

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:

APPLICATION OF MATADOR PRODUCTION COMPANY FOR A NONSTANDARD SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO. CASE NO. 15785

Consolidated with

APPLICATION OF MATADOR PRODUCTION COMPANY FOR A NONSTANDARD SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO. CASE NO. 15786

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 31, 2017

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, on Thursday, August 31, 2017, 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  
New Mexico CCR #20  
Paul Baca Professional Court Reporters  
500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102  
(505) 843-9241

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

JORDAN L. KESSLER, ESQ.  
HOLLAND & HART, LLP  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501  
(505) 988-4421  
jlkessler@hollandhart.com

FOR ADVANCE ENERGY PARTNERS, LLC:

J. SCOTT HALL, ESQ.  
MONTGOMERY & ANDREWS LAW FIRM  
325 Paseo de Peralta  
Santa Fe, New Mexico 87501  
(505) 982-3873  
shall@montand.com

1	INDEX	
2		PAGE
3	Case Numbers 15785 and 15786 Called	4
4	Matador Production Company's Case-in-Chief:	
5	Witnesses:	
6	Cassie Hahn:	
7	Direct Examination by Ms. Kessler	5
8	Cross-Examination by Examiner Jones	13
9	James A. "Andy" Juett:	
10	Direct Examination by Ms. Kessler	15
11	Cross-Examination by Examiner Jones	19
12	Proceedings Conclude	21
13	Certificate of Court Reporter	22
14		
15	EXHIBITS OFFERED AND ADMITTED	
16	Matador Production Company Exhibit Numbers 1 through 10	13
17	Matador Production Company Exhibit Numbers 11 through 16	19
18		
19		
20		
21		
22		
23		
24		
25		

1 (8:26 a.m.)

2 EXAMINER JONES: Three Matador cases, Cases  
3 Number 15785, 15786 and 15787. And they will be  
4 combined?

5 MS. KESSLER: Mr. Examiner, 15785 and 15786  
6 will be combined. Case Number 15787 will be heard  
7 separately.

8 EXAMINER JONES: Call for appearances in  
9 those. Which one do you want to do first?

10 MS. KESSLER: 15785 and 86, please.

11 EXAMINER JONES: Call Case 15785,  
12 application of Matador Production Company for a  
13 nonstandard spacing and proration unit and compulsory  
14 pooling in Lea County, New Mexico, and Case 15786,  
15 application of Matador Production Company for a  
16 nonstandard spacing and proration unit and compulsory  
17 pooling, Lea County, New Mexico.

18 Call for appearances in both cases.

19 MS. KESSLER: Mr. Examiner, Jordan Kessler,  
20 from the Santa Fe office of Holland & Hart, on behalf of  
21 the Applicant.

22 MR. HALL: Mr. Examiner, Scott Hall,  
23 Montgomery & Andrews Law Firm, Santa Fe, on behalf of  
24 Advance Energy Partners, LLC, with no witnesses today.

25 EXAMINER JONES: They have an entry in the

1 file?

2 MR. HALL: Yes.

3 EXAMINER JONES: Any other appearances?

4 Are you in opposition in this case? Are  
5 you going to present any witnesses?

6 MR. HALL: No witnesses.

7 EXAMINER JONES: No witnesses.

8 MS. KESSLER: Two witnesses today.

9 EXAMINER JONES: Two witnesses?

10 Will the witnesses please stand and the  
11 court reporter swear the witnesses.

12 (Ms. Hahn and Mr. Juett sworn.)

13 CASSIE HAHN,

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

16 DIRECT EXAMINATION

17 BY MS. KESSLER:

18 **Q. Please state your name for the record and where**  
19 **you're employed and in what capacity.**

20 A. Cassie Hahn, and I am employed by Matador  
21 Resources Company as an associate landman.

22 **Q. Have you previously testified before the**  
23 **Division?**

24 A. Yes.

25 **Q. Were your credentials as a petroleum landman**

1     **accepted and made a matter of record?**

2           A.     Yes.

3           **Q.     Are you familiar with the applications filed in**  
4 **these consolidated cases?**

