

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 OF MATADOR PRODUCTION CASE NOs. 16082,
8 COMPANY FOR COMPULSORY POOLING, 16083
9 EDDY COUNTY, NEW MEXICO.

10

11 REPORTER'S TRANSCRIPT OF PROCEEDINGS

12 EXAMINER HEARING

13 August 23, 2018

14 Santa Fe, New Mexico

15

16 BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
17 KEITH HERRMANN, LEGAL EXAMINER

18

19

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21 This matter came on for hearing before the
22 New Mexico Oil Conservation Division, William V. Jones,
23 Chief Examiner, and Keith Herrmann, Legal Examiner on
24 Thursday, August 23, 2018, 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

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1 (11:01 a.m.)

2 EXAMINER JONES: Call Cases 16082 and
3 16083. Both are styled application of Matador
4 Production Company for compulsory pooling in Eddy
5 County, New Mexico. These are on page 18.

6 Call for appearances.

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

10 MS. BRADFUTE: Mr. Examiner, Jennifer
11 Bradfute, with the Modrall Sperling Law Firm, on behalf
12 of Marathon Oil Permian, LLC.

13 EXAMINER JONES: Any other appearances?
14 You were here earlier this week, I think.

15 MS. KESSLER: Yup.

16 MS. BRADFUTE: Yes (laughter).

17 EXAMINER JONES: Okay. On behalf of? I'm
18 sorry.

19 MS. BRADFUTE: Marathon.

20 EXAMINER JONES: Marathon.

21 And this is not one of those that Jim Bruce
22 made a --

23 MS. KESSLER: Mr. Examiner, this was
24 originally Jim Bruce's case. I stepped in since he is
25 out.

1 EXAMINER JONES: Oh. So he wouldn't be --
2 yeah. This says Modrall.

3 And also I've got a -- I've got a mailed
4 notice, entry of appearance, from -- this is on behalf
5 of Brandon Munoz by the law office of Todd Hurd &
6 Associates, in Burleson, Texas.

7 MS. KESSLER: That's correct, Mr. Examiner.
8 And we've sent them a pre-hearing statement, and I'll
9 provide them a copy of the exhibits. But I haven't
10 heard anything more.

11 MS. HARTSFIELD: We've reached voluntary
12 agreement with them, so we have a lease.

13 EXAMINER JONES: Which explains why they're
14 not here. I don't see anybody else in my file.

15 Okay. Will the witnesses please stand and
16 the court reporter please swear the witnesses?

17 (Mr. Parker and Ms. Hartsfield sworn.)

18 SARA HARTSFIELD,
19 after having been first duly sworn under oath, was
20 questioned and testified as follows:

21 DIRECT EXAMINATION

22 BY MS. KESSLER:

23 Q. Please state your name for the record and tell
24 the examiners by whom you're employed and in what
25 capacity.

1 A. My name is Sara Hartsfield. I work for Matador
2 Resources Company as a landman in our southeast New
3 Mexico assets.

4 Q. Have you previously testified before the
5 Division?

6 A. I have.

7 Q. Were your credentials as an expert petroleum
8 landman accepted and made a matter of record?

9 A. Yes, they were.

10 Q. Are you familiar with the two applications that
11 have been filed in this case?

12 A. I am.

13 Q. And are you familiar with the status of the
14 lands in the subject area?

15 A. Yes, I am.

16 MS. KESSLER: Mr. Examiner, I would tender
17 Ms. Hartsfield as an expert petroleum landman.

18 EXAMINER JONES: Any objection?

19 MS. BRADFUTE: No objection.

20 EXAMINER JONES: Do you still have a guy
21 named Pierce that works --

22 THE WITNESS: Oh, no. Pierce left a few
23 years ago. We were really sad to see him go. He went
24 out -- he took some time off, and then he went out, kind
25 of doing his own thing. So -- I know some people who

1 still keep up with him, but I haven't heard from him in
2 a while.

3 EXAMINER JONES: He used to come to the
4 land office and bid on leases for MRC Permian.

5 THE WITNESS: Yeah. He's a great guy.
6 Yeah.

7 EXAMINER JONES: And Dana Arnold?

8 THE WITNESS: Yeah. Dana left a few months
9 ago, so we miss her.

10 EXAMINER JONES: Okay. She's so qualified.

11 MS. KESSLER: Thank you.

12 Q. (BY MS. KESSLER) Ms. Hartsfield, please turn to
13 Exhibit 1 and identify this exhibit for the examiners
14 and explain what Matador seeks under these two
15 applications.

