

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 APPROVAL OF A NONSTANDARD
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

CASE NO. 15770

Consolidated with

APPLICATION OF MATADOR PRODUCTION
COMPANY FOR APPROVAL OF A NONSTANDARD
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

CASE NO. 15771

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 3, 2017

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, Phillip Goetze,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, August 3, 2017, 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
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102

APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

JAMES G. BRUCE, ESQ.
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

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1 (8:41 a.m.)

2 EXAMINER GOETZE: We'll get back to the
3 regular docket in which we have Case Number 15770, the
4 application of Matador Production Company for approval
5 of a nonstandard spacing and proration unit and
6 compulsory unit, Eddy County, New Mexico. This is
7 consolidated with Case Number 15771.

8 Call for appearances.

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

12 EXAMINER GOETZE: Would your witnesses
13 please stand and identify themselves and be sworn in by
14 the court reporter?

15 MR. CARLETON: Chris Carleton.

16 MR. COLLIER: Clark Collier, C-O-L-L-I-E-R.
17 (Mr. Carleton and Mr. Collier sworn.)

18 EXAMINER GOETZE: Carry on, Mr. Bruce.

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

22 DIRECT EXAMINATION

23 BY MR. BRUCE:

24 Q. Would you please state your name for the
25 record?

1 A. Chris Carleton.

2 Q. And where do you reside?

3 A. In Dallas, Texas.

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

5 A. Matador Resources Company as a landman.

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

8 A. Yes.

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

11 A. Yes.

12 Q. Are you familiar with the land matters involved
13 in these two applications?

14 A. Yes.

15 MR. BRUCE: Mr. Examiner, I tender
16 Mr. Carleton as an expert petroleum landman.

17 EXAMINER GOETZE: Welcome back,
18 Mr. Carleton. You are so qualified.

19 THE WITNESS: Thank you.

20 Q. (BY MR. BRUCE) Mr. Carleton, could you identify
21 Exhibits 1A and 1B and identify the wells and the well
22 units that Matador's here for today?

23 A. Exhibit 1A is a C-102 plat for the Zach
24 McCormick Fed Com #121H well drilled to the Pierce
25 Crossing; Bone Spring Pool, with a nonstandard 160-acre

1 spacing unit in the north half of the north half of
2 Section 18, 24 South, 29 East in Eddy County, New
3 Mexico. And we're seeking to pool all uncommitted
4 interests under that spacing unit.

5 **Q. And Exhibit 1B?**

6 A. Exhibit 1B is a C-102 for the Zach McCormick
7 Fed Com #122H drilled to the Pierce Crossing; Bone
8 Spring Pool, with a nonstandard spacing unit in the
9 south half of the north half of Section 18, Township 24
10 South, Range 29 East, Eddy County, New Mexico. We're
11 seeking to pool uncommitted interests.

12 MR. BRUCE: Mr. Examiner, a portion of each
13 well unit is comprised of one lot, so the acreages are
14 actually 159.60 for the 121H and 159.60 for the 122H.

15 **Q. (BY MR. BRUCE) And are you seeking to pool the**
16 **Bone Spring Formation in each well?**

17 A. Yes.

18 **Q. Could you identify Exhibit 2 and identify the**
19 **parties you seek to force pool?**

20 A. Exhibit 2 is a summary of interest. We have
21 approximately 50 percent signed up, with Matador earning
22 42.93, and we're seeking to pool Concho Oil & Gas, LLC
23 and COG Operating, LLC with approximately 50 percent.
24 And we've been negotiating a JOA with them. We believe
25 they will participate, but we have not finalized the

1 operating agreement at this time.

2 Q. If they do sign the JOA for the wells, will you
3 notify the Division so they are not subject to forced
4 pooling?

5 A. Yes.

6 Q. What is Exhibit 3?

7 A. Exhibit 3 is a Midland Map. It shows the
8 northeast quarter as a federal lease. The northeast
9 quarter of the northwest quarter is a federal lease, and
10 the remaining lands are fee.

11 Q. Are there any depth severances in the Bone
12 Spring Formation?

13 A. No, there are not.

14 Q. What are Exhibits 4A and 4B?

15 A. 4A is a copy of a well proposal that was sent
16 on the Zach McCormick Fed Com #121H well, and 4B is a
17 copy of the well proposal that was sent for the Zach
18 McCormick Fed Com #122H well.

19 Q. And have you been discussing the well proposal
20 with the Concho entities over the last couple of months?

21 A. Yes.

22 Q. And, again, you hope to enter into a JOA with
23 each of them; do you not?

24 A. That is correct.

25 Q. Could you identify Exhibits 5A and 5B and

1 discuss the costs of each proposal?

