

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:

AMENDED APPLICATION OF MATADOR	CASE NOS. 16252,
PRODUCTION COMPANY FOR A NONSTANDARD	16253,
SPACING AND PRORATION UNIT AND	16254,
COMPULSORY POOLING, LEA COUNTY,	16255
NEW MEXICO.	

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

October 4, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER  
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, October 4, 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

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1 (2:05 p.m.)

2 EXAMINER McMILLAN: We're going to call  
3 Case Number 16252, amended application of Matador  
4 Production Company for a nonstandard spacing and  
5 proration unit and compulsory pooling. And these cases  
6 shall be combined with Case Numbers 16253, 254 and 255.

7 Are there any other appearances?

8 MR. McMILLAN: Seth McMillan, Montgomery &  
9 Andrews, on behalf of Devon.

10 MR. CARR: William F. Carr on behalf of  
11 COG.

12 EXAMINER McMILLAN: Please proceed.

13 MS. KESSLER: Thank you, Mr. Examiner.  
14 Jordan Kessler, from the Santa Fe office of Holland &  
15 Hart, on behalf of the Applicant. I have two witnesses  
16 today.

17 EXAMINER McMILLAN: Will the witnesses be  
18 sworn in at this time?

19 (Ms. Hahn and Mr. Parker sworn.)

20 CASSIE HAHN,  
21 after having been first duly sworn under oath, was  
22 questioned and testified as follows:

23 DIRECT EXAMINATION

24 BY MS. KESSLER:

25 Q. Can you please state your name, by whom you're

1     **employed and in what capacity?**

2           A.     Sure. My name is Cassie Hahn. I work for  
3     Matador Resources Company as a landman.

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

6           A.     I have, yes.

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

9           A.     Yes.

10          **Q.     Are you familiar with the applications filed in**  
11     **these consolidated cases?**

12          A.     I am.

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

15          A.     Yes.

16                   MS. KESSLER: Mr. Examiner, I will tender  
17     Ms. Hahn as an expert in petroleum land matters.

18                   EXAMINER McMILLAN: Any objections?

19                   MR. McMILLAN: No objection.

20                   MR. CARR: No objection.

21                   EXAMINER McMILLAN: So qualified.

22                   MS. KESSLER: Thank you.

23          **Q.     (BY MS. KESSLER) If you'll turn to Exhibit 1,**  
24     **Ms. Hahn, and explain what Matador seeks under these**  
25     **four applications.**

1           A.     Sure.  We are seeking to pool four spacing  
2     units in Section 11, 24 South, 33 East in Lea County,  
3     New Mexico.  Each spacing unit, we seek to pool  
4     uncommitted interest owners in the Bone Spring Formation  
5     from 11,915 feet to the base of the Bone Spring.

6           Q.     Why are you seeking to pool only a limited  
7     portion of the pool?

8           A.     We have interest in the 3rd Bone Spring and  
9     below but not above, so the ownership difference.

10          Q.     There is an ownership depth severance, I  
11     understand --

12          A.     Correct.

13          Q.     -- at 11,915 feet?

14          A.     Correct.

15          Q.     And that results in different ownership above  
16     and below that depth-severance line?

17          A.     Correct.  Yes.

18          Q.     With respect to all four spacing units, is  
19     there one federal lease and several fee leases covering  
20     this acreage?

21          A.     Correct.  Yes.

22          Q.     Let's turn to Exhibit 2.  Is this the C-102 for  
23     the Charles Ling Fed Com 131H well?

24          A.     Yes, it is.

25          Q.     Is this a draft C-102?

1           A.     Yes.

2           Q.     Has the federal permit been filed but not yet  
3 approved?

4           A.     Correct.

5           Q.     What pool and pool code embrace this area?

6           A.     This is going to be in the Red Hills; Bone  
7 Spring, North Pool, and that's Pool Code 96434. And the  
8 spacing unit is going to be in the west half-west half  
9 of Section 11.

10          Q.     Are there special rules associated with the Red  
11 Hill Pool?

12          A.     No.

13          Q.     And the completed interval for the 131H well  
14 will comply with statewide setback requirements,  
15 correct?