16 A. This is a Midland Map of our two proposed
17 320-acre spacing units. Both are fee leases, and
18 they're approximately 320 acres. The Larry Wolfish 206
19 is on the west half, and then we have two initial wells
20 on the east half, which are the Larry Wolfish 224 and
21 the 204. We seek to pool the uncommitted interest
22 owners in the Wolfcamp Formation.

23 Q. This is the Purple Sage Pool; is that correct?

24 A. That's correct.

25 Q. It looks like you have two initial wells you

1 pointed out in the east-half spacing unit; is that
2 correct?

3 A. Yes.

4 Q. Are both spacing units comprised of the
5 acreage?

6 A. Yes.

7 Q. Were these pooling applications filed initially
8 in April?

9 A. Yes.

10 Q. And were they pushed back due to competing
11 applications filed by Marathon?

12 A. Yes.

13 Q. Do you have lease-expiration issues?

14 A. We do.

15 Q. Do you have a rig scheduled?

16 A. Yes. We have a rig scheduled for October.

17 EXAMINER JONES: Seriously (laughter)?

18 Q. (BY MS. KESSLER) Are you requesting an
19 expedited order?

20 A. Yes, I am, please.

21 EXAMINER JONES: Okay. Okay.

22 Q. (BY MS. KESSLER) Let's turn to Exhibit 2. Is
23 this a plat for the Larry Wolfish 204H?

24 A. Yes. This is a draft C-102 plat showing our
25 east-half spacing unit that correctly spells Larry

1 Wolfish.

2 Q. There's been some confusion about the spelling.
3 Can you address that?

4 A. Yes. Previously, we had a C in the Wolfish
5 name, and that was incorrect. We've now corrected it to
6 W-O-L-F-I-S-H.

7 Q. So these plats reflect the correct spelling?

8 EXAMINER JONES: Oh, because the
9 application has a C in it.

10 THE WITNESS: That's right. The plats
11 reflect the correct spelling.

12 And this is, like I said, our draft C-102
13 for the east 325 acres. This is going to be a
14 standard-use 320-acre spacing unit with 330-foot
15 setbacks in the Purple Sage; Wolfcamp gas well. The
16 pool code is 98220.

17 Q. (BY MS. KESSLER) Now, you said you are
18 requesting two initial wells for the east-half spacing
19 unit. If I turn to the second page of Exhibit 2, does
20 that show the C-102 for the 224H well?

21 A. Yes.

22 Q. Same pool and same spacing unit?

23 A. Correct.

24 Q. Same updated spelling for Wolfish?

25 A. That's correct.

1 Q. Will this well also comply with the special
2 setback requirements for the Purple Sage Pool?

3 A. Yes, the 320-acre spacing and the 330 setbacks.

4 Q. Is Exhibit 3 a C-102 for the 206H well?

5 A. Yes.

6 Q. And this shows the west-half spacing unit,
7 correct?

8 A. Yes, it does.

9 Q. Same pool and pool rules?

10 A. Same pool, same pool rules, also the correct
11 spelling of Wolfish.

12 Q. And the completed interval for the 206H well
13 will comply with the Purple Sage special rules?

14 A. Yes. This well will have six 330-foot
15 setbacks.

16 Q. Is Exhibit 4 a summary of interests for the
17 204H and 224H wells?

18 A. Yes, it is. This shows all the interests in
19 the proposed spacing unit, and MRC Permian's interest at
20 50.82 percent. And then we're seeking to pool both
21 working interest owners and unleased mineral interest
22 owners.

23 Q. I see an asterisk here next to Aurelio Murillo.
24 Could you please explain that?

25 A. Yes. So we proposed this well back in February

1 of 2018. We filed for a hearing on April 3rd, 2018.
2 And on April 25th, Murillo leased to Roadrunner, and
3 that was filed of record on June 18th, 2018. So --

4 Q. So at the time this application was filed and
5 notice was provided, the interest owner was unleased?

6 A. Correct.

7 Q. Did Roadrunner lease this interest subject to
8 notice for the pending application?

9 A. Yes, they did.

10 Q. And have you had conversations with Roadrunner?

11 A. Yes, I have.

12 Q. Are they aware of this hearing?

13 A. Yes.

14 Q. Have they filed any objections?

15 A. No, they have not.

16 Q. Is Exhibit 5 a sample of the well-proposal
17 letter that was sent to the uncommitted interest owners
18 for the 204H well?

