

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:

ORIGINAL

CASE 15366

APPLICATION OF MATADOR PRODUCTION COMPANY
FOR A NON-STANDARD SPACING AND PRORATION UNIT,
COMPULSORY POOLING, AND A NON-STANDARD LOCATION,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 3, 2015

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

2015 SEP 15 P 2:55
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This matter came on for hearing before the
New Mexico Oil Conservation Division, Phillip Goetze,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
September 3, 2015, 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: ELLEN H. ALLANIC
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FOR MATADOR PRODUCTION COMPANY:

EARL E. DeBRINE, JR., ESQ.
and JENNIFER L. BRADFUTE, ESQ.
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I N D E X

CASE NUMBER 15366 CALLED

APPLICANT MATADOR PRODUCTION COMPANY
CASE-IN-CHIEF:

WITNESS JONATHAN FILBERT

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WITNESS JERON WILLIAMSON

	Direct	Redirect	Further
By Mr. DeBrine	13		

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1 (Time noted 8:18 a.m.)

2 EXAMINER GOETZE: Okay. We will move on to
3 case 15366.

4 Call for appearances.

5 MR. DeBRINE: Okay. Good morning,
6 Mr. Examiner.

7 EXAMINER GOETZE: Good morning. Do you have
8 any witnesses?

9 MR. DeBRINE: We have two witnesses.

10 EXAMINER GOETZE: Would the witnesses please
11 stand, identify yourself, and be sworn in by the court
12 reporter.

13 (WHEREUPON, the presenting witnesses
14 were administered the oath by the court
15 reporter.)

16 EXAMINER GOETZE: Off the record for a
17 technical issue.

18 (Pause.)

19 EXAMINER GOETZE: Okay. We are back on the
20 record. Please continue.

21 MS. BRADFUTE: Mr. Examiner, we would like
22 to call our first witness.

23 EXAMINER GOETZE: Okay. Go ahead.

24 JONATHAN FILBERT
25 having been first duly sworn, was examined and testified

1 as follows:

2 DIRECT EXAMINATION

3 By Ms. Bradfute:

4 Q. Would you please state your name for the record.

5 A. My name is Jonathan Filbert.

6 Q. And, Mr. Filbert, who do you work for?

7 A. I work for MRC Energy Company, an affiliate of
8 Matador Production Company.

9 Q. And in what capacity do you work for Matador?

10 A. I am the associate land manager.

11 Q. And what are your responsibilities as an
12 associate land manager?

13 A. I work on the operations side of things. I'm
14 staying in front of the drilling rigs, preparing drill
15 sites to be ready to drill.

16 Q. And have you previously testified before the
17 Division?

18 A. Yes, I have.

19 Q. And were your credentials as a land manager
20 accepted as a matter of record?

21 A. Yes.

22 Q. Are you familiar with the application that has
23 been filed by Matador in this case?

24 A. Yes.

25 Q. And are you familiar with the status of the lands

1 that are subject to the application?

2 A. Yes.

3 MS. BRADFUTE: Mr. Examiner, I would like to
4 tender the witness as an expert in land matters.

5 EXAMINER GOETZE: He is so qualified.

6 Q. Could you please turn to what has been marked as
7 Exhibit 1 and explain what Matador is seeking in this
8 application.

9 A. Sure. Exhibit No. 1 is our C-102 plat. It's for
10 the Cimarron State 16 S, 34 East RN, 133H, which is a
11 horizontal well with an unorthodox producing interval.

12 The first penetration point is 330 from the north
13 line and 1506 from the east line of section 16. And the
14 final perforation is 330 from the south line and 1506
15 from the east line of section 16.

16 We wish to form an oil spacing and proration unit
17 which is comprised of the west half of the east half of
18 section 16. We also seek a non-standard location
19 because the well is actually 138 from the quarter,
20 quarter boundary line.

