

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 No. 16209,
COMPANY FOR A NONSTANDARD SPACING 16210
AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 28, 2018

Santa Fe, New Mexico

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

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, June 28, 2018, 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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FOR INTERESTED PARTIES EOG RESOURCES, INC., EOG Y
RESOURCES, EOG A RESOURCES, EOG M RESOURCES AND EOG
RESOURCES ASSETS:

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1 (11:27 a.m.)

2 EXAMINER GOETZE: Call Case 16209,
3 application of Matador Production Company for a
4 nonstandard spacing and proration unit and compulsory
5 pooling, Lea County, New Mexico, and along with that is
6 Case Number 16210, also application of Matador
7 Production Company for a nonstandard spacing and
8 proration unit and compulsory pooling, Lea County, New
9 Mexico.

10 Call for appearances.

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

14 MR. FELDEWERT: Mr. Examiner, Michael
15 Feldewert, from the Santa Fe office of Holland & Hart,
16 on behalf of EOG Resources, Inc., EOG Y Resources,
17 EOG A Resources, EOG M Resources and EOG Resources
18 Assets. I have no witnesses here today.

19 EXAMINER GOETZE: Wow. You've got enough
20 companies.

21 Anyhow, would the witnesses please stand,
22 identify yourself to the court reporter and be sworn in?

23 MR. JUETT: I'm James Juett, geologist.

24 MS. WARE: Veronica Ware, associate
25 landman.

1 (Ms. Ware and Mr. Juett sworn.)

2 VERONICA WARE,

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

5 DIRECT EXAMINATION

6 BY MR. BRUCE:

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

9 A. Veronica Ware.

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

11 A. Matador, associate landman.

12 Q. Have you previously testified before the
13 Division?

14 A. No.

15 Q. Let's go over your educational and employment
16 background. What is your educational history?

17 A. High school graduate. I do have college
18 credits at New Mexico State University and also Eastern
19 New Mexico University in Roswell.

20 Q. What about your work history?

21 A. I started with Nadel and Gussman in March of
22 2009. That joint venture terminated, and I became an
23 employee of Harvery Yates Company on January 1st of
24 2014. And then Yates merged with Matador in March of
25 2015, and I'm currently there.

1 Q. And have you been performing land duties at
2 these employers since '09?

3 A. Yes, sir.

4 Q. Are you a member of any professional
5 organizations?

6 A. Yes. I'm a member of the AAPL, also the New
7 Mexico Landmen's Association.

8 Q. Do you participate and attend activities put on
9 by those organizations?

10 A. I attend the seminars in person that they put
11 on or via the webinars that they provide.

12 Q. And does Matador require its landman to do a
13 certain amount of -- require a certain amount of -- to
14 do a certain amount of educational things?

15 A. Yes. They have a continuing educational
16 minimum of 40 hours per year.

17 Q. And are you familiar with the applications file
18 in these cases?

19 A. Yes, sir.

20 Q. And are you familiar with the status of the
21 lands involved in these cases?

22 A. Yes, sir.

23 MR. BRUCE: Mr. Examiner, I'd tender
24 Ms. Ware as an expert petroleum landman.

25 MR. FELDEWERT: No objection.

1 EXAMINER GOETZE: Very good. Thank you.

2 She is so qualified.

3 Q. (BY MR. BRUCE) Would you identify Exhibits 1A
4 and 1B to the Examiner and describe the lands and the
5 wells we're here for today?

6 A. Yes. Under the Tab 1A, we have the C-102 form
7 for the Coach Joe Federal Com 121H well. It is a
8 160-acre spacing well located in the west half of the
9 west half of Section 9, Township 20 South, Range 35
10 East. We have permitted a Featherstone; Bone Spring
11 well, Pool Code 24250, with an API number of
12 30-025-44541.

13 And under Tab B, we have the C-102 form for
14 the Coach Joe Federal Com 122H well, also a 160-acre
15 spacing well, in the east half of the west half of
16 Section 9, 20 South 35 East. It's also a Featherstone;
17 Bone Spring well, with a pool code of 24250, API
18 30-025-44542.

