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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

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1 (1:36 p.m.)

2 EXAMINER JONES: Call Case Number 15796,  
3 application of Matador Production Company for compulsory  
4 pooling in Eddy County, New Mexico.

5 Call for appearances.

6 MS. KESSLER: Mr. Examiners, Jordan  
7 Kessler, from the Santa Fe office of Holland & Hart, on  
8 behalf of the Applicant.

9 EXAMINER JONES: Any other appearances?

10 MS. KESSLER: Same two witnesses.

11 EXAMINER JONES: Let the record show the  
12 witnesses have been sworn.

13 EXAMINER WADE: And qualified.

14 EXAMINER JONES: And qualified.

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

18 DIRECT EXAMINATION

19 BY MS. KESSLER:

20 **Q. Can you please state your name, by whom you're**  
21 **employed and in what capacity?**

22 A. My name is Cassie Hahn. I work for Matador  
23 Resources Company as an associate landman.

24 MS. KESSLER: Mr. Examiner, I'd request  
25 that she be admitted as an expert petroleum landman.

1 EXAMINER JONES: She is qualified as an  
2 expert in petroleum land matters.

3 Q. (BY MS. KESSLER) Ms. Hahn, can you turn to  
4 Exhibit 1 and tell the Examiners what this is?

5 A. This is the entire pool, entire north half,  
6 greater acres of uncommitted working interest.

7 Q. And that would be in the north half of  
8 Section 2 [sic], uncommitted interest owners in the  
9 Wolfcamp Formation?

10 A. In the north half of Section 32.

11 Q. And this is one federal lease, correct?

12 A. Yes. Correct.

13 Q. Is Exhibit 2 the C-102 for the Pennzoil 32 Fed  
14 #201H well?

15 A. Yes.

16 Q. And, again, this is the -- the spacing is  
17 comprised of the north half of Section 32, Township 20  
18 South, 29 East, Eddy County?

19 A. Correct.

20 Q. What pool is in the Wolfcamp in this area?

21 A. This is the Burton Flat; Wolfcamp, East (Gas).

22 Q. Is that pool subject to Division statewide  
23 setbacks for gas wells?

24 A. Yes.

25 Q. So 660-acre setbacks and 320-acre spacing?

1 A. Yes.

2 Q. Will Matador be applying administratively for  
3 an unorthodox location in this well?

4 A. Yes.

5 Q. So the setback for the completed interval will  
6 be approximately 330 feet?

7 A. Correct. Yes.

8 Q. Is Exhibit 3 a summary of the interests in the  
9 spacing units?

10 A. It is.

11 Q. And this shows that the only company that  
12 Matador seeks to pool is Marathon Oil Corporation,  
13 correct.

14 A. Yes. Correct.

15 Q. Are they an uncommitted working interest owner?

16 A. They are.

17 Q. Is Exhibit 4 a copy of the well-proposal  
18 letters that you sent to the interest owners at the time  
19 of the well proposal?

20 A. Yes.

21 Q. And these were sent on May 1st, 2017?

22 A. That's correct.

23 Q. Did it include an AFE?

24 A. It did.

25 Q. That's the last page of Exhibit 4, correct?

1 A. Correct.

2 Q. And these interests were acquired by Marathon?

3 A. That's correct.

4 Q. Are the costs on the AFE consistent with what  
5 other operators in the area charge for similar wells?

6 A. They are.

7 Q. And what overhead and administrative costs has  
8 Matador estimated?

9 A. We estimated 7,000 for drilling and 700 a month  
10 for production.

11 Q. Are those similar to what other operators from  
12 the area charge for similar wells?

13 A. Yes.

14 Q. Do you ask that those costs be incorporated  
15 into any order resulting from this hearing?

16 A. Yes, we do.

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

20 A. Yes, we do.

21 Q. For the uncommitted working interest owners, do  
22 you request that the Division impose a 200 percent risk  
23 penalty?

