

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 CASE NO. 16034
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 5, 2018

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
 PHILLIP GOETZE, TECHNICAL EXAMINER
 LEONARD LOWE, TECHNICAL EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, Phillip Goetze and Leonard Lowe, Technical Examiners, and David K. Brooks, Legal Examiner, on Thursday, April 5, 2018, 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.

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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

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1 (1:32 p.m.)

2 EXAMINER JONES: Let's call Case Number
3 16034, application of Matador Production Company for
4 compulsory pooling in Eddy County, New Mexico.

5 Call for appearances.

6 MR. RANKIN: Thank you, Mr. Examiner. Adam
7 Rankin, with the Santa Fe office of Holland & Hart, on
8 behalf of the Applicant. I have two witnesses in this
9 case.

10 EXAMINER JONES: Any other appearances?
11 Will the witnesses stand?

12 (Mr. Pryor and Mr. Juett sworn.)

13 MR. RANKIN: Mr. Examiner, I'd like to call
14 my first witness, Mr. Sam Pryor.

15 SAMUEL T. PRYOR,
16 after having been first duly sworn under oath, was
17 questioned and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. RANKIN:

20 **Q. Mr. Pryor, will you please state your full name**
21 **for the record?**

22 A. My name is Sam Pryor. I'm the manager of
23 federal lands with Matador. I've been with the company
24 for about eight years.

25 **Q. Have you previously testified before the**

1 **Division?**

2 A. Yes, sir.

3 **Q. Have you had your credentials as an expert**
4 **petroleum landman accepted as a matter of record?**

5 A. Yes, sir.

6 **Q. Are you familiar with the application filed in**
7 **this case?**

8 A. Yes, sir, I am.

9 **Q. Have you conducted a study of the lands at**
10 **issue in this application?**

11 A. Yes, sir.

12 MR. RANKIN: Mr. Examiner, I would retender
13 Mr. Pryor as an expert in petroleum land matters.

14 EXAMINER JONES: So qualified, even though
15 he's not at the Masters Tournament today.

16 **Q. (BY MR. RANKIN) Mr. Pryor, will you please open**
17 **your exhibit notebook to Exhibit Number 1? And**
18 **reviewing the first exhibit, will you reference what it**
19 **is that Matador is seeking with this application?**

20 A. Yes, sir. Exhibit 1 is the C-102 for the
21 Stebbins 20 Fed #204H well. As you can see, the spacing
22 unit for this well encompasses the south half of this
23 section, 20, 20 South, 29 East. The well is permitted
24 in the Burton Flat; Wolfcamp, East Pool, Pool Code
25 73480. And Matador seeks to create a nonstandard

1 spacing unit comprising of roughly 320 acres being the
2 south half of Section 20.

3 Q. Now, the spacing unit, is it a standard oil
4 spacing, or is it gas spacing?

5 A. In this case the pool is gas spacing, so it's
6 660.

7 Q. 660 off the line?

8 A. Yes, sir.

9 Q. And has Matador applied for and received a
10 nonstandard-location approval for the well in this case?

11 A. Yes, sir. Matador has applied for a
12 nonstandard location. I believe it was approved.

13 Q. Is that order number NSL 7615?

14 A. Yes, sir.

15 Q. Okay. Now, Exhibit Number 2, will you just
16 review for the Examiners what this shows and point out
17 the status of the lands at issue in this case?

18 A. Yes, sir. This is a Midland Map of the
19 surrounding areas. As you can see, the contract area,
20 again, is the south half of Section 20. It is comprised
21 of a single federal lease.

22 Q. And in this case, are there any ownership
23 distinctions between the zones underlying this acreage?

24 A. No, sir. There are not any differences.

25 Q. Reviewing your next exhibit, is this a list of

1 the parties and the ownership interests at issue in this
2 case, the spacing unit?

3 A. It is.

4 Q. Will you review it, please?

5 A. Yes, sir. For this PowerPoint, Matador has
6 roughly 72 percent, and we have reached voluntary
7 joinder with another 20 percent, roughly. We are
8 seeking to pool the interests listed under the
9 compulsory pool interest total being just under half a
10 percent.

