

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 COMPANY TO RE-OPEN CASE NO. 15022 TO POOL THE INTERESTS OF ADDITIONAL MINERAL OWNERS UNDER THE TERMS OF COMPULSORY POOLING ORDER R-13743, EDDY COUNTY, NEW MEXICO. CASE NO. 15022 (Re-opened)

8

9 REPORTER'S TRANSCRIPT OF PROCEEDINGS

10 EXAMINER HEARING

11 August 4, 2016

12 Santa Fe, New Mexico

13

14 BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
15 DAVID K. BROOKS, LEGAL EXAMINER

16

17

18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, William V. Jones,
20 Chief Examiner, and David K. Brooks, Legal Examiner, on
21 Thursday, August 4, 2016, at the New Mexico Energy,
22 Minerals and Natural Resources Department, Wendell Chino
23 Building, 1220 South St. Francis Drive, Porter Hall,
24 Room 102, Santa Fe, New Mexico.

25

26 REPORTED BY: Mary C. Hankins, CCR, RPR
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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

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1 (10:05 a.m.)

2 EXAMINER JONES: Call Case Number 15022
3 re-opened, application of Matador Production Company to
4 re-open Case Number 15022 to pool the interests of
5 additional mineral owners under the terms of compulsory
6 pooling Order R-13743, Eddy County, New Mexico.

7 Call for appearances.

8 MS. KESSLER: Mr. Examiner, Jordan Kessler,
9 Santa Fe office of Holland & Hart, on behalf of the
10 Applicant.

11 EXAMINER JONES: Any other appearances?
12 Any witnesses?

13 MS. KESSLER: One witness, Mr. Examiner.

14 EXAMINER JONES: One witness.

15 Would the witness please stand?

16 And will the court reporter please swear
17 the witness?

18 TREY GOODWIN,
19 after having been first duly sworn under oath, was
20 questioned and testified as follows:

21 DIRECT EXAMINATION

22 BY MS. KESSLER:

23 Q. Will you please state your name for the record
24 and tell the Examiners by whom you're employed and in
25 what capacity?

1 A. Yes. My name is Trey Goodwin, and I'm a senior
2 landman at Matador.

3 Q. Have you previously testified before the
4 Division?

5 A. Yes.

6 Q. Were your credentials as a petroleum landman
7 accepted and made a matter of record?

8 A. Yes.

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

11 A. Yes.

12 Q. Are you familiar with the status of the lands
13 in the subject area?

14 A. Yes.

15 MS. KESSLER: Mr. Examiners, I would tender
16 Mr. Goodwin as an expert in petroleum land matters.

17 EXAMINER JONES: He is so qualified.

18 Q. (BY MS. KESSLER) Mr. Goodwin, is Exhibit 1 a
19 pooling order entered by the Division in September of
20 2013?

21 A. Yes. Exhibit 1 is a copy of the pooling order
22 where Guardian operated -- Guardian Operating created a
23 320-acre spacing unit in the north half of Section 15,
24 24 South, 28 East in Eddy County, New Mexico. They
25 pooled the uncommitted interest owners known at the time

1 to Guardian Operating, and this was in the Wolfcamp
2 Formation, for a recompletion. This is where they
3 drilled -- they recompleted the Ann Com Number 1 well,
4 which was a vertical recompletion. And this is in the
5 Culebra Bluff-Wolfcamp-South Gas Pool, with a pool code
6 of 75750.

7 Q. And this would be in the north half of Section
8 15 of Township 24 South, Range 28 East of Eddy County,
9 correct?

10 A. Yes, ma'am.

11 Q. And does the pooling order also provide the API
12 number for the initial well?

13 A. Yes, it does.

14 Q. Has the initial well been drilled?

15 A. Yes.

16 Q. But I understand it's now shut in; is that
17 correct?

18 A. Yes.

19 Q. And why is that?

20 A. It's shut in waiting for pipeline.

21 Q. And you mentioned that Guardian Corporation was
22 the one who -- was the entity appointed operator for the
23 spacing unit?