24 A. Yes.

25 Q. Exhibit 5 reflects email correspondence between

1     **Matador and Marathon, correct?**

2           A.     Correct.

3           **Q.     Approximately how long have you been**  
4 **negotiating with Marathon?**

5           A.     Since early June.

6           **Q.     And they're aware of these well-proposal**  
7 **letters, and you're working on an agreement, correct?**

8           A.     Yes.    Correct.

9           **Q.     And you've had lengthy communication with them?**

10          A.     Correct.   Yes.

11          **Q.     In your opinion, have you made a good-faith**  
12 **effort to reach an agreement with Marathon?**

13          A.     Yes, we have.

14          **Q.     Is Exhibit 6 an affidavit with attached letters**  
15 **providing notice of this hearing to Marathon?**

16          A.     Yes.

17          **Q.     And out of an abundance of caution, did you**  
18 **also publish notice in Eddy County, which is included as**  
19 **Exhibit 7?**

20          A.     Yes, we did.

21          **Q.     Were Exhibits 1 through 5 prepared by you or**  
22 **compiled under your direction and supervision?**

23          A.     Yes, they were.

24                         MS. KESSLER:   Mr. Examiner, I'd move  
25 admission of Exhibits 1 through 7.

1 EXAMINER JONES: Exhibits 1 through 7 are  
2 admitted.

3 (Matador Production Company Exhibit Numbers  
4 1 through 7 are offered and admitted into  
5 evidence.)

6 CROSS-EXAMINATION

7 BY EXAMINER JONES:

8 Q. The same parties involved?

9 A. Yes, sir, and the same term assignments.

10 Q. Term assignments --

11 A. Yes, sir.

12 Q. -- still a separate --

13 A. It depends. We can make the term assignment  
14 say all depths, or we can make them separate. It  
15 depends on what Marathon would like to do.

16 Q. Okay. Okay. And this is on the edge of the  
17 potash; is that correct?

18 A. This one is, yes, that we are outside of the  
19 R-111-P.

20 Q. Okay. I don't have any more questions.

21 EXAMINER WADE: No questions.

22 EXAMINER JONES: Thank you.

23 THE WITNESS: Thank you very much.

24 JAMES A. "ANDY" JUETT,

25 after having been previously sworn under oath, was



1           A.     This shows us that the Wolfcamp structure dips  
2     gently to the southeast and that we don't expect to have  
3     any geologic hazards in drilling this well.  There  
4     shouldn't be any faulting or pinch-outs in this area and  
5     that we expect it to be fairly uniform across the  
6     project area.

7           **Q.     What is the closest producing Wolfcamp well?**

8           A.     We have two wells that produce -- they're  
9     2-and-a-half to 3 miles away.  They're just off this map  
10    to the northwest, and they are -- OXY, I believe, is the  
11    operator in those wells.  They were re-entries in 2008  
12    of a couple of Morrow wells, and they were short  
13    laterals.  They kicked off in a Wolfcamp carbonate  
14    that's at the top of the Wolfcamp that we don't have in  
15    this area.  But they're just off this map.  But that  
16    carbonate's flow -- debris flow is not in our particular  
17    project area here.  And they're half-mile laterals.

18          **Q.     But you were able to obtain logs covering the**  
19    **Wolfcamp for the cross-section exhibit; is that correct?**

20          A.     Yes.  That is correct.

21                   And the control for this -- again, the data  
22    is a little sparser in this area, but the red gas well  
23    symbols are old Morrow wells that penetrated the entire  
24    Wolfcamp section.

