

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 COMPANY
FOR COMPULSORY POOLING
LEA COUNTY, NEW MEXICO

APPLICATION OF EARTHSTONE OPERATING, LLC
FOR COMPULSORY POOLING
LEA COUNTY, NEW MEXICO

Case No. 22584, 22813, 22814

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
June 2, 2022
SANTA FE, NEW MEXICO

This matter came on for virtual hearing
before the New Mexico Oil Conservation Division,
HEARING OFFICER WILLIAM BRANCARD and TECHNICAL
HEARING OFFICER JOHN GARCIA on Thursday, June 2,
2022, through the Webex Platform.

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1 HEARING OFFICER BRANCARD: All right. Now
2 on Item 22, three cases connected, although I think
3 only two are contested. But we thought we would
4 have it all together here. Case 22584, 22813, and
5 22814. Matador Production Company.

6 MR. RANKIN: Good morning, Mr. Examiner,
7 Adam Rankin with the Santa Fe office of Holland Hart
8 appearing on behalf of Matador Production Company in
9 22584 and in 22813.

10 HEARING OFFICER BRANCARD: Thank you.
11 Earthstone Operating.

12 MS. HARDY: Yes, Mr. Examiner, Dana Hardy
13 with Hinkle Shanor on behalf of Earthstone Operating
14 and Earthstone Permian. I believe I also entered an
15 appearance for Chisholm, but Earthstone is the
16 successor to Chisholm.

17 HEARING OFFICER BRANCARD: Okay. Avant;
18 is that correct, Operating.

19 MS. BENNETT: Good morning, Mr. Examiner,
20 Dana Bennett of behalf of Avant Operating, LLC.

21 HEARING OFFICER BRANCARD: I have
22 ConocoPhillips.

23 MS. MUNDS-DRY: Good morning,
24 Mr. Examiner, I think it really is my turn this
25 time. Ocean Munds-Dry with ConocoPhillips.

1 HEARING OFFICER BRANCARD: Thank you.
2 Fasken Oil and Ranch.

3 MS. SHAHEEN: Sharon Shaheen, Montgomery &
4 Andrews on behalf of Fasken Oil and Ranch.

5 HEARING OFFICER BRANCARD: Okay. So
6 somebody wanted to continue this case because they
7 didn't have witnesses ready and there was an
8 objection to the motion for continuance.

9 Earthstone says 22814 is also connected to
10 this. And so I guess we want to have a contested
11 hearing at some point.

12 Mr. Rankin?

13 MR. RANKIN: Mr. Examiner, yeah, I think
14 we would like to have a contested hearing at some
15 point and from Matador's perspective, they would
16 like to have it sooner than later.

17 As we laid out in the response in
18 opposition to the motion for continuance, Matador
19 has got serious concerns about their -- the timing
20 around these cases.

21 They have a lease that is currently in
22 suspension. That suspension is expected to be
23 lifted shortly, at which point Matador will have
24 approximately 212 days within which to perfect its
25 lease. The concern is that delay of any period of

1 time will potentially prejudice Matador's ability
2 to, you know, hold its lease by drilling it.

3 Matador, its interest is only in the
4 west-southwest half here and is ready to go. We've
5 got a lot of the preliminary work done to prepare
6 its operations and for drilling. But the concern is
7 that the delay with the potential contest over the
8 rest of the sections will impair Matador's ability
9 to proceed.

10 So at this point I think, you know, in
11 light of the Avant's entry into these cases and its
12 request for any sort of contested hearing and so
13 they have a chance to talk through the -- with the
14 other parties. We're not clear if Avant has even
15 issued what proposals at this point, whether they're
16 prepared to file applications and so we would ask
17 that, you know, that Matador's cases with Earthstone
18 as to the west half of the section be permitted to
19 go forward at the earliest opportunity.

20 And I'll stand for -- like to make a
21 response depending on what Avant and Earthstone have
22 to say.

23 HEARING OFFICER BRANCARD: Thank you.

24 Ms. Hardy, Earthstone.

25 MS. HARDY: Yes, Mr. Examiner. Earthstone

1 has been negotiating with the parties, I know that
2 they've all been in discussions and it's my
3 understanding that they've reached an agreement with
4 Avant. The issues with Matador is still contested
5 at this point, so I think it makes sense to set a
6 contested hearing.

7 And I understand that Matador has time
8 concerns. I think the second docket in July would
9 be reasonable from Earthstone's perspective and it
10 seems that that wouldn't jeopardize Matador's issue
11 given that they -- it hasn't yet been triggered,
12 their time to complete the well.

13 HEARING OFFICER BRANCARD: Thank you.

14 Avant, Ms. Bennett?

15 MS. BENNETT: Thank you, Mr. Examiner.

16 Avant is in the process of, my
17 understanding, has discussions with the parties and
18 is -- based on those case discussions would have to
19 decide then whether to submit competing applications
20 or not. But it sounds like Ms. Hardy has more
21 current information that I do, which I'm working on
22 confirming right now about the agreement between
23 Avant and Earthstone.

24 But in any event, if this is continued to
25 the second docket in July, that would work for Avant

1 to the extent that Avant would still be in the
2 cases.

3 HEARING OFFICER BRANCARD: Thank you.

4 ConocoPhillips, any position?

5 MS. MUNDS-DRY: No position. Thank you,
6 Mr. Brancard.

7 HEARING OFFICER BRANCARD: Fasken, any
8 position?

9 MS. SHAHEEN: Fasken takes no position on
10 this.

11 HEARING OFFICER BRANCARD: We'll circle
12 back to you, Mr. Rankin, July 21.

13 MR. RANKIN: Mr. Examiner, pleased to hear
14 that may be some agreement among in between
15 Earthstone and Avant that would allow us to proceed.

16 So, yes, July 21st is desirable. The only
17 concern is we would have conflict on the 22nd. Some
18 of Matador's witnesses are unavailable that day, so
19 we are available on the 21st and would be able to
20 proceed, hopefully complete any contested hearing on
21 that day. And I guess if it was absolutely
22 necessary, and we were required to go another day,
23 we have to find another timeframe within which to
24 complete the hearing.

25 HEARING OFFICER BRANCARD: Thank you.

1 Ms. Hardy, as I understand it, only 22813
2 is actually in conflict with the Matador
3 application; is that correct?

4 MS. HARDY: That's correct, Mr. Examiner.
5 So I would expect or hope that the other case will
6 be presented by affidavit.

7 HEARING OFFICER BRANCARD: All right.
8 We're just looking to continue the other case to the
9 same docket, is that what you're hoping or --

10 MS. HARDY: That's correct. Because both
11 of Earthstone's cases involve Avant also, so they
12 sent it to us to keep them together even though one
13 is contested at this point.

14 HEARING OFFICER BRANCARD: All right. So
15 I will do a hearing order or amended prehearing
16 order for just 22584 and 22813. Everyone on board
17 with that?

18 MS. HARDY: Yes.

19 HEARING OFFICER BRANCARD: Okay. All
20 right. So if there are no objections, then we will
21 have a contested hearing on July 21 for 22584 and
22 22813. And 22814 will also be continued to July 21.

23 MS. HARDY: Thank you.

24 MS. SHAHEEN: Thank you.

25 (Matter concluded.)

REPORTER'S CERTIFICATE

I certify that the foregoing is a correct transcript from the record of proceedings in the above-entitled matter. I further certify that the transcript fees and format comply with those prescribed by the Court and the Judicial Conference of the United States.

Date: June 2, 2022

/s/ Edwina Castillo

EDWINA CASTILLO, RPR, CCR
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