24 A. Yes. Yes, that's correct.

25 Q. Okay. In preparing to drill for an infill

1 well, did Matador discover additional uncommitted
2 interest owners?

3 A. Yes.

4 Q. And are you here today requesting that the
5 Division bring the additional parties under the terms of
6 the existing order for the north half of Section 15?

7 A. Yes.

8 Q. What is Exhibit 2?

9 A. Exhibit 2 is Midland map that's showing that
10 all the lands in the north half of 15, 24 South, 28 East
11 are fee lands.

12 Q. And is Exhibit 3 a change of operator form
13 filed with the Division showing that Matador is now the
14 operator in the north half of Section 15?

15 A. Yes, it is.

16 Q. Did you propose an infill well to all of the
17 parties?

18 A. Yes, we did.

19 Q. And is Exhibit 5 -- I'm sorry.

20 Is Exhibit 4 a summary of the interests in
21 the north half of Section 15?

22 A. Yes. Exhibit 4 is a summary of the interests.
23 What we're showing here is that MRC Permian Company
24 currently has a little over 51 percent working interest,
25 with a voluntary joinder of over 18 percent. The

1 existing pooling order captures a little over 19
2 percent, and then we're adding an additional compulsory
3 pool total of 10 percent to the unit.

4 Q. It looks like there are quite a number of
5 parties here. Is Exhibit 5 a map showing the tracts of
6 ownership in this acreage?

7 A. Yes. If we flip to Exhibit 5, this is just a
8 tract map that just kind of gives you an extent of the
9 title and ownership that we were looking at in the north
10 half of Section 15. The north half of Section 15 is
11 comprised over 600 lots and blocks where it was
12 subdivided. Through our title ownership, we were able
13 to bring it to 285 mineral tracts where ownership was
14 cause [sic] and common. So we ended up sending out over
15 300 proposals, and we had multiple interest owners in
16 each of these tracts.

17 Q. All right. You mentioned that you sent the
18 well proposal letter for these wells to all of the
19 interest owners. Is a copy of that letter included in
20 Exhibit 6?

21 A. Yes, it is.

22 Q. And this is just one letter, an example letter,
23 correct?

24 A. Yes, ma'am, dated May 19th, 2016.

25 Q. And did the letter include a copy of the AFE?

1 A. Yes.

2 Q. In addition to sending these letters, what
3 other efforts did you undertake to reach a voluntary
4 agreement with the various parties?

5 A. We sent multiple leases, made phone calls,
6 emails. We used brokers to search tax records and to
7 help us find additional contact information where we
8 could and also utilized online databases as well.

9 Q. Is Exhibit 7 a copy of an affidavit with
10 attached letters from my office providing notice of this
11 hearing to all of the parties whom you seek to pool?

12 A. Yes.

13 Q. And did you publish notice, also?

14 A. Yes, we did. Some of the parties were
15 unlocatable.

16 Q. Is that included in Exhibit 8?

17 A. Yes.

18 Q. Are you now asking that the Division bring the
19 additional parties under the terms of the existing
20 pooling order in the north half of Section 15?

21 A. Yes.

22 Q. Were Exhibits 1 through 6 prepared by you or
23 compiled under your direction and supervision?

24 A. Yes.

25 MS. KESSLER: Mr. Examiners, I'd move

1 admission of Exhibits 1 through 8, which contain my two
2 notice affidavits.

3 EXAMINER JONES: Exhibits 1 through 8 are
4 admitted.

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

8 MS. KESSLER: And that concludes my
9 examination.

10 EXAMINER JONES: I wish I had this last
11 night. I could have gone to sleep --

12 On the notice --

13 MS. KESSLER: There are a lot of parties.

14 CROSS-EXAMINATION

15 BY EXAMINER JONES:

16 Q. So Guardian did the compulsory pooling?

17 A. Yes, sir. They did the compulsory pooling for
18 the --

19 Q. And the land -- the land information from
20 Guardian, does that -- does that get transferred
21 directly over to the change of operator, to Matador?