11 Q. And so you're seeking to pool all uncommitted
12 interest owners; is that correct?

13 A. Yes, sir.

14 Q. And this is a list of the working interest
15 owners you're seeking to pool?

16 A. Yes, sir.

17 Q. Have you noticed all the overrides at issue in
18 the spacing unit?

19 A. We have.

20 Q. And are there any unleased mineral owners in
21 this case?

22 A. No, sir.

23 Q. Now, have you been able to locate all the
24 parties that you're seeking to pool?

25 A. We have not been able to locate all the

1 parties. We have a mixed bag of unlocatable parties and
2 unresponsive parties.

3 **Q. Will you just review for the Examiners what**
4 **efforts you've undertaken to identify and locate those**
5 **parties?**

6 A. Yes, sir. We have researched the county
7 records to acquire the last known address of these
8 various parties. We've also conducted several online
9 searches through tools such as LexisNexis, and we've
10 also ran telephone directory searches to try to find
11 some contact information for these individuals. Some of
12 these members are parts of the same family, and to the
13 extent we've been able to get contact information there,
14 we have tried to do so.

15 **Q. Have you been able to reach agreement with any**
16 **of these parties listed, and if so, will you notify the**
17 **Division you're no longer seeking to pool them?**

18 A. Yes, sir.

19 **Q. And have you prepared a well proposal with an**
20 **estimate of your costs that you sent out to these**
21 **working interest owners?**

22 A. Yes, sir.

23 **Q. Is that depicted in Exhibit Number 4?**

24 A. It is.

25 **Q. And does this well proposal include an AFE?**

1 A. It does.

2 **Q. And are the costs reflected in the AFE**
3 **consistent with what Matador and other operators have**
4 **incurred for drilling similar wells in the area?**

5 A. It is.

6 **Q. And have you identified what the costs will be**
7 **incurred -- overhead and administrative costs will be**
8 **incurred by Matador while drilling and producing if**
9 **successful?**

10 A. Yes, sir. For the purposes of this order, we
11 are requesting 7,000 while drilling and 700 while
12 producing.

13 **Q. Are those administrative and overhead costs**
14 **consistent with what Matador and other operators have**
15 **been incurring for similar activities and similar wells**
16 **in the area?**

17 A. Yes, sir.

18 **Q. Now, have you been able to reach any agreement**
19 **with any of these parties you've identified in your list**
20 **of pooled parties?**

21 A. We have not reached final agreement. There are
22 a couple of parties that we have recently come into
23 contact with, and we are attempting to reach voluntary
24 agreement.

25 **Q. And to the extent you will do so, you'll**

1 dismiss them from the case and notify the Division; is
2 that right?

3 A. Yes, sir.

4 Q. Now, is Exhibit 5 a copy of the affidavit that
5 was prepared by my office indicating that notice was
6 provided to all the parties you're seeking to pool and
7 the overrides as well?

8 A. Yes, sir.

9 Q. Did you also identify, in each of the spacing
10 units surrounding this acreage, the offset operators and
11 leasehold interest owners?

12 A. We did.

13 Q. Did you also provide notice to those
14 individuals?

15 A. Yes, sir.

16 Q. Behind my affidavit here, is this a copy of the
17 letters that were sent out to those affected parties?

18 A. Yes, sir.

19 MR. RANKIN: And, Mr. Examiner, at this
20 point I'll state that because there were some
21 unlocatable interests, the notice of publication for
22 this case was published untimely, and so as a
23 consequence, we ask that this case be continued to the
24 May 3rd docket so we may perfect notice publication.
25 And at that time, we'll supplement the record with an

1 Affidavit of Publication identifying each of the
2 unlocatable interests by name.

3 EXAMINER JONES: Okay. Thank you.

4 EXAMINER BROOKS: Okay. I didn't mention
5 this in an earlier case in which that issue was
6 involved, but it seems to me that, arguably, you've got
7 to get that notice published -- you have to get a new
8 notice -- well, you're going to get a new notice.

9 MR. RANKIN: New notice and a new hearing
10 date identifying May 3rd.

11 EXAMINER BROOKS: Okay. I appreciate that.
12 That hit me in a case that we had last hearing, and I
13 hadn't been alerted to it before.

14 MR. RANKIN: That will be our intent.
15 That's what we'll be presenting at the May 3rd docket.

16 With that, Mr. Examiner, I would move the
17 admission of Exhibits 1 through 5.

18 EXAMINER JONES: Exhibits 1 through 5 are
19 admitted.

20 (Matador Production Company Exhibit Numbers
21 1 through 5 are offered and admitted into
22 evidence.)