5           A.     Yes, I am.

6           **Q.     And are you familiar with the status of the**  
7 **lands in the subject area?**

8           A.     Yes.

9                     MS. KESSLER:  Mr. Examiner, I would tender  
10 Ms. Hahn as an expert petroleum landman.

11                    EXAMINER JONES:  Any objection?

12                    MR. HALL:  No objection.

13                    EXAMINER JONES:  She is so qualified.

14           **Q.     (BY MS. KESSLER) Ms. Hahn, let's turn to**  
15 **Exhibit 1.  Can you please explain what Matador seeks**  
16 **under these two applications?**

17           A.     Matador seeks to pool noncommitted working  
18 interest owners and in 160-acre spacing units.

19           **Q.     So two separate 160-acre nonstandard spacing**  
20 **units, correct?**

21           A.     Correct.

22           **Q.     And you seek to pool the interest owners in the**  
23 **Bone Spring Formation?**

24           A.     Yes.

25           **Q.     Looking at this Midland Map, it looks like**

1     **there are two federal leases involved in this spacing**  
2     **unit; is that correct?**

3           A.     That's correct.

4           **Q.     Is Exhibit 2 the draft plat -- or the submitted**  
5     **plat for the Verna Rae Fed Com #133H well?**

6           A.     Yes, it is.

7           **Q.     The C-102 has been filed but not yet approved,**  
8     **correct?**

9           A.     Correct.

10          **Q.     And what is the spacing unit for the 133H well?**

11          A.     It is 160 acres in the west half of the east  
12     half.

13          **Q.     Of Section 6?**

14          A.     Yes.

15          **Q.     And that would be Township 20 South, Range 34**  
16     **East, Lea County?**

17          A.     Yes.

18          **Q.     What is the pool for this area?**

19          A.     It's the Teas; Bone Spring --

20                     (The court reporter requested the witness  
21                     speak louder.)

22          A.     The Teas, T-E-A-S, Bone Spring, East.

23          **Q.     Is that Pool Code 96637?**

24          A.     Yes.

25          **Q.     And is that pool subject to Division statewide**

1 rules?

2 A. Yes.

3 Q. Will the completed interval for the 133H well  
4 comply with the setback requirements under the statewide  
5 rules?

6 A. Yes.

7 Q. Is Exhibit 3 the submitted C-102 for the Verna  
8 Rae Fed Com #134H well?

9 A. Yes, it is.

10 Q. What is the spacing unit for this --

11 A. 160 acres in the east half-east half of Section  
12 6, 20-34.

13 Q. And it's the same pool and same pool rules,  
14 correct?

15 A. Correct.

16 Q. Will this completed interval comply with the  
17 setback requirements?

18 A. Yes.

19 Q. Does Exhibit 4 identify the interest owners in  
20 the nonstandard spacing units for the 133H and the 134H  
21 wells?

22 A. Yes it, does.

23 Q. And I understand each of the two spacing units  
24 have identical interests, correct?

25 A. Correct.

1 Q. So this Exhibit 4 shows the total interest for  
2 Matador and the interest that has voluntarily joined,  
3 also the interests that you seek to pool, correct?

4 A. Correct.

5 Q. What types of interests do you seek to pool?

6 A. These are uncommitted working interest owners.

7 Q. All of them?

8 A. All of them.

9 Q. Is Exhibit 5 a sample of the well-proposal  
10 letter and an AFE sent to uncommitted interest owners  
11 for the 133H well?

12 A. Yes.

13 Q. On what date was this letter sent?

14 A. April 6th, 2017.

15 Q. And you mentioned it included an AFE, correct?

16 A. Yes, it does.

17 Q. That would be on the fourth page, correct?

18 A. Yes.

19 Q. Is Exhibit 6 a sample of the well-proposal  
20 letter sent for the 134H well?

21 A. Yes.

22 Q. And this was sent to all of the uncommitted  
23 interest owners?

24 A. Yes, it was.

25 Q. Again, this was sent on April 6th, correct?

1 A. Yes.

2 Q. And it included an AFE?

3 A. Yes, it did.

4 Q. Are the costs on each of these AFEs consistent  
5 with what other operators in the area charge for similar  
6 horizontal wells?

