

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 NOS. 16181,  
COMPANY FOR A NONSTANDARD OIL SPACING                      16182  
AND PRORATION UNIT AND COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 31, 2018

Santa Fe, New Mexico

BEFORE:    WILLIAM V. JONES, CHIEF 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, Leonard Lowe, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, May 31, 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.

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  
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## 1 APPEARANCES

2 FOR APPLICANT MATADOR PRODUCTION COMPANY:

3 JAMES G. BRUCE, ESQ.  
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1 (11:01 a.m.)

2 EXAMINER JONES: Let's go back on the  
3 record and call cases 27 and 28, which is --

4 MR. BRUCE: 23 and 24.

5 EXAMINER JONES: Sorry. I'm jumping ahead  
6 here.

7 23 and 24, which are Case Numbers 16181,  
8 application of Matador Production Company for a  
9 nonstandard oil spacing and proration unit and  
10 compulsory pooling in Lea County, New Mexico, and Case  
11 Number 16182, which has exactly the same title.

12 Call for appearances.

13 MR. BRUCE: Mr. Examiner, Jim Bruce of  
14 Santa Fe representing the Applicant. I have two  
15 witnesses.

16 EXAMINER JONES: Any other appearances?  
17 Will the witnesses please stand?

18 MR. BRUCE: If the record could reflect  
19 they're the same witnesses as in the prior hearing, and  
20 they've already been sworn and qualified.

21 EXAMINER JONES: Let the record so reflect.

22 CASSIE HAHN,  
23 after having been previously sworn under oath, was  
24 questioned and testified as follows:

25

1 DIRECT EXAMINATION

2 BY MR. BRUCE:

3 Q. Would you please state your name for the  
4 record?

5 A. Cassie Hahn.

6 Q. And are you familiar with land matters involved  
7 in these two applications?

8 A. Yes, I am.

9 Q. Could you turn to Exhibit 1 and describe what  
10 is shown under Tabs 1A, 1B and 1C?

11 A. Sure. Tab 1A is the C-102 for the Leslie Fed  
12 Com 201.

13 EXAMINER BROOKS: Let me interrupt just a  
14 second. Same error in the Table of Contents needs to be  
15 corrected, the Lea County instead of Eddy County.

16 Go ahead.

17 THE WITNESS: Tab B is the C-102 for the  
18 Leslie Fed Com 215. Tab C is the C-102 for the Leslie  
19 Fed Com 202. These exhibits also ID the API numbers,  
20 the pool names and the pool codes.

21 Q. (BY MR. BRUCE) And are you seeking to force --  
22 and the names are the Leslie Federal wells?

23 A. The Leslie Fed Com.

24 Q. And are the 201H and the 215H both located in  
25 the west half-west half of Section 17?

1           A.     Yes.

2           Q.     And the Leslie 202 is in the east half-west  
3     half of Section 17; is that correct?

4           A.     Yes.   Correct.

5           Q.     Are the producing intervals of all the wells  
6     located at orthodox locations?

7           A.     Yes, they are.

8           Q.     And you seek approval of the two 160-acre  
9     nonstandard units?

10          A.     Yes.   Correct, and in the Wolfcamp Formation.

11          Q.     Okay.   Let's turn to Exhibit 2.   Could you  
12     identify the types of land in these two well units?

13          A.     Yes.   This is a Midland Map showing the  
14     leasehold of the well units.   As you can see in the  
15     legend, there is, again, two federal leases, one in the  
16     north half of the south -- sorry -- north half of the  
17     northwest quarter, and the entire southwest quarter is a  
18     federal lease.   And then the south half of the northwest  
19     quarter is fee leases.

20          Q.     So there are three tracts with -- each tract  
21     has a uniform ownership?

22          A.     Correct.   Yes.

23          Q.     What is Exhibit 3?

24          A.     This is a summary of the interest for all three  
25     wells, and we are seeking to pool 10.57 percent working

1 interest.

2 Q. These look to be the same interest owners other  
3 than West Texas A & M, as in the prior cases as well?

4 A. Yes. Correct.

5 Q. And will the same apply -- have you been in  
6 touch -- all of these parties are locatable?

7 A. Yes.

8 Q. And there are some who have indicated they may  
9 join, and others have indicated they may not?

10 A. That's correct.

11 Q. And does Exhibit 4 contain sample of the  
12 well-proposal letters that were sent out for all three  
13 wells?

14 A. Yes. Tabs A, B and C are for the Leslie Fed  
15 Com 201, 215 and 202.

16 Q. Slightly different letters were sent to the  
17 unleased mineral owners as opposed to the lessees?

18 A. Correct.

19 Q. And besides these letters, have you had  
20 telephone conversations or email contact with these  
21 parties?

22 A. Yes, I have.

23 Q. And in your opinion, has Matador made a  
24 good-faith effort to obtain the voluntary joinder of all  
25 interest owners in the proposed wells?