19 Q. And do you seek to force pool the Bone Spring
20 Formation underlying these two well units?

21 A. Yes, sir, we do.

22 Q. Looking at these, are the first and last take
23 points at standard locations?

24 A. Yes, they are.

25 Q. And is it your understanding that the rules

1 **have now changed?**

2 A. Yes, sir.

3 **Q. And if those rules remain in effect -- these**
4 **wells have not been drilled?**

5 A. No, not yet.

6 **Q. When these wells are commenced, will Matador**
7 **probably change its plans to comply with the new rules?**

8 A. Yes, sir.

9 **Q. And what is the nature of the lands involved in**
10 **these units. And I refer you to Exhibit 2.**

11 A. So this is a plat of the Midland Map showing
12 the surrounding sections, including our Section 9 with
13 the Coach Joe 121H well and the Coach Joe Federal Com
14 122H wells, are located. They are each 160-acre, again,
15 in the west half-west half of the 121 and the east half
16 of the west half of 122. There are two federal leases,
17 one comprised in the northwest quarter and one in the
18 southwest quarter.

19 **Q. Are there any depth severances in the Bone**
20 **Spring Formation?**

21 A. No, sir, there is not.

22 **Q. Does Exhibit 3 identify -- the first page of**
23 **that exhibit identify the working interest owners in the**
24 **two well units?**

25 A. Yes, it does. It shows the summary of

1 interests with MRC Delaware owning 50 percent, and we
2 are pooling EOG Resources with their 50 on each of those
3 wells.

4 **Q. There are no unlocatable interest owners --**

5 A. Correct.

6 **Q. -- working interest owners?**

7 A. Yes, sir.

8 **Q. Has EOG indicated whether they plan to**
9 **participate in these wells?**

10 A. I personally had a conversation with the
11 landman, Chuck Moran, late April regarding these two
12 wells. At that given time, he was -- brought up the
13 possibility of doing a trade or some kind of deal to
14 work out the interest for EOG in these wells. That --
15 those communications have been now passed along to other
16 landmen with Matador who have been in communication with
17 Mr. Moran. On the conversation that I had with
18 Mr. Moran, he did indicate it would be likely, if we
19 were not able to reach agreement, that they would
20 participate under voluntary joinder or under the forced
21 pooling.

22 **Q. If do you reach terms with EOG, will you notify**
23 **the Division so that they wouldn't be subject to a**
24 **pooling order?**

25 A. Correct. Yes.

1 Q. And discussions are still ongoing with EOG?

2 A. That is correct.

3 Q. And let's skip past the second page of Exhibit
4 3 for a minute.

5 What is contained in Exhibits 4A and 4B?

6 A. Under Tab A, we have the sample letter that was
7 sent out for the Coach Joe Federal 121H well with the
8 attached AFE for that well. And then under B, likewise,
9 we have the proposal letter with the AFE for the Coach
10 Joe Federal 122H well.

11 Q. And these letters do contain both AFEs,
12 correct?

13 A. Yes, sir.

14 Q. And what is the completed well cost
15 approximately of each of the proposed wells?

16 A. The estimated cost on the AFEs is \$7,002,306
17 for each of the wells.

18 Q. And are the costs on the AFEs fair and
19 reasonable and consistent with what Matador and other
20 operators have incurred for drilling similar horizontal
21 wells in this area?

22 A. Yes, sir.

23 Q. And what -- are the proposed overhead rates
24 contained in the well-proposal letters?

25 A. Yes, they were.

1 Q. What are they?

2 A. 7,000 a month while drilling and 700 a month
3 while producing.

4 Q. And that's what you're requesting to be in the
5 order?

6 A. Yes, sir.

7 Q. Are these costs similar to what other operators
8 are charging in this area for wells of this type?

9 A. Yes, sir.

10 Q. Do you request that the overhead rates be
11 periodically adjusted as provided in the COPAS
12 accounting procedure?

13 A. Yes.

14 Q. Going back to Exhibit 3, the second page of
15 Exhibit 3, are these overriding royalty interest owners
16 in both wells?