7 A. Yes, they are.

8 Q. For each of the two wells, has Matador  
9 estimated overhead and administrative costs while  
10 drilling and producing?

11 A. Yes. And they are 7,000 while drilling and 700  
12 while producing.

13 Q. Are those costs in line with what other  
14 operators in the area charge for similar wells?

15 A. Yes.

16 Q. And do you ask that those costs be incorporated  
17 into any order resulting from this hearing?

18 A. Yes.

19 Q. And do you ask that they be periodically  
20 adjusted in accordance with the COPAS accounting  
21 procedures?

22 A. Yes.

23 Q. For any uncommitted interest owners, are you  
24 requesting that the Division impose a 200 percent risk  
25 penalty?

1           A.    Yes.

2           **Q.    Is Exhibit 7 a communication log summarizing**  
3 **your various communications with the uncommitted**  
4 **interest owners?**

5           A.    Yes, it is.

6           **Q.    Can you please review this exhibit for us?**

7           A.    Sure.  We provided a variety of offers, JOAs,  
8 term assignments, et cetera to all the partners.

9           **Q.    Okay.  And in particular, can you please**  
10 **discuss your communication with Advance Energy?**

11          A.    Sure.

12                         In early July, we got notice from Devon  
13 that Advance picked up their interest.  Shortly after  
14 that, we sent Advance proposals and a JOA, along with  
15 the com agreement.  Since June -- or since July, we've  
16 been going back and forth trying to reach an agreement.  
17 Currently, we are working on a JOA with them.

18          **Q.    So you're currently still negotiating an**  
19 **agreement?**

20          A.    Correct.

21          **Q.    And if you do reach an agreement with Advance**  
22 **or any of the uncommitted working interest owners, will**  
23 **you notify the Division?**

24          A.    Yes, we will.

25          **Q.    And I understand that you proposed a variety of**

1 different deal structures; is that correct?

2 A. Yes.

3 Q. To each of uncommitted working interest owners?

4 A. Right.

5 Q. Were all the uncommitted working interest  
6 owners locatable?

7 A. Yes, they were.

8 Q. And in your opinion, have you made a good-faith  
9 effort to reach an agreement with the parties you seek  
10 to pool?

11 A. Yes.

12 Q. Did Matador identify the offset operators or  
13 lessees of record in the 40-acre tract surrounding the  
14 proposed nonstandard spacing units?

15 A. Yes, we did.

16 Q. And were they included in the notice of this  
17 hearing?

18 A. Yes.

19 Q. Is Exhibit 8 an affidavit prepared by my office  
20 with attached letters providing notice of this hearing  
21 for both the 133H and 134H wells to the parties that you  
22 seek to pool and the offsets?

23 A. Yes, it is.

24 Q. Are Exhibits 9 and 10 notices of publication  
25 providing notice in the county of record, in Lea County,

1 **of these cases?**

2 A. Yes.

3 **Q. Were Exhibits 1 through 8 prepared by you or**  
4 **compiled under your direction and supervision?**

5 A. Yes, they were.

6 MS. KESSLER: Mr. Examiner, I'd move  
7 admission of Exhibits 1 through 10, which include my  
8 affidavits.

9 MR. HALL: No objection.

10 EXAMINER JONES: Exhibits 1 through 10 are  
11 admitted.

12 (Matador Production Company Exhibit Numbers  
13 1 through 10 are offered and admitted into  
14 evidence.)

15 EXAMINER JONES: Do you have any questions?

16 MR. HALL: No questions.

17 CROSS-EXAMINATION

18 BY EXAMINER JONES:

19 **Q. So everybody's located, and there are two**  
20 **federal leases involved. Who holds -- holds those**  
21 **leases?**

22 A. There are a few different operators that hold  
23 each of the different leases. Enduro also owns the  
24 record title in the --

25 **Q. Who does?**

1 A. Enduro.

2 Q. Enduro.

3 A. On the southern lease.

4 Q. Okay. So you have to get a com agreement --  
5 federal com agreement. Do you already have that?

6 A. It is being rotated right now. We're still  
7 getting signatures.

8 Q. Okay. So everybody's work -- has interest in  
9 the lease.

10 Okay. It's all BLM?

11 A. Yes.

12 Q. And you had notice by newspaper because you got  
13 some return receipts? You didn't get some return  
14 receipts?