25          **Q.     You used three wells for the cross-section**

1 **exhibit?**

2 A. Yes, I did.

3 **Q. Are those wells representative of the Wolfcamp**  
4 **in this area?**

5 A. Yes, they are.

6 **Q. Would you please review Exhibit 10 for us?**

7 A. Exhibit 10 is a stratigraphic cross section  
8 that is hung on the top of the Wolfcamp, and it shows  
9 the base of the Wolfcamp by the top of the Strawn, and  
10 it shows that the interval is fairly uniform through  
11 here. Thicknesses aren't changing much, and we  
12 shouldn't expect many geologic hazards drilling this  
13 well. It also shows the lateral interval that we are  
14 looking to produce.

15 **Q. Would you please walk us through Exhibit 11?**

16 A. Exhibit 11 is a gross thickness isopach of the  
17 Wolfcamp interval. And, again, this isopach shows that  
18 the Strawn gross thickness -- or the Wolfcamp gross  
19 thickness is fairly uniform across the area and doesn't  
20 change much, and we, again, don't expect any geologic  
21 hazards in this area.

22 **Q. And, again, this reflects that there aren't any**  
23 **Wolfcamp wells in the immediate area?**

24 A. That's correct. Yes.

25 **Q. And what conclusions have you drawn based on**

1     **your study of this area?**

2           A.     That the drilling of these wells should be the  
3     most economic way to produce the reserves, that all  
4     quarter-quarter sections should be productive, and we  
5     don't expect any geologic hazards in the area.

6           **Q.     Exhibit 12 is wellbore diagram showing that the**  
7     **completed interval will be no closer than 330 feet from**  
8     **the outer boundary of the spacing units?**

9           A.     Yes.   That's correct.

10          **Q.     It's unorthodox under the pool rules; is that**  
11     **correct?**

12          A.     Yes.   Uh-huh.

13          **Q.     In your opinion, will granting Matador's**  
14     **application be in the best interest of conservation, for**  
15     **the prevention of waste and the protection of**  
16     **correlative rights?**

17          A.     Yes, it will.

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

20          A.     Yes, they were.

21                   MS. KESSLER:   Mr. Examiner, I'd move  
22     admission of Exhibits 8 through 12.

23                   EXAMINER JONES:   Exhibits 8 through 12 are  
24     admitted.

25                                 (Matador Production Company Exhibit Numbers

1                   8 through 12 are offered and admitted into  
2                   evidence.)

3                                   CROSS-EXAMINATION

4 BY EXAMINER JONES:

5           **Q.    So this was an application just for compulsory**  
6 **pooling?**

7                                   MS. KESSLER:   Correct.

8           **Q.    (BY EXAMINER JONES) And that Strawn is**  
9 **pretty -- looks like easy to see, but was there were any**  
10 **Penn in this area?**

11           A.    There is a little Upper Penn, yes, sir, and  
12 it's about 100 -- on this cross section, it's about 100  
13 feet thick, and it sits on the top of the Strawn.

14           **Q.    Okay. That really thinned out there.**

15           A.    Uh-huh.

16           **Q.    Is that Strawn any good?**

17           A.    It does produce in some areas, more  
18 conventionally. So where they find porosity, it does  
19 produce.

20           **Q.    So this is pretty risky because it's**  
21 **2-and-a-half, 3 miles away. The well that you were**  
22 **talking about, the half-mile well, is that in pretty**  
23 **much -- was it shot in the same zone you're going to**  
24 **drill in?**

25           A.    No, sir. It is in the upper portion of the

1 Wolfcamp. It is a pretty good, thick --

2 **Q. You said carbonate?**

3 A. It's a carbonate that's in the -- it's about  
4 150 feet below the top of the Wolfcamp, is where that  
5 carbonate comes in.

6 **Q. Okay. Good luck with your well.**

7 A. All right. Thank you.

8 EXAMINER JONES: Okay. Thank you very  
9 much.

10 Case Number 15796 is taken under  
11 advisement.

12 I guess everything will be fine there  
13 unless they change the pool name, which would change  
14 everything. Hopefully that won't happen.

15 (Case Number 15796 concludes, 1:48 p.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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MARY C. HANKINS, CCR, RPR  
Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2017  
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