23 MR. RANKIN: I have no further questions.
24 Pass the witness.

25 EXAMINER JONES: Phil?

1 EXAMINER GOETZE: No questions of this
2 witness. Thank you.

3 EXAMINER LOWE: No questions.

4 EXAMINER BROOKS: No questions.

5 EXAMINER JONES: No questions. Thank you.

6 THE WITNESS: Thank you very much.

7 MR. RANKIN: With that, I'll ask my witness
8 to step down, and I'll call my second witness, Mr. Andy
9 Juett.

10 EXAMINER JONES: I think we know him also
11 (laughter).

12 JAMES ANDREW JUETT,
13 after having been first duly sworn under oath, was
14 questioned and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. RANKIN:

17 Q. Mr. Juett, would you please state your full
18 name for the record?

19 A. James Andrew Juett.

20 Q. And by whom are you employed and in what
21 capacity?

22 A. Matador Resources as a senior staff geologist.

23 Q. And have you previously testified before the
24 Division?

25 A. Yes, I have.

1 Q. And you've had your credentials as an expert
2 petroleum geologist accepted as a matter of record?

3 A. Yes, I have.

4 Q. Have you conducted a geologic study of the
5 lands underlying the acreage in this case?

6 A. Yes, I have.

7 Q. Are you familiar with the application that was
8 filed?

9 A. Yes, I am.

10 MR. RANKIN: Mr. Examiner, I would retender
11 Mr. Juett as an expert in petroleum geology.

12 EXAMINER JONES: So qualified.

13 Q. (BY MR. RANKIN) Mr. Juett, would you identify
14 for the Examiners what the target interval is for this
15 case?

16 A. The target interval for this case is an Upper
17 Wolfcamp Y Sand.

18 Q. And will you review for the Examiners, kind of
19 get them oriented to the location of this well by
20 referencing Exhibit Number 6?

21 A. Yes. Exhibit 6 is just a simple locator map
22 showing where our project area is, located in Eddy
23 County. The project area is the red box filled with
24 green. The surface location is shown in the red -- or
25 excuse me -- in the little blue square, and the

1 bottom-hole location is in the blue circle. And then it
2 also shows the proximity to the Secretary's Potash on
3 this map, and we are outside of the potash area.

4 **Q. Have you prepared a structure map on the**
5 **Wolfcamp structure that you're targeting?**

6 A. Yes, I have.

7 **Q. And is that your next exhibit, Number 7?**

8 A. Yes, it is.

9 **Q. Will you review that?**

10 A. Yes. This is a structure on the top of the
11 Wolfcamp. It's a subsea structure map, and it shows
12 that the Wolfcamp Formation is dipping gently to the
13 southeast. And also noted on this -- well, and then I
14 also, in this structure, don't see any faulting that
15 would hinder the drilling of a horizontal well.

16 Also noted on this map are the
17 horizontal-producing wells that are already in the area.
18 The 2nd Bone Spring and 3rd Bone Spring are the wells --
19 formations producing in this area. And then at the --
20 you can barely see it on this map, but at the little
21 circle, which is our bottom-hole location, there is a
22 2nd Bone Spring and a 3rd Bone Spring. We have already
23 drilled a 2nd Bone Spring and a 3rd Bone Spring in this
24 slot. So that doesn't show up very well.

25 And then also on this cross section, there

1 is a -- or on this map, we see a cross section. A, A
2 prime is denoted by the blue line for the next exhibit.

3 **Q. And your next exhibit is referencing that cross**
4 **section; is that correct?**

5 A. That is correct.

6 **Q. Can you review that, please, for the Examiners?**

7 A. Yes. Exhibit 8 is a stratigraphic cross
8 section that's hung on the top of the Wolfcamp
9 Formation, and it shows the base of the Wolfcamp being
10 the Canyon Formation in this area. So we have about
11 1,100 to 1,150 feet of gross Wolfcamp zone. Also
12 depicted on this cross section with the green line is
13 the interval that we intend to drill in the upper
14 portion of the Wolfcamp, in the basal Y Sand. It shows
15 our target interval. And what this cross section also
16 shows is that the sands are fairly consistent across the
17 project area and that we should expect all
18 quarter-quarter sections to be productive.

