

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(S) OF MATADOR PRODUCTION CASE NOs. 15595
8 COMPANY FOR COMPULSORY POOLING AND and 15596
9 AN UNORTHODOX GAS WELL LOCATION,
10 EDDY COUNTY, NEW MEXICO.

11 APPLICATION(S) OF MATADOR PRODUCTION CASE NOs. 15598
12 COMPANY FOR COMPULSORY POOLING AND and 15599
13 AN UNORTHODOX GAS WELL LOCATION,
14 EDDY COUNTY, NEW MEXICO.

15 REPORTER'S TRANSCRIPT OF PROCEEDINGS

16 EXAMINER HEARING

17 December 1, 2016

18 Santa Fe, New Mexico

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

21 This matter came on for hearing before the
22 New Mexico Oil Conservation Division, William V. Jones,
23 Chief Examiner, and Gabriel Wade, Legal Examiner, on
24 Thursday, December 1, 2016, at the New Mexico Energy,
25 Minerals and Natural Resources Department, Wendell Chino
Building, 1220 South St. Francis Drive, Porter Hall,
Room 102, Santa Fe, New Mexico.

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

FOR APPLICANT OF MATADOR PRODUCTION COMPANY:

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1 (8:33 a.m.)

2 EXAMINER JONES: The first case that we're
3 going to talk about, then, is the four Matador cases.
4 On page 3, we're going to call Case Number 15595 and
5 Case Number 15596. Each of those two cases are
6 application of Matador Production Company for compulsory
7 pooling and an unorthodox gas well location, Eddy
8 County, New Mexico.

9 And we're also going to call Case Numbers
10 15598 and Case 15599. Each of those two cases are
11 application of Matador Production Company for compulsory
12 pooling and an unorthodox gas well location in Eddy
13 County, New Mexico.

14 Call for appearances in all four cases or
15 individual cases, as the case may be.

16 MR. BRUCE: Mr. Examiner, Jim Bruce of
17 Santa Fe representing the Applicant in all four cases.

18 EXAMINER JONES: Are there any other
19 appearances in any of these cases?

20 You have one witness?

21 MR. BRUCE: I have two witnesses.

22 EXAMINER JONES: Two witnesses.

23 Will the witnesses please stand?

24 And will the court reporter please swear
25 the witnesses?

1 (Ms. Hahn and Ms. Conrad sworn.)

2 MR. BRUCE: Mr. Examiner, you have two
3 booklets in front of you, and one is for the Kathy
4 Coleman wells, which are both in Section 14. The second
5 one is for the two Joe Coleman wells, which are in
6 Section 13. We will run through the first one on the
7 land matters, and then we'll quickly run through the
8 second one, because it's a lot of the same parties
9 involved.

10 CASSIE HAHN,
11 after having been previously sworn under oath, was
12 questioned and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. BRUCE:

15 Q. Would you please state your name for the
16 record?

17 A. My name is Cassie Hahn.

18 Q. And who do you work for and in what capacity?

19 A. I work for Matador Resources as an associate
20 landman.

21 Q. Have you previously testified before the
22 Division?

23 A. No.

24 Q. Would you please, first of all, discuss briefly
25 your duties as an associate landman at Matador?

1 A. Mainly my duties consist of putting units
2 together and negotiating land contracts.

3 Q. Okay. And what is your educational and
4 employment background?

5 A. I have a bachelor of science in political
6 science from Texas A & M. I graduated in 2007. I was a
7 Realtor for four years after that and then a field
8 landman working all over the country, in Ohio,
9 Pennsylvania, North Dakota and all over Texas.

10 Q. And how long have you been with Matador?

11 A. I started in 2014.

12 Q. Okay. And does your area of responsibility at
13 Matador include this portion of southeast New Mexico?

14 A. Yes, it does.

15 Q. And are you familiar with the land matters
16 involved in these four applications?

17 A. Yes, sir.

18 MR. BRUCE: Mr. Examiner, I tender Ms. Hahn
19 as an expert landman.

20 EXAMINER JONES: Will you please spell your
21 name?

22 THE WITNESS: C-A-S-S-I-E. And the last
23 name is H-A-H-N.

24 EXAMINER JONES: Ms. Hahn is so qualified.

25 Q. (BY MR. BRUCE) Could you first turn to Exhibit

1 1 in the Kathy Coleman book? And identify the two wells
2 we're here for, Exhibit 1.

3 A. So this is our C-102 for the Kathy Coleman 206.
4 As you can see, it's in the north half of Section 14,
5 showing our proposed 320-acre unit.

