

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

APPLICATION OF MATADOR PRODUCTION COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO. CASE NO. 15592

APPLICATION OF MATADOR PRODUCTION COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO. CASE NO. 15593

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

December 1, 2016

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

2016 DEC 15 4:00 PM
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This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and Gabriel Wade, Legal Examiner, on Thursday, December 1, 2016, 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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INDEX

PAGE

Case Numbers 15592 and 15593 Called	3
Matador Production Company's Case-in-Chief:	
Witnesses:	
Sara Hartsfield:	
Direct Examination by Ms. Kessler	4
Cross-Examination by Examiner Jones	13,19
Lauren Conrad:	
Direct Examination by Ms. Kessler	13
Cross-Examination by Examiner Jones	17
Proceedings Conclude	20
Certificate of Court Reporter	21

EXHIBITS OFFERED AND ADMITTED

Matador Production Company Exhibit Numbers 1 through 13	12
Matador Production Company Exhibit Numbers 14 through 19	17

1 (10:53 a.m.)

2 EXAMINER JONES: Two final cases, I'll call
3 both of them together. Call Case Number 15592,
4 application of Matador Production Company for compulsory
5 pooling, Eddy County, New Mexico, and Case Number 15593,
6 application of Matador Production Company for compulsory
7 pooling, Eddy County, New Mexico.

8 Call for appearances.

9 MS. KESSLER: Mr. Examiner, Jordan Kessler,
10 from the Santa Fe office of Holland & Hart, for the
11 Applicant.

12 EXAMINER JONES: Any other appearances?

13 No appearances other than Matador.

14 Okay. Witnesses in this case?

15 MS. KESSLER: Two witnesses today.

16 EXAMINER JONES: Is it the same witnesses?

17 MS. KESSLER: Only one is the same witness.

18 EXAMINER JONES: Okay. Would both
19 witnesses please stand, again?

20 And will the court reporter please swear in
21 the witnesses?

22 (Ms. Hartsfield and Ms. Conrad sworn.)

23 SARA HARTSFIELD,

24 after having been first duly sworn under oath, was
25 questioned and testified as follows:

DIRECT EXAMINATION

1
2 BY MS. KESSLER:

3 Q. Please state your full name for the record and
4 tell the Examiners by whom you're employed and in what
5 capacity.

6 A. My name is Sara Hartsfield. I'm employed by
7 Matador Resources as an associate landman.

8 Q. Have you previously testified before the
9 Division?

10 A. I have not.

11 Q. Can you please review your educational
12 background?

13 A. I attended the University of Texas Permian
14 Basin, graduated with a BA in English and history in
15 2005. Since then, I have taken numerous petroleum
16 landman classes through Midland College. And that's
17 about it.

18 Q. Can you review your work history, please?

19 A. Yes. From 2006 to 2014, I worked as an
20 independent landman mainly in the field in southeast
21 New Mexico and all of Texas. And in 2014, I went to
22 work for Matador as a lease analyst and then a land
23 tech, and then I was promoted to landman in March of
24 2016.

25 Q. Since 2006, have your responsibilities as a

1 petroleum landman included the Permian Basin?

2 A. Yes, they have.

3 Q. And are you a member of any professional
4 organizations?

5 A. Yes, the American Association of Professional
6 Landmen and also the Dallas Association of Petroleum
7 Landmen.

8 Q. Are you familiar with the applications filed in
9 these consolidated cases?

10 A. I am.

11 Q. And are you familiar with the status of the
12 lands in the subject area?

13 A. Yes, I am.

14 MS. KESSLER: Mr. Examiners, I would tender
15 Ms. Hartsfield as an expert in petroleum land matters.

16 EXAMINER JONES: She is qualified as an
17 expert in petroleum land matters.

18 Q. (BY MS. KESSLER) Let's look at Exhibit 1. And
19 can you please explain what Matador seeks under these
20 two applications?

21 A. Yes. Matador -- this is a Midland map, and
22 Matador seeks to pool two standard spacing units.
23 They're represented here, the west half being fee land
24 and the -- I mean the west half being federal, comprised
25 of fee and federal land, and the east half being fee

1 land.

2 Q. And I understand that the west half will be
3 dedicated to the 206H, and the east half will be
4 dedicated to the 203H; is that correct?

5 A. That's correct.

6 Q. And you seek to pool the uncommitted interest
7 owners for the Wolfcamp for each of these spacing units?

8 A. Correct.

9 Q. And you mentioned that the spacing unit for the
10 203H will be fee land, and the 206H will be federal and
11 fee land, correct?

