

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:

APPLICATION OF MATADOR PRODUCTION	CASE NOS. 20443,
COMPANY FOR COMPULSORY POOLING,	20444, 20445,
LEA COUNTY, NEW MEXICO.	20446

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 19, 2019

Santa Fe, New Mexico

BEFORE: KATHLEEN MURPHY, CHIEF EXAMINER
PHILLIP GOETZE, TECHNICAL EXAMINER
DANA Z. DAVID, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Kathleen Murphy, Chief Examiner; Phillip Goetze, Technical Examiner; and Dana Z. David, Legal Examiner, on Thursday, September 19, 2019, 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

FOR APPLICANT MATADOR PRODUCTION COMPANY:

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EXHIBITS OFFERED AND ADMITTED

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1 (3:49 p.m.)

2 EXAMINER MURPHY: Let's call Cases 20443,
3 20444, 20445 and 20446, applications of Matador
4 Production Company for compulsory pooling, Lea County,
5 New Mexico.

6 Call for appearances.

7 MR. BRUCE: Jim Bruce of Santa Fe
8 representing the Applicant.

9 I have two witnesses. The geologist is the
10 same. It's a different landman.

11 EXAMINER MURPHY: Okay.

12 Any other appearances?

13 Will the witnesses please rise to be sworn
14 in by the court reporter?

15 (Ms. Hahn sworn.)

16 CASSIE HAHN,

17 after having been first duly sworn under oath, was
18 questioned and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. BRUCE:

21 **Q. Would you state your name and city of**
22 **residence?**

23 A. My name is Cassie Hahn, and I live in Dallas,
24 Texas.

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

1 A. I work for Matador Resources Company as an
2 operations landman.

3 **Q. Have you previously testified before the**
4 **Division?**

5 A. Yes.

6 **Q. And were your credentials as an expert**
7 **petroleum landman accepted as a matter of record?**

8 A. Yes.

9 **Q. And are you familiar with the land matters**
10 **involved in these cases?**

11 A. Yes.

12 MR. BRUCE: Mr. Examiner, I tender Ms. Hahn
13 as an expert petroleum landman.

14 EXAMINER MURPHY: So qualified.

15 **Q. (BY MR. BRUCE) Could you identify Exhibit 1 for**
16 **the examiner?**

17 A. Sure. Exhibit 1 is a Midland Map showing four
18 320-acre proration units. It also is showing that there
19 are two federal leases in these units.

20 **Q. And in this well -- you're seeking both Bone**
21 **Spring and Wolfcamp well units; are you not?**

22 A. Yes. Correct.

23 **Q. Let's move to Exhibit 2. What do they show?**

24 A. Exhibit 2A is the C-102 of the Rodney Robinson
25 103H. This well is in the Pronghorn; Bone Spring

1 Formation, and it is located in the west half-east of
2 Sections 6 and 7.

3 **Q. What is the township and range?**

4 A. 23 South, 33 East.

5 **Q. And 2D?**

6 A. 2D is the C-102 for the Rodney Robinson 108H.
7 It is also in the Pronghorn; Bone Spring Formation, and
8 this well is in the east half-east half of Sections 6
9 and 7, 23 South, 33 East.

10 **Q. Go ahead.**

11 A. Exhibit 2C is the C-102 of the Rodney Robinson
12 217H. This well is in the Upper Wolfcamp Formation, and
13 it's located in the west half-east half of Sections 6
14 and 7, 23 South, 33 East.

15 And Exhibit 2D is the C-102 for the 218H.
16 It is also in the Upper Wolfcamp Formation, and it is
17 located in the east half-east half of Sections 6 and 7,
18 23 South, 33 East.

19 **Q. Are there depth severances in either the Bone
20 Spring Formation or the Wolfcamp Formation?**

21 A. No.

22 **Q. And are both of these -- the Bone Spring and
23 Wolfcamp pools are oil pools?**

24 A. Yes. Correct.

25 **Q. What is shown in Exhibit 3?**

1 A. Exhibit 3 is a summary of interests that we are
2 pooling, and Matador seeks to pool three uncommitted
3 working interest owners for a combined interest of
4 12.498439 percent.

5 And 3A is for the Rodney Robinson 103 and
6 217H wells.

7 And then 3B is also a summary of interests
8 where we're seeking to pool the same three uncommitted
9 working interest owners for a combined interest of
10 12.498047 percent, and that is for the 108H and the
11 218H.