17 A. Yes, they are.

18 Q. And so they're -- they're uniform in each well
19 unit?

20 A. That is correct.

21 Q. Did you provide notice of both applications to
22 the overrides?

23 A. Yes.

24 Q. And did Matador also, for purposes of this
25 hearing, identify the offset operators or working

1 interest owners in the 40-acre tract surrounding the two
2 well units?

3 A. Yes.

4 Q. Turning to Exhibit 5, was notice given to EOG,
5 plus the overrides of this hearing?

6 A. Yes, sir.

7 Q. And is that reflected in my Exhibit 5A?

8 A. Yes.

9 MR. BRUCE: And, Mr. Examiner, that
10 contains the proposal letters both to EOG as working
11 interest owner and as to overriding royalties.

12 Q. (BY MR. BRUCE) Does Exhibit 5B list all of the
13 offset parties to the proposed well units?

14 A. Yes, sir, it does.

15 Q. And was notice given to all those interest
16 owners?

17 A. Yes.

18 Q. And that's reflected in my Exhibit 5C or the
19 one I prepared, 5C?

20 A. Yes, sir.

21 Q. And were there -- at least insofar as the
22 overrides go, were there some parties that you could not
23 find a good address for?

24 A. Yes. It appears that we have some that were
25 returned back to you.

1 Q. And you gave -- you gave me, for notice
2 purposes, the best address that you had available?

3 A. Yes. We have contract brokers who then check
4 the records for both county and federal, and they do the
5 Internet search.

6 Q. Okay. So in your opinion, has Matador made a
7 good-faith effort with respect to EOG to obtain its
8 voluntary joinder in the wells?

9 A. Yes.

10 Q. And as to the overrides, have you made a
11 good-faith effort to locate all of the overrides to give
12 them notice?

13 A. Yes, sir.

14 Q. Do you request that Matador be named operator
15 of the two wells?

16 A. Yes.

17 Q. And do you request the maximum cost plus 200
18 percent risk charge in the event EOG does not go consent
19 in the well?

20 A. Yes.

21 Q. In your opinion, will the granting --

22 MR. BRUCE: Mr. Examiner, Exhibit 5D is the
23 Affidavit of Publication as to every interest owner to
24 whom I did not receive a green card back from.

25 Q. (BY MR. BRUCE) In your opinion, will the

1 **granting of these applications be in the interest of**
2 **conservation, the prevention of waste and the protection**
3 **of correlative rights?**

4 A. Yes.

5 **Q. And were Matador Exhibits 1 through 4 prepared**
6 **by you or under your supervision or compiled from**
7 **company business records?**

8 A. Yes.

9 MR. BRUCE: And, Mr. Examiner, Exhibit 5 is
10 my notice exhibits that I prepared.

11 And I would move the admission of Exhibits
12 1 through 5 at this time.

13 MR. FELDEWERT: No objection.

14 EXAMINER GOETZE: No objection? Very good.
15 Then Exhibits 1 through 5 are so entered.

16 MR. BRUCE: I have no further questions of
17 the witness.

18 (Matador Production Co. Exhibit Numbers 1
19 through 5 are offered and admitted into
20 evidence.)

21 CROSS-EXAMINATION

22 BY MR. FELDEWERT:

23 **Q. Ms. Ware, my question is to 5D, the notice by**
24 **publication to Burlington and ConocoPhillips. Why is**
25 **that? Are they interest owners?**

1 MR. BRUCE: They're offsets, and I did not
2 receive green card back from them.

3 MR. FELDEWERT: Got it.

4 Q. (BY MR. FELDEWERT) And then you mentioned
5 overhead rates of 7,000 and 700?

6 A. Yes.

7 Q. Are those the same rates as you had in the JOA
8 that you sent to EOG?

9 A. Yes, sir.

10 Q. And in looking at Exhibit Number 2, where is
11 EOG's ownership? Are they on one of these federal
12 leases?

13 A. Yes. Their lease is the northwest quarter.

14 Q. And you mention that you had an initial
15 discussion with Mr. Moran in late April?

16 A. Yes.

17 Q. And now someone else is handling those
18 discussions?

19 A. As far as reaching an agreement, yes.

20 Q. And who is that?

21 A. John Filbert.

22 Q. And to your knowledge, have they -- do you know
23 when that last discussion occurred between Mr. Filbert
24 and Mr. Moran?