16          A.     Yes.

17          Q.     Looking at Exhibit 3, is this the draft C-102  
18 for the Charles Ling Fed Com #132H?

19          A.     Yes.

20          Q.     What spacing unit?

21          A.     It is going to be in the east half-west half of  
22 Section 11, and it will also be in the Red Hills; Bone  
23 Spring, North Pool.

24          Q.     Will the completed interval for the 132H well  
25 comply with statewide setbacks?

1           A.     Yes.

2           Q.     Okay.  Moving to Exhibit 4, is this the draft  
3   C-102 for the 133H well?

4           A.     Yes.

5           Q.     What is the spacing unit for this well?

6           A.     This is going to be in the west half of the  
7   east half of Section 11, and it is also in the Red  
8   Hills; Bone Spring, North Pool.

9           Q.     All right.  And the completed interval for the  
10  133H will also comply with statewide setbacks?

11          A.     Correct.

12          Q.     Last one, Exhibit 5.  Is this the draft C-102  
13  for the 134H well?

14          A.     Correct.

15          Q.     Same pool and pool code?

16          A.     Yes.

17          Q.     And what spacing unit?

18          A.     This is in the east half-east half of Section  
19  11.

20          Q.     Same pool and pool rules?

21          A.     Correct.

22          Q.     And this will comply with setback requirements?

23          A.     Yes.

24          Q.     Is Exhibit 6 -- does Exhibit 6 identify the  
25  interest owners in this section?



1           A.    Yes, it does.

2           Q.    And is the interest the same for all four wells  
3 and spacing units?

4           A.    Yes.  You mean in Scenario 1?

5           Q.    No.  I mean across the section.

6           A.    Okay.  So yes.  So the interests -- the owners  
7 are the same, but the interests vary with Scenario 1 and  
8 Scenario 2.

9           Q.    Okay.  What I'm asking is -- Exhibit 6 applies  
10 to all four wells; is that correct?

11          A.    Yes, that's correct.

12          Q.    And this shows the parties that you seek to  
13 pool; is that correct?

14          A.    Yes, except for Tap Rock Resources.  We  
15 actually received their JOA this morning, so --

16          Q.    So you're no longer seeking to pool the  
17 interest of Tap Rock?

18          A.    Correct.

19          Q.    Can you please explain why this is marked  
20 "Summary of Interest - Scenario 1"?

21          A.    Yes.  So there is a dispute in the contractual  
22 interest between two other parties, so Scenario 1  
23 reflects one of the scenarios and the other one is the  
24 second.  And the interest owners don't change, but the  
25 actual interest varies.

1           Q.    Okay.  So I understand, there is a disagreement  
2   between two parties regarding what percent interest they  
3   own?

4           A.    Correct.

5           Q.    But the parties under either scenario remain  
6   the same, correct?

7           A.    Correct.

8           Q.    And you seek to compulsory pool the parties,  
9   and their ownership will be figured out between the two  
10   parties?

11          A.    Right.  Yes.

12          Q.    What will you do with the interest during the  
13   pendency of the dispute?

14          A.    We will hold their interest in suspense until  
15   the dispute is resolved.

16          Q.    Is Matador taking a position in this dispute?

17          A.    No.

18          Q.    What type of interests do you seek to pool?

19          A.    Uncommitted working interest owners and  
20   overriding royalty owners.

21          Q.    If I turn to the second page of this exhibit,  
22   does this show the overriding royalty interest owners  
23   that you seek to pool?

24          A.    Yes, it does.

25          Q.    Are there any unlocatable working interest

1 owners?

2 A. No.

3 Q. Did you receive a returned green card as  
4 undeliverable for at least one of the overriding royalty  
5 interest owners?

6 A. Yes.

7 Q. And Exhibit 7, does this exhibit also identify  
8 the interest owners in the section?

9 A. Correct. This is Scenario 2.

10 Q. And this simply shows the alternative  
11 percentages, correct?

12 A. Right.

13 Q. And, again, it's the same parties that you seek  
14 to pool, just different percentages?

15 A. Right.

16 Q. And page 2 of this exhibit is an identical  
17 overriding royalty interest owner, correct?

18 A. Right.

19 Q. Is Exhibit 8 a sample of the well-proposal  
20 letters and AFE sent to the uncommitted working interest  
21 owners for each of the four wells?

