those
17 people own the tract -- in those tracts?

18 A. There are quite a few. We've identified 50
19 separate tracts.

20 Q. 50 separately owned tracts?

21 A. Yes, sir. There are quite a bit of interest in
22 each of those.

23 Q. So it's in the city of Malaga, the big city of
24 Malaga?

25 (Laughter.)

1 MR. BRUCE: I object. It's not a city.

2 EXAMINER JONES: Well, yeah.

3 THE WITNESS: Yes. There is a portion that
4 is part of the town site of Malaga.

5 Q. (BY EXAMINER JONES) Okay. Are there any fee
6 owners that were leased that you did sign?

7 A. Yes. We've signed quite a few.

8 Q. Were some of them already leased to like EOG or
9 other people?

10 A. There are -- EOG does have a couple of leases
11 that they have an interest in, but all of the new leases
12 we've taken have been through Matador.

13 Q. Okay. So any EOG leases, obviously, would have
14 been from the owners, obviously?

15 A. Yes.

16 Q. And so there's -- okay.

17 And what about all these EOG entities
18 you've got here? I've never heard of EOG -- EOG Y,
19 we've heard of that one, but you've EOG M, EOG A. Are
20 they actual entities?

21 A. They are.

22 MR. BRUCE: They're primarily Abo and MYCO.

23 THE WITNESS: Yeah.

24 EXAMINER JONES: Oh, okay.

25 EXAMINER BROOKS: I guess I should ask one

1 catchall question.

2 CROSS-EXAMINATION

3 BY EXAMINER BROOKS:

4 Q. I'm sure some attorney had a lot of fun doing
5 this title -- doing the title opinion.

6 A. Yes, 50 title opinions.

7 Q. Oh, 50 title opinions. Well, that's -- I guess
8 that's one way to make them more lucrative.

9 A. Yeah.

10 Q. You have to turn out a lot of paper.

11 Does your list here -- on Exhibit 2, is it?

12 Yeah. Does that include all the owners in this unit
13 that are either identified in an instrument of record in
14 the county records or of whom -- whose identified you
15 have actual knowledge?

16 A. The unleased owners, yes.

17 Q. Okay. The leased owners aren't on this list?

18 A. Correct.

19 Q. And, of course, are they all committed to the
20 well?

21 A. Yes.

22 Q. Okay. So they don't have to be --

23 A. Yes.

24 Q. Thank you.

25 EXAMINER JONES: Okay. Thank you.

1 THE WITNESS: Thank you.

2 ANDREW PARKER,

3 after having been previously sworn under oath, was
4 questioned and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. BRUCE:

7 Q. Would you please state your name for the
8 record?

9 A. My name is Andrew Parker.

10 Q. And where do you reside?

11 A. Dallas, Texas.

12 Q. And who are you employed by?

13 A. Matador Resources Company.

14 Q. And what is your job with Matador?

15 A. I'm a senior geologist.

16 Q. Have you previously testified before the
17 Division?

18 A. No, I have not.

19 Q. Could you summarize your educational and
20 employment background for the Examiners and maybe give a
21 little overview of the areas that you've worked on as a
22 geologist?

23 A. I received a Bachelor of Science in Geology
24 from the University of Texas, Arlington. My master's is
25 from the University of Texas, Permian Basin, and that'll

1 be complete as of August this year. I've currently been
2 with Matador for about the last six months doing
3 exploration and development in the Delaware Basin.
4 Prior to that, I spent nine years at Whiting Petroleum
5 in various exploration development all over the Permian
6 Basin, with a large focus on EOR on the Central Basin
7 Platform.

8 Q. Are you familiar -- does your area of
9 responsibility at Matador include this portion of
10 southeast New Mexico?

11 A. Yes, it does.

12 Q. And are you familiar with the geologic matters
13 involved in this application?

14 A. Yes.

15 MR. BRUCE: Mr. Examiner, I tender
16 Mr. Parker as an expert petroleum geologist.

17 EXAMINER JONES: Do you know anybody with
18 Whiting in Denver?

19 THE WITNESS: Yes.

20 EXAMINER JONES: Stan Mack [phonetic]? Do
21 you know him?

22 THE WITNESS: I know Stan. Yes, sir.

23 EXAMINER JONES: He's qualified as an
24 expert.

25 (Laughter.)