12 A. That is correct.

13 Q. What is Exhibit 2?

14 A. Exhibit 2 is the C-102 for the 203H, which is
15 all fee. It's comprised of the east half of Section 25.

16 Q. And that's Township 23 South, 27 East in Eddy
17 County, correct?

18 A. Correct.

19 Q. Has the Division designated the Black River;
20 Wolfcamp East Gas Pool for this area?

21 A. Yes, it has.

22 Q. And that would be Pool Code 97442?

23 A. Correct.

24 Q. Is this pool subject to the special rules
25 adopted by Division Order R-14185?

1 A. It is.

2 Q. And that order permits 330-foot setbacks,
3 correct?

4 A. Correct.

5 Q. So the completed interval for this well will
6 comply with the special rules of R-14185, correct?

7 A. Yes.

8 Q. What is Exhibit 3?

9 A. Exhibit 3 is the C-102 for the Warren Fed Com
10 206H comprised of the west half of Section 25, 23 South,
11 27 East in the Black River; Wolfcamp East, Pool Code
12 97442.

13 Q. And, again, this pool is subject to Order
14 R-14185, correct?

15 A. Correct.

16 Q. So the 330-foot perforations will be orthodox
17 under the special order, correct?

18 A. Correct.

19 Q. Does Exhibit 4 identify the interest owners in
20 the spacing unit for the 203H well?

21 A. Yes, it does.

22 Q. And it shows also the interest that Matador
23 seeks to pool, correct?

24 A. Yes.

25 Q. What type of interests are you seeking to pool?

1 A. We're seeking to pool working interests and
2 also unleased mineral interests.

3 Q. Is Exhibit 5 a summary of interests identifying
4 the interest owners in the spacing unit for the 206H
5 well?

6 A. Yes, it is.

7 Q. And it shows the total interest in the proposed
8 spacing unit?

9 A. Yes.

10 Q. And also the parties that Matador seeks to
11 pool?

12 A. Yes.

13 Q. For the 206H well, are you also seeking to pool
14 the working and unleased mineral interest owners?

15 A. Yes, we are.

16 Q. And is Exhibit 6 a sample of the well-proposal
17 letter and AFE that you sent to the uncommitted interest
18 owners for the 203H well?

19 A. It is.

20 Q. And a similar letter was sent to all of the
21 uncommitted interest owners for this well, correct?

22 A. Yes. We sent them on June 15th, 2016.

23 Q. And it included an AFE?

24 A. Yes, it did.

25 Q. Is Exhibit 7 a sample of the well-proposal

1 letter and AFE sent to uncommitted interest owners for
2 the 206H well?

3 A. Yes, it is.

4 Q. And this letter was sent to all of the
5 uncommitted interest owners for the 206H?

6 A. It was, on June 16th, 2016.

7 Q. And it includes an AFE?

8 A. It did.

9 Q. Are the costs reflected on these AFEs
10 consistent with what operators in the area have incurred
11 for similar horizontal wells?

12 A. Yes, they are.

13 Q. For each of these wells, has Matador estimated
14 overhead and administrative costs?

15 A. Yes, we have, 7,000 for drilling and 700 for
16 producing.

17 Q. Are these costs in line with what other
18 operators are charging for similar types of wells?

19 A. They are.

20 Q. Do you ask that those costs be incorporated
21 into any order resulting from this hearing?

22 A. Yes.

23 Q. And do you ask that they be adjusted in
24 accordance with the appropriate accounting procedures?

25 A. Yes.

1 Q. For any of the uncommitted interests, do you
2 request that the Division assess a 200 percent risk
3 penalty?

4 A. Yes.

5 Q. In addition to sending well-proposal letters,
6 did you have fairly extensive communications with
7 interest owners for both the 203H and the 206H wells?

8 A. Yes, we did. And I think that's reflected in
9 Exhibits 8, 9 and 10, I believe. Yes.

10 Q. Is Exhibit 8 a summary of the communication
11 with the working interest owners for the 203H well?

12 A. It is.

13 Q. And is Exhibit 9 a summary of communication
14 with the working interests for the 206H well?

15 A. Yes, it is.

16 Q. And finally, is Exhibit 10 a summary of
17 communications for the -- with the unleased mineral
18 interest owners for both wells?

19 A. Yes, it is.

20 Q. Did Matador publish notice for this hearing?

21 A. Yes.

22 Q. Are those Affidavits of Publication included as
23 Exhibits 11 and 12?

24 A. Yes.

25 Q. Were any of the parties unlocatable?

1 A. Yes.

2 Q. I understand that Charles C. Showalter and Ila
3 C. Hanks were unlocatable for the -- for both wells; is
4 that correct?

5 A. That is correct.

6 Q. Is Exhibit 13 an affidavit prepared by my
7 office with attached letters providing notice of this
8 hearing to the parties that you seek to pool for the
9 203H and the 206H wells?

10 A. Yes.

11 Q. And it looks like green cards were not returned
12 for the two unlocatable parties and also for EOG, the
13 successor interest to Yates Petroleum; is that correct?