19 A. Yes.

20 Q. When was this letter sent?

21 A. This letter was sent on February 7th, 2018. We
22 sent this proposal along with a proposed operating
23 agreement.

24 Q. Okay. Are the next two pages of this exhibit
25 the letter that you sent to unleased mineral interest

1 owners?

2 A. That's correct.

3 Q. What is the difference between the two letters?

4 A. We sent this on February 8th, 2018, and we sent
5 it with an operated lease form and an offer to lease
6 versus an operating agreement.

7 Q. And the last page of this exhibit is an AFE; is
8 that correct?

9 A. That's correct.

10 Q. Was this sent with both letters?

11 A. This was sent with both letters.

12 Q. Now, if I turn to Exhibit 6, is this the same
13 letter to uncommitted working interest owners and to
14 unleased mineral interest owners for the 224H well?

15 A. Yes.

16 Q. So, again, you have a working-interest-owner
17 letter and also a letter including an offer to lease?

18 A. That's correct.

19 Q. And an AFE is the last page. Was this AFE
20 included with both letters?

21 A. Yes.

22 Q. What is Exhibit 7?

23 A. Exhibit 7 is a summary of interest for the
24 entire west-half 320-acre proposed spacing unit. It
25 shows Matador's working interest at 52.063284 percent.

1 We have voluntary joinder from .998115 percent, and we
2 are seeking to pool around 36.9 percent.

3 And, again, we have -- you'll see the
4 asterisk at the bottom with Fort Worth Mineral Company.
5 Again, we filed for hearing on April 3rd. Fort Worth
6 Mineral Company leased to Roadrunner on May 1st, and
7 then that lease was filed of record in Eddy County on
8 June 18th.

9 Q. So the application and notice went to the
10 unleased mineral interest owner because they were not
11 leased at the time, correct?

12 A. That's correct.

13 Q. And the leasing company took those interests
14 subject to this pending pooling application, correct?

15 A. Correct.

16 Q. Again, you've had conversations with
17 Roadrunner?

18 A. Yes.

19 Q. And they're aware of this hearing and have not
20 filed an objection?

21 A. Yes.

22 Q. Is Exhibit 8 -- I'm sorry. Let's stay on
23 Exhibit 7. Can you please explain this orphaned tract
24 with an asterisk next to it?

25 A. Yes, I can. So this orphaned tract represents

1 .114655 percent. It's actually a .002 gross acres that
2 the title on is very complicated. And we've spoken with
3 our title attorneys on multiple occasions, and it's
4 unclear as to where this tract belongs or who it belongs
5 to. No one has paid any taxes on it. No one has claim
6 deeded it or included it in any of their deeds in
7 probably close to 100 years.

8 There are a couple of different options we
9 think it could be. One, it could be a strip and gore
10 issue, in which case it would revert back to the State
11 Highway Commission of New Mexico, whom is listed and we
12 have noticed for this hearing, or it could be an unknown
13 party that is yet to be identified, in which case we'd
14 come back to re-open.

15 Q. So at this point, you've notified all potential
16 parties that should be of any type of record; is that
17 correct?

18 A. Correct.

19 Q. Because it could be the State Highway
20 Commission, potentially, or some unknown interest?

21 A. Yes.

22 Q. So any party of record has received notice,
23 correct?

24 A. Correct.

25 Q. And if your title attorneys let you know that

1 there is a new party, will you re-open the case and pool
2 an additional interest owner?

3 A. Yes, we will.

4 Q. Or reach an agreement with that interest owner?

5 A. Yes.

6 Q. Is Exhibit 8 a sample -- are the first two
7 pages of Exhibit -- is Exhibit 8 a well-proposal letter
8 that was sent to interest owners for the 206H well?