1 Q. (BY MR. BRUCE) Mr. Parker, could you identify
2 Exhibit 7 for the Examiners?

3 A. This is a map of southeast New Mexico showing
4 the Tom Matthews project area, showing that it is in the
5 Delaware Basin several miles from the city of Loving,
6 New Mexico.

7 Q. And what is Exhibit 8?

8 A. Exhibit 8 is a structure map on the top of the
9 Wolfcamp showing a general dip to the east. It also
10 highlights the project area for Tom Matthews in Section
11 10. The majority of these wells with surface hole and
12 bottom hole were Wolfcamp wells drilled by Matador. And
13 you can see the location for the Tom Matthews, as well
14 as a cross-section reference line that'll be used in the
15 following exhibit.

16 Q. Let's move on to the cross section. Could you
17 discuss that?

18 A. So this is A to A prime going from northwest to
19 southeast through the project area. You can see the
20 type log for the Tom Matthews well with the anticipated
21 landing zone in this organic-rich interval of the
22 Lower-Middle Wolfcamp that we plan to target.

23 Q. And are these well logs representative of well
24 logs in the Wolfcamp in this area?

25 A. Yes, sir.

1 Q. And the Wolfcamp is continuous across the
2 proposed well unit?

3 A. Yes.

4 Q. Would you discuss Exhibit 10 for the Examiners?

5 A. This is an isopach map of the entire Wolfcamp
6 across the project area. Again, wells in the project
7 area are similar -- or identical to Exhibit 8, just
8 showing a general thickening to the south and southeast,
9 but it's very uniform across the Tom Matthews project
10 area.

11 Q. And do you expect each quarter section in the
12 well unit to contribute, more or less, equally to
13 production?

14 A. Yes, I would.

15 Q. Finally, what is Exhibit 11?

16 A. This is the well plan for the Tom Matthews 223
17 showing the surface hole in Section 9, that it is an
18 orthodox location and that the first and last
19 perforations will be no closer than 330 feet from the
20 leaselines in Section 10.

21 Q. Were Exhibits 7 through 11 prepared by you or
22 under your supervision?

23 A. Yes.

24 Q. And in your opinion, is the granting of this
25 application in the interest of conservation and the

1 prevention of waste?

2 A. Yes.

3 MR. BRUCE: Mr. Examiner, I move the
4 admission of Exhibits 7 through 11.

5 EXAMINER JONES: Exhibits 7 through 11 are
6 admitted.

7 (Matador Production Company Exhibit Numbers
8 7 through 11 are offered and admitted into
9 evidence.)

10 MR. BRUCE: And I have no further questions
11 of the witness.

12 CROSS-EXAMINATION

13 BY EXAMINER JONES:

14 Q. Why did you pick this target at this vertical
15 depth?

16 A. Well, we've had success with this target in the
17 area, and this is just -- this is a pretty well-defined
18 organic-rich target in the middle of the Wolfcamp that
19 we've had success with.

20 Q. Without asking extreme particulars here, are
21 you expecting this well to just barely pay out, or are
22 you expecting it to be a barn-burner or a
23 middle-of-the-road well?

24 A. Obviously, we hope for a barn-burner, but based
25 on everything else we've done in this area, it will --

1 it will pay out and be an economic well.

2 Q. Okay. Okay. Thanks.

3 MR. BRUCE: I'd request this be continued
4 for two weeks.

5 EXAMINER McMILLAN: Actually, I've got a
6 question for you.

7 CROSS-EXAMINATION

8 BY EXAMINER McMILLAN:

9 Q. On Exhibit 9, do you expect to be -- could
10 there be more than one target in this spacing unit?

11 A. Within the Wolfcamp, absolutely. Yes.

12 Q. Because looking at the Kirkes #1, there is
13 about 9,700. Is that a possible target in there?

14 A. Yes. Those are -- those are targets that we do
15 target in the Upper Wolfcamp.

16 Q. And they're productive in other areas?

17 A. Yes, sir. Yes.

18 Q. Okay. Thanks.

19 EXAMINER JONES: Thank you very much.

20 We've heard this case, but it's going to be
21 continued to the 22nd of June.

22 (Case Number 15710 concludes, 8:40 a.m.)

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
25 the hearing of Case No. _____
heard by me on _____

_____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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CERTIFICATE OF COURT REPORTER

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

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

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

Mary C. Hankins

MARY C. HANKINS, CCR, RPR
Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2017
Paul Baca Professional Court Reporters