

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. 20690
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 22, 2019

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
 KATHLEEN MURPHY, TECHNICAL EXAMINER
 DYLAN ROSE-COSS, TECHNICAL EXAMINER
 BILL BRANCARD, LEGAL EXAMINER

 This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner; Kathleen Murphy and Dylan Rose-Coss,
Technical Examiners; and Bill Brancard, Legal Examiner,
on Thursday, August 22, 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.

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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

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FOR INTERESTED PARTY MARATHON OIL PERMIAN, LLC:

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1	INDEX	
2		PAGE
3	Case Number 20690 Called	4
4	Matador Production Company's Case-in-Chief:	
5	Witnesses:	
6	Robert Helbing:	
7	Direct Examination by Ms. Luck	4
	Cross-Examination by Examiner McMillan	10
8	Recross Examination by Examiner McMillan	13
9	Clark Collier:	
10	Direct Examination by Ms. Luck	13
	Cross-Examination by Examiner Coss	18
11	Cross-Examination by Examiner McMillan	18
	Recross Examination by Examiner McMillan	20
12	Cross-Examination by Examiner Brancard	20
13	Proceedings Conclude	22
14	Certificate of Court Reporter	23
15		
16	EXHIBITS OFFERED AND ADMITTED	
17	Matador Production Company Exhibit	
	Numbers 1 through 5	9
18		
	Matador Production Company Exhibit	
19	Numbers 6 through 10	18
20		
21		
22		
23		
24		
25		

1 (3:37 p.m.)

2 EXAMINER McMILLAN: I would like to call
3 Case Number 20690, application of Matador Production
4 Company for compulsory pooling, Eddy County, New Mexico.
5 Call for appearances.

6 MS. LUCK: Kaitlyn Luck, with the Santa Fe
7 office of Holland & Hart, on behalf of Matador Resources
8 Company.

9 And I have two witnesses in this case, and
10 they are the same two witnesses who were previously
11 sworn in in Case Number 20592.

12 MR. HOUGH: And Lance Hough, from Modrall,
13 Sperling, on behalf of Marathon Oil Permian, LLC.

14 MS. LUCK: With that, I'd call my first
15 witness, Robert Helbing.

16 ROBERT HELBING,
17 after having been previously sworn under oath, was
18 questioned and testified as follows:

19 DIRECT EXAMINATION

20 BY MS. LUCK:

21 Q. Good afternoon.

22 A. Hi.

23 Q. Please state your name and by whom you're
24 employed.

25 A. Robert Helbing, Matador Resources, landman.

1 Q. And have you previously testified before the
2 Division?

3 A. Yes.

4 Q. And that was in Case Number 20592?

5 A. Yes.

6 Q. And in that case, were your credentials
7 accepted and made a matter of record as a petroleum
8 landman?

9 A. Yes.

10 Q. And are you familiar with the application filed
11 in this case?

12 A. Yes.

13 Q. And are you familiar with the status of the
14 lands in the subject area?

15 A. Yes.

16 MS. LUCK: And with that, I tender
17 Mr. Helbing as an expert witness in petroleum land
18 matters.

19 EXAMINER McMILLAN: Any objection?

20 MR. HOUGH: No objection.

21 EXAMINER McMILLAN: So qualified.

22 Q. (BY MS. LUCK) Can you please turn to Exhibit
23 Number 1 and explain what Matador seeks in this case?

24 A. This shows -- this is an outline of the
25 480-acre horizontal spacing unit lay-down unit comprised

1 of the southwest quarter of Section 29 and the south
2 half of Section 30 of Township 22 South, 27 East, Eddy
3 County. And we're looking to pool the Wolfcamp
4 Formation.

5 Q. Thank you.

6 And what is the ownership of this acreage?

7 A. This is fee land.

8 Q. Are there any depth severances in the acreage?

9 A. No.

10 Q. Turning to Exhibit Number 2, identify what
11 these are.

12 A. These are draft C-102s for the Hazel Inez 203H
13 and 204H, again outlining the 480-acre lay-down unit.

14 Q. And do the C-102s also identify the first
15 perforation point and the last perforation point?

16 A. Yes.

17 Q. And what pool is involved?

18 A. The Purple Sage -- the Wolfcamp; Purple Sage
19 Pool.

20 Q. And that's pool code 98220?

21 A. Yes.

22 Q. And will the completed interval for these wells
23 comply with the Purple Sage; Wolfcamp setbacks?

24 A. Yes.

25 Q. Turning to Exhibit Number 3, explain what this

1 **shows.**

2 A. This is a summary of interests in the unit, and
3 it lists Marathon Oil Permian, LLC as the working
4 interest owner. We're looking to pool here
5 approximately 38 percent in the unit.

