

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:

7 APPLICATION OF MATADOR PRODUCTION CASE NOs. 20367,
8 COMPANY FOR COMPULSORY POOLING, EDDY 20368
9 COUNTY, NEW MEXICO.

10

11 REPORTER'S TRANSCRIPT OF PROCEEDINGS

12 EXAMINER HEARING

13 April 4, 2019

14 Santa Fe, New Mexico

15

16 BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
17 TERRY WARNELL, TECHNICAL EXAMINER
18 PHILLIP GOETZE, TECHNICAL EXAMINER
19 DAVID K. BROOKS, LEGAL EXAMINER

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22 This matter came on for hearing before the
23 New Mexico Oil Conservation Division, Michael McMillan,
24 Chief Examiner; Terry Warnell and Phillip Goetze,
25 Technical Examiners; and David K. Brooks, Legal
26 Examiner, on Thursday, April 4, 2019, at the New Mexico
27 Energy, Minerals and Natural Resources Department,
28 Wendell Chino Building, 1220 South St. Francis Drive,
29 Porter Hall, Room 102, Santa Fe, New Mexico.

30

31 REPORTED BY: Mary C. Hankins, CCR, RPR
32 New Mexico CCR #20
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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

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(2:54 p.m.)

1 MR. RANKIN: Mr. Examiner, call our next
2 case?

3 EXAMINER McMILLAN: Let's get it going.

4 MR. RANKIN: Mr. Examiner, we ask that Case
5 Numbers 20367 and 20368 be heard together for purposes
6 of hearing. I have two witnesses who have been
7 previously been sworn.

8 EXAMINER McMILLAN: I would like to call
9 Case 20367, application of Matador Production Company
10 for compulsory pooling, Eddy County, New Mexico.

11 Call for appearances.

12 MR. RANKIN: Adam Rankin, with the law firm
13 of Holland & Hart, Santa Fe office, on behalf of the
14 Applicant in this case. I have two witnesses who were
15 previously sworn.

16 EXAMINER McMILLAN: Okay. Any other
17 appearances?

18 Please proceed.

19 MR. RANKIN: Mr. Examiner, I'd like to call
20 my first witness, Ms. Cassie Hahn.

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

24

25

DIRECT EXAMINATION

1 BY MR. RANKIN:

2 Q. Ms. Hahn, would you please state your full name
3 for the record and by whom you're employed and in what
4 capacity?

5 A. My name is Cassie Hahn. I work for Matador
6 Resources, and I'm a landman.

7 Q. And have you previously testified before the
8 Division?

9 A. Yes.

10 Q. And you're familiar with the applications that
11 were filed in these cases?

12 A. Yes.

13 Q. Have you conducted a study of the lands and
14 ownership records at issue in this case?

15 A. Yes.

16 MR. RANKIN: Mr. Examiner, I retender
17 Ms. Hahn as an expert in petroleum land matters.

18 EXAMINER McMILLAN: So qualified.

19 Q. (BY MR. RANKIN) Ms. Hahn, would you please turn
20 to Exhibit Number 1 in the packet before you and Exhibit
21 Number 2 and review for the examiners what Matador is
22 requesting in these two cases?

23 A. Sure. In Exhibit Number 1, we are seeking to
24 pool one standard Bone Spring spacing unit underlying
25 the east half-east half of Sections 21, 28 and 33 for

1 two horizontal stand-up wells.

2 Q. And Section 33 is one of those irregular
3 sections around the Texas-New Mexico border?

4 A. Right. Correct.

5 Q. And the next case, 20368?

6 A. Exhibit 2 is showing that we are seeking to
7 pool one standard Wolfcamp spacing unit for four
8 stand-up horizontal wells underlying the east half of
9 Sections 21, 28 and 33.

10 Q. And in both cases, looking at Exhibit Number 1,
11 what is the ownership here?

12 A. There are two federal leases and one state
13 lease.

14 Q. And is there -- okay. So there's -- okay.

15 And in Exhibit Number 2, what are the
16 tracts in that case?

17 A. It is also two federal leases and one state
18 lease. However, on this map, for some reason the pink
19 lines didn't cover the northwest quarter of the
20 southeast quarter, but it's also a federal lease.