6 Q. And what is the second page?

7 A. It is also a C-102, but it is for the Kathy
8 Coleman 208, showing our proposed 320-acre unit in the
9 south half.

10 Q. And both of these well locations, the producing
11 intervals, will be unorthodox; will they not?

12 A. Yes.

13 Q. And that is shown on the land plats -- or the
14 C-102s?

15 A. (No response.)

16 MR. BRUCE: Mr. Examiner, although the
17 applications were filed for forced pooling and an
18 unorthodox gas well location, Matador has filed
19 administratively, so this is only for compulsory
20 pooling.

21 EXAMINER JONES: Okay.

22 Q. (BY MR. BRUCE) And if you could turn to Exhibit
23 2, the first page is for the 206 well. Could you just
24 briefly identify the interest owners being forced
25 pooled?

1 A. So we are pooling a total of 17.04 percent of
2 the working interests, and all of these parties are
3 uncommitted working interest owners.

4 Q. All the parties are listed there. By accident,
5 one company was omitted --

6 A. We actually fixed that last night --

7 Q. Oh, you did?

8 A. -- so you have the correct -- yes. You have
9 the correct parties.

10 Q. But not to me?

11 A. Yes. Sorry. We left you out (laughter).

12 Q. And you seek to force pool those five parties?

13 A. Yes.

14 Q. And then pages 2 and 3 of the exhibit for the
15 208 well --

16 Well, before I move on, what type of land
17 is involved in Section 14?

18 A. Fee land.

19 Q. Fee lands.

20 Okay. And for the 206 well, they're all
21 uncommitted leasehold working interest owners?

22 A. Working interest, yes. Correct.

23 Q. And for the 208 well, there is a leasehold
24 interest owner and a number of mineral interest owners,
25 correct?

1 A. Correct.

2 Q. And you seek to force pool everybody on these
3 two pages?

4 A. Correct.

5 Q. And what is the total of unleased -- or I
6 should say uncommitted --

7 A. 37.3 percent.

8 Q. And just very briefly, what is Exhibit 3?

9 A. Exhibit 3 is a Midland map showing the well
10 location and fee acreage.

11 Q. Okay. And let's move on to Exhibit 4A. What
12 does Exhibit 4A depict?

13 A. This is a sample letter that we sent to all of
14 our parties from July to August. The first letter is an
15 offer -- or just explaining our JOA or an offer to
16 lease, and then the second letter is our well proposal.

17 Q. And it also includes all the green cards --

18 A. Correct.

19 Q. -- and various -- now, a lot of these people
20 signed up, correct?

21 A. Yes.

22 Q. This is under Exhibit 4A.

23 And what is Exhibit 4B?

24 A. 4B is for the Kathy Coleman 208H, just another
25 sample letter from July to October, and this included

1 both the well proposal and the JOA.

2 Q. Now, let's skip over to Exhibit 6. What does
3 Exhibit 6 reflect?

4 A. Exhibit 6 is my communication log that I've
5 kept since July of 2016.

6 Q. Okay. And so you have contacted the various
7 interest owners or tried to contact them for a number of
8 months?

9 A. Correct.

10 Q. And do you expect any of these to join in the
11 well, or are they just --

12 A. I do. I do. We've had contact with most, and
13 we're just trying to reach an agreement.

14 Q. And if you reach an agreement with any of these
15 parties, will you notify the Division so that they are
16 not subject to a pooling order?

17 A. Yes, sir.

18 Q. Now, going back just briefly to Exhibit 4B, I
19 notice in the green cards, there were a lot of returned
20 green cards, some of the uncommitted -- I should say
21 unleased -- unleased mineral interest owners.

22 A. Yes. They all were.

23 Q. And what did you do to locate the people who
24 had the return mail?

25 A. We had our field brokers try to contact them

1 through phone, mail, maybe heirs or family members,
2 Internet searches and maybe associated people with the
3 companies.

4 Q. And in your opinion, has Matador made a
5 good-faith effort either to obtain the voluntary joinder
6 of the interest owners in these wells or to locate the
7 interest owners?

8 A. Yes.

9 Q. Let's move on to Exhibit 5. Would you identify
10 the two pages of that exhibit?

11 A. The first page is our AFE for our 206. Total
12 well costs are approximately 5.9 million. The second
13 page is for our 208 well with well costs of 6 million.

14 Q. Are these costs fair and reasonable and in line
15 with other Wolfcamp wells drilled to this depth in this
16 area of New Mexico?