6 Q. Okay. And on your exhibit, it also notes
7 **"anticipated voluntary joinder."** Can you explain what
8 **that means?**

9 A. Yes. Those are uncommitted interest owners
10 right now that we are actually close to either getting
11 under a JOA or a lease with, so we are not pooling them
12 today.

13 Q. And the second page of this exhibit shows the
14 **overriding royalty interest owners that Matador seeks to**
15 **pool?**

16 A. Yes.

17 Q. And so were all the interest owners you seek to
18 **pool locatable?**

19 A. Yes, based on our title.

20 Q. Okay. And what efforts have you undertaken to
21 **reach an agreement with the remaining uncommitted**
22 **interest owner that's Marathon Oil Permian?**

23 A. Well, we had sent the initial well proposals to
24 them, and then we have email correspondences and phone
25 conversations with their landmen working towards some

1 type of voluntary joinder in the unit.

2 Q. And will Matador notify the Division if it
3 reaches agreement with these uncommitted working
4 interest owners?

5 A. Yes.

6 Q. Turning to Exhibit Number 4, is this a sample
7 well proposal -- are these the sample well-proposal
8 letters, along with the AFE sent to the working interest
9 owners for each well?

10 A. Yes.

11 Q. And are the costs on the AFE consistent with
12 what Matador and other operators have incurred for
13 similar wells in the area?

14 A. Yes.

15 Q. Has Matador made an estimate of the overhead
16 and administrative costs while drilling the wells and
17 also while producing the wells?

18 A. Yes.

19 Q. What are those amounts?

20 A. 8,000 per month while drilling and 800 per
21 month producing.

22 Q. And are these costs similar to what other
23 operators are charging for these types of wells?

24 A. Yes.

25 Q. And does Matador request that the order include

1 a 200 percent charge for any nonconsenting parties?

2 A. Yes.

3 Q. Turning to Matador Exhibit Number 5, this is an
4 affidavit prepared by my office with the attached
5 letters providing notice of the hearing to the parties
6 you seek to pool in this case?

7 A. Yes.

8 MS. LUCK: And it also includes a Notice of
9 Publication given that there were notice letters that
10 were not delivered at the time of this shearing. So it
11 shows that both mailed notice was provided, as well as
12 published notice.

13 Q. (BY MS. LUCK) So were Exhibits 1 through 4
14 prepared by you or compiled under your direction and
15 supervision?

16 A. Yes.

17 MS. LUCK: And with that, I'd move the
18 admission into evidence of Matador Exhibits 1 through 5,
19 which includes our notice affidavit.

20 MR. HOUGH: No objection.

21 EXAMINER McMILLAN: Exhibits 1 through 5
22 may now be accepted as part of the record.

23 (Matador Production Company Exhibit Numbers
24 1 through 5 are offered and admitted into
25 evidence.)

1 EXAMINER McMILLAN: Cross?

2 MR. HOUGH: No cross.

3 EXAMINER McMILLAN: Do you have any
4 questions?

5 EXAMINER MURPHY: No.

6 EXAMINER McMILLAN: Do you have any
7 questions?

8 EXAMINER COSS: I have no questions.

9 EXAMINER McMILLAN: Do you have any
10 questions?

11 EXAMINER BRANCARD: (Indicating.)

12 CROSS-EXAMINATION

13 BY EXAMINER McMILLAN:

14 Q. What are the building blocks you're going to
15 use?

16 MS. LUCK: I think these are 160-acre
17 building blocks to go with the 480.

18 Q. (BY EXAMINER McMILLAN) There are no unlocatable
19 interests, and there are no depth severances?

20 A. Correct.

21 MS. LUCK: Correct. There are no
22 unlocatables.

23 EXAMINER McMILLAN: There is not?

24 MS. LUCK: There are no unlocatable
25 interests. I did ask him if there were any parties that

1 were unlocatable and I think his answer was no. And
2 just to review, I asked, "Were all the interest owners
3 that you seek to pool locatable," and he said, "Yes,
4 they were locatable."