22 A. Yes. And we acquired the -- the wellbore from
23 Guardian. And, you know, to my understanding, you know,
24 Guardian, when they drilled their vertical well, I think
25 they relied a lot of their title work on an older title

1 opinion. And, you know, we see the north half of 15 as
2 really economic for horizontal development, and so
3 before we want to put any kind of infrastructure in
4 place, pipeline or drill any additional wells, we wanted
5 to make sure that we had all our ducks in a row from the
6 title standpoint. So we've worked over a year on the
7 title for this particular property, making sure that we
8 had all the interest owners captured.

9 Q. So the first well has been completed but not
10 hooked up?

11 A. Yes, sir. There is no pipeline to it. Yes,
12 sir.

13 Q. So -- so - no one -- okay.

14 But you're -- you're drilling an infill
15 well right now?

16 A. We're not drilling it yet. We've proposed an
17 infill well.

18 Q. Proposed.

19 A. Yes, sir.

20 Q. Okay. Is it proposed to all these people or --

21 A. Yes, sir.

22 Q. Okay. Wow.

23 EXAMINER JONES: Okay. This almost seems
24 like a David Brooks deal to me.

25 EXAMINER BROOKS: Well, it makes my

1 69-tract unit that I did an opinion on when I was in
2 Durango look like a simple one.

3 (Laughter.)

4 MS. KESSLER: There has been substantial
5 effort put into the title opinion for this.

6 EXAMINER BROOKS: I suspect somebody has
7 put multiple --

8 THE WITNESS: Yeah. It took multiple
9 people involved putting this together.

10 EXAMINER BROOKS: Yeah. Yeah. I'll be
11 glad to write this one.

12 EXAMINER JONES: I was admiring your plat.
13 Is this a printout from your land database?

14 THE WITNESS: Yes, sir. Our GIS guys put
15 this together and -- put this together for us. So this
16 is a subsurface tract map showing the tracts on a
17 subsurface level. If you look at it from Google Earth,
18 it's really interesting. There are just a couple of
19 houses out here, a couple of farms, you know, so it's
20 just a subtract map here.

21 EXAMINER BROOKS: Is this a subdivision
22 that never got developed?

23 THE WITNESS: Exactly. You're exactly
24 right.

25 EXAMINER BROOKS: And it never did reserve

1 the minerals?

2 THE WITNESS: Right. That's right.

3 EXAMINER JONES: The COPAS for this was the
4 same as before?

5 THE WITNESS: Yes.

6 MS. KESSLER: Yes. It would be the same as
7 it is in the current existing order. We're just asking
8 that everybody be brought into that existing order.

9 EXAMINER JONES: Okay.

10 EXAMINER BROOKS: Well, Mr. Jones, do you
11 want me to ask some questions?

12 EXAMINER JONES: Yes, please.

13 CROSS-EXAMINATION

14 BY EXAMINER BROOKS:

15 Q. As I understand it, Guardian did a compulsory
16 pooling order and -- did a compulsory pooling case, and
17 that was Number 15022 originally?

18 A. Yes.

19 Q. Is that correct or --

20 A. Let me see. I think it should be on Exhibit 1.

21 MS. KESSLER: That's correct, Mr. Examiner.
22 If you look at Case Number 15022, it was actually
23 brought by -- RSC Resources, L.P. was the Applicant, but
24 Guardian Corporation was the operator --