17 A. Yes.

18 Q. And do you request that any nonconsenting
19 interest owners have the cost plus 200 percent risk
20 charge assessed against them?

21 A. Yes.

22 Q. What overhead rates is Matador requesting?

23 A. 7,000 a month while drilling and 700 a month
24 while producing.

25 Q. And are those rates fair and comparable to the

1 rates charged by other operators in this area?

2 A. Yes.

3 Q. And are they the charged rates in the JOA with
4 the other committed working interest owners?

5 A. Yes, they are.

6 Q. And do you request that the over -- overhead
7 rates be adjusted periodically as provided by the COPAS
8 accounting procedure?

9 A. Yes.

10 Q. And were Exhibits 1 through 6 in this booklet
11 prepared by you or under your supervision or compiled
12 from company business records?

13 A. Yes, sir.

14 MR. BRUCE: Mr. Examiner, I move the
15 admission of Exhibits 1 through 6.

16 EXAMINER JONES: Exhibits 1 through 6 are
17 admitted in the Kathy Coleman cases.

18 (Matador Production Co. Exhibit Numbers 1
19 through 6 in Cases 15595 and 15596 are
20 offered and admitted into evidence.)

21 MR. BRUCE: Mr. Examiner, Exhibit 7 was
22 supposed to be the notice exhibit, but for each of those
23 cases, I have not received all the green cards back.
24 And so all the cases will have to be continued for two
25 weeks to allow the proper -- to show we got everybody

1 notified.

2 EXAMINER JONES: Does that mean all four
3 cases?

4 MR. BRUCE: All four cases.

5 EXAMINER WADE: At that point, if you don't
6 receive green cards, will you be doing a published
7 notice?

8 MR. BRUCE: I have sent in a notice to be
9 published, yes.

10 EXAMINER WADE: Okay.

11 MR. BRUCE: And I have no further questions
12 of the witness on these two wells.

13 CROSS-EXAMINATION

14 BY EXAMINER JONES:

15 Q. Okay. That was kind of quick going over the --
16 I know there are six parties being pooled. Is that in
17 each of the wells?

18 A. No. There are five parties in the 206 well.

19 Q. 206 well. Okay. So six parties. Of those --

20 EXAMINER WADE: Five parties.

21 EXAMINER JONES: So yours is showing five.
22 I think mine shows six.

23 MR. BRUCE: Mine shows five.

24 THE WITNESS: It's five.

25 EXAMINER WADE: So we're on Exhibit 2 at

1 this point?

2 MR. BRUCE: Yeah. Mr. Wade, on yours and
3 mine, one is omitted. It's -- Yates Petroleum is now
4 called EOG Y Resources, Inc.

5 EXAMINER WADE: Okay. So I have --

6 THE WITNESS: It should be Abo, Mulberry,
7 OXY, Yates and Yates.

8 EXAMINER WADE: Which are now both EOG?

9 THE WITNESS: Correct.

10 MR. BRUCE: They're just trying to mess
11 with the attorneys, Mr. Examiner.

12 (Laughter.)

13 EXAMINER WADE: Well, I will have a
14 follow-up question because it looks like there is at
15 least one notice to Richard Yates that I'm assuming was
16 supposed to be for Yates Industries that is now EOG, and
17 I don't see anything for EOG in particular. I could be
18 missing it. Maybe I don't need to --

19 THE WITNESS: EOG actually emailed to the
20 person. We didn't bring the email, but I did submit it
21 via email because I --

22 EXAMINER WADE: A notice?

23 THE WITNESS: Yes.

24 EXAMINER WADE: You sent a notice --

25 THE WITNESS: I sent a well proposal.

1 EXAMINER WADE: -- of this hearing.
2 (The court reporter interrupted and
3 requested the parties speak one at a time.)

4 EXAMINER WADE: So you sent all this
5 information that you would have sent Yates via email?

6 THE WITNESS: Correct.

7 EXAMINER WADE: Okay. But we don't have
8 that within the exhibits at this time?

9 THE WITNESS: Not at this time.

10 MR. BRUCE: And, Mr. Wade, notice of the
11 hearing was sent to Yates or EOG Y Resources, and I will
12 submit that in two weeks.

13 EXAMINER WADE: Okay.

14 Q. (BY EXAMINER JONES) Is EOG Y Resources formerly
15 Yates Petroleum Corporation?

16 A. So we have found a transfer of record from
17 Yates Industries to EOG Resources Assets. We have not
18 found anything of record as of November 22nd for Yates
19 Petroleum to EOG, any entity of EOG.