12 **Q. Are there any overriding royalties that we need**
13 **to worry about in this case?**

14 A. No.

15 **Q. What is shown in Exhibit 4?**

16 A. Exhibit 4 are the well proposals we sent out on
17 October 10th, 2018.

18 **Q. And all the proposals are basically the same.**
19 **They were sent out quite some time ago; were they not?**

20 A. Correct, almost a year ago.

21 **Q. Okay. And looking at the AFEs, what are the**
22 **costs of the Bone Spring and the Wolfcamp wells?**

23 A. For the Bone Spring wells, the AFE is about
24 12,255,000, and the Wolfcamps are going to be
25 13,035,000.

1 Q. And are these costs for whatever formation fair
2 and reasonable and in line with the costs of similar
3 wells drilled in this area of Lea County?

4 A. Yes, they are.

5 Q. Now, with respect to EOG, you've been in touch
6 with them for some time. What is the current status of
7 discussion with them?

8 A. Right. We're currently negotiating either a
9 trade or a JOA.

10 Q. And in your opinion, have you made a good-faith
11 effort to obtain the voluntary joinder of the EOG
12 entities in this well?

13 A. Yes.

14 Q. And if you reach agreement with EOG, will you
15 notify the Division?

16 A. Yes.

17 Q. What overhead rates do you request?

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

19 Q. And are these costs reasonable and in line with
20 the costs of what other operators charge in this area?

21 A. Yes.

22 Q. And are these the rates that were set forth in
23 your JOA --

24 A. Yes.

25 Q. -- proposed JOA?

1 A. Correct.

2 Q. Do you request that the rates be adjusted
3 periodically as provided by the COPAS accounting
4 procedure?

5 A. Yes.

6 Q. And these applications were originally filed by
7 Holland & Hart, correct?

8 A. Correct. Yes.

9 Q. And did you direct them to give notice to the
10 EOG entities of these applications?

11 A. Yes, we did.

12 Q. And are their notice letters contained in
13 Exhibit 5?

14 A. Yes.

15 Q. And does that reflect that EOG did, in fact,
16 receive actual notice of these applications?

17 A. That is what the record is showing. Yes.

18 Q. And -- but you've been in touch with them
19 regarding this hearing, haven't you?

20 A. Yes, definitely. Yes, many times.

21 Q. And do you request that Matador be designated
22 operator of the wells?

23 A. Yes, we do.

24 Q. And do you request the maximum cost plus 200
25 percent risk charge in the event the party goes

1 **nonconsent in the well?**

2 A. Yes.

3 **Q. Were Exhibits 1 through 5 either prepared by**
4 **you or under your supervision or compiled from company**
5 **business records?**

6 A. Yes, they were.

7 **Q. And in your opinion, is the granting of these**
8 **applications in the interest of conservation and the**
9 **prevention of waste?**

10 A. Yes.

11 MR. BRUCE: Mr. Examiner, I'd move the
12 admission of Matador Exhibits 1 through 5.

13 EXAMINER MURPHY: Exhibits 1 through 5 are
14 admitted.

15 (Matador Production Company Exhibit Numbers
16 1 through 5 are offered and admitted into
17 evidence.)

18 MR. BRUCE: I have no further questions of
19 this witness.

20 EXAMINER MURPHY: Mr. Goetze?

21 CROSS-EXAMINATION

22 BY EXAMINER GOETZE:

23 **Q. Just out of curiosity, I thought two of the EOG**
24 **companies went away.**

25 A. You know, I -- I think they did as well. This

1 is what our title opinion is showing, so --

2 Q. That's fine. I mean, you noticed them --

3 A. Right.

4 Q. EOG is there. They know. Sometimes it's
5 confusing in our world, too.

6 No further questions. Thank you.

7 EXAMINER MURPHY: No further questions from
8 me.

9 Mr. David?

10 CROSS-EXAMINATION

11 BY EXAMINER DAVID:

12 Q. Yes. About the notice, I was looking at the --
13 the -- the mailing information here, and I -- I don't
14 see that there is anything that actually shows that they
15 were sent to EOG. I see they were sent from Holland &
16 Hart, but I don't see anything that looks like an EOG
17 address in here. Is there something else you can give
18 us that would show that?