5 EXAMINER McMILLAN: Okay.

6 EXAMINER BRANCARD: Exhibit 5 has a return
7 to sender on here.

8 MS. LUCK: Right. And we do have an
9 address for them, and so that's what we consider
10 locatable. An unlocatable interest would be someone who
11 we don't have any kind of contact information for. And
12 there could be an issue with the mailing, which is why
13 it might not have been delivered, and that's why we go
14 ahead and publish notice, just in the event that they
15 don't receive the certified mail in time.

16 EXAMINER COSS: So do you make
17 qualifications on unlocatable and unreachable and
18 uncontacted?

19 MS. LUCK: And maybe Mr. Helbing can better
20 explain what an unlocatable interest would be, but it's
21 my understanding that an unlocatable would be a party
22 who we don't have an address or any kind of contact
23 information for.

24 THE WITNESS: Right.

25 MS. LUCK: It could just be a person in the

1 title --

2 THE WITNESS: Right. I would say
3 unlocatable is if the title that we get back from our
4 field brokers, based on their searches of the public
5 records in the courthouse and online, if they're unable
6 to come up with an address of any sorts. But they were
7 able to provide us with addresses and what we use as
8 current addresses for all the parties.

9 EXAMINER BRANCARD: Was this hearing
10 continued?

11 THE WITNESS: Yes, I believe it was.

12 MS. LUCK: I think it was continued one
13 time because of Marathon's interest in the case.

14 MR. HOUGH: Yes. There was a prior request
15 for continuance from Marathon to this docket from, I
16 think, the first docket of August.

17 EXAMINER BRANCARD: Right. But the notice
18 is for an August 8th hearing.

19 MS. LUCK: That routinely occurs where the
20 hearing is continued, but it's within a time frame where
21 it's not sufficient time to provide notice again, and so
22 the parties were provided notice of the initial hearing.
23 And we provide a link to the website in our letter so
24 that parties can track the status of the hearing. And
25 that's why our letter indicates we have requested a

1 hearing on that date, not that it necessarily is set on
2 that specific date.

3 RECROSS EXAMINATION

4 BY EXAMINER McMILLAN:

5 Q. Do you have API numbers?

6 A. At this time we do not.

7 EXAMINER MURPHY: I have no questions.

8 EXAMINER COSS: I'm satisfied.

9 MS. LUCK: Thank you.

10 With that, I'd call my second witness,
11 Mr. Clark Collier, the geologist.

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

15 DIRECT EXAMINATION

16 BY MS. LUCK:

17 Q. Will you state your name, by whom you're
18 employed and in what capacity?

19 A. My name is Clark Collier, and I'm employed by
20 Matador Resources Company as a geologist.

21 Q. Thanks.

22 And have you previously testified before
23 the Division?

24 A. Yes.

25 Q. And were your credentials as an expert in

1 petroleum geology accepted and made a matter of record?

2 A. Yes.

3 Q. And your credentials were also reviewed in the
4 prior case, 20592?

5 A. Yes.

6 Q. And are you familiar with the application filed
7 by Matador in this case?

8 A. Yes.

9 Q. What is the target interval for the proposed
10 wells?

11 A. These are Wolfcamp wells.

12 Q. And have you conducted a geologic study of the
13 Wolfcamp Formation underlying the subject area?

14 A. Yes.

15 MS. LUCK: And with that, I'd tender
16 Mr. Collier as an expert witness in petroleum geology.

17 MR. HOUGH: No objection.

18 EXAMINER McMILLAN: So qualified.

19 Q. (BY MS. LUCK) Please identify and explain what
20 Matador Exhibit 6 shows.

21 A. This is a locator map identifying the project
22 area For the Hazel Inez 203 and 204 in Eddy County, New
23 Mexico.