20 MR. BRUCE: In another proceeding, the one
21 that occurs next week, there was notice filed reflecting
22 the name change of Yates Petroleum Corporation to EOG Y
23 Resources, Inc.

24 EXAMINER JONES: Okay. But Yates
25 Industries, LLC is also going to be EOG Y Resources?

1 MR. BRUCE: No. I think it'll be a
2 separate entity.

3 EXAMINER JONES: Okay. It's EOG Resources
4 Assets, LLC?

5 MR. BRUCE: (Indicating.)

6 Q. (BY EXAMINER JONES) Okay. Is it going to be
7 the same contact people probably?

8 A. Yes. Yes, sir.

9 Q. When you try to do a good-faith effort to
10 sign -- these fee owners, it's a courthouse search; is
11 that correct?

12 A. For the -- the private mineral owners?

13 Q. For the private.

14 A. Yes, sir. So we would do a courthouse search.
15 Our title attorneys also try to find the latest address
16 that they had. If that doesn't work, we use a system
17 call Accurint to try to find an updated address or a
18 phone number to try to find those people.

19 Q. So you go to Artesia or Carlsbad, I guess?

20 A. Right. Our field brokers are all over
21 southeast New Mexico, Hobbs. They live there.

22 Q. Okay. Okay. So in the 206H, we've got five
23 unleased?

24 A. They're leased, just uncommitted working
25 interests.

1 Q. Uncommitted working interests?

2 A. Yes.

3 Q. So they're all working interests?

4 A. Working interest owners, yes, sir.

5 Q. And in the 208H, is that -- or what --

6 A. We have the same five uncommitted working
7 interest owners, and then the rest are unleased mineral
8 owners.

9 Q. Okay. So you proposed a lease to them?

10 A. Correct. Yes.

11 Q. And a copy of that is -- your proposal is in
12 here?

13 A. It should be in here. It doesn't look like the
14 lease is in there, but the proposal is.

15 Q. 4A is the proposal?

16 A. Correct.

17 Q. Okay. That's the proposal, 7,000, 700.

18 Okay. And no APIs yet because they haven't
19 been permitted at this point.

20 Of all these four wells, which ones do you
21 think will be drilled first?

22 A. We're going to drill the Kathy Coleman 208
23 first.

24 Q. 208?

25 A. Yes, sir, in the south half.

1 Q. Okay. And was there some reason why -- even
2 for Sections 13 and 14, you seem to be drilling in the
3 same surface locations, it seems like, or pretty close.

4 A. Correct. It's on the same well pad.

5 Q. Okay. All four wells on the same well pad?

6 A. Well, two wells, and the other two are on
7 the --

8 Q. Two wells. We're talking about two at this
9 point.

10 A. Yes. The north-half wells are on the one pad,
11 and the south half are on another pad.

12 Q. Oh. Thank you.

13 You don't have a situation where someone
14 has a lease, but they don't have a pooling clause, or
15 you don't have -- you have -- you have separate tracts
16 here; is that correct?

17 A. Yes.

18 Q. Two separate tracts in this section?

19 A. Yes. There are quite a few different tracts.

20 Q. Quite a few different tracts. Okay.

21 EXAMINER WADE: Just as far as notice is
22 concerned for the next Hearing Examiner, could you make
23 a list of everyone who requires published notice or did
24 not receive green cards and who got published notice,
25 just to make it easy.

1 MR. BRUCE: We'll take care of that.

2 EXAMINER WADE: Thank you.

3 EXAMINER JONES: Thank you very much.

4 THE WITNESS: Thank you.

5 MR. BRUCE: I'd like her to remain up
6 there, and we can run through the second booklet.

7 EXAMINER JONES: Okay.

8 DIRECT EXAMINATION

9 BY MR. BRUCE:

10 Q. Ms. Hahn, kind of the same program here. Could
11 you identify the two pages on Exhibit 1 and discuss the
12 well unit?

13 A. Exhibit 1 is our C-102 for the Joe Coleman 206.
14 This is going to be showing our proposed unit in the
15 north half of the 320-acre unit. And then the second
16 page is our 208 well in the south half.

17 Q. And, again, all of these wells are Wolfcamp gas
18 wells?

19 A. Yes.

20 Q. And the locations are unorthodox, but they're
21 being filed for administratively?

22 A. Correct.

23 Q. And who are -- referring to Exhibit 2, who are
24 the uncommitted working interest owners?

25 A. This is the same five, Abo, Mulberry, OXY,

1 Yates Industries and Yates Petroleum, which comes up to
2 about 24.49 percent, and these are uncommitted working
3 interest owners.

