

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. 15433 TO AMEND THE WELL SURFACE LOCATION AND WELL ORIENTATION UNDER THE TERMS OF COMPULSORY POOLING ORDER R-14140, LEA COUNTY, NEW MEXICO. CASE NO. 15433 (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
27 New Mexico CCR #20
28 Paul Baca Professional Court Reporters
29 500 4th Street, Northwest, Suite 105
30 Albuquerque, New Mexico 87102
31 (505) 843-9241

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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

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1 (10:20 a.m.)

2 EXAMINER JONES: Call Case Number 15433,
3 re-opened, application of Matador Production Company to
4 re-open Case Number 15433 to amend the well surface
5 location and well orientation under the terms of
6 compulsory pooling Order R-14140, Lea County, New
7 Mexico.

8 Call for appearances.

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

12 EXAMINER JONES: Any other appearances?

13 MS. KESSLER: One witness today.

14 EXAMINER JONES: One witness.

15 Will the court reporter please swear the
16 witness?

17 JEFF LIERLY,

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

20 DIRECT EXAMINATION

21 BY MS. KESSLER:

22 Q. Please state your name for the record and tell
23 the Examiners by whom you're employed and in what
24 capacity.

25 A. Jeff Lierly, landman, Matador Resources

1 Company.

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

4 A. Yes, I have.

5 Q. And were your credentials as a petroleum
6 landman accepted and made a matter of public record?

7 A. Yes, they were.

8 Q. Are you familiar with the application filed in
9 this case?

10 A. Yes, 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. Examiner, I'd tender
15 Mr. Lierly as an expert witness in petroleum land
16 matters.

17 EXAMINER JONES: He is so qualified.

18 Q. (BY MS. KESSLER) Mr. Lierly, did you present
19 the Division with evidence in the original pooling case?

20 A. Yes, I did.

21 Q. And did that result in Order Number R-14140?

22 A. Yes, it did.

23 Q. Is it included as Exhibit 1?

24 A. Yes, it is.

25 Q. And did this order create a 160-acre

1 nonstandard spacing and proration unit in the Bone
2 Spring Formation?

3 A. Yes, it did.

4 Q. Does the order also identify the pool?

5 A. Yes. It's the Corbin-Bone Spring South Pool.

6 Q. Is that Pool Code 13160?

7 A. Yes, it is.

8 Q. What is the acreage on the nonstandard spacing
9 unit?

10 A. It's the west half-east half of Section 32, 18
11 South, Range 33 East, in Lea County, New Mexico.

12 Q. And did the quarter also pool uncommitted
13 interest owners in the spacing unit?

14 A. Yes. It pooled uncommitted working interest
15 owners.

16 Q. Did the order also dedicate the nonstandard
17 spacing unit to the Eland 32 18 33 RN State Number 123H
18 well?

19 A. Yes, it did.

20 Q. And is the API number also in this order?

21 A. Yes. It's 30-025-42977.

22 Q. If you could turn to Exhibit 2 and identify
23 this exhibit and explain what you seek under this
24 application.

25 A. This is a revised C-102 for Eland 123 well, and

1 it shows that we changed the surface-hole location and
2 bottom-hole location from the northwest-northeast to the
3 southeast-southeast due to surface limitations. In
4 developing the east half-east half section, we were able
5 to flip the surface hole and bottom hole, and actually
6 we'll be able to drill both wells from the west
7 half-east half and east half-east half.

8 Q. Do you also seek to conform the name of the
9 well that is currently on this C-102 to the name that is
10 in the order?

11 A. Yes, that's correct.

12 Q. How has that changed?

13 A. We need to add the "com" to it.

14 Q. So it will be a State Com well?

15 A. That's correct.

16 Q. What is the new surface location?

17 A. It is 465 feet from the south line and 1,196
18 feet from the east line.

19 Q. That's identified on this revised C-102,
20 correct?

21 A. Yes, ma'am.

22 Q. And the bottom hole is identified as well?

23 A. Yes. It's 240 feet from the north line and
24 1,870 feet from the east line, but we'll still be
25 standard at all of our take points.