2 A. 5A is an AFE for the Zach McCormick Fed Com
3 #121H. The total well costs are 5.8 million -- a little
4 over 5.8 million. And 5B is an AFE for the Zach
5 McCormick 122H with AFE costs just over 5.8 million.

6 Q. Are these costs fair and reasonable and in line
7 with the cost of similar wells drilled to the Bone
8 Spring Formation in this area of Eddy County?

9 A. Yes.

10 Q. Do you request that Matador Production Company
11 be appointed operator of the well?

12 A. Yes.

13 Q. What overhead rates do you request?

14 A. 7,000 per month while drilling and 700 per
15 month while producing.

16 Q. Are those rates reasonable and in line with the
17 cost of -- operating costs of other operators in this
18 area?

19 A. Yes.

20 Q. And are they also the amount set forth in the
21 JOA?

22 A. Yes. I would like them to be adjusted with the
23 COPAS procedures.

24 Q. And do you request -- if either party does not
25 sign the JOA and goes nonconsent in the well, do you

1 **request the maximum cost plus 200 percent risk charge?**

2 A. Yes.

3 MR. BRUCE: Mr. Examiner, Exhibit 6A is my
4 Affidavit of Notice to the Concho companies regarding
5 the 121H well, and Exhibit 6B is an Affidavit of Notice
6 for the 122H well.

7 Q. **(BY MR. BRUCE) And, Mr. Carleton, does Exhibit**
8 **6C list all the offset operators or working interest**
9 **owners to the two proposed wells?**

10 A. Yes.

11 MR. BRUCE: Mr. Examiner, Exhibit 6D is my
12 Affidavit of Notice. Two letters were sent out to all
13 the interest owners. There are some returns and some
14 that I have not received green cards for as of yet. But
15 Exhibit 6E is the Affidavit of Publication in the
16 newspaper, and when you compare them all, everybody did
17 receive actual or publication notice.

18 Q. **(BY MR. BRUCE) Mr. Carleton, were Exhibits 1**
19 **through 5B -- 1A through 5B, plus Exhibit 6C, the**
20 **listing of offsets, prepared by you or under your**
21 **supervision or compiled from company business records?**

22 A. Yes.

23 Q. **In your opinion, is the granting of each**
24 **application in the interest of conservation and the**
25 **prevention of waste?**

1 A. Yes.

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

4 EXAMINER GOETZE: Exhibits 1A through 6E
5 are so entered.

6 You've been able to combine letters and
7 numbers. I'm very proud of you.

8 MR. BRUCE: That wasn't my intent.

9 (Laughter.)

10 (Matador Production Company Exhibit Numbers
11 1A through 6E are offered and admitted into
12 evidence.)

13 EXAMINER GOETZE: So my understanding is we
14 still have green cards hanging out there?

15 MR. BRUCE: That are -- yeah. Yeah.

16 EXAMINER GOETZE: Well, that's okay.

17 Are you done with this witness?

18 MR. BRUCE: I am done with the witness.

19 EXAMINER GOETZE: Mr. Brooks?

20 EXAMINER BROOKS: You've got a whole bunch
21 of sixes here. Number 1 -- 6A is just to Concho; is
22 that right? And that's the well that only Concho has an
23 interest in?

24 MR. BRUCE: Yeah. 6A and 6B are the
25 Affidavits of Notice to the parties being pooled.

1 EXAMINER BROOKS: Okay. 6B is --

2 MR. BRUCE: One for each well.

3 EXAMINER BROOKS: Yeah. And which well is
4 Concho -- which one is the Concho?

5 THE WITNESS: Both.

6 MR. BRUCE: They're in both.

7 EXAMINER GOETZE: Both.

8 EXAMINER BROOKS: Oh. So all these other
9 people that have been noticed are offsets only?

10 MR. BRUCE: That is correct.

11 EXAMINER BROOKS: Okay. Then I'm not
12 really worried about them. I guess that's all I have.

13 CROSS-EXAMINATION

14 BY EXAMINER GOETZE:

15 Q. If I did not hear it, just for the record, we
16 are at a standard location with our take points?

17 A. Yes. Take points are standard.

18 Q. Other than that, we have no more questions.

19 Thank you very much.

20 A. Thank you.

21 CLARK COLLIER,

22 after having been previously sworn under oath, was
23 questioned and testified as follows:

24

25

DIRECT EXAMINATION

BY MR. BRUCE:

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

A. Clark Collier. I live in Dallas, Texas.

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

A. I work for Matador as a senior geologist.

Q. Have you previously testified before the Division?

A. Yes.

Q. Were your credentials as an expert petroleum geologist accepted as a matter of record?

A. Yes.

Q. And are you familiar with the geology involved in these two applications?

A. Yes.

MR. BRUCE: Mr. Examiner, I tender Mr. Collier as an expert petroleum geologist.

EXAMINER GOETZE: He is so qualified.