4 Q. And the same parties in the 208 well?

5 A. Yes.

6 Q. And what is the uncommitted interest there?

7 A. About 40.17 percent.

8 Q. And Exhibit 3 is simply the locator maps,
9 Midland Map Company plats?

10 A. Yes, sir.

11 Q. And Exhibit 4A, is this the -- a copy of one of
12 the proposal letters sent to the interest owners for the
13 206 well?

14 A. Yes, sir.

15 Q. And Exhibit 4B, same thing for the 208 well?

16 A. Correct.

17 Q. And, once again, if you skip over to Exhibit 6,
18 does this summarize the contacts you've had over the
19 months with the various entities being force pooled?

20 A. Correct.

21 Q. Again, do you expect some of these people to
22 eventually join in the well voluntarily?

23 A. Yes, I do.

24 Q. And will you notify the Division if that
25 occurs?

1 A. Yes.

2 Q. And in your opinion, have you made a good-faith
3 effort to obtain the voluntary joinder of the interest
4 owners in both wells?

5 A. Yes, I do.

6 Q. And what is Exhibit -- contained in Exhibit 5?

7 A. Exhibit 5 is our AFE for the Joe Coleman wells.
8 The 206 is approximately 5.9 million, and the 208 is
9 approximately 6 million.

10 Q. And are these costs reasonable and in line with
11 the cost of other Wolfcamp wells drilled in this area of
12 New Mexico?

13 A. Yes, they are.

14 Q. And what overhead rates do you request?

15 A. 7,000 a month while drilling and 700 a month
16 while producing.

17 Q. And are those rates fair and equivalent to
18 rates charged by other operators in this area?

19 A. Yes, sir.

20 Q. Do you request that those rates be adjusted
21 periodically as provided by the COPAS accounting
22 procedure?

23 A. Yes.

24 Q. And do you request a cost plus 200 percent risk
25 charge as against any nonconsenting interest owners?

1 A. Yes, we do.

2 Q. And were Exhibits 1 through 6 prepared by you
3 or under your supervision or compiled from company
4 business records?

5 A. Yes.

6 Q. In your opinion, is the granting of these
7 applications in the interest of conservation and the
8 prevention of waste?

9 A. Yes.

10 MR. BRUCE: Mr. Examiner, I move the
11 admission of Exhibits 1 through 6 in Cases 15598 and
12 15599.

13 EXAMINER JONES: Exhibits 1 through 6 are
14 admitted in those cases, which are the Joe Coleman
15 cases.

16 (Matador Production Co. Exhibit Numbers 1
17 through 6 in Cases 15598 and 15599 are
18 offered and admitted into evidence.)

19 MR. BRUCE: And Exhibit 7, again, will
20 be -- that's the notice materials, and I'm still waiting
21 for some green cards to come back.

22 EXAMINER JONES: Okay.

23 CROSS-EXAMINATION

24 BY EXAMINER JONES:

25 Q. This 40.17, was that all uncommitted working

1 interests also for the 208H?

2 A. Correct.

3 Q. And who are the Colemans? Are they --

4 A. They're actually shareholders.

5 Q. Okay.

6 A. Yeah. Our CEO likes to name wells after
7 shareholders.

8 Q. Oh, okay. Okay. Make sense.

9 A. Yes.

10 EXAMINER JONES: Any questions?

11 EXAMINER WADE: I don't have any questions.

12 EXAMINER JONES: Okay. Thanks very much.

13 THE WITNESS: Thank you so much.

14 MR. BRUCE: If you go to the Kathy Coleman
15 book.

16 LAUREN CONRAD,

17 after having been previously sworn under oath, was
18 questioned and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. BRUCE:

21 Q. Would you please state your name for the
22 record?

23 A. Lauren Conrad.

24 Q. And who do you work for and in what capacity?

25 A. I work for Matador as a reservoir engineer.

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

3 A. I have.

4 Q. And were your credentials as an expert engineer
5 accepted as a matter of record?

6 A. They were.

7 Q. Are you familiar with the applications filed by
8 Matador in these cases?

9 A. Yes, I am.

10 Q. And have you conducted a study of the area
11 within the four well units?

12 A. Yes.

13 MR. BRUCE: Mr. Examiner, I tender
14 Ms. Conrad as an expert reservoir engineer.

15 EXAMINER JONES: She is so qualified.

16 Q. (BY MR. BRUCE) Start with Exhibit 8. What does
17 that reflect?

18 A. Exhibit 8 is -- should I refer to all four
19 cases or refer to just Kathy at one point?

20 Q. Why don't we refer to Kathy Coleman at this
21 point.

22 A. Okay. Yeah.

23 So Exhibit 8 shows exactly -- sorry -- the
24 approximate location of the Kathy Coleman as it relates
25 to the Delaware Basin in New Mexico.