1 Q. So the first and last perforations points have
2 not changed?

3 A. Correct.

4 Q. The well orientation has changed, correct?

5 A. Correct. We've flipped from north-to-south
6 orientation -- from north to south to south to north.

7 Q. That was due to surface constraints you
8 mentioned?

9 A. Yes.

10 Q. If you could turn to Exhibit 3, did you send a
11 letter to the interest owners containing an updated AFE
12 to reflect the changes in costs due to the revised
13 surface location?

14 A. Yes, we did. When we received the filling
15 [sic] order, we sent a copy and that was enclosed for
16 them to read, the updated AFE.

17 Q. And that has the revised costs, correct?

18 A. Correct. The costs were substantially lower
19 than originally outlined in our initial well proposal.

20 Q. Did you provide notice of this hearing to the
21 parties that were pooled under the existing pooling
22 order?

23 A. Yes, we did.

24 Q. And did you also publish notice?

25 A. Yes, we did.

1 Q. Are those two exhibits contained as Exhibits 4
2 and 5?

3 A. Yes, they are.

4 Q. Were Exhibits 1 through 3 prepared by you or
5 compiled under your direction and supervision?

6 A. Yes, they were.

7 MS. KESSLER: Mr. Examiners, I'd move into
8 evidence Exhibits 1 through 5, including my affidavit.

9 EXAMINER JONES: Exhibits 1 through 5 are
10 admitted.

11 (Matador Production Co. Exhibit Numbers 1
12 through 5 are offered and admitted into
13 evidence.)

14 CROSS-EXAMINATION

15 BY EXAMINER JONES:

16 Q. So nothing else would be changed in the -- in
17 the updated order except for the word "com" and the
18 location?

19 A. The surface-hole and bottom-hole locations,
20 correct.

21 Q. And COPAS is the same? Everything else is the
22 same?

23 A. Yes, sir.

24 Q. And did anything else change as far as anybody
25 elected to participate in the well?

1 A. We were able to reach an agreement with one of
2 the parties that was originally subject to the pooling
3 order, Nearburg Exploration. So they no longer are
4 subject to our pooling order. And I think we're very
5 close with a couple other parties that are originally
6 subject to our pooling order.

7 Q. Does this list the pooled parties? I'm sorry.
8 I must have missed that.

9 MS. KESSLER: There is not an exhibit,
10 Mr. Examiner, that lists the pooled parties, although
11 they were also --

12 THE WITNESS: Exhibit 4, there is a list
13 that shows.

14 MS. KESSLER: So all of these parties on
15 Exhibit 4, after the letters, were subject to the
16 pooling agreement.

17 EXAMINER JONES: Okay. All four of these
18 parties but no longer Nearburg?

19 MS. KESSLER: Right.

20 THE WITNESS: Correct.

21 Q. (BY EXAMINER JONES) And these parties were all
22 located; is that correct?

23 A. Yes. We've been in communication with all the
24 parties that are subject to the pooling order.

25 Q. But you did publish in the newspaper anyway?

1 A. Yes, we did.

2 Q. And it's 160 acres of state minerals?

3 A. Two state leases, one that makes up the north
4 half, one that makes up the south half.

5 Q. The leases are still in good standing?

6 A. Yes, sir. They're currently HPB [sic].

7 CROSS-EXAMINATION

8 BY EXAMINER BROOKS:

9 Q. This Exhibit 4, these are the parties you're
10 adding?

11 A. No. We're not adding anyone.

12 Q. You're not adding anyone?

13 A. Correct.

14 Q. Okay. So what is the reason for re-opening the
15 case and doing a new compulsory pooling order?

16 A. It was just to amend the surface-hole and
17 bottom-hole locations and to revise the names to comply
18 with how the APD has been issued.

19 Q. Okay. Thank you.

20 EXAMINER JONES: That's all. Thank you
21 very much.

22 We're taking Case 15433, re-opened, under
23 advisement.

24 (Case Number 15433 concludes, 10:29 a.m.)

25

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

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