24 Q. Thank you.

25 And turning to Exhibit Number 7, identify

1 **and explain what this exhibit shows?**

2 A. This is a structure map that is on the top of
3 the Wolfcamp, and we've identified our project area, the
4 subject wells. We also have identified offset Wolfcamp
5 producers. They're in yellow this time, and we also see
6 the control points in black across the map. The dip is
7 generally to the east at about 1 degree, and so these
8 wells will be drilling updip.

9 Q. Okay. And the two proposed wells in this case
10 are identified with the red lines and the green squares
11 within the yellow box?

12 A. Yes.

13 Q. And your contour interval is 50 feet?

14 A. That's right.

15 Q. And on this map, do you identify any geologic
16 hazards to horizontal drilling?

17 A. No.

18 Q. And are there any faulting, pinch-outs or other
19 geologic impediments?

20 A. No.

21 Q. Sorry. That's repetitive.

22 Turning to Exhibit Number 8, identify and
23 explain what this map shows.

24 A. So this is a copy of the map from the previous
25 exhibit, and we're highlighting the line of cross

1 section from -- through the three wells, the City of
2 Carlsbad Com #2, the Hagerman #1, and the Calvani #1.
3 The cross section is from west to east or A to A prime.

4 Q. Did you prepare a cross section of logs to
5 determine the relative thickness and porosity of the
6 Wolfcamp in this area?

7 A. Yes.

8 Q. And so turning to Matador Exhibit Number 9,
9 could you explain what this shows?

10 A. So this is the cross section of those three
11 wells, and we've highlighted the target interval in the
12 upper portion of the Wolfcamp. Both of these wells will
13 be targeting the same interval in the Wolfcamp A.

14 Q. And do you consider these wells to be
15 representative of the Wolfcamp for the area near the
16 proposed spacing unit?

17 A. Yes.

18 Q. And did you also testify that the formation is
19 continuous throughout?

20 A. Yes.

21 Q. Okay. So explain what Matador Exhibit Number
22 10 shows.

23 A. This is a wellbore diagram showing the Hazel
24 Inez 203. The next exhibit is the 204. They're both
25 just showing our wellbore as it will be abiding by the

1 setbacks set by the Wolfcamp -- excuse me -- the Purple
2 Sage Pool.

3 Q. And I just want to go over your conclusions of
4 your geologic study of the area. So is the Wolfcamp in
5 this area suitable for development by horizontal wells?

6 A. Yes.

7 Q. And is the proposed orientation of the
8 horizontal wells appropriate for the area?

9 A. It is.

10 Q. Do you expect each quarter-quarter section
11 within the proposed standard spacing unit to contribute
12 more or less equally to the production from the
13 wellbores?

14 A. Yes.

15 Q. And in your opinion, is the granting of
16 Matador's application in the best interest of
17 conservation, the prevention of waste and the protection
18 of correlative rights?

19 A. Yes.

20 MS. LUCK: With that, I move the admission
21 of Exhibits 7 through 10.

22 MR. HOUGH: No objection.

23 EXAMINER McMILLAN: Exhibits 7 through 10
24 may now be accepted as part of the record.

25 EXAMINER BRANCARD: Was Exhibit 6 admitted?

1 MS. LUCK: Yeah. Exhibits 1 through 6 were
2 previously admitted, but if not, I'd ask that --

3 EXAMINER McMILLAN: Plus Exhibit 6.

4 Any objections?

5 MR. HOUGH: No objection.

6 EXAMINER McMILLAN: Exhibit 6 also.

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

10 MR. HOUGH: No cross.

11 EXAMINER McMILLAN: Okay.

12 CROSS-EXAMINATION

13 BY EXAMINER McMILLAN:

14 Q. So you expect each quarter section to
15 contribute equally to production, right? You said
16 quarter-quarter section.

17 A. Right. We expect the well to produce more or
18 less uniformly across the length of the lateral.

19 CROSS-EXAMINATION

20 BY EXAMINER COSS:

21 Q. Oil or gas?

22 A. Good question. It'll be a mix in this well
23 also. It'll be more oil than gas.

24 Q. Is the reason -- or why is Matador deciding to
25 drill this well from east to west instead of north to

1 **south?**

2 A. It's primarily a land issue there. I think
3 it's -- we'd be happy to drill it north-south,
4 east-west.

5 **Q. Would your stress field have to be a better**
6 **direction?**

7 A. From our studies, we don't think that there is
8 a preferred orientation in this area. We've drilled
9 wells in both directions. We also have internal data
10 that indicates the maximum horizontal stress kind of at
11 a north 45 east direction, so you could -- you could
12 drill the wells north and south in this area.