25 THE WITNESS: Yes.

1 MS. KESSLER: -- under the order.

2 EXAMINER BROOKS: And Mr. Phillip Goetze
3 was the Examiner.

4 Q. (BY EXAMINER BROOKS) Okay. So you're doing it
5 now to add certain interests?

6 A. Yes, sir.

7 Q. Which interests are being added?

8 A. They're all listed on Exhibit 4.

9 Q. Exhibit 4?

10 A. Yes, sir.

11 Q. Exhibit 4 is a complete list of all the
12 interests, right?

13 A. This is a -- this is a list of the interests
14 that we're adding to the order. So if you look at
15 Exhibit 4, I have -- in the first -- in the first three
16 columns there, we've got MRC's interest, voluntary
17 joinder currently. And then we've got the old interests
18 under Order 13743. That is the current interests under
19 the existing order. And then what we are adding to the
20 compulsory pooling total, these are the -- everybody you
21 see listed here are the uncommitted interest owners that
22 we have found in our title order. I believe there are
23 about seven or eight pages here of committed interest
24 owners.

25 Q. Okay. Yeah. So all this entire list of people

1 does not include what was in the original proceeding?

2 A. In the original, yes, sir. That's correct.

3 Q. And did the original pooling proceeding effect
4 just the working interest or --

5 A. The original pooling, also old uncommitted
6 working interests as well. So he just -- when he did
7 his -- from what it looks like to me, he just missed,
8 you know, certain individuals. So that's why we're
9 coming back in and --

10 Q. Apparently a rather large number --

11 A. -- cleaning it up before we do anything.

12 Q. Okay. Very good.

13 And so you've notified all these people
14 either personally or by publication?

15 A. Yes, sir.

16 There were some unlocatable interests.
17 Yeah. So we're working on locating those. We've got
18 brokers that are helping us work on those and search
19 whatever records they can find to locate individuals.
20 But, you know, we sent proposals across the U.S. to
21 folks. I think we've sent a proposal to Germany, and I
22 think one went to New Zealand.

23 Q. Far and wide.

24 A. Far and wide. That's right.

25 Q. Okay. And your -- the question is to you, on

1 the compulsory pooling order. 200 percent nonconsent
2 penalty?

3 A. Yes, sir.

4 Q. Now, since there is a prior -- there was a
5 prior well drilled, right?

6 A. Yes, sir.

7 Q. And you drilled an infill?

8 A. No. But we've proposed an infill.

9 Q. You haven't drilled the infill?

10 A. We have not drilled the infill.

11 Q. Okay. Are you asking that the costs of the
12 first well be charged against these people?

13 A. Yes, sir. Before we -- before we do anything
14 with that first well, we are going to make sure that all
15 of the owners that we include here would be charged as a
16 cost.

17 Q. Yeah. And you understand that you will have to
18 account to them for the production of that well --

19 A. Yes, sir.

20 Q. -- prior production of that well --

21 A. Right.

22 Q. -- from date of the first production?

23 A. Yes, sir. That's correct.

24 Q. Okay. You, as operator, will be responsible
25 for that.

1 A. That's right. Yes, sir.

2 Q. Okay. That's good.

3 And you proposed the second well to the
4 people that were -- did you propose -- the well that
5 you're currently proposing, did you propose that to
6 everybody?

7 A. Yes, sir. We proposed it to everybody. So we
8 proposed it to -- not only to the uncommitted interest
9 owners that we found in our title work, we also proposed
10 it to the uncommitted interests that he originally
11 pooled.

12 Q. Right.

13 A. So we have proposed the well to every single
14 person.

15 Q. Okay. So the people that you -- that are
16 brought in --

17 A. Uh-huh.

18 Q. -- will get an opportunity to elect on both
19 wells?

20 A. Yes, sir. That's correct.

21 Q. And the people that are already in will only
22 get an opportunity to elect on the second well?

23 A. This one. That's correct.

24 Q. Okay. Very good. Thank you.

25 MS. KESSLER: Ask that this case be taken

1 under advisement.

2 EXAMINER JONES: Case Number 15022 reopened
3 is taken under advisement.

4 (Case Number 15022 concludes, 10:19 a.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.

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23 Certified Court Reporter
24 New Mexico CCR No. 20
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