

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. 14933 TO POOL THE INTERESTS OF ADDITIONAL MINERAL OWNERS UNDER THE TERMS OF COMPULSORY POOLING ORDER R-13667, EDDY COUNTY, NEW MEXICO. CASE NO. 14933 (Re-opened)

8

9 REPORTER'S TRANSCRIPT OF PROCEEDINGS

10 EXAMINER HEARING

11 September 15, 2016

12 Santa Fe, New Mexico

13

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

16

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18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, Phillip Goetze,
20 Chief Examiner, and Gabriel Wade, Legal Examiner, on
21 Thursday, September 15, 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
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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

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1 (10:18 a.m.)

2 EXAMINER GOETZE: So we're back on the
3 record.

4 The next case is Case 14933, re-opened,
5 application of Matador Production Company to re-open
6 Case Number 14933 to pool the interests of additional
7 mineral owners under the terms of Compulsory Pooling
8 Order R-13667, Eddy County, New Mexico.

9 Call for appearances.

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

13 EXAMINER GOETZE: Any other appearances?

14 MS. KESSLER: I have one witness today.

15 EXAMINER GOETZE: Will the witness be --
16 stand, and we will have you announce your name to the
17 court reporter and she shall swear you in.

18 MR. CARLETON: Chris Carleton.

19 CHRIS CARLETON,
20 after having been first duly sworn under oath, was
21 questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MS. KESSLER:

24 Q. State your name for the record and tell the
25 Examiners by whom you're employed and in what capacity.

1 A. Chris Carleton. I'm employed by Matador
2 Resources Company as a landman.

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. Are you familiar with the application filed in
10 this case?

11 A. Yes.

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

14 A. Yes.

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

17 EXAMINER GOETZE: He is so qualified.

18 Q. (BY MS. KESSLER) If you'll turn to Exhibit 1,
19 is this the pooling order that was issued by the
20 Division in December 2012?

21 A. Yes. It's Order Number R-13667. It creates a
22 north half 320-acre gas spacing unit in the South
23 Culebra Bluff-Wolfcamp Gas Pool.

24 Q. And it's Section 10 -- north half of Section
25 10, 24 South, 28 East, Eddy County, correct?

1 A. That is correct.

2 Q. And you mentioned that this is in the Wolfcamp
3 Formation. Does this order pool the uncommitted
4 interest owners at the time of the Wolfcamp Formation?

5 A. Yes. And RSC Resources LP was the applicant
6 and created Guardian Operating Company the operator.

7 Q. And Guardian Operating Company was indeed
8 appointed the operator in this order, correct?

9 A. That's correct.

10 Q. Does this order also establish the initial
11 wells, the Guitar 10 #1?

12 A. Yes. And the API for that well is
13 30-015-23099, and that well has been recompleted.

14 Q. So the initial well has been drilled. An
15 infill has been drilled?

16 A. Yes. The Guitar 10-24S-28E RB #202H has been
17 drilled and completed as an infill well.

18 Q. Is Exhibit 2 the C-102 for the infill well?

19 A. Yes. The API for the infill well is
20 30-0105-42660.

21 Q. Did Matador discover additional uncommitted
22 interest owners?

23 A. Yes.

24 Q. Are you here today requesting that the Division
25 bring the additional parties under the terms of the

1 existing pooling order in the north half of Section 10?

2 A. Yes.

3 Q. What is Exhibit 3?

4 A. Exhibit 3 is a Midland map showing that the
5 lands in the north half of Section 10 are all fee lands.

6 Q. And is Exhibit 4 a change-of-operator form that
7 was filed with the Division appointing Matador as the
8 operator of the spacing units?

9 A. Yes. Exhibit 4 transfers operatorship from
10 Guardian Operating Corporation to Matador Production
11 Company.

12 Q. So Matador is the successor operator to
13 Guardian, correct?

14 A. That's correct.

15 Q. Is Exhibit 5 a summary of the parties within
16 the north half of Section 15?

17 A. Yes.

18 Q. I'm sorry. Section 10.

19 A. Yes, Section 10.

20 This shows MRC Permian's working interest.
21 And the parties we're seeking to add to the original
22 order as the Beeman interests, Sue Osborn Powell, Mary
23 Camille Hall and New Mexico State Highway and
24 Transportation Department, as well as the interests that
25 were pooled under the original order.