21 Q. So the only part that stays is that one little
22 quarter section that's identified on the map?

23 A. Correct.

24 Q. It's all a federal lease?

25 A. Correct.

1 Q. Now, has Matador prepared draft C-102s that
2 reflect the locations and the completed intervals
3 proposed for each of these wells?

4 A. Yes.

5 Q. And will you walk through for the examiner
6 starting with Exhibit Number 3, the C-102s?

7 A. Exhibit 3 is for our Bone Spring wells. Those
8 are the Voni Fed Com #104H and the 124H. And those
9 C-102s are showing 385.22-acre spacing units in the
10 east half-east half of Sections 21, 28 and 33.

11 Exhibit 4 is our Wolfcamp wells, and those
12 are our Voni Fed Com #203H, 204H, 223H and 224H. And
13 those are 770.49-acre spacing units in the east half of
14 Sections 21, 28 and 33.

15 Q. Now, with respect to the Bone Spring spacing
16 units and wells, are those wells going to be within the
17 standard setbacks required for statewide oil wells?

18 A. Yes.

19 Q. And in Exhibit 4, are the Wolfcamp wells going
20 to be within the setbacks required under the special
21 pool rules for the Purple Sage; Wolfcamp pool?

22 A. Yes.

23 Q. And what is the pool -- I'm not sure if you
24 said this or not. What is the pool for the Bone Spring
25 wells?

1 A. It is also the Jennings; Bone Spring, West
2 pool, and the pool code is 97860.

3 Q. And -- and I think I may have stolen your
4 thunder, but are those Purple Sage; Wolfcamp pools?

5 A. Yes, they are.

6 Q. Now, with -- with respect to these wells,
7 Ms. Hahn, that you're proposing here -- they're
8 multiple-issue wells -- is Matador proposing -- going to
9 be drilling these either as -- in batches all together
10 or sequentially?

11 A. Yes. We will be batch drilling these wells.

12 Q. And as a consequence, will Matador require
13 additional time to drill and complete the wells relative
14 to the standard language in the Division's pooling
15 orders?

16 A. Yes.

17 Q. So do you request an extension from 120 days to
18 365 days to drill and complete?

19 A. Yes. Correct.

20 Q. Now, let's look at what's been marked as
21 Exhibit Number 6. Have you identified all the interest
22 owners that you're seeking to pool in this case -- in
23 these two cases?

24 A. Yes. We need to go back to 5 -- Exhibit 5.

25 Q. I'm sorry. Let me try that again.

1 A. That's okay.

2 Q. Exhibit 5.

3 Will you review for the examiners the two
4 exhibits that reflect the interests that you're seeking
5 to pool?

6 A. Sure. Exhibit 5 is for our Bone Spring wells,
7 and we are pooling Chevron U.S.A., Inc., the uncommitted
8 working interest owner, and they own 10.383 percent.

9 Q. And there are no overrides or other interests
10 you're seeking to pool in that case?

11 A. No overrides, no.

12 Q. How about Exhibit Number 6?

13 A. Exhibit 6 is also pooling Chevron U.S.A., Inc.
14 as an uncommitted working interest owner, and in the
15 Wolfcamp wells, they own 5.191502 percent.

16 Q. And any overrides or other interest owners
17 you're seeking to pool in that?

18 A. No.

19 Q. Are there any depth severances or variations in
20 ownership within the Bone Spring pool?

21 A. No.

22 Q. How about within the Wolfcamp?

23 A. No.

24 Q. Did Matador propose these wells?

25 A. We did.

1 Q. Did you include an AFE with each of the well
2 proposals?

3 A. Yes, we did.

4 Q. Is Exhibit Number 7 a copy of the well proposal
5 and AFE that were sent to, in this case, Chevron?

6 A. Yes.

7 Q. And do the AFEs in this well proposal -- do
8 they reflect the costs that Matador and -- are they
9 similar to the costs that Matador has incurred in other
10 wells in the area?

11 A. Yes.

12 Q. And they're consistent with what other
13 operators have incurred in drilling two-mile wells in
14 the Wolfcamp and Bone Spring pools?

15 A. Yes, they are.

16 Q. Now, is that -- Matador also made an estimate
17 of the administrative costs and overhead while drilling
18 and producing these wells?