14 A. That is correct.

15 Q. But Yates Petroleum received notice and green
16 card, correct?

17 A. Yes.

18 Q. And for the 206H well, it looks like Chevron
19 also did not receive a return green card?

20 A. Yes.

21 Q. But notice was published as to all of these
22 parties, correct?

23 A. Notice was published, yes.

24 Q. Were Exhibits 1 through 10 prepared by you or
25 compiled by you or under your direction and supervision?

1 A. Yes, they were.

2 MS. KESSLER: Mr. Examiner, I'd move
3 admission of Exhibits 1 through 13.

4 EXAMINER JONES: Exhibits 1 through 13 are
5 admitted.

6 (Matador Production Co. Exhibit Numbers 1
7 through 13 are offered and admitted into
8 evidence.)

9 EXAMINER JONES: That's exhibits for both
10 cases.

11 EXAMINER WADE: Did you say Chevron had a
12 green card returned?

13 THE WITNESS: Did not have a green card
14 returned, but they were given -- they were given notice,
15 and notice was published.

16 MS. KESSLER: The receipt was not returned
17 or has not yet been returned.

18 EXAMINER WADE: Okay. I just don't see
19 them in the published notice yet. I'm looking here.

20 MS. KESSLER: It should just be for the
21 206H, not for the 203.

22 EXAMINER WADE: So that would be 12 -- 11
23 or 12. Oh, I see them. They're in 12 about midway down
24 on the list of people.

25

CROSS-EXAMINATION

1
2 BY EXAMINER JONES:

3 Q. EOG Resources Assets, LLC, is that -- that's
4 not EOG Y Resources?

5 A. It is. At the time that we sent notice, we
6 were unsure. So to cover bases, we sent to both Yates
7 and then also EOG Resources.

8 Q. Which is in Houston?

9 A. That was the address of the only instrument we
10 found filed of record in Eddy County at that point.

11 Q. Okay. Well -- okay. That sounds good.

12 So the reason for a lot these is because
13 it's all fee. At least on the 203H was all fee?

14 A. Yes. That's correct.

15 Q. And how did -- how did Matador arrive at an
16 interest in these two spacing units?

17 A. Various acquisitions over time.

18 Q. Okay. Thank you very much.

19 A. Thank you.

20 LAUREN CONRAD,

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

23 DIRECT EXAMINATION

24 BY MS. KESSLER:

25 Q. Please state your name for the record and tell

1 the Examiners by whom you're employed and in what
2 capacity.

3 A. Yes. Lauren Conrad. I work for Matador as a
4 reservoir engineer.

5 Q. Have you previously testified today before the
6 Division?

7 A. Yes.

8 Q. And were your credentials as a petroleum
9 engineer made a matter of record?

10 A. Yes.

11 Q. Are you familiar with the applications filed by
12 Matador in these consolidated cases?

13 A. I am.

14 Q. And you've conducted a geologic and technical
15 study in the Wolfcamp in this area, correct?

16 A. Yes.

17 MS. KESSLER: Mr. Examiner, once again, I'd
18 tender Ms. Conrad as an expert petroleum engineer.

19 EXAMINER JONES: She is so qualified.

20 Q. (BY MS. KESSLER) Let's look at Exhibit 14 and
21 if you could please identify this exhibit for the
22 Examiners.

23 A. Yes. Exhibit 14 is our locator map. That
24 shows where the Warren acreage is in the Delaware Basin
25 in New Mexico.

1 Q. What is Exhibit 15?

2 A. We've zoomed in here to that section in
3 question showing the two different -- we've consolidated
4 this particular map -- I just wanted to point out -- to
5 show the two different project areas on the same map,
6 two different 320-acre units there. And you'll see that
7 the two Warren wells are planned to have similar
8 surface-hole locations there indicated by the square,
9 with the two separate bottom-hole locations indicated by
10 the circles.

11 This is our structure map which shows the
12 top of the Wolfcamp, the similar 1-to-2 degree dip to
13 the east as discussed. And in this case, we've shown
14 cross section -- sorry -- three wells to be used for the
15 cross section, which go from heel to toe, this time from
16 south to north, marked by A to A prime.

17 Q. With respect to the structure in this section,
18 do you observe any geologic hazards?

19 A. No, we do not.

20 Q. And do you believe that the wells used for your
21 cross-section exhibit are representative of wells in the
22 Wolfcamp in this area?

23 A. We do.

24 Q. What is Exhibit 16?

25 A. Exhibit 16 shows the stratigraphic cross

1 section. Like I said, the wells from the south into the
2 north, as labeled here, you'll see the plans -- the
3 wellbore path that is planned for both the Warren 206
4 and 208 there in red indicating an Upper Wolfcamp
5 target. And this shows a thickness of the Wolfcamp in
6 this area around 18 -- 1,875 feet. We see a consistent
7 Wolfcamp from heel to toe on this well as well.