19 MR. BRUCE: I will -- I will contact
20 Holland & Hart after this.

21 EXAMINER DAVID: It looks like they mailed
22 something, but I can't see who it went to.

23 MR. BRUCE: Yeah. I think -- I will -- I
24 will ask them. They do have -- they use a different
25 certified mailing notice.

1 THE WITNESS: It's on the very last page.
2 It's really tiny print.

3 EXAMINER GOETZE: 104 South 4th Street,
4 Artesia.

5 EXAMINER DAVID: Am I missing that?

6 THE WITNESS: It's really tiny. It's right
7 there (indicating).

8 EXAMINER MURPHY: Last page of Exhibit 5.

9 EXAMINER GOETZE: Very, very last page.

10 MR. BRUCE: Oh, yeah, column two.

11 THE WITNESS: Right.

12 EXAMINER DAVID: I'm not seeing it, but if
13 you guys are satisfied --

14 EXAMINER MURPHY: Right here (indicating).
15 Here's my magnifying glass.

16 EXAMINER DAVID: Story of my life short, a
17 magnifier.

18 Q. (BY EXAMINER DAVID) Okay. Well, I guess
19 another question, too. I hate to be a stickler, but I
20 guess that's all I get paid to do. But also it looks
21 like the USPS scan on the letter before, the number
22 doesn't match the number on the one on the following
23 page.

24 THE WITNESS: You're right.

25 EXAMINER DAVID: They should be the same

1 number, shouldn't they?

2 THE WITNESS: I assume so.

3 MR. BRUCE: I can ask about that. Like I
4 said, I use the hard copy of white certificates and
5 green cards, and Holland & Hart does not use that. They
6 use this mailing service.

7 EXAMINER DAVID: Okay. Well, if there is
8 some way we can just link the list of Rodney wells on
9 the previous page to the address on the back page, I
10 guess maybe we can rest confident that things do
11 actually go out by certified mail as the rule requires.

12 MR. BRUCE: I will do that.

13 EXAMINER DAVID: Thank you very much,
14 Mr. Bruce.

15 DANIEL BRUGIONI,
16 after having been previously sworn under oath, was
17 questioned and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

20 Q. Would you please state your name for the
21 record?

22 A. Daniel Brugioni.

23 EXAMINER DAVID: Did we accept the
24 exhibits?

25 MR. BRUCE: If not, I move the admission of

1 Exhibits 1 through 6 -- I mean one through five.

2 EXAMINER MURPHY: Exhibits 1 through 5 are
3 admitted.

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

7 MR. BRUCE: And if the record could reflect
8 that Mr. Brugioni was previously sworn and qualified.

9 EXAMINER MURPHY: So qualified.

10 Please proceed.

11 **Q. (BY MR. BRUCE) Please identify Exhibit 6.**

12 A. Exhibit 6 is an overall locator map showing the
13 project area for the Rodney Robinson wells that are in
14 the Pronghorn; Bone Spring Pool, the 103H and the 108H.

15 **Q. What is Exhibit 7?**

16 A. Exhibit 7 is a structure map made off the top
17 of the Bone Spring Lime for the wells in the Bone Spring
18 pool. The project areas are in yellow, with the
19 approximate location of the proposed wells being drilled
20 from south to north. Also on there are -- the colorful
21 sticks are the surrounding production, as well as the
22 control points used to make this structure map.

23 **Q. So the Bone Spring wells will pool the Bone
24 Spring-Avalon wells?**

25 A. Correct.

1 And looking at the structure map, there is
2 a dip from west to east and no apparent faulting or
3 geologic hazards to impede the drilling of these
4 horizontal wells.

5 **Q. And briefly, what is Exhibit 8?**

6 A. Exhibit 8 is that same structure map with the
7 control points and surrounding production removed to
8 emphasize the location of the cross section and the
9 wells used in that cross section.

10 **Q. And these wells fairly represent the Bone
11 Spring interval in this area?**

12 A. Yes.

13 **Q. Move on to Exhibit 9.**

14 A. Exhibit 9 is that cross section, A to A prime,
15 roughly north to south showing the Bone Spring and the
16 highlighted target proposed for the Rodney Robinson 103H
17 and 108H. This target is continuous and present
18 throughout the entire project area, and, similarly, the
19 logs used are gamma ray, resistivity and neutron density
20 porosity logs.