19 A. Yes.

20 Q. What are those costs?

21 A. 8,000 while drilling and 800 while producing.

22 Q. Are these costs similar to what other operators
23 have incurred for administrative and overhead costs?

24 A. Yes, it is.

25 Q. Now, have you been in discussions with Chevron?

1 A. Yes, we have.

2 Q. And if you are able to reach agreement with
3 Chevron at any time, will you notify the Division you've
4 reached agreement and dismiss them from the pooling
5 case?

6 A. Yes.

7 MR. RANKIN: Mr. Examiner, Exhibit Numbers
8 8 and 9 -- Exhibits 8 and 9 are copies of the affidavit
9 prepared by me and my office reflecting that we sent
10 notice to Chevron in each of these cases. Behind each
11 of those exhibits is a notice letter and the USPS
12 tracking sheet reflecting that notice was provided and
13 received by Chevron in each of the cases.

14 With that, Mr. Examiner, I would move to
15 admit Exhibits 1 through 9 into the record.

16 EXAMINER McMILLAN: Exhibits 1 through 9
17 may now be accepted as part of the record.

18 (Matador Production Company Exhibit Numbers
19 1 through 9 are offered and admitted into
20 evidence.)

21 MR. RANKIN: I have no further questions of
22 the witness. Pass the witness for questioning.

23

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1 CROSS-EXAMINATION

2 BY EXAMINER McMILLAN:

3 Q. Chevron's address was correct?

4 A. Yes, it was.

5 EXAMINER McMILLAN: Go ahead, David.

6 EXAMINER BROOKS: I have no questions.

7 EXAMINER GOETZE: No questions.

8 EXAMINER McMILLAN: Thank you.

9 THE WITNESS: Thank you.

10 MR. RANKIN: Mr. Examiner, I would like to
11 call my second witness, Mr. Collier.

12 CLARK COLLIER,

13 after having been previously sworn under oath, was
14 questioned and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. RANKIN:

17 Q. Mr. Collier, would please state your full name
18 for the record, by whom you're employed and in what
19 capacity?

20 A. Clark Collier. I'm employed by Matador
21 Resources as a geologist.

22 Q. Have you previously testified before the
23 Division?

24 A. Yes.

25 Q. Have you had your credentials as an expert in

1 petroleum geology accepted as a matter of record?

2 A. Yes.

3 Q. Have you conducted a study of the geology of
4 the lands that are at issue in these two cases?

5 A. I have.

6 MR. RANKIN: Mr. Examiner, I would retender
7 Mr. Collier as an expert in petroleum geology.

8 EXAMINER McMILLAN: So qualified.

9 Q. (BY MR. RANKIN) Mr. Collier, would you please
10 turn your attention to what's been marked as Exhibit
11 Number 10 in your exhibit packet before you? Again,
12 we'll take each of these formations in turn. So
13 starting with the Bone Spring, will you relate to the
14 examiners what Exhibit Number 10 reflects?

15 A. Exhibit Number 10 is a locator map identifying
16 the project area in yellow with a red box around it.

17 Q. Again, you're right on that Texas-New Mexico
18 line; is that right?

19 A. That's correct.

20 Q. Exhibit Number 11, what does that show?

21 A. This is a structure map on the top of the Bone
22 Spring. You can see that the formation is gently
23 dipping to the east, and we've got all of our control
24 points identified. The offset producing wells are color
25 coded and a line of cross section from A to A prime.

1 Q. And have you found in your study here, looking
2 at the geology and the structure, any impediments,
3 faulting, pinch-outs or other geologic hazards that
4 would impair your ability to develop these two-plus-mile
5 wells?

6 A. No, sir.

7 Q. Now, let's take a look at your structural
8 cross-section, Exhibit Number 12. What does this show?

9 A. This is a cross section taken from the previous
10 exhibit, and it identifies our Avalon target for the
11 Voni 104H and the 2nd Bone Spring target for the Voni
12 124H.

13 Q. And these three wells that you've identified
14 for your cross section, in your opinion, are they
15 representative of the geology in the area?

16 A. They are.

17 Q. And based on your analysis, have you identified
18 that the Bone Spring Formation here is consistent
19 throughout the entire spacing unit you've proposed?

20 A. Yes, sir.

21 Q. And you've not identified any impediments or --
22 the target interval is consistent across the entire
23 spacing unit?