25 A. No. I do not know officially when that was.

1 **Q. That's all the questions I have. Thank you.**

2 EXAMINER GOETZE: Thank you.

3 With that, I would say you're quite
4 thorough, and I have no questions for you. Thank you.

5 THE WITNESS: Thank you.

6 JAMES A. JUETT,

7 after having been previously sworn under oath, was
8 questioned and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. BRUCE:

11 **Q. Will you please state your name and city of**
12 **residence for the record?**

13 A. Yes, sir. My name is James Juett, and I now
14 reside in Argyle, Texas.

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

16 A. Matador Resources as a senior staff geologist.

17 **Q. And how long have you been with Matador?**

18 A. I started with Matador in 2003, left in 2013
19 and came back in 2015, and I've been there ever since, a
20 little over 15 years.

21 **Q. And have you previously testified before the**
22 **Division?**

23 A. Yes, I have.

24 **Q. And were your credentials as an expert**
25 **petroleum geologist accepted and made a matter of**

1 **record?**

2 A. Yes, they were.

3 **Q. Are you familiar with the applications filed in**
4 **these cases?**

5 A. Yes, I am.

6 **Q. And have you conducted a geologic study for the**
7 **purposes of this hearing?**

8 A. Yes, I have.

9 MR. BRUCE: Mr. Examiner, I tender
10 Mr. Juett as an expert petroleum geologist.

11 EXAMINER GOETZE: Mr. Feldewert?

12 MR. FELDEWERT: I have to think about this
13 one.

14 (Laughter.)

15 MR. FELDEWERT: No objection.

16 EXAMINER GOETZE: Thank you very much.
17 You are so qualified.

18 **Q. (BY MR. BRUCE) What is Exhibit 6, Mr. Juett?**

19 A. Exhibit 6 is a simple locator map that shows
20 our project area for our Coach Joe 121 and 122H wells in
21 Lea County, New Mexico. They're identified by the green
22 squares with the red outlines on the page. It also
23 identifies where we sit, not that it matters in this
24 case, where the potash is on the -- under -- the map
25 underneath has the potash, the black outline with the

1 gray hatch.

2 **Q. And what is Exhibit 7?**

3 A. Exhibit 7 is a structure map that was made on
4 the top of the 2nd Bone Spring Sand.

5 **Q. And I notice these are -- you have put on all
6 of the nearby Bone Spring wells regardless of what zone
7 they're completed in?**

8 A. Yes, sir. All the -- what's on this map is --
9 we have -- all the horizontal wells are identified by
10 their producing zone. We've got 1st, 2nd, 3rd Bone
11 Spring and some Wolfcamp wells also identified on here.
12 This map also shows our project area again, with the
13 green boxes outlined with red outlines. The green
14 northeast-southwest line on there is our line of cross
15 section that we'll see in the next exhibit.

16 The structure here shows that the 2nd Bone
17 Spring Sand is gentle, sloping to the southwest and
18 that -- I don't see any geologic impediments in this
19 area to drilling a horizontal well and no apparent
20 faulting in this location.

21 **Q. And the line of cross section, why were these
22 wells chosen for the cross section?**

23 A. They were the closest wells to the project area
24 with the best log suite. The well to the --

25 **Q. Let's go on to your Exhibit 8 and then go**

1 **ahead.**

2 A. Okay.

3 **Q. That is the cross section?**

4 A. Yes, sir.

5 I was jumping the gun.

6 This is the cross section on the line of
7 wells.

8 Also on Exhibit 7, the wells that are shown
9 are only wells with TDs greater than 9,000 feet because
10 this formation is 10,000 feet or greater. So --

11 **Q. And what does the cross section show as far as**
12 **the consistency of the Bone Spring across your proposed**
13 **well units?**

14 A. Okay. This is a stratigraphic cross section
15 hung on the top of the 2nd Bone Spring A Sand, and this
16 cross section shows that across our project area, the
17 sand is fairly uniform. We don't see any pinch-outs.
18 We expect across the section to have at least 150 feet
19 of sand or more as we go across the project area.