21 **Q. Looking at Exhibits 8 and 9, is there any
22 geologic feature that would impair the drilling of these
23 wells?**

24 A. No.

25 **Q. And is the zone continuous across the proposed**

1 well units?

2 A. Yes, it is.

3 Q. And in your opinion, will each quarter-quarter
4 section in the Bone Spring well units contribute more or
5 less equally to production?

6 A. Yes.

7 Q. What is Exhibit 10?

8 A. Exhibit 10 is a similar locator map showing the
9 project area for the Rodney Robinson wells in the
10 Wolfcamp pool, and these wells will be the 217 and 218.

11 Q. And Exhibit 11?

12 A. Exhibit 11 is a structure map made off the top
13 of the Wolfcamp with 50-foot contour intervals. The
14 project area is in yellow, as well as the approximate
15 location of the proposed wells being drilled from south
16 to north. Similarly, the control points and the
17 surrounding producers are on that cross section. Again,
18 a dip from west to east and no apparent faulting or
19 geologic hazards are present to impede the drilling of
20 these wells.

21 Q. Not many Wolfcamp wells in this area at this
22 point?

23 A. No. It's a little bit more of a step-out for
24 this area.

25 Q. What is Exhibit 12?

1 A. Exhibit 12 is that same structure map with
2 control points and surrounding producers removed to
3 emphasize the location of the cross section.

4 **Q. And different wells were used in this cross**
5 **section than in the Bone Spring cross section?**

6 A. Yes. The Bone Spring -- the wells used in the
7 Bone Spring did not go deep enough to image the entire
8 Wolfcamp, and these were the wells that demonstrated the
9 area the most that image the entire Wolfcamp.

10 **Q. And Exhibit 13?**

11 A. Exhibit 13 is a cross section, A to A prime,
12 roughly west to east showing the Wolfcamp and the
13 proposed target highlighted in yellow for the Rodney
14 Robinson 217 and 218.

15 **Q. And is the Wolfcamp zone continuous across the**
16 **proposed well units, in your opinion?**

17 A. Yes, it is.

18 **Q. Will each quarter-quarter section in the**
19 **Wolfcamp well units contribute more or less equally to**
20 **production?**

21 A. Yes.

22 **Q. And looking at both the Bone Spring and the**
23 **Wolfcamp, can the acreage be efficiently and**
24 **economically developed by horizontal wells?**

25 A. Yes.

1 **Q. Were Exhibits 6 through 13 prepared by you or**
2 **under your supervision?**

3 A. Yes.

4 **Q. And in your opinion, is granting of these**
5 **applications in the interest of conservation and the**
6 **prevention of waste?**

7 A. Yes.

8 MR. BRUCE: I move the admission of
9 Exhibits 6 through 13.

10 EXAMINER MURPHY: Exhibits 6 through 13 are
11 admitted.

12 (Matador Production Company Exhibit Numbers
13 6 through 13 are offered and admitted into
14 evidence.)

15 **Q. (BY MR. BRUCE) One final question: Will**
16 **Matador comply with the Division's well setback rules?**

17 A. Yes.

18 MR. BRUCE: I have no further questions of
19 the witness.

20 EXAMINER MURPHY: Mr. Goetze?

21 CROSS-EXAMINATION

22 BY EXAMINER GOETZE:

23 **Q. On your Bone Spring wells, you're confident**
24 **that the locations will not have interference? Any**
25 **experiences in this area that show what you've selected**

1 **is beneficial?**

2 A. Are you referring to the surrounding production
3 present?

4 **Q. Well, internally just --**

5 A. Oh. Yes. Yeah. We've done -- we know a lot
6 of producers around there, so we've looked into various
7 spacing studies.

8 **Q. So you're confident that your location won't**
9 **result in problems with production?**

10 A. Yes, sir.

11 **Q. Okay. Thank you. That's all I have.**

12 EXAMINER MURPHY: I have no questions.

13 Mr. David?

14 EXAMINER DAVID: No questions.

15 MR. BRUCE: I would ask that these four
16 cases be taken under advisement.

17 EXAMINER MURPHY: Cases 20443, 20444, 20445
18 and 20446 will be taken under advisement.

19 (Case Numbers 20443, 20444, 20445 and 20446
20 conclude, 4:16 p.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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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 DATED THIS 9th day of October 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters

25