21 Q. Is it 183 feet from the boundary line of the
22 project area?

23 A. That is correct, yes.

24 Q. And what is the acreage of the proration unit
25 that Matador is proposing?

1 A. It's 160 acres, and it's the west half of the
2 east half of section 16.

3 Q. And what pool will the unit be located in?

4 A. In the ~~Corral~~ Ridge Bones Springs Pool, Pool Code
5 ⁵⁰⁴⁶⁰~~05460~~. *JB* Quail *JB*

6 Q. Is that pool governed by rule 19.15.15.9, which
7 requires that an initial well be located on a 40-acre
8 unit that is located no closer than 330 feet to the
9 boundary of the spacing unit where the well is located?

10 A. That's correct.

11 Q. And is it true for horizontal wells that every
12 point of the completed interval must meet a minimum
13 setback requirement?

14 A. Yes.

15 Q. What is the beginning producing point from the
16 proposed well?

17 A. It is 330 from the north line, 1506 from the east
18 line.

19 Q. And what is the location of the end of the
20 producing interval?

21 A. 330 from the east line -- I'm sorry -- it's 330
22 from the south line and 1506 from the east line.

23 Q. And is the producing interval unorthodox under
24 the NMOCD's rules?

25 A. Yes.

1 Q. And who is the operator of the adjoining project
2 area in the east half, east half of section 16?

3 A. Matador Production Company.

4 Q. And are the interest owners in the adjoining
5 spacing unit located in the east half, east half common
6 with the interest owners located in the west half of the
7 east half?

8 A. Yes.

9 Q. And what is the working interest ownership of the
10 well unit of the well that you are proposing that is the
11 subject of this application?

12 A. Sure. It is the 160-acre proration unit. The
13 north half is Matador. The south half is comprised of
14 majority interest Amtex Energy at 46.4 percent, Stewart
15 Royalty at .4 and Mark Trieb at 1.6, and Philip Vogel at
16 1.6.

17 Q. And if you could turn to what has been marked as
18 Exhibit 2. Does that exhibit show the working interest
19 ownership that you just described?

20 A. Yes.

21 Q. And are these the working interest owners that
22 you are seeking to pool in this application?

23 A. That is correct.

24 Q. Please turn to what has been marked as Exhibit 4.
25 Please explain what this exhibit is for the hearing

1 Examiner.

2 A. Yes. This is our well proposal sent to all the
3 working interest owners.

4 Q. And does the well proposal contain an AFE for the
5 well?

6 A. It does, yes.

7 Q. And could you please explain to the Hearing
8 Examiner your estimated cost for drilling and completing
9 the well?

10 A. The total AFE cost is 6.8 million with a dry hole
11 cost of 3.577 million and a completion cost of
12 2.68 million.

13 Q. Could you please summarize for the Examiner your
14 efforts to obtain voluntary pooling of all the interest
15 owners?

16 A. Sure. We have tried several times in over the
17 course of probably the last year to reach voluntary
18 joinders with the interest owners.

19 As in our previous dealings, when we had to force
20 pool the Cimarron 134H, we were unable to do so due to
21 lack of response and/or any kind of feedback rejoinder
22 from interest owners.

23 Q. And did you try calling --

24 A. Yes, phones calls et cetera to follow up, and no
25 response that we have gotten so far.

1 Q. And in your opinion has Matador made a good faith
2 effort to obtain the voluntary joinder in the well?

3 A. Yes.

4 Q. And are the costs that are included in the AFE
5 that you just explained in line with costs for other
6 horizontal wells drilled to this length and depth in
7 this area of New Mexico?

8 A. Yes.

9 Q. Who should be appointed as the operator of the
10 well?

11 A. Matador Production Company.

12 Q. And do you have a recommendation for the amounts
13 which Matador should be paid for supervision and
14 administrative expenses?

15 A. Yes. \$7,000 while drilling and \$700 while
16 producing.

17 Q. Okay. And are these amounts equivalent to those
18 normally charged by Matador and other operators in this
19 area for horizontal wells that are drilled to this
20 length and this depth?

21 A. Yes.

22 Q. Do you request that these rates be adjusted
23 periodically as provided by the Copas accounting
24 procedures?

25 A. Yes.

1 Q. And does Matador request the maximum cost plus
2 200 percent risk charge if any pool working interest
3 owner fails to pay its share of cost for drilling,
4 completing and equipping the well?