9 A. Yes.

10 Q. Was a similar letter sent to all of the
11 interest owners for this well?

12 A. Yes, it was.

13 Q. And when was this letter sent?

14 A. This letter was sent February 23rd, 2018.

15 MS. KESSLER: And, Mr. Examiners, it looks
16 like for some reason the offer to lease is included as
17 the last few pages of Exhibit 9, and that would for the
18 206H well, and that also includes the AFE. And I have
19 no idea why it found its way into Exhibit 9. It should
20 be part of Exhibit 8. I'm sorry about that.

21 EXAMINER JONES: Okay.

22 Q. (BY MS. KESSLER) So if we flip to those last
23 three pages of Exhibit 9, does this include the letter
24 that you sent to the unleased mineral interest owners --

25 A. Yes, it does.

1 Q. -- for the 206H well, and also includes AFE for
2 the 206H well?

3 A. Yes.

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

7 A. Yes.

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

11 A. Yes, we have. We've estimated 7,000 while
12 drilling and 700 while producing.

13 Q. And are those costs in line with what other
14 operators charge for similar wells?

15 A. Yes, I believe so.

16 Q. Do you ask that those costs be periodically
17 adjusted in accordance with COPAS accounting procedures?

18 A. Yes, sir.

19 Q. And that they also be included in any order
20 resulting from this hearing?

21 A. Yes.

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

25 A. Yes.

1 Q. And can you please outline the efforts that
2 you've undertaken to reach agreement with these parties
3 that you seek to pool?

4 A. Okay. So myself or brokers working under us
5 have contacted all of these parties. We are very close
6 with several of them to coming to an agreement, at which
7 case we will let you know of that voluntary agreement.
8 And we've utilized online search engines, court records,
9 county records to find everybody or to attempt to find
10 everyone.

11 Q. This case was initially filed in April -- or
12 these cases were initially filed in April, and
13 negotiations have been occurring since February,
14 correct?

15 A. That's correct.

16 Q. Were all of the parties locatable?

17 A. No.

18 Q. Which parties were unlocatable?

19 A. So in Exhibit 4, the parties in the 204 and the
20 224 were all locatable.

21 And if you turn to Exhibit 7, the Estate of
22 Irene Ruiz and then Raul Arturo Gamboa and Valdrie Lara,
23 as joint tenants, those proposals came back
24 undeliverable, and we have not been able to find them at
25 this point. We're continuing to undergo curative to

1 find them, though.

2 Q. Is Exhibit 9 an affidavit prepared by Jim Bruce
3 with attached letters providing notice of both cases for
4 both cases?

5 A. Yes.

6 Q. And let me take a step back, since David Brooks
7 isn't here. Were there any overriding royalty interest
8 owners in the spacing units?

9 A. We do have overriding royalty interest owners,
10 but we have the authority to pool them under those
11 assignments that created the override.

12 Q. So you're not requesting that they be pooled?

13 A. That's correct.

14 Q. Exhibit 9 is Mr. Bruce's affidavit to parties
15 to be pooled.

16 And then are Exhibits 10 and 11 Affidavits
17 of Publication?

18 A. Yes.

19 Q. And, particularly, those are drafted by name to
20 all of the parties you seek to pool, including the
21 unlocatable folks; is that correct?

22 A. That's correct.

23 Q. In your opinion, did you make a good-faith
24 effort to locate and reach an agreement with the parties
25 that you seek to pool?

1 A. Yes.

2 Q. And were Exhibits 1 through 8 prepared by you
3 or compiled under your direction and supervision?

4 A. Yes, they were.

5 MS. KESSLER: Mr. Examiners, I'd move
6 admission of Exhibits 1 through 11, which include Jim
7 Bruce's Notice of Affidavit.

8 EXAMINER JONES: Any objection?

9 MS. BRADFUTE: No objection.

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

12 (Matador Production Company Exhibit Numbers
13 1 through 11 are offered and admitted into
14 evidence.)

15 EXAMINER JONES: Ms. Bradfute.

16 CROSS-EXAMINATION

17 BY MS. BRADFUTE:

18 Q. Good morning.

19 A. Good morning.

20 Q. You mentioned in your testimony that Matador's
21 very close to coming to an agreement with various
22 parties that it's seeking to pool; is that correct?

23 A. Yes.

24 Q. Is one of those parties Marathon?

25 A. Yes.

1 Q. Okay. And is Matador going to continue to
2 negotiate with Marathon to come to an agreement
3 following this hearing?