1           A.    Yes, we have.

2           Q.    And looking at Tab 4A, going three pages back,  
3   is this the AFE for the 201H well?

4           A.    Yes, it is.

5           Q.    And are all of the AFE -- all three AFEs quite  
6   similar?

7           A.    Yes, they are.

8           Q.    And what is the cost -- what is the total cost  
9   of these three wells, each of them?

10          A.    A little over 8 million.

11          Q.    And, again, are these costs reasonable and in  
12   line with the cost of similar wells drilled to this  
13   depth in this area of southeast New Mexico?

14          A.    Yes, they are.

15          Q.    And what overhead rates do you request?

16          A.    We are requesting 7,000 a month while drilling  
17   and 700 a month while producing.

18          Q.    And, again, are these amounts similar to costs  
19   charged by other operators for wells of this type?

20          A.    Yes, they are.

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

23          A.    Yes.

24          Q.    If you come to terms with any of the interest  
25   owners, will you notify the Division?

1           A.    Yes, I will.

2           Q.    And should Matador be named operator of these  
3 wells?

4           A.    Yes.

5           Q.    And if anyone goes nonconsent, should the  
6 maximum cost plus 200 percent risk charge be assessed  
7 against the interest owner?

8           A.    Yes.

9           Q.    And, again, did Matador identify all working  
10 interest owners or unleased mineral owners who should be  
11 entitled to notice of this hearing?

12          A.    Yes, we did.

13          Q.    And behind Tab 5, is that my notice letter to  
14 the interest owners?

15          A.    Yes.

16                   MR. BRUCE:  And, again, Mr. Examiner,  
17 everyone sent back green card except for Ohio State  
18 University.

19                   (Laughter.)

20          Q.    (BY MR. BRUCE) And looking at the last page of  
21 Exhibit 5, does that identify all offsetting operators  
22 or working interest owners to the proposed well units?

23          A.    Yes, it does.

24                   MR. BRUCE:  And, again, I do not have,  
25 well, notice as against Ohio State and the offsets



1 completed at this time, so I'd ask that the matter, at  
2 the conclusion, be continued for two weeks.

3 Q. (BY MR. BRUCE) And were Exhibits 1 through 5  
4 prepared by you or under your supervision or compiled  
5 from company business records?

6 A. Yes, they were.

7 Q. In your opinion, is the granting of this  
8 application in the interest of conservation and the  
9 prevention of waste?

10 A. Yes.

11 MR. BRUCE: Mr. Examiner, I move the  
12 admission of Exhibits 1 through 5.

13 EXAMINER JONES: Exhibits 1 through 5 are  
14 admitted.

15 (Matador Production Company Exhibit Numbers  
16 1 through 5 are offered and admitted into  
17 evidence.)

18 EXAMINER JONES: Mr. Lowe?

19 EXAMINER LOWE: I've got no questions.

20 EXAMINER JONES: Mr. Brooks?

21 EXAMINER BROOKS: No questions -- oh, yeah,  
22 one.

23 CROSS-EXAMINATION

24 BY EXAMINER BROOKS:

25 Q. Again, about overrides. Did you have the

1     **same --**

2           A.     Yes.  They're the same overrides and the same  
3     instruments.

4           **Q.     Same answers?**

5           A.     Right.

6           **Q.     They are bound by your pooling authority?**

7           A.     Right.  We are allowed to pool.

8           **Q.     Thank you.**

9                               **CROSS-EXAMINATION**

10          BY EXAMINER JONES:

11           **Q.     So that the fee lease is basically an undivided**  
12     **lease?**

13           A.     Correct.  Yes.

14           **Q.     Okay.  Thanks very much.**

15                               EXAMINER BROOKS:  When you say undivided,  
16     how are you using that word, Mr. Examiner?

17           **Q.     (BY EXAMINER JONES) What I meant was if**  
18     **somebody didn't -- okay.  If there was somebody that**  
19     **didn't sign the Division order, would they create an**  
20     **imbalanced ownership.**

21           A.     Right.  It wouldn't be like the east half of  
22     the east half.

23           **Q.     Yeah.**

24           A.     It would just be an undivided half of the  
25     southwest quarter.

1                                    RECROSS EXAMINATION

2        BY EXAMINER BROOKS:

3            Q.     Even under the lease, without regard to the  
4        proposed pooling?

5            A.     Could you say that again?

6            Q.     The reason I ask the question is, if there were  
7        divided interests, the compulsory pooling would morph it  
8        into an undivided interest, is the way understand it.