19 **Q. In your opinion, Mr. Juett, there are no**
20 **geologic hazards or impediments, pinch-outs or other**
21 **issues that would impede development of the horizontal**
22 **well in this spacing unit?**

23 A. That is correct.

24 **Q. And these three wells that you've identified**
25 **and selected for your cross section, in your opinion,**

1 are they representative of the wells in the area and the
2 geology?

3 A. Yes, sir. And they are the only wells we have
4 that are deep enough in this area. There's not a lot of
5 well control in this area, so these about the only three
6 that I can use for a cross section that kind of shows
7 the area.

8 Q. At that point I think you indicated -- you
9 stated that there are no other Wolfcamps producing
10 within a few-mile radius, it looks like?

11 A. Right. There are no other Wolfcamp
12 horizontal-producing wells. We do have a couple of
13 Wolfcamp-producing horizontals, laterals, that are to
14 the north and west of here, but they are in a Wolfcamp
15 Carbonate interval that doesn't carry over to this
16 interval -- or to this area.

17 Q. And in your opinion, is the orientation of the
18 well appropriate for the spacing unit and the geology
19 here?

20 A. Yes, it is.

21 Q. In your opinion, Mr. Juett -- I think you
22 stated this, but just to be clear, in your opinion, will
23 the well contribute equally to the -- entire lateral
24 contribute equally to the production from the well?

25 A. Yes. Each quarter-quarter section will be

1 productive.

2 Q. In your opinion, will the granting of this
3 application be in the interest of conservation, the
4 prevention of waste and the protection of correlative
5 rights?

6 A. Yes, it will.

7 Q. Mr. Juett, did you prepare Exhibits 6, 7 and 8
8 yourself or under your direct supervision?

9 A. Yes, I did.

10 MR. RANKIN: Mr. Examiner, I would move the
11 admission of Exhibits 6, 7 and 8.

12 EXAMINER JONES: They are admitted.

13 (Matador Production Company Exhibit Numbers
14 6, 7 and 8 are offered and admitted into
15 evidence.)

16 MR. RANKIN: No further questions.

17 EXAMINER GOETZE: No questions for this
18 witness.

19 EXAMINER LOWE: I've got a question.

20 CROSS-EXAMINATION

21 BY EXAMINER LOWE:

22 Q. The NSL application that was approved, where
23 were you unorthodox?

24 A. I believe that the original location was
25 supposed to be 660 off of the leaselines, and so we

1 applied for 330 off of the leaselines.

2 **Q. Yeah. At what location?**

3 A. Same -- it was going to be in the same
4 location, just the wellbore was going to be 660 off the
5 leaseline. So we would have the same orientation, just
6 moved over 330 feet.

7 MR. RANKIN: So, Mr. Lowe, if you look at
8 Exhibit Number 1 --

9 EXAMINER LOWE: Yeah. I don't have the
10 exhibits.

11 MR. RANKIN: Oh, you don't?
12 The toe and heel are nonstandard. They're closer to the
13 line.

14 EXAMINER LOWE: So it's an east and a west?

15 MR. RANKIN: Yeah.

16 EXAMINER LOWE: That's all I've got.

17 EXAMINER BROOKS: No questions.

18 CROSS-EXAMINATION

19 BY EXAMINER JONES:

20 **Q. So it's a gas pool, but you're expecting oil?**

21 A. We don't know. There are not any wells
22 producing out of this. It should have a higher GOR.
23 We're expecting anywhere from 2,000 to 2,500 Mcf per
24 barrel. Some of the Bone Spring wells have done that.
25 So I would think this might be -- since it's a little

1 deeper, it may be a little gassier in this area.

2 **Q. When is your spud date, do you think?**

3 A. Where this fits on the schedule, it's either
4 going to be a month or two months out. We're juggling
5 another location. If we get another location ready,
6 then -- we have another location to go drill.
7 Hopefully, if not, we'll slot it in. So probably -- we
8 would like to have it two months away.

9 **Q. Okay. Okay. Thank you very much.**

10 A. You're welcome.

11 MR. RANKIN: No further questions,
12 Mr. Examiner.

13 With that, I would ask this case be
14 continued to the May 3rd docket so we may perfect those
15 by publication.

16 EXAMINER JONES: Case Number 16034 has been
17 heard and is continued to May the 3rd.

18 MR. RANKIN: Thank you.

19 (Case Number 16034 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.

20 DATED THIS 22nd day of April 2018.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
Paul Baca Professional Court Reporters

25