15 MS. KESSLER: (Indicating.)

16 Q. (BY EXAMINER JONES) And did you list everybody,  
17 even though your practice is now to notice everybody by  
18 newspaper? Is that correct?

19 A. Pooled parties, correct.

20 Q. Pooled parties. Just the pooled parties.  
21 Okay.

22 So is the pool set? Did Paul Kautz confirm  
23 the pool?

24 A. Yes, he did.

25 Q. And it's no special pool rules?

1 A. Not that I'm aware of.

2 Q. And neither well has been permitted, and it  
3 won't be for a while; is that correct?

4 A. The permit is submitted. It's just not  
5 accepted yet -- or approved yet.

6 Q. Both permits?

7 A. Yes. They were submitted in June.

8 Q. In June. Okay.

9 Anything else you would like to add for  
10 this?

11 A. That's it.

12 Q. Okay. Thanks very much.

13 MS. KESSLER: Call my next witness.

14 EXAMINER JONES: Okay.

15 JAMES A. "ANDY" JUETT,

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

18 DIRECT EXAMINATION

19 BY MS. KESSLER:

20 Q. Please state your name for the record.

21 A. James Andrew Juett.

22 Q. Who do you work for and in what capacity?

23 A. Matador Resources as a senior staff geologist.

24 Q. Have you previously testified before the  
25 Division?

1           A.    Yes, I have.

2           **Q.    Were your credentials as a petroleum geologist**  
3 **accepted and made a matter of record?**

4           A.    Yes, they were.

5           **Q.    Are you familiar with the cases filed for**  
6 **Matador in these consolidated cases?**

7           A.    Yes, I am.

8           **Q.    Have you conducted a geologic study of the Bone**  
9 **Spring in the subject area?**

10          A.    Yes, I have.

11          **Q.    Would you please turn to Exhibit 11 and**  
12 **identify this exhibit for the Examiners?**

13          A.    All right.  Exhibit 11 is a simple locator map  
14 that shows the project area and where it sits in Lea  
15 County, New Mexico.  The proration units on here are  
16 outlined in red with green-filled squares or rectangles.  
17 It also shows the surface- and bottom-hole locations.  
18 The surface location is the square.  The bottom-hole  
19 location in circles.  You can see the outline of the  
20 potash mine that we are just on the edge of.  So we  
21 wanted to include that on this.

22                               EXAMINER JONES:  Okay.

23          **Q.    (BY MS. KESSLER) Is Exhibit 12 a structure map**  
24 **of the Bone Spring in the area?**

25          A.    Yes, it is.

1           **Q.    Would you please walk us through the exhibit?**

2           A.    This is a structure map on top of the 3rd Bone  
3    Spring Sand, and it, again, shows the proration units  
4    and our project area with the surface- and bottom-hole  
5    locations.  The colored attributes show the formations  
6    that are being produced horizontally in the area, and it  
7    also -- the structure shows that the formation dips  
8    gently to the southwest and that we shouldn't expect to  
9    have any major geologic hazards in drilling the well.

10          **Q.    And, again, the diagonal lines signify potash;  
11    is that correct?**

12          A.    Yes.  Yes?  That's the hatched polygon -- or if  
13    you can call it a polygon, it is the potash boundary or  
14    the potash outline.  We also have -- the skinny, little  
15    yellow line on there is our line of cross section that  
16    we use for the next exhibit.

17          **Q.    Do you consider the wells used on your cross  
18    section to be representative of the Bone Spring wells in  
19    the area?**

20          A.    Yes, I do.

21          **Q.    Is Exhibit 13 the cross-section exhibit?**

22          A.    Yes, it is.

23          **Q.    Please walk us through this exhibit.**

24          A.    This is a stratigraphic cross section that's  
25    hung on the top of the Wolfcamp, and it shows -- what

1 you see here is the approximate zone that we plan to  
2 land the two laterals in the base of the 3rd Bone  
3 Spring, and it shows that over the project area, the  
4 sands should be similar and should -- we expect no real  
5 geologic hazards and that the sands are fairly uniform  
6 across the area.