1 Q. And what is Exhibit 9?

2 A. Exhibit 9 here we've zoomed in on -- on both of
3 these pages in Exhibit 9 for the 206 and 208, we see the
4 320-acre project area in yellow. Outlined in red, we
5 see the planned approximate location of the surface hole
6 for each of the wells in a square, with the bottom holes
7 in circles there. We see some nearby Wolfcamp producers
8 highlighted, Matador's own Dr. K [sic] 203 and 206.

9 And we also see the vertical wells which
10 we'll be using on the cross section later marked in
11 yellow from A to A prime.

12 This map here that we're seeing in front of
13 us is a structure map of the top of the Wolfcamp in this
14 area. The study of this map would tell us that we have
15 a gentle 1-to-2 degree dip going from the west to the
16 east, a predictable Wolfcamp top, no major geologic
17 hazards like a faulting situation in this area.

18 Q. And did you prepare a cross section of the logs
19 in the wells noted on Exhibit 9?

20 A. Yes.

21 Q. And is that reflected in Exhibit 10?

22 A. It is.

23 Q. There are two pages. Is one just a blowup of
24 the first page?

25 A. Yes. The second page should be a larger

1 version for you-all if you wanted to zoom in more on
2 some details.

3 Q. And did you prepare this cross section to
4 determine the thickness and porosity of the Wolfcamp in
5 this area?

6 A. Yes.

7 Q. And do you consider the wells on the log
8 representative of the Wolfcamp Formation in and around
9 Sections 13 and 14?

10 A. Yes.

11 Q. Could you discuss briefly the cross section and
12 the target zone?

13 A. Right. So these representative wells here
14 we've shown, the study of this cross section would tell
15 us that we have very consistent Wolfcamp interval in
16 this area, something like 1,850 foot total across from
17 heel to toe of the planned wellbore. We've shown our
18 planned well location there in red as well.

19 Q. And this -- this is an Upper Wolfcamp test?
20 These are?

21 A. Yes.

22 Q. Let's go on to Exhibit 11 and discuss that
23 briefly. Please identify that exhibit.

24 A. Yes. Exhibit 11 is an isopach map of the
25 thickness of the Wolfcamp, mapped out basically the

1 thickness that we were just discussing in the cross
2 sections. You'll see what consists of 18,150 [sic] feet
3 thickness of the Wolfcamp in the area. Again, no major
4 geologic hazards have been found to date to show that
5 there would be anything like a pinch-out or major
6 faulting.

7 Q. And what conclusions have you drawn from the
8 study of this area?

9 A. Yes. The study of this area would indicate
10 that horizontal drilling is the best and most efficient
11 method to produce the minerals in these areas. We do
12 believe that'll produce -- especially with Matador's
13 success in the area, we do believe horizontal drilling
14 is the most efficient method to produce the best
15 ultimate recovery out of this zone, resulting in the
16 least amount of waste for the area.

17 Q. And I believe you said each quarter section in
18 the well unit will be productive in the Wolfcamp?

19 A. Yes.

20 Q. And what is contained in Exhibit 12?

21 A. Exhibit 12 is our construction diagram showing
22 the approximate planned wellbore path. You'll see that
23 we've planned to perforate no closer than 330 feet from
24 each of the lines there -- from each of the section
25 lines.

1 Q. And although you're not requesting in this case
2 any unorthodox location, do you anticipate any adverse
3 effect upon offsets from the unorthodox location?

4 A. No, I do not. This being a tight reservoir, we
5 don't see any reason for -- that the 330-foot spacing
6 would be -- have any adverse effects.

7 Q. Were Exhibits 8 through 12 prepared by you or
8 compiled under your direction and supervision?

9 A. Yes, they were.

10 Q. And in your opinion, is the granting of the two
11 Kathy Coleman applications in the interest of
12 conservation and the prevention of waste?