9            A.     Okay.

10          Q.     So I wasn't sure what the significance of that  
11        was.

12          A.     Right.

13                        EXAMINER JONES:   Well, there are two wells  
14        here and two units involved.

15                        EXAMINER BROOKS:   That's right.   Okay.

16          Q.     (BY EXAMINER BROOKS) So the interest of the --  
17        the fee tracts of common ownership, as the whole thing  
18        is common ownership all the way across --

19          A.     Right.   Correct.

20          Q.     -- all the way through both units?

21          A.     Correct.

22          Q.     That's what I had understood.   Thank you.

23          A.     Yes, sir.

24

25

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1 with these two applications?

2 A. Yes, sir.

3 Q. And have you prepared geologic exhibits for  
4 this hearing?

5 A. Yes, sir.

6 Q. Now, the wells in this case, 16182, are  
7 immediately to the east -- 16181 and 16182 are  
8 immediately to the west --

9 A. Yes.

10 Q. -- of -- or to the east of the prior cases,  
11 right? They're immediately adjoining those wells?

12 A. These are in Section 17.

13 Q. And the prior cases involve Section 18?

14 A. That was in Section 18. Yes.

15 Q. So is the geology essentially the same in these  
16 two cases as in the prior three cases?

17 A. Yes.

18 Q. And are Exhibits 6, 7, 8 and 9 basically, other  
19 than outlining the different well units -- are they  
20 basically identical to your prior exhibits?

21 A. Right. The geology in this case is basically  
22 identical to the previous case.

23 Q. And do you request that the -- your testimony  
24 from the prior three cases be incorporated into these  
25 two cases?

1           A.    Yes, sir.

2           Q.    And the Wolfcamp is consistently -- is  
3 consistent across the proposed well units?

4           A.    Yes.

5           Q.    And will each quarter-quarter section in each  
6 well unit contribute more or less equally to production?

7           A.    Yes.

8           Q.    And there is no faulting or other problems out  
9 here which would impair the drilling of a horizontal  
10 well?

11          A.    Right. There is not.

12          Q.    And is Exhibit 10A, B and C simply the wellbore  
13 cartoons for these three wells?

14          A.    They are.

15          Q.    And they will have -- the producing interval in  
16 each well will be at orthodox locations?

17          A.    Yes.

18          Q.    And were Exhibits 6 through 10 prepared by you  
19 or under your supervision?

20          A.    Yes.

21          Q.    And in your opinion, is the granting of this  
22 application in the interest of conservation and the  
23 prevention of waste?

24          A.    Yes.

25                   MR. BRUCE: Mr. Examiner, I move the

1 admission of Exhibits 6 through 10.

2 EXAMINER JONES: Exhibits 6 through 10 are  
3 admitted.

4 (Matador Production Company Exhibit Numbers  
5 6 through 10 are offered and admitted into  
6 evidence.)

7 EXAMINER JONES: Mr. Lowe?

8 EXAMINER LOWE: I've got no questions at  
9 this time. Thank you.

10 EXAMINER BROOKS: No questions.

11 CROSS-EXAMINATION

12 BY EXAMINER JONES:

13 Q. The only question I have is: The surface-hole  
14 location for the 202H, is that -- is that going to be in  
15 unit letter O or unit letter N? I think I had it --

16 A. So it should be on the C-102, right?

17 Q. It should be -- it says "O" on the C-102, but I  
18 think the application --

19 A. The 202, is that what you're asking about?

20 Q. Yes, 202.

21 A. So that is an off-lease location. It looks  
22 like it's in O.

23 Q. It's in O?

24 A. Looks like that on my map. That's the way I  
25 interpret it. Is that conforming with the C-102?

1           Q.    Yeah.  The location said it would be in N.  
2   It's not a big deal.  But why are you putting it over  
3   there instead of putting it in --

4           A.    So we have -- we're going to develop the east  
5   half of this section as well.  So this was just what --  
6   our drilling engineers identified this as the most  
7   efficient place to put this wellbore.

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

10          A.    Thank you.

11                   EXAMINER JONES:  Okay.  That's all in these  
12   two cases.  They have been heard.  We'll continue them  
13   for -- Cases 16181 and 16182, until June 14th.

14                   (Case Numbers 16181 and 16182 conclude.)

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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 DATED THIS 23rd day of June 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  
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