1 Q. Did you propose the well to all of these
2 parties?

3 A. Yes.

4 Q. And is Exhibit 6 a copy of each of the
5 well-proposal letters that were sent to the unleased
6 mineral owners?

7 A. Yes. Exhibit 6 shows our well proposals that
8 were sent in November 2013 and again in April of 2016.

9 Q. Did you also offer to lease these parties?

10 A. Yes. We reach out to these parties with offers
11 to lease and made phone calls and sent letters in an
12 attempt to lease these parties.

13 Q. Is Exhibit 7 an AFE that was sent along with
14 the well-proposal letter?

15 A. Yes. And it shows well costs at approximately
16 9.5 million.

17 Q. For the additional uncommitted interest owners,
18 are you requesting that the Division impose a 200
19 percent risk penalty?

20 A. Yes.

21 Q. Is Exhibit 8 an affidavit with attached letters
22 from my office providing notice of this hearing to the
23 parties whom you seek to pool?

24 A. Yes.

25 Q. In addition to sending your well-proposal

1 letters, what additional -- and your leases, what
2 additional efforts did you make to reach an agreement
3 that you seek to pool?

4 A. Made phone calls and sent letters to reach a
5 lease agreement, but we did not reach these parties.

6 Q. Did you publish notice?

7 A. Yes. We published notice.

8 Q. And is that because at least one of the
9 interest owners was unlocatable?

10 A. That's correct. And it's shown in Exhibit 9.

11 Q. Are you now asking the Divison to bring these
12 additional parties under the terms of the existing
13 pooling order?

14 A. Yes.

15 Q. And were Exhibits 1 through 7 prepared by you
16 or compiled through your direction and supervision?

17 A. Yes.

18 MS. KESSLER: Mr. Examiners, I'd move
19 admission of Exhibits 1 through 9, which include two
20 affidavits.

21 EXAMINER GOETZE: Exhibits 1 through 9 are
22 so entered.

23 (Matador Production Co. Exhibit Numbers 1
24 through 9 are offered and admitted into
25 evidence.)

1 MS. KESSLER: That concludes my
2 examination.

3 EXAMINER GOETZE: Mr. Wade?

4 CROSS-EXAMINATION

5 BY EXAMINER WADE:

6 Q. I'm just trying to figure out who was
7 unlocatable at this point.

8 A. The Beeman interest was unlocatable.

9 Q. But I see a green card to Sue Osborn Powell,
10 but not a return for Mary Camille Hall. But I do see
11 that there is --

12 MS. KESSLER: There was notice also
13 published to her attention, Mr. Examiner.

14 EXAMINER WADE: Yes, for all of them, for
15 all the parties.

16 MS. KESSLER: Correct.

17 EXAMINER WADE: Yeah. Okay. No other
18 questions.

19 CROSS-EXAMINATION

20 BY EXAMINER GOETZE:

21 Q. Let's see. We had a mention of 300 percent
22 risk?

23 MS. KESSLER: 200 percent, Mr. Examiner.

24 EXAMINER GOETZE: Oh, thank you very much.

25 MS. KESSLER: Just change the statute while

1 you're at it.

2 (Laughter.)

3 EXAMINER GOETZE: If someone doesn't come
4 in in opposition. You never know.

5 And we're still satisfied with the well
6 costs as originally in the order, operating --

7 THE WITNESS: Yes.

8 MS. KESSLER: Yes.

9 EXAMINER GOETZE: So that's fine.

10 And I thought I had one more question.

11 Q. (BY EXAMINER GOETZE) The reason for not being
12 identified before is there was history as to why -- I
13 know the Department of Transportation won't respond to
14 anything. But your other private interests --

15 A. Yeah. We had some pick-ups in title. We
16 thought there was an old lease that covered these
17 interests and, through curative, found out that that
18 lease was no longer valid.

19 Q. Very good.

20 EXAMINER GOETZE: Then I have no further
21 questions for this witness.

22 MS. KESSLER: Thank you, Mr. Examiners.

23 EXAMINER GOETZE: With that, Case Number
24 14933 is taken under advisement.

25 (Case Number 14933 concludes, 10:26 a.m.)

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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CERTIFICATE OF COURT REPORTER

I, MARY C. HANKINS, Certified Court Reporter, New Mexico Certified Court Reporter No. 20, and Registered Professional Reporter, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings that were reduced to printed form by me to the best of my ability.

I FURTHER CERTIFY that the Reporter's Record of the proceedings truly and accurately reflects the exhibits, if any, offered by the respective parties.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this case.

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