13 **Q. So north and south might be preferable to east**
14 **and west?**

15 A. Excuse me. North-south or east-west. There is
16 no preferable direction in this area, to our knowledge.

17 **Q. So if you could optimally do it, which way**
18 **would you do it?**

19 A. We've drilled and continue to drill wells
20 north-south in the area and east-west, so --

21 **Q. If you had a full 360 degree, what would you**
22 **like to do?**

23 A. I think we would just pick the direction that
24 fits best with our -- with our land layout. So we would
25 not -- you know, we would just go based on, you know,

1 whichever way the best opportunity to operate and get
2 the project through.

3 **Q. Thank you.**

4 **RECROSS EXAMINATION**

5 BY EXAMINER McMILLAN:

6 **Q. I've got a question on Exhibit 7. I'm looking**
7 **at Sections 4 and 5. Did you operate those wells?**

8 A. No, sir.

9 **Q. One's a mile and one's two miles. Are you**
10 **getting that much more reserves out of the dead zones?**

11 A. We did not operate those two wells --

12 **Q. Oh, okay.**

13 A. -- so I can't speak to those specifically.

14 **Q. You can't answer.**

15 A. Uh-huh.

16 EXAMINER McMILLAN: Go ahead.

17 CROSS-EXAMINATION

18 BY EXAMINER BRANCARD:

19 **Q. So just in conclusion, in this application**
20 **you're seeking to pool 82.7 percent of the interests, if**
21 **I read Exhibit --**

22 MS. LUCK: I'll defer to our land witness.

23 EXAMINER BRANCARD: -- 3 correctly?

24 MS. LUCK: Sorry. I'll let him answer that
25 question. I know that the exhibit shows that we're

1 seeking to pool 38.273026. And so that's correct as
2 shown on the exhibit, that the interest we are seeking
3 to pool is 38.273026, because as Mr. Helbing explained
4 earlier, he expects there will be a voluntary agreement
5 with the parties for the 17 percent reflective of the
6 anticipated voluntary joinder.

7 EXAMINER BRANCARD: So in drafting an
8 order, we have to be careful that we're not pooling all
9 the interests here. We're just pooling yours, plus that
10 which make 82.7 percent.

11 EXAMINER McMILLAN: Then we run into the
12 problem of what happens when one of the 17.25 percent
13 don't agree to participate. Tend to just compulsory
14 pool the working interest owners, and then when they've
15 signed the voluntary agreement, they're no longer
16 subject to the compulsory pooling.

17 EXAMINER BRANCARD: Right. But these folks
18 haven't signed -- the 17.25 percent have not signed the
19 agreement, nor will they be subject to this order.

20 EXAMINER McMILLAN: Yes, they would be
21 subject to the order.

22 MS. LUCK: No. In this case we're just
23 seeking to pool the interest of Marathon Oil Permian,
24 LLC, as reflected on Exhibit 7, and if there are any --
25 in addition to the overrides also shown on Exhibit 7.

1 But if there are any of these interests reflected under
2 the anticipated voluntary joinder that we are not able
3 to reach an agreement with, then we will ask the
4 Division to re-open the case.

5 EXAMINER McMILLAN: Okay.

6 EXAMINER BRANCARD: Seems a bit premature.

7 EXAMINER McMILLAN: Okay.

8 MS. LUCK: And if there are no further
9 questions, I'd ask the Division take the case under
10 advisement.

11 EXAMINER McMILLAN: Any objections?

12 MR. HOUGH: No objection.

13 EXAMINER BRANCARD: Does Marathon have a
14 position?

15 MR. HOUGH: Not at this time.

16 EXAMINER BRANCARD: Okay.

17 EXAMINER McMILLAN: Case Number 20690 shall
18 be taken under advisement.

19 MS. LUCK: Thank you.

20 (Case Number 20690 concludes, 3:56 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 13th day of September 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