4 A. Yes.

5 Q. Thank you.

6 MS. BRADFUTE: That concludes my questions.

7 CROSS-EXAMINATION

8 BY EXAMINER JONES:

9 Q. You can chime in whenever you want to. The
10 record of negotiations is -- did you say that basically
11 you've been negotiating since February?

12 A. Yes, that's correct.

13 Q. Do you have -- you didn't introduce an exhibit
14 of negotiations?

15 A. A timeline?

16 Q. A timeline.

17 A. No, we did not.

18 Q. Okay. Okay. So it's possible you might get
19 Marathon signed up?

20 A. Yes. We're very close.

21 Q. Okay. Okay. And this Roadrunner -- I think we
22 have had visits from companies now wanting to know of
23 who is being pooled so they can contact them and try to
24 lease them. They've been up here wanting to see our
25 exhibits as soon as possible.

1 A. Interesting.

2 Q. Yeah.

3 A. I did not know that.

4 Q. And I don't know if Roadrunner is one of them.
5 But just because -- for the third or fourth time here,
6 would you repeat -- so Roadrunner was not actually
7 provided notice?

8 MS. KESSLER: And let me interject. This
9 is a different timeline than the prior hearing. So in
10 this case, the applications were filed, and notice was
11 sent. And then after that, Roadrunner leased and
12 became a -- and reflected those records in the county.
13 So in the other case, we had not filed the application
14 and provided notice when Roadrunner leased their
15 interest. So they're two different scenarios.

16 EXAMINER JONES: Okay. But at the time --
17 in the other case, at the time of the application, they
18 were unleased; is that correct?

19 MS. KESSLER: No. My understanding is in
20 the other application, they were leased.

21 EXAMINER JONES: They were already leased.

22 MS. KESSLER: Just very recently.

23 EXAMINER JONES: But really close. So
24 basically the valuation of -- the land valuation of the
25 land had already been done.

1 MS. KESSLER: That's exactly right.

2 Q. (BY EXAMINER JONES) But now that you are aware
3 of Roadrunner, you say you've been contacted by them, or
4 did you contact them?

5 A. They contacted me, and we are negotiating an
6 operating agreement right now.

7 Q. Oh. So they want to participate?

8 A. They do. They have indicated that yes, they do
9 want to participate, and we're very close on the
10 operating agreement.

11 Q. Okay. So that's this Aurelio Murillo and his
12 wife, Oliva [sic] Murillo?

13 A. Yes. It affects that interest on the east
14 half. And then on the west half, it affects the Fort
15 Worth Mineral Company, LLC interest.

16 Q. Okay. Both of those. Okay.

17 And so basically you're applying for two
18 wells in the application on 16082, is that correct, two
19 proposed wells?

20 MS. KESSLER: In the east-half spacing
21 unit; that is correct.

22 Q. (BY EXAMINER JONES) So there are two proposed
23 wells there, and they're both going to be located on the
24 surface in the section to the north in Section 36?

25 A. That's correct, on existing surface that we

1 have.

2 Q. Existing surface. Okay.

3 So two wells proposed in 16082 and one well
4 proposed in 16083?

5 A. Correct.

6 Q. Okay. For some reason, I just wrote --

7 So the Wolfish, is he the one and only
8 person that has signed up? That's why the name? He got
9 the name for the well (laughter)?

10 A. No. I actually believe that Larry Wolfish is
11 an old -- old law school buddy of the CEO, so we want
12 the name to be spelled correctly.

13 Q. That's interesting. So his name didn't have
14 the C in it even though he's a CEO? I thought the
15 geologist got to name the well.

16 MR. PARKER: Not at Matador.

17 Q. (BY EXAMINER JONES) So the prospects of these
18 others, you can't find -- obviously, you can find the
19 State Highway Commission. But now it's the State
20 Highway Department. It's under the old name. So for
21 some reason, a commission owns something? That's
22 interesting.

23 A. Yeah. So this is what the record title name
24 is. And I have had conversations with them, and they're
25 right now trying to determine if they are going to

1 change direction and start signing oil and gas leases or
2 if they're just going to continue to be force pooled.