13 A. Yes.

14 MR. BRUCE: Mr. Examiner, I move the
15 admission of Matador's Exhibits 8 through 12 in cases
16 15595 and 15596.

17 EXAMINER JONES: Exhibits 8 through 12 are
18 admitted.

19 (Matador Production Co. Exhibit Numbers 8
20 through 12 in Cases 15595 and 15596 are
21 offered and admitted into evidence.)

22 CROSS-EXAMINATION

23 BY EXAMINER JONES:

24 Q. So you do geology also, or do you have somebody
25 working with you that --

1 A. Yes. I have a primary geologist that I work
2 closely with daily. We basically review each other's
3 work every single day, so -- uh-huh.

4 Q. But you're primarily a reservoir engineer?

5 A. Yes.

6 Q. So it sounds like reservoir engineering is more
7 fun than it used to be. Do you have a simulator or
8 anything you're supposed to keep track of?

9 A. That's not a part of my primary
10 responsibilities. I do have someone else that works
11 with some -- some simulation software. Uh-huh.

12 Q. Do you have lab -- research lab people that are
13 the primary simulator resources in your company?

14 A. We use -- we use some off-site labs for
15 analyzing our fluids and things like that.

16 Q. Okay. But this definitely is a gas reservoir?

17 A. The Wolfcamp at large, yeah. The majority of
18 the Wolfcamp interval has been proven as a gas
19 reservoir.

20 Q. And you have a target picked. Did you pick
21 that target for drilling?

22 A. I was involved in the picking of the target,
23 yes. It has a lot to do with our previous success in
24 the area. We're still testing different intervals and
25 things like that. So it lines up with our yearly plans.

1 Q. Yeah. So it's supposed to be -- do you have a
2 net pay or a net and gross pay that you could throw out
3 there and tell us about?

4 A. Pay? That could be pretty relative to exactly
5 where we're targeting here. Sometimes we like to focus
6 in on the exact target zone and figure out how much pay
7 there would be in an exact zone there. That's --
8 there's a lot of study going into that. I don't know
9 that I could tell you exactly what height [sic] is or
10 anything at this point.

11 Q. Is that kind of related to the frac job?

12 A. Yes. It would have a lot to do with the frac
13 design, maybe, at the time.

14 Q. So that would be the vertical issues.

15 A. Uh-huh.

16 Q. What about the lateral issues as far as the
17 drainage?

18 A. Yes. We have ongoing spacing studies. You'll
19 see some of our offset wells we've been testing how
20 close or far we can put them. We don't have an answer
21 at this time.

22 Q. Okay. Okay.

23 A. Yeah. We do believe that the spacing that
24 we've set the Kathy Colemans and Joel Colemans, for that
25 matter, are sufficient at this time, but spacing studies

1 are ongoing.

2 Q. Okay. Okay. Well, we better keep rolling
3 here.

4 EXAMINER WADE: I don't have anything.

5 MR. BRUCE: Well, with that, Mr. Examiner,
6 just very briefly we'll run through Cases 15598 and
7 15599 as to the exhibits.

8 DIRECT EXAMINATION

9 BY MR. BRUCE:

10 Q. But first, Ms. Conrad, other than a few changes
11 to the exhibits, is your testimony virtually identical
12 to what you just testified to?

13 A. Yes. These two sections are exactly -- exactly
14 next to each other, so the geology doesn't change. Like
15 I mentioned, we have a very consistent Wolfcamp zone
16 there.

17 Q. And just for the record, identify Exhibit 8.

18 A. Yes. Exhibit 8 being our locator map to find
19 the Joe Colemans as they relate to the Delaware Basin in
20 New Mexico.

21 Q. And Exhibit 9?

22 A. Exhibit 9, again, zooming in showing the
23 structure of the top of the Wolfcamp, showing the
24 cross-section map view that we'll be using in the next
25 exhibit.

1 Q. And this is different wells that are involved
2 in this cross section than the prior one?

3 A. Yes. We have one additional well. I believe,
4 actually, two of them are the same, and there's an
5 additional well to characterize this section as we move
6 to the east.

7 Q. And can you identify Exhibit 10 now?

8 A. Exhibit 10 being the cross section. It shows
9 from heel to toe and what we expect out of the rock in
10 this area and the current planned wellbore path there in
11 red.