Q. (BY MR. BRUCE) Mr. Collier, what does Exhibit 7 reflect?

A. Exhibit 7 is a location map of the Northern Delaware Basin in Eddy and Lea Counties, New Mexico. In the red square are the two project areas for the Zach McCormick #121H and the 122H.

1 **Q. And what is Exhibit 8?**

2 A. Exhibit 8 is a structure map on the top of the
3 Bone Spring Formation. As you can see, it's dipping
4 slightly to the east at about 1 to 1-and-a-half degrees.
5 The offset Bone Spring producing wells are highlighted
6 by the orange line, and you can see the surface-hole
7 location and the bottom-hole location. And the project
8 area for the two wells are in the yellow boxes. There
9 is also a cross section from A to A prime indicated on
10 this map.

11 **Q. And is that cross section admitted as Exhibit**
12 **9?**

13 A. Yes, sir.

14 **Q. And does the lot [sic] submitted on this cross**
15 **accurately reflect the Bone Spring Formation in this**
16 **area of Eddy County?**

17 A. Yes, sir.

18 **Q. Could you discuss the cross section?**

19 A. Sure. So A to A prime, we've got three wells
20 that cover these two project areas. On the far left
21 track, there is a gamma ray. First I should say that
22 not all of the tracks are equal on these three logs, and
23 the data available is different for all three wells. So
24 if you look at the Fort 18 Com in the middle, you'll see
25 a gamma ray and then a photoelectric, and then there is

1 the resistivity track and then a porosity with density
2 neutron, and then on the far right, a sonic log.

3 **Q. And you are testing the 2nd Bone Spring between**
4 **these two wells?**

5 A. That's right. We're testing the 2nd Bone
6 Spring with these two wells.

7 I should also say that this is a
8 stratigraphic cross section that's hung at the top of
9 the Bone Spring Formation at the bottom, the Bone Spring
10 base, also the Wolfcamp top.

11 **Q. And this cross section in the 2nd Bone Spring**
12 **is continuous across the two project areas?**

13 A. Yes, sir.

14 **Q. And what is Exhibit 10?**

15 A. Exhibit 10 is an isopach map of the Bone Spring
16 Formation. As you can see, it's about 3,150 feet to
17 just over 3,200 feet thick over -- over the two project
18 areas, so roughly uniformly thick. And this is
19 contoured on 25-foot contours. Again, you can see the
20 two project areas and the two wells. We expect for the
21 formation to be relatively equally productive on every
22 quarter-quarter.

23 **Q. And the reservoir thickness is pretty**
24 **consistent?**

25 A. That's correct. Yes, sir.

1 Q. And so as a result, you would expect each
2 quarter-quarter section to contribute more or less
3 equally to production?

4 A. Yes, sir.

5 Q. And what are Exhibits 11A and 11B?

6 A. Exhibits 11A and 11B are wellbore schematics
7 for each respective well. The first one in 11A is for
8 the Zach McCormick 121H. These should be standard well
9 locations.

10 Q. The first and last take point of each well will
11 be at least 330 feet off the end of the project area?

12 A. That's right.

13 11B is the same thing for the 122H.

14 Q. Were Exhibits 7 through 11B prepared by you or
15 under your supervision or compiled from company business
16 records?

17 A. Yes, sir.

18 Q. And in your opinion, is the granting of these
19 applications in the interest of conservation and the
20 prevention of waste?

21 A. Yes, sir.

22 MR. BRUCE: Mr. Examiner, I'd move the
23 admission of Exhibits 7 through 11B.

24 EXAMINER GOETZE: Exhibits 7 through 11B
25 are so entered.

1 (Matador Production Company Exhibit Numbers
2 7 through 11B are offered and admitted into
3 evidence.)

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

6 EXAMINER GOETZE: Mr. Brooks?

7 EXAMINER BROOKS: No questions.

8 CROSS-EXAMINATION

9 BY EXAMINER GOETZE:

10 Q. Good morning?

11 A. Good morning.

12 Q. I notice in your presentation, in Section 19,
13 we have a north-south well. Do you have any information
14 on that one just as to whether north-south, east-west is
15 a preferential direction in this area?

16 A. The wells in this area are drilled in
17 north-south or east-west. It's more dictated by the
18 land matters than any preferential direction for
19 production reasons.

20 Q. So there is no preferred orientation that has
21 been indicated that production would be better one way
22 or another as far as you know?

23 A. Not that our data is showing at this point.

24 Q. Is there any other production in the other Bone
25 Spring, 1st or 2nd or 3rd, out here; do you know?

1 A. In the immediate surrounding area, at least on
2 this map, I don't think there are any 3rd Bone Spring
3 wells. There are a couple of 1st Bone Spring wells.
4 They're relatively older. I think most of the Bone
5 Spring activity in the immediate area is 2nd Bone
6 Spring.