20 **Q. And in your opinion, can this acreage be**
21 **efficiently and economically developed by horizontal**
22 **wells?**

23 A. Yes, it can.

24 **Q. And based on the consistency of the thickness,**
25 **do you expect each quarter-quarter section in each well**

1 unit to be productive and contribute more or less
2 equally to production of the wells?

3 A. Yes, I would.

4 Q. What is Exhibit 9?

5 A. Exhibit 9 is a gross thickness isopach of the
6 entire 2nd Bone Spring interval. It shows very little
7 variation in the 2nd Bone Spring Sand gross thickness
8 across the project area.

9 Q. And, again, that would support your conclusion
10 that each quarter-quarter section will contribute to
11 production in these wells?

12 A. That is correct.

13 Q. And finally, what are Exhibits 10A and 10B?

14 A. 10A and 10B are simple structure diagrams
15 showing the take points. When the rules change, they
16 will be subject to change. But these are showing that
17 we were, with the old rules, at legal locations with the
18 take points.

19 Q. In your opinion, will the granting of these
20 applications be in the interest of conservation and the
21 prevention of waste?

22 A. Yes, sir.

23 Q. And were Exhibits 6 through 10 prepared by you
24 or under your supervision?

25 A. Yes, they were.

1 MR. BRUCE: Mr. Examiner, I move the
2 admission of Exhibits 6 through 10.

3 EXAMINER GOETZE: Mr. Feldewert?

4 MR. FELDEWERT: No objection.

5 EXAMINER GOETZE: Exhibits 6 through 10 are
6 so entered.

7 (Matador Production Co. Exhibit Numbers 6
8 through 10 are offered and admitted into
9 evidence.)

10 EXAMINER GOETZE: Mr. Feldewert?

11 MR. FELDEWERT: No questions.

12 EXAMINER GOETZE: That doesn't give me any
13 time.

14 MR. FELDEWERT: Well, I can think a minute,
15 if you want me to take a minute (laughter).

16 EXAMINER GOETZE: You've got to think fast.

17 CROSS-EXAMINATION

18 BY EXAMINER GOETZE:

19 Q. Just visiting back to your Exhibit 7, we see to
20 the west a large population of development in the Bone
21 Spring, but to the east, it seems to be somewhat
22 limited. Do you have any knowledge as to why? Is it
23 historical or --

24 A. We just have not made it out that far. There
25 is an east-west 2nd Bone Spring well that's a little

1 bit -- that's just north of our project area that
2 Matador did drill. We -- as you go south, there are
3 some -- the wells get further to the west. The Bone
4 Spring horizontal wells will tend to be -- or excuse
5 me -- to the east, not to the west. But there are more
6 wells to the west. This area just has not been
7 developed yet.

8 **Q. It's interesting. The code for this pool is a**
9 **fairly low number, and typically we expect to see more**
10 **vertical wells.**

11 **So your preference is east-west?**
12 **North-south seems to be --**

13 A. In this area, we like the north-south
14 direction, and that's based on the wells to the west of
15 us, as well as some data that we've had from the
16 University of Stanford studies out here.

17 **Q. And then productionwise -- to the west, have**
18 **these wells been in production for a long time and are**
19 **fairly consistent, or are you seeing --**

20 A. The Wolfcamp wells are fairly new wells. Most
21 of these wells are a year or two at best.

22 **Q. Okay.**

23 A. Some of them are four or five years old. And
24 we do see some variations depending on whether it's the
25 first well or second well or third well in the section.

1 Q. Other than that, this is new frontier?

2 A. Yes, sir.

3 Q. All right. I have no further questions. Thank
4 you very much.

5 A. Thank you.

6 MR. BRUCE: I would -- since we actually
7 got all the notices in on time, I would ask that these
8 cases be taken under advisement.

9 EXAMINER GOETZE: We'll have to take a look
10 at that, make sure it's true.

11 MR. BRUCE: (Laughter.)

12 EXAMINER GOETZE: Cases 16209 and 16210 are
13 taken under advisement.

14 (Case Numbers 16209 and 16210 conclude,
15 11:45 a.m.)

16 (Recess, 11:45 a.m. to 1:42 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 26th day of July 2018.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
Paul Baca Professional Court Reporters

25