3 Q. Yeah. That's kind of interesting considering
4 the money the State needs.

5 A. It is interesting.

6 Q. I know this came up ten years ago or more, and
7 they never would sign.

8 MS. KESSLER: We've seen them pooled
9 regularly.

10 Q. (BY EXAMINER JONES) And the tract that's -- the
11 orphaned tract, how big is it?

12 A. So the interest that it represents in that
13 320-acre unit is .114655 percent.

14 Q. Okay.

15 A. The gross acreage on it is .002.

16 Q. Acres?

17 A. Uh-huh.

18 Q. Wow. Okay. So that's a survey issue then or
19 some kind of a resurvey and all of a sudden --

20 A. Well, I think that the resurvey is what exposed
21 the issue, but it does look like the issue has been
22 there for a while.

23 Q. I was going to ask you that. It's 100 years or
24 so. It's got -- on the north half of the northeast
25 quarter of the section, it lists -- actually, the north

1 half of the section -- north half-north half of the
2 section, it lists -- our records show federal surface
3 and fee minerals. Is that what your records show, too?

4 A. No. Our records show that all of Section 1, 23
5 South, 27 East is fee acreage.

6 Q. Fee minerals?

7 A. Fee minerals, yes. Yeah.

8 Q. Okay. So the surface could be federal in the
9 north half of the north half?

10 A. The surface could be -- I don't believe that it
11 is.

12 Q. Okay. In what instances would it be
13 resurveyed? Because the State Land Office doesn't do
14 that, I know. I know the BLM does some resurveys,
15 but --

16 A. We had the unit resurveyed to identify the unit
17 tracts so we can make a unit plat.

18 Q. Okay. Okay. So do you say where that orphan
19 tract is?

20 A. So the orphan tract is going to be in the
21 northeast corner of the southeast corner of the
22 southwest corner.

23 Q. Okay. We're starting at the southwest. So the
24 northeast of southwest, it's in the --

25 A. So it's going to be in the southeast corner of

1 the southwest corner and then the most northeast part of
2 that southeast corner of the southwest corner.

3 Q. Okay. That's the -- he's got a civil
4 engineering degree, so --

5 MS. KESSLER: It looks like we're back to
6 Mr. Carr's oil and gas class.

7 THE WITNESS: I can show you on the Midland
8 Map, if that's helpful.

9 Q. (BY EXAMINER JONES) No. We would have to blow
10 it up and use a magnifying glass or something.

11 A. It would be --

12 Q. We wouldn't be able to get to it otherwise.

13 Okay. So does that mean -- but you do
14 recognize that tract, that that small acreage exists, so
15 you're just going to carry that interest in them
16 forever, I guess?

17 A. We're still undergoing curative. And there is
18 still a chance it could fall under the strip and gore
19 doctrine and be added into the state highway.

20 EXAMINER JONES: What's that? What did she
21 just say (laughter)?

22 EXAMINER HERRMANN: One more time. I'm
23 sorry.

24 THE WITNESS: Oh. It could fall under the
25 strip and gores because it is part of a -- it's right

1 next to the highway and the railroad, so it could go
2 back into --

3 EXAMINER JONES: She doesn't come up here
4 but once every two or three years, and then she has the
5 most complicated one.

6 THE WITNESS: It takes a while to get them
7 ready.

8 EXAMINER JONES: Yeah. You were working on
9 it.

10 Q. (BY EXAMINER JONES) Did you talk to them?

11 A. I did. I have talked to Jerry Garr [phonetic].
12 And I have talked to him, and he has indicated that he
13 will also participate either under the operating
14 agreement or through the pooling order.

15 Q. Okay. Okay. He's going to do one way or the
16 other, I guess.

17 But DSD -- who is DSD?

18 A. That's a Fort Worth company, and we're close on
19 an operating agreement with them as well.

20 Q. Okay. Okay. So some unlocatables, but
21 overrides are all under -- they all have clauses that
22 enable them to be pooled.