24 A. That's correct.

25 Q. Based on your study of the geology in the area

1 and your analysis of the cross section, is it your
2 opinion that there are no geologic hazards to developing
3 the acreage?

4 A. Yes.

5 Q. And do you expect that each tract comprising
6 the spacing units will contribute more or less equally
7 to production from the wells?

8 A. Yes.

9 Q. Is it your opinion that the granting of these
10 two applications is in the best interest of
11 conservation, the prevention of waste and the protection
12 of correlative rights?

13 A. It is.

14 Q. Have you also prepared a map -- rather, a
15 schematic showing that these wells are going to be
16 within the setbacks?

17 A. Yes.

18 Q. Has that been marked as Exhibit Number 13?

19 A. Yes.

20 Q. Okay. Now, let's move on to the Wolfcamp
21 Formation here. The wells that are the subject in the
22 Wolfcamp, are those -- starting with Exhibit Number 14,
23 what is that exhibit?

24 A. This is, again, the locator map identifying the
25 project area down by the state line, the yellow

1 highlight for the gross project area with a red box
2 around it.

3 Q. And Exhibit Number 15?

4 A. This is a structural -- this is a map with a
5 structure on the top of the Wolfcamp and identified
6 control points, as well as offset producing wells that
7 are color coded and a line of cross section from A to A
8 prime.

9 Q. And based on the that cross section, you
10 prepared another exhibit that reflects the actual cross
11 section; is that right?

12 A. That's right.

13 Q. Will you review for the examiner what that
14 shows, the next exhibit?

15 A. Yes. This is the cross section identifying the
16 Upper Wolfcamp, the Wolfcamp a target, for the Voni
17 #203H and the Voni #204H, as well as the deeper Wolfcamp
18 target for the Voni #223H and the Voni #224H. And as in
19 the previous testimony, I explained that projection of
20 the base of the pool through the -- through this
21 particular cross section. The other wells don't --
22 don't penetrate that deep.

23 Q. So, again, based on your assessment and the
24 evaluation of the wells in the area, it's your opinion
25 that the Wolfcamp is consistent and apparent throughout

1 the entire proposed spacing unit here?

2 A. Yes.

3 Q. And is it your opinion that there are no
4 geologic impediments, pinch-outs or other hazards that
5 would inhibit your ability to produce these
6 two-plus-mile wells in the Wolfcamp zone?

7 A. That's correct.

8 Q. It's your opinion that these wells that you've
9 selected here for the cross section are representative
10 of the geology in the area?

11 A. Yes.

12 Q. Now, is it your opinion that each tract in this
13 Wolfcamp spacing unit will contribute more or less
14 equally and proportionately to production in the
15 proposed wells?

16 A. It is.

17 Q. Is it your opinion that the granting of this
18 application will be in the best interest of
19 conservation, prevention of waste and the protection of
20 correlative rights?

21 A. Yes.

22 Q. Mr. Collier, again, Exhibit Number 17, is this
23 a representation that each of these wells will be
24 compliant with the setback requirements in the Wolfcamp
25 pool?

1 A. Yes, sir.

2 MR. RANKIN: Mr. Examiner, with that, I
3 would move the admission of Exhibits 10 through 17.

4 EXAMINER McMILLAN: Exhibits 10 through 17
5 may now be accepted as part of the record.

6 (Matador Production Company Exhibit Numbers
7 10 through 17 are offered and admitted into
8 evidence.)

9 MR. RANKIN: No further questions,
10 Mr. Examiner. I'll pass the witness.

11 EXAMINER McMILLAN: Same comment I had
12 before.

13 MR. RANKIN: Yeah.

14 EXAMINER McMILLAN: I really don't have any
15 questions.

16 Do you have any?

17 EXAMINER GOETZE: No questions for this
18 witness. Thank you.

19 EXAMINER BROOKS: No.

20 EXAMINER McMILLAN: All right. Thank you.

21 MR. RANKIN: Ask this case be taken under
22 advisement.

23 EXAMINER McMILLAN: Case Numbers 20367 and
24 20368 shall be taken under advisement.

25 We're going to take a ten-minute break, and

1 then we're going to hear Wishbone.

2 (Case Numbers 20367 and 20368 conclude,
3 3:20 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 24th day of April 2019.

21

22

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