7 Q. Okay. Thank you very much. That's all I have.

8 A. You're welcome.

9 MR. BRUCE: I have nothing further and ask
10 that the matters be taken under advisement.

11 EXAMINER GOETZE: I do have one last
12 question with regards to -- I was not paying attention
13 or whatnot.

14 Is this statewide rules as far as spacing?

15 MR. BRUCE: Yes.

16 EXAMINER GOETZE: Okay. I just want to
17 make sure.

18 EXAMINER BROOKS: Good idea.

19 EXAMINER GOETZE: Are you going to check
20 now? We've got two weeks to look at it.

21 MR. BRUCE: I'm familiar with that pool.

22 EXAMINER GOETZE: With Pierce Crossing?

23 Other than that, thank you very much.

24 Case 15770 and Case 15771 are taken under
25 advisement -- oh, excuse me. Not under advisement. Two

1 weeks, August 17th, you will be back with green cards?

2 MR. BRUCE: I'll supplement.

3 EXAMINER GOETZE: Do you want to go to
4 August 30th?

5 MR. BRUCE: No.

6 EXAMINER GOETZE: Okay. August -- you'll
7 bring the green cards?

8 MR. BRUCE: Whatever I receive, I'll bring
9 here.

10 EXAMINER GOETZE: Okay.

11 MR. BRUCE: Yeah.

12 EXAMINER GOETZE: Well, what are you going
13 to do without the green cards?

14 MR. BRUCE: Well, I published notice
15 against anyone who did not --

16 EXAMINER GOETZE: We'll take it under
17 advisement.

18 EXAMINER BROOKS: Well, you know, if we
19 don't have green cards and do have published notice,
20 then -- or if we don't have green cards or some other
21 evidence that was received, tracers can be -- or if you
22 made contact with the party and they have received it,
23 that's a good substitute. But if there is no evidence
24 that the letter was received, then we require
25 publication, plus testimony that you don't have any

1 other address for this party and that you've made a
2 diligent effort to find their correct address. We have
3 to do that to satisfy the statutory requirement.

4 MR. BRUCE: Well, I could bring up
5 Mr. Carleton again.

6 EXAMINER BROOKS: I'm sure he would say
7 whatever is necessary.

8 (Laughter.)

9 EXAMINER GOETZE: If you wish, proceed.
10 Bring up your landman.

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

14 REDIRECT EXAMINATION

15 BY MR. BRUCE:

16 Q. Mr. Carleton, did you examine the records to
17 determine offset ownership?

18 A. Yes, sir.

19 Q. And did you also conduct record searches other
20 than just the county or federal records, et cetera to
21 determine addresses?

22 A. That's correct. We used a program called
23 Accurint --

24 (The court reporter interrupted for a
25 repeat of the program name.)

1 A. Accurint, A-C-C-U-R-I-N-T.

2 Q. And these are the most recent addresses you
3 could come up with?

4 A. Yes.

5 MR. BRUCE: And I would note that I
6 actually looked at some of the records myself, and some
7 of these people have been out there since the '50s.
8 There is no further --

9 EXAMINER GOETZE: Well, I've been out there
10 since the '50s. I don't appreciate that.

11 (Laughter.)

12 MR. BRUCE: The last records that they --
13 the last instruments of record are from the 1950s,
14 mid-1950s.

15 Q. (BY MR. BRUCE) Some of these people are
16 difficult to track down in these old federal leases; are
17 they not, Mr. Carleton?

18 A. That's correct.

19 EXAMINER GOETZE: Mr. Brooks?

20 CROSS-EXAMINATION

21 BY EXAMINER BROOKS:

22 Q. You exercised reasonable diligence to find
23 them, right?

24 A. That's correct.

25 Q. I will accept that.

1 EXAMINER GOETZE: So what we'll do is take
2 15 -- Cases 15770 and 15771 under advisement, but I
3 would also ask you to make an effort to send by email
4 any green cards that you get so that we can include it
5 in the case file.

6 MR. BRUCE: They will dribble in
7 eventually.

8 EXAMINER GOETZE: Thank you very much,
9 Mr. Bruce.

10 (Case Numbers 15770 and 15771 conclude,
11 9:01 a.m.)
12
13
14
15
16

17 I hereby certify that the foregoing is
18 a complete record of the proceedings in
19 the Examiner hearing of Case No. 15770 & 15771
20 heard by me on August 3, 2017
21 *[Signature]*
22 Oil Conservation Division, Examiner
23
24
25

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.

20
21 

22 MARY C. HANKINS, CCR, RPR
23 Certified Court Reporter
24 New Mexico CCR No. 20

25 Date of CCR Expiration: 12/31/2017

Paul Baca Professional Court Reporters