23 A. Yes.

24 Q. What about variation and vertical interests
25 here?

1 Q. Oh, okay.

2 A. That's the plan.

3 Q. Okay. That's the plan.

4 Okay. But there is no permit -- are there
5 permits to drill here yet or not quite? Almost? No API
6 numbers?

7 A. No API number yet.

8 MS. KESSLER: These are fee permits.

9 EXAMINER JONES: But they're fee, so just
10 catch Paul at the right time.

11 Is this Lea County? No. Eddy. So Ray
12 Podany.

13 Thanks very much.

14 THE WITNESS: Thank you.

15 MS. KESSLER: We'll call our next witness.

16 EXAMINER JONES: Double duty today, right?

17 MR. PARKER: Yeah. Our other geologist's
18 wife is getting induced tonight so -- Clark.

19 ANDREW PARKER,

20 after having been previously sworn under oath, was
21 questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MS. KESSLER:

24 Q. Could you please state your name for the
25 record?

1 A. Andrew Parker.

2 Q. By whom are you employed and in what capacity?

3 A. Matador Resources as a geologist.

4 Q. And were your credentials as an expert in
5 petroleum geology previously today made a matter of
6 record?

7 A. Yes.

8 MS. KESSLER: Mr. Examiner, once again, we
9 would tender Mr. Parker as an expert in petroleum
10 geology.

11 EXAMINER JONES: He is so qualified.

12 Oh.

13 MS. BRADFUTE: No objection.

14 EXAMINER JONES: So qualified.

15 Q. (BY MS. KESSLER) Mr. Parker, please turn to
16 Exhibit 12 and identify this exhibit for the examiners.

17 A. This is southeast New Mexico showing the
18 Northern Delaware Basin, and you can see the project
19 areas for the Larry Wolfish wells highlighted in yellow
20 boxes.

21 Q. Is Exhibit 13 a structure map of the Wolfcamp
22 in the area?

23 A. Yes.

24 Q. Can you please walk us through this exhibit?

25 A. This is a structure on the top of the Wolfcamp

1 Wolfcamp at 50-foot contour intervals and just showing
2 the gentle dip to the east. You can see the project
3 areas in yellow with the respective wellbores in red.
4 The existing Wolfcamp producers are shown in the orange
5 sticks, and there is a cross-section reference line from
6 A to A prime, which is roughly north-south and parallel
7 more or less to the proposed wellbores.

8 Q. Have you identified any geologic hazards based
9 on the structure in this section?

10 A. No.

11 Q. Did you prepare a cross section of logs to
12 determine the relative thickness and porosity of the
13 target formation in the area?

14 A. Yes.

15 Q. Do you consider these logs to be representative
16 of Wolfcamp logs in the area?

17 A. Yes.

18 Q. Is Exhibit 14 your cross-section exhibit?

19 A. Yes.

20 Q. Can you please walk us through this?

21 A. This is a structural cross section showing the
22 top of the Wolfcamp to the base of the Wolfcamp. You
23 can see the entire Wolfcamp is very uniform in thickness
24 here. And the target interval for the Larry Wolfish 204
25 and 206 is the upper orange box, and the target interval

1 for the Larry Wolfish 224 is the lower orange box. You
2 can see that both of those targets are uniform in
3 thickness, you know, little variability in reservoir
4 quality along these laterals.

5 Q. Based on your study of this area, have you
6 identified any geologic hazards that would prevent
7 drilling a horizontal well in the area?

8 A. No.

9 Q. Do you believe that each tract will be
10 productive and contribute more or less equally to
11 production?

12 A. Yes.

13 Q. And is a horizontal well the most economic and
14 efficient development in this area?

15 A. Yes.

16 Q. Can you please identify Exhibits 15, 16 and 17?

17 A. These are wellbore diagrams for the three Larry
18 Wolfish wells. Each of them shows that the surface hole
19 is off-lease, drilling from north to south and that the
20 first and last take points will be 330 feet from the
21 leaselines.

22 Q. And those are the setbacks required by the
23 Purple Sage Pool, correct?

24 A. Yes, that's correct.

25 Q. In your opinion, will granting Matador's two

1 applications be in the best interest of conservation,
2 the prevention of waste and the protection of
3 correlative rights?

4 A. Yes.

5 Q. Were Exhibits 11 through 17 prepared by you or
6 compiled under your direction? I'm sorry. I should
7 have said 12 through 17.

8 A. Yes.

9 MS. KESSLER: Mr. Examiner, I'd move
10 admission of Exhibits 12 through 17 into the record.

11 EXAMINER JONES: Objections?

12 MS. BRADFUTE: No objections.

13 EXAMINER JONES: Exhibits 12 through 17 are
14 admitted.

15 (Matador Production Company Exhibit Numbers
16 12 through 17 are offered and admitted into
17 evidence.)