12 Q. And these logs are representative of the
13 Wolfcamp Formation in this area?

14 A. Yes, they are.

15 Q. And you anticipate the Wolfcamp being
16 continuous across Section 14 in both wells?

17 A. Yes, I do.

18 Q. And each quarter section would be productive in
19 the Wolfcamp?

20 A. Yes.

21 Q. And Exhibit 11?

22 A. Exhibit 11 would be our isopach map. Again, we
23 see similar thickness around 1,850 feet in the Wolfcamp
24 here.

25 Q. And finally, Exhibit 12?

1 A. Exhibit 12 would be the construction diagram.
2 You'll see the -- how we mentioned earlier that the Joe
3 Colemans will be sharing the same pad as the Kathy
4 Colemans. There they're off-section, as you'll see on
5 this diagram. But the main point being that we plan to
6 perforate no closer than 330 feet from the east and west
7 section lines.

8 Q. And were Exhibits 8 through 12 either prepared
9 by you or compiled under your direction and supervision?

10 A. Yes, they were.

11 Q. And in your opinion, is the granting of the two
12 Joe Coleman applications in the interest of conservation
13 and the prevention of waste?

14 A. Yes.

15 MR. BRUCE: Mr. Examiner, I move the
16 admission of Exhibits 8 through 12 in those two cases.

17 EXAMINER JONES: Exhibits 8 through 12 are
18 admitted.

19 (Matador Production Co. Exhibit Numbers 8
20 through 12 in Cases 15598 and 15599 are
21 offered and admitted into evidence.)

22 MR. BRUCE: I have no more questions.

23 CROSS-EXAMINATION

24 BY EXAMINER JONES:

25 Q. Drilling east-west, is that a definite -- you

1 definitely would not drill north-south; is that correct?

2 A. That is not necessarily true. We -- actually,
3 we'll be presenting north-south wells later, just next
4 after this or later in the proceedings.

5 Q. Okay.

6 A. But we're still studying north-south versus an
7 east-west preference. It's some -- some due to best way
8 to develop the area. We haven't exactly come to a
9 finite conclusion as to which one we prefer at this
10 point.

11 Q. Okay. Do you have an in-house service company
12 like -- I guess the new names are Baker, Halliburton or
13 Schlumberger. Do you have one of those people in your
14 house designing your frac jobs?

15 A. We don't have any of those service companies
16 in-house. We have some recent employees that have come
17 on -- I mean different -- one of our employees has
18 worked at some of the service companies in the past and
19 have come over to lend their expertise, but most of that
20 is held by -- most of that is conducted by our
21 completions team.

22 Q. Okay.

23 A. So I don't work very closely with that
24 relationship there for frac designs.

25 Q. But they tell you which direction they think

1 the frac's are going to go; is that correct?

2 A. The service company wouldn't be the best
3 resource for that. We try to conduct our own studies on
4 that, field studies and large-fracture network studies
5 and things like that.

6 Q. Okay. Do you have a -- do you have a fracture
7 direction?

8 A. Current knowledge is a somewhat 45-degree
9 angle. So that's why we don't know per se right now if
10 north-south versus east-west is correct. Currently
11 thinking that they're both kind of suboptimal. So it's
12 kind of waiting to see if there is another reservoir
13 characteristic that would lend one to be more favorable
14 to the other, but there is a potential that both would
15 be exactly equal results.

16 Q. Okay. So if they're both pretty even, the
17 stresses will then -- you know, it wouldn't -- wouldn't
18 matter that much?

19 A. Right. That's what we currently think. But
20 there could be other drivers that would make one
21 direction more preferable to another, but we're not sure
22 at this point.

23 Q. Yeah. Yeah. But at least you get to drill
24 your wells in an orderly manner by picking a direction,
25 either east-west or north-south --

1 A. Yes.

2 Q. -- instead of angling your wells.

3 A. Yes. This provides better -- because of those
4 section structure, we have a square mile to work with.
5 Then east-west or north-souths seemed it would be the
6 best way to develop as opposed to trying to angle off
7 and you may miss your corners of your sections,
8 especially if you only owned one section and you
9 couldn't extend on into others. So --

10 Q. Makes infill drilling easier this way?

11 A. Yes.

12 Q. Okay. Thank you very much.

13 A. Okay. Thank you.

14 MR. BRUCE: And if these four cases could
15 be continued for two weeks, Mr. Examiner.

16 EXAMINER JONES: We'll do that. Let me
17 make sure I've got the right cases here.

18 We're going to -- we're going to continue
19 Case Number 15595 and 15596 for two weeks, to December
20 the 15th, and we're continuing cases Number 15598 and
21 15599 for two weeks, to December 15th.

22 We'll do a five-minute break here.

23 (Case Numbers 15595, 15596, 15598 and 15599
24 conclude, 9:13 a.m.)

25 (Recess 9:13 a.m. to 9:42 a.m., fire drill)

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
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