5 A. Yes.

6 Q. Were the parties that you are seeking to pool
7 notified of this hearing?

8 A. Yes.

9 Q. Could you please turn to what has been marked as
10 Exhibit 5.

11 MS. BRADFUTE: Mr. Examiner, this is an
12 affidavit that I have prepared and signed and along with
13 this affidavit is a chart summarizing the notices that
14 were sent along with the proof of mailing, the green
15 card receipts and an affidavit of publication along with
16 a notice of publication which shows two working interest
17 owners that we did not receive green cards for in the
18 publication.

19 And the publication was published ten
20 business days prior to the date of the hearing.

21 Q. And were the parties -- excuse me -- and were
22 Exhibits 1 through 5 prepared by you or under your
23 supervision or compiled from company business records?

24 A. Yes.

25 Q. Is the granting of this application in the

1 interest of conservation and the prevention of waste?

2 A. Yes.

3 MS. BRADFUTE: Mr. Examiner, I would like to
4 move the admission of Exhibits 1 through 5.

5 EXAMINER GOETZE: Exhibits 1 through 5 are
6 so entered.

7 (Matador Production Company Exhibits 1 through 5
8 were offered and admitted.)

9 MS. BRADFUTE: Thank you.

10 And that concludes the questions that I have
11 for Mr. Filbert.

12 EXAMINER GOETZE: Thank you.

13 Counselor, any questions?

14 EXAMINER WADE: I do not have any questions.

15 EXAMINATION BY EXAMINER GOETZE

16 EXAMINER GOETZE: Could you elaborate about
17 your trying to contact Amtex Energy. I know in the past
18 we've had concerns or at least concerns raised with
19 Matador and Amtex. Were you able to reach anybody?

20 THE WITNESS: No, sir. In previous -- when
21 we had to force pool the 134H, we did have a sit-down
22 meeting with Mr. Savage in Dallas to seek a voluntary
23 joinder, either JOA and/or trade or assignment or
24 farmout. Nothing ever came to fruition.

25 After that meeting we were able --

1 essentially there was silence, unable to get any
2 response back. Since then, the second proposal with the
3 JOA that we've discussed before, followed up with
4 several phone calls, and I have not been able to reach
5 him.

6 EXAMINER GOETZE: So for this one there was
7 no response?

8 THE WITNESS: Correct.

9 EXAMINER GOETZE: I have no further
10 questions for this witness. Your next witness. Thank
11 you.

12 THE WITNESS: Thank you.

13 MR. DeBRINE: Mr. Examiner, we would like to
14 call Jeron Williamson.

15 JERON WILLIAMSON
16 having been first duly sworn, was examined and testified
17 as follows:

18 DIRECT EXAMINATION

19 BY MR. DeBRINE:

20 Q. Please state your name.

21 A. My name is Jeron Williamson.

22 Q. And who do you work for, Mr. Williamson?

23 A. I am employed by MRC Energy Company, an affiliate
24 of Matador Production Company.

25 Q. And what do you do for MRC?

1 A. I'm employed as a senior staff reservoir
2 engineer, working with geologists, drilling completion
3 production engineers to optimize our acreage position in
4 southeast New Mexico.

5 Q. Could you just give the Examiner a brief
6 description of your educational background and
7 experience in the oil and gas industry.

8 A. Sure.

9 I received a bachelor of science degree in
10 petroleum engineering from Texas A&M University in 1996;
11 an MBA from Robert Morris University in 2002.

12 I was employed as a petroleum engineer for
13 Schlumberger Data and Consulting Services, formally S.A.
14 Horowitz and Associates, for 13 years in Pittsburgh. I
15 did work in unconventional shale reservoirs.

16 And then employed by Talisman Energy for four
17 years.

18 As a reservoir engineer, I work in the Marcellus
19 Shale. In the last year with Matador, working Permian
20 Basin.

21 Q. Does your work as an engineer also include
22 working with geologists for various companies and
23 evaluating geological characteristics of drilling
24 targets?