18 MS. BRADFUTE: I have no questions.

19 CROSS-EXAMINATION

20 BY EXAMINER JONES:

21 Q. So are you going to re-open the Purple Sage Gas
22 Pool to change the rules for setbacks?

23 (Laughter.)

24 MS. BRADFUTE: The burning question on
25 everyone's mind.

1 (Laughter.)

2 THE WITNESS: No. We have not discussed
3 doing that.

4 Q. (BY EXAMINER JONES) Okay. Are you mainly a Lea
5 County or Eddy County person --

6 A. I do both.

7 Q. -- or do you do both?

8 Because the Wolfcamp looks a little
9 different here. You don't have that huge sharp, like,
10 shaley stuff. You have shaley in the bottom, but --

11 A. Yeah. The cross section you saw earlier was
12 closer to the -- to the base and center, so the middle
13 to lower Wolfcamp is much more concentrated organics.

14 Q. Okay.

15 A. At that time in the Wolfcamp, there isn't much
16 coarser sediment making its way out. Over here, we're
17 further to the west, and part of the -- a little bit of
18 the chatteriness of the gamma ray here, you get a little
19 more abundance of carbonate, very thin carbonate debris
20 flows that are coming off of the Northwest Shelf.

21 Q. Okay. But you want to try -- you're just
22 hitting the porosity interval, looks like, on the 224.
23 But on the 204, is there porosity there?

24 A. There is.

25 Q. There is?

1 A. That's what we call the Y sand that we've
2 drilled -- we've drilled all over the area. And there's
3 a fair amount of thin-bed effects that make those log
4 observations a little -- a little tough, but the sand
5 is -- the sand is definitely there.

6 Q. If you drilled a vertical well through this,
7 would you have -- and you drilled a bit underbalanced,
8 what zones would kick on you, or what zones would
9 take -- would actually take fluid? Is there any lost
10 circulation zones here or --

11 A. I don't believe we've seen lost circulations
12 here through this Wolfcamp.

13 Q. You always pressure up anyway, right?

14 A. Yeah. Yeah. I mean, there's -- it's pretty
15 common to set a casing string near the top of the
16 Wolfcamp because you do see a pressure change as you
17 enter the Wolfcamp.

18 Q. Is that what you're going to do here?

19 A. Yeah. We'll set a second intermediate casing
20 string, you know, kind of near the top of our target,
21 about -- probably anywhere between 60 -- I don't know
22 exactly what the plan is on this -- I'm not the drilling
23 engineer -- but somewhere between 60 and 80 degrees into
24 the curve is where we'll set that casing.

25 Q. Okay. So the pressure is on to make a good

1 well because you named it after the CEO's best friend?

2 A. Well, I mean, you look at Matador well names
3 and they're all CEO friends, so yeah. We get to meet a
4 lot of them at various company meetings, and some of
5 them have good wells, and some of them have not as good
6 wells.

7 (Laughter.)

8 Q. They brag to each other.

9 A. Yeah. We have a couple that are married, and
10 they both compete with each other on whose wells are
11 better.

12 Q. Uh-oh.

13 Well, thank you very much for coming.

14 EXAMINER JONES: Keith?

15 EXAMINER HERRMANN: No. This is your
16 department.

17 Q. (BY EXAMINER JONES) Somehow they picked some
18 zone to drill in. It seems like it's kind of a mystery
19 as to exactly where you pick.

20 A. It seems to work, so we keep doing it.

21 Q. Seems to work. That's what matters.

22 A. Thank you.

23 Q. Thanks very much.

24 EXAMINER JONES: If that's all in these
25 cases.

1 MS. BRADFUTE: Yes, it is.

2 MS. KESSLER: I would ask that these cases
3 be taken under advisement and that an expedited order be
4 issued.

5 EXAMINER JONES: Expedited order in both of
6 them. Okay. 16082 and 16083 are taken under
7 advisement. And I'll mark them up so I can do that in a
8 hurry.

9 And that's the last cases on the docket, so
10 the docket's closed.

11 (Case Number 16082 and 16083 conclude,
12 11:41 a.m.)

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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 September 2018.

21

22

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