7 **Q. And the two wells will be landed approximately**  
8 **in the same interval, correct?**

9 A. Yes. Yes, they will. On here, they look a  
10 little different, but it's just so you can see them.

11 **Q. Is Exhibit 14 a gross isopach map of the area?**

12 A. Yes, it is.

13 **Q. What does that map show us?**

14 A. It shows us that over the project area, we  
15 expect to have about 250 to 275 feet of sand -- gross  
16 sand, and that over the area, I expect the 3rd Bone  
17 Spring to be fairly similar across the entire proration  
18 units.

19 **Q. What conclusions have you drawn from your**  
20 **geologic study of this area?**

21 A. I believe that the sands should be fairly  
22 uniform across the area, that all quarter-quarter  
23 sections should be productive in the area and that  
24 drilling a horizontal well would be the most efficient  
25 way to produce these reserves.

1           **Q.    Are Exhibits 15 and 16 wellbore diagrams**  
2 **showing that each of the two completed intervals will be**  
3 **orthodox, with the pool rules?**

4           A.    Yes.  Yes, they are.

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

9           A.    Yes.

10          **Q.    Were Exhibits 11 through 16 prepared by you or**  
11 **compiled under your direction and supervision?**

12          A.    Yes, they were.

13                   MS. KESSLER:  Mr. Examiner, I move  
14 admission of Exhibits 11 through 16.

15                   MR. HALL:  No objection.

16                   EXAMINER JONES:  Exhibits 11 through 16 are  
17 admitted.

18                           (Matador Production Company Exhibit Numbers  
19 11 through 16 are offered and admitted into  
20 evidence.)

21                   MR. HALL:  No questions.

22                   EXAMINER JONES:  Okay.

23                                   CROSS-EXAMINATION

24 BY EXAMINER JONES:

25           **Q.    Okay.  The location of the wells, I guess**

1     **that's the big question. Are they going to change?**

2           A.     I don't think these will. We had an on-site  
3     with the BLM, and these should be -- I believe these are  
4     approved locations, and they will not be changing.

5           **Q.     Okay. And the potash is -- is that the**  
6     **Secretary's potash outline, or is it the R-111-P?**

7           A.     That -- this does not have a Secretary -- our  
8     surface locations are inside the Secretary's boundary,  
9     but -- the boundary here is the actual potash mine out  
10    there, but it's not the Secretary's boundary. So we are  
11    inside the Secretary's boundary but just outside the  
12    potash boundary.

13          **Q.     Okay. Okay. Is it in the R-111-P? It's in**  
14    **the life-of-mine reserves or -- we won't talk about**  
15    **that, I guess, or --**

16                   MS. KESSLER: The landman can be recalled  
17    to answer that question. I don't know the answer to  
18    that.

19          **Q.     (BY EXAMINER JONES) But, anyway, the permit**  
20    **that has to go through the OCD will make sure the casing**  
21    **is set for potash?**

22           A.     Yes.

23          **Q.     Okay. The main question is the location.**

24                   **The cost that -- that AFE you had, how long**  
25    **ago was that?**

1           A.    I don't really -- I do not know.  And as a  
2 geologist, the AFEs -- I give them my cost, and I don't  
3 compile them.  I tell them what I think our portion will  
4 be, and I don't know when those were done.

5           **Q.    That's fine.**

6           A.    I'd be making something up.

7           **Q.    Okay.  Well, it's better not to do that.**

8           A.    Yeah.

9           **Q.    Okay.  That's all I have.  Thank you very much.**

10                   EXAMINER JONES:  If that's all on these two  
11 cases, we'll take -- let me get this straight.  Cases  
12 15785 and 15786 are taken under advisement.

13                           (Case Numbers 15785 and 15786 conclude,  
14                           8:44 a.m.)

15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
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

23

24

25

MARY C. HANKINS, CCR, RPR  
Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2017  
Paul Baca Professional Court Reporters