25 A. Yes.

1 Q. Have you previously testified before the
2 Division?

3 A. I have.

4 Q. Were your credentials as an engineer accepted and
5 made a matter of record in those cases?

6 A. Yes.

7 MR. DeBRINE: Mr. Examiner, we tender
8 Mr. Williamson as an expert in petroleum engineering and
9 geological matters.

10 EXAMINER GOETZE: He is so qualified.

11 Q. Are you familiar with the application filed by
12 Matador in this case?

13 A. Yes.

14 Q. Are you also familiar with the status of the
15 lands?

16 A. Yes.

17 Q. And they are all state lands?

18 A. That's correct.

19 Q. Have you conducted an engineering and geologic
20 study of the area embraced in the proposed proration
21 unit in the project area for the well?

22 A. Yes.

23 Q. If you could please turn to what has been marked
24 as Exhibit 6 and explain to the Examiner what this
25 represents.

1 A. Exhibit 6 is a structure map in the Quail Ridge/
2 Bone Spring Pool area for the top of the Third Bone
3 Spring, subsea.

4 The Third Bone Spring in this area is dipping to
5 the southwest, about a one-degree dip. The contour
6 intervals on this structure map are 50 feet.

7 The Matador acreage is depicted in yellow. The
8 project area is shown in green.

9 Also shown on this map are the Third Bone Spring
10 data points, wells that have penetrated Third Bone
11 Spring. Those are shown in blue.

12 The Second Bone Spring producers of which there
13 is one well to the northeast is shown in an orange
14 circle. And the existing Third Bone Spring producing
15 wells are depicted with red circles.

16 Also shown on this structure map is our -- the
17 location of our Cimarron 134H well, which is due east of
18 the proposed 133H location.

19 And in addition to that, we've shown our A to A
20 Prime cross section that will be discussed in a later
21 exhibit.

22 Q. Did you identify any geological impediments in
23 drilling a Third Bone Spring well?

24 A. No, we did not.

25 Q. If you could turn to Exhibit 7 --

1 A. Okay.

2 Q. -- and explain what this represents to the
3 Examiner.

4 A. Exhibit 7 is the A to A Prime cross section
5 alluded to in the previous exhibit. There are three
6 wells that are shown here, that is, Cimarex Pipeline A
7 Fed No. 2, Matador Pipeline 16, State No. 1, and Gulf
8 Oil Corp Strange A Fed No. 1 Well.

9 We are showing in each of these gamma ray
10 resistivity and porosity logs.

11 Also depicted in the center of the page in the
12 dark black line, the thick black line, is the well path
13 for our Cimarron 134H Well that is landed in the center
14 of the Third Bone Spring Sand in the higher porosity
15 streak as noted in the third tract porosity log, shaded
16 in red.

17 And the Cimarron 133H Well is proposed to be
18 landed in that same section of the Third Bone Spring
19 Sand.

20 Q. The wells that you selected for your cross
21 section, did you consider these to be representative of
22 Third Bone Springs in this area?

23 A. Yes.

24 Q. Would you please turn to what has been marked as
25 Exhibit 8 and explain to the Examiner what this

1 represents.

2 A. Exhibit 8 is an isopach map of the Third Bone
3 Spring Sand showing that the sand in the area of the
4 proposed project area is thickening from 300 to 350 feet
5 or so, thickening to the southeast.

6 The contour interval on this exhibit is also
7 50 feet.

8 Q. Based on your engineering geologic study of the
9 project area, what conclusions did you draw with regard
10 to the area?

11 A. Our conclusions are that the reservoir is
12 continuous in this area. We do expect each quarter,
13 quarter section to contribute to production and we
14 believe that horizontal wells will optimize production,
15 minimize waste, and maximize recovery in this area.

16 Q. Do you believe it would also prevent the drilling
17 of unnecessary wells to have a horizontal well in this
18 section?

19 A. Yes, we do.

20 Q. If you could turn to Exhibit 9 and explain what
21 you are depicting here on Exhibit 9.

22 A. It is a construction diagram that shows that our
23 first perforation point will be no closer than 330 feet
24 from the north line of section 16, and the last
25 perforation point will be no closer than 330 feet from

1 the south line of section 16.