8 Q. What is Exhibit 17?

9 A. Exhibit 17 maps out the thickness in the area
10 given the control of the logs that we have around the
11 Warren wells. So this is our isopach map which shows
12 what the cross section showed us, that we have around
13 1,875 feet of thickness in the Wolfcamp, and we expect a
14 consistent Wolfcamp in the area, equal production from
15 each quarter-quarter. Additionally, we still believe
16 that horizontal drilling is the best way to produce the
17 Wolfcamp in this area, resulting in the best EUR and
18 least waste.

19 Q. And you have found no geologic hazards in this
20 area, correct?

21 A. True, no major faults. There are pinch-outs
22 that have been observed in the Wolfcamp in this area.

23 Q. Would you please identify Exhibits 18 and 19?

24 A. 18 and 19 are the two separate construction
25 diagrams that we have for the Warren wells. You'll see

1 the heel planned in the south, toe planned into the
2 north, and we plan to perforate no closer than 330 feet
3 from each of these leaselines.

4 Q. And 330 feet off the outer boundary of the
5 spacing unit will be an orthodox location?

6 A. Yes, in this particular case.

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

11 A. Yes.

12 Q. Were Exhibits 14 through 19 prepared by you or
13 compiled under your direction and supervision?

14 A. They were.

15 MS. KESSLER: Mr. Examiner, I move
16 admission of Exhibits 14 through 19.

17 EXAMINER JONES: Exhibits 14 through 19 in
18 both the cases are admitted.

19 MS. KESSLER: Thank you.

20 (Matador Production Co. Exhibit Numbers 14
21 through 19 are offered and admitted into
22 evidence.)

23 CROSS-EXAMINATION

24 BY EXAMINER JONES:

25 Q. I like your locator map that you have today.

1 Everything kind of revolves around the reef and the Abo
2 Reef, so it's nice to know where it is in relation.

3 A. Yeah. Our geologic markers of the area are
4 kind of down here into where the Delaware Basin is.

5 Q. Yes.

6 Do you have all your logs digitized and in
7 a library you can draw from?

8 A. We have many digital logs. I wouldn't say
9 every single well is available digitally. But yeah, we
10 have our own database we keep.

11 Q. Do you do your own petrophysical work, your own
12 log analysis?

13 A. Oh, we have several people around the office
14 that contribute to petrophysical analysis work, yes,
15 in-house.

16 Q. Usually somebody who is an expert --

17 A. Yes.

18 Q. -- around doing anything you need to do?

19 A. Uh-huh.

20 EXAMINER JONES: I don't think I have any
21 more questions, but I would like to recall the land
22 person for a second.

23 MS. KESSLER: Sure.

24 SARA HARTSFIELD,

25 after having been previously sworn under oath, was

1 recalled, questioned and testified as follows:

2 RE CROSS-EXAMINATION

3 BY EXAMINER JONES:

4 Q. Ms. Hartsfield, the well name, I forgot to ask
5 you about it.

6 A. Oh, okay.

7 Q. It seems like the well name is different for
8 one of these wells than for the other.

9 A. Correct. On the east half, it's just fee
10 lands, so we're calling that the Warren 25-23 South, 27
11 East RB #203H. And then on our west half, comprised of
12 both federal and fee lands, we're calling that the
13 Warren Fed Com #206H.

14 Q. Okay. Okay. I wanted to make sure of that. I
15 think our records -- it's got your image in the files,
16 but I don't know if we've had somebody change the
17 property name or not. I just wanted to make sure of
18 that. Thank you very much.

19 A. Okay. All right. Thank you.

20 MS. KESSLER: Mr. Examiner, those are
21 correctly identified on Exhibits 2 and 3.

22 EXAMINER JONES: Okay. Thanks.

23 Anything else in these cases?

24 MS. KESSLER: I'd ask these cases be taken
25 under advisement.

1 EXAMINER JONES: We will take Cases 15592
2 and 15593 under advisement.

3 And this hearing is concluded. That's it.
4 (Case Numbers 15592 and 15593 conclude,
5 11:12 a.m.)
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16 I do hereby certify that the foregoing is
17 a correct and true report of proceedings in
18 the above captioned case No. _____
19 heard by _____

_____, Examiner
Wild Conservation Division

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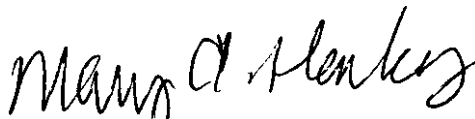
1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3
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
21 

22 MARY C. HANKINS, CCR, RPR
23 Certified Court Reporter
24 New Mexico CCR No. 20
25 Date of CCR Expiration: 12/31/2016
Paul Baca Professional Court Reporters