2 Q. So the perforation points in the completed
3 interval will be orthodox but you're seeking an
4 unorthodox location because of the location lateral to
5 the quarter, quarter section line?

6 A. That's correct. The lateral will be 183 feet off
7 the east line of the project area.

8 Q. In your opinion, would the granting of Matador's
9 application be in the best interest of conservation and
10 prevention of waste and the protection of correlative
11 rights?

12 A. Yes.

13 Q. Were Exhibits 6 through 9 prepared by you under
14 your direction and supervision?

15 A. Yes.

16 MR. DeBRINE: We move the admissions of
17 Exhibits 6 through 9 and tender the witness for further
18 questioning.

19 EXAMINER GOETZE: Exhibits 6 through 9 are
20 so entered.

21 (Matador Production Company Exhibits 6
22 through 9 were offered and admitted.)

23 EXAMINER GOETZE: Any questions?

24 EXAMINER WADE: No questions.

25 EXAMINATION BY EXAMINER GOETZE

1 EXAMINER GOETZE: Let's see. In drilling of
2 this well, are we looking at testing the upper portion
3 of the Bone Springs as we go through? Are there any
4 plans for that?

5 THE WITNESS: There are no plans to test
6 upper sections, no.

7 EXAMINER GOETZE: Is there any particular
8 reason why they're not interested in the upper?

9 THE WITNESS: No particular reason except to
10 say that we are pleased with the results from our 134H
11 Well which has landed in the same section, so we are
12 targeting this section in this test, in this go-round.
13 That is not to say, we wouldn't come back in the future
14 and test upper sections.

15 EXAMINER GOETZE: Seeing that we have a bore
16 hole in the middle of it, is there any interest in going
17 with another lateral in this project area in the future
18 or are you just going to right now plan for one?

19 THE WITNESS: Our current plans are to drill
20 this well. In the future we may decide to drill other
21 wells.

22 EXAMINER GOETZE: So geologically what is
23 the reason we are pulling so tight up against the
24 boundary of the project area; is that a land issue or is
25 that geology or a reservoir issue?

1 THE WITNESS: It's primarily a -- it is kind
2 of a two-part answer. Part of it is, for reservoir
3 reasons, the 134H well was drilled up against or closer
4 to the eastern edge of that section. So we wanted to
5 make sure that we're recovering as much as we can
6 recover, so we are kind of hugging the eastern edge of
7 this project area as well.

8 But the other reason is we are stepping out
9 and drilling this well from the same surface location as
10 the 134 was drilled from. So those are the reasons why.

11 EXAMINER GOETZE: Okay. Thank you. I have
12 no further questions for this witness. Any other
13 comments or additions?

14 MR. DeBRINE: No. That concludes our
15 presentation, Mr. Examiner.

16 EXAMINER GOETZE: Very well.

17 Since we didn't do it properly in the
18 beginning, case No. 15366, Application of Matador
19 Production Company for a non-standard spacing and
20 proration unit, compulsory pooling, and a non-standard
21 location, Lea County, New Mexico, is taken under
22 advisement.

23 Thank you very much.

I do hereby certify that the foregoing is
a correct record of the proceedings in
the Examiner hearing of Case No. 15366
heard by me on April 3 2015.

24
25 (Time noted 8:37 a.m.)

[Signature]
Oil Conservation Division, Examiner

1 STATE OF NEW MEXICO)
 2) ss.
 3 COUNTY OF BERNALILLO)
 4
 5
 6

7 REPORTER'S CERTIFICATE

8
 9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR
 10 No. 100, DO HEREBY CERTIFY that on Thursday, September
 11 3, 2015, the proceedings in the above-captioned matter
 12 were taken before me, that I did report in stenographic
 13 shorthand the proceedings set forth herein, and the
 14 foregoing pages are a true and correct transcription to
 15 the best of my ability and control.

16
 17 I FURTHER CERTIFY that I am neither employed by
 18 nor related to nor contracted with (unless excepted by
 19 the rules) any of the parties or attorneys in this case,
 20 and that I have no interest whatsoever in the final
 21 disposition of this case in any court.

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 25


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