22 A. Yes, they are.

23 Q. So this exhibit includes four separate  
24 well-proposal letters and the AFEs, correct?

25 A. Correct.

1           Q.    Are the costs on the AFE similar to what other  
2 operators in the area have incurred for drilling similar  
3 horizontals?

4           A.    Yes.

5           Q.    For each of the wells, has Matador estimated  
6 overhead and administrative costs for drilling and while  
7 producing?

8           A.    Yes, we have.

9           Q.    What are those costs?

10          A.    7,000 a month while drilling and 700 a month  
11 while producing.

12          Q.    And is that in line with other operators in the  
13 area?

14          A.    Yes, it is.

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

17          A.    We do, yes.

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

21          A.    Yes.

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

25          A.    Yes.

1           Q.    What efforts have you undertaken to reach an  
2   agreement with the parties you seek to pool?

3           A.    We've reached out numerous times to each party  
4   discussing either a JOA or some type of voluntary  
5   joinder.

6           Q.    You had contact with each of the working  
7   interest owners?

8           A.    Correct.  Yes.

9           Q.    In your opinion, did you make a good-faith  
10   effort to reach an agreement with those parties you seek  
11   to pool?

12          A.    Yes.

13          Q.    Let's look at Exhibit 9.  Is there an ownership  
14   depth severance in this pool?

15          A.    Yes.

16          Q.    And that's a change in ownership at 11,915  
17   feet, correct?

18          A.    Correct.

19          Q.    So I see the bottom of the 2nd Bone Spring, top  
20   of the 3rd Bone Spring, there is a red line there.

21          A.    Yes.

22          Q.    Is that also the area of ownership change?

23          A.    Yes.  Correct.

24          Q.    Okay.  And the blue line indicates where  
25   Matador intends to land its well; is that correct?

1           A.     Yes.

2           Q.     Is Devon the interest owner above 11,915  
3 feet -- excuse me. Does Devon own above 11,915 feet but  
4 not below?

5           A.     Correct. Yes, not below.

6           Q.     And is the 2nd Bone Spring above the  
7 depth-severance line already developed by another  
8 operator?

9           A.     It is.

10          Q.     Who is that operator?

11          A.     COG.

12          Q.     And did Devon contact you and let you know that  
13 they should not be included in the pooling applications  
14 because they do not own an interest in the target  
15 interval?

16          A.     Right. Correct.

17          Q.     And accordingly, are you requesting to only  
18 pool the portion of the Bone Spring pool where Devon  
19 does not own an interest?

20          A.     Yes.

21          Q.     Let's look at Exhibit 10. Is this -- are you  
22 aware that the Commission previously approved similar  
23 relief in Order R-14023-A?

24          A.     Yes.

25          Q.     I'm going to turn to page 4 of this order.

1     Looking at paragraph three, does this state that the  
2     Division's authorized to compulsory pool all or any part  
3     of such lands or both in the spacing or proration unit?

4           A.     Yes.     That's my understanding.

5           Q.     And the paragraph cites to the Oil and Gas Act,  
6     correct?

7           A.     Correct.

8           Q.     Does this order affirm the Division's authority  
9     to pool only a portion of the pool?

10          A.     Yes.     That's my understanding.

11          Q.     And is there a similar correlative rights issue  
12     here with the Charles Ling well?

13          A.     Yes, there is.

14          Q.     And that's that the owner, Devon, above the 3rd  
15     Bone Spring, if they were to be pooled in this  
16     application, would be receiving a share of production  
17     despite not contributing hydrocarbons to this well?

18          A.     Correct.     Yes.

19          Q.     Has Matador brought a geologist to provide  
20     testimony affirming that the subject well will not be  
21     producing hydrocarbons from above the depth-severance  
22     line?

23          A.     Yes, we have.

24          Q.     Was Devon provided notice of this hearing?

25          A.     Yes.

1 Q. And do they agree with this plan?

2 A. Yes, they do.

3 Q. Is Exhibit 11 an affidavit prepared by my  
4 office with attached letters providing notice of this  
5 hearing to the parties that you seek to pool in all  
6 cases?

7 A. Yes.

8 Q. And I believe this also includes a letter  
9 specifically to Devon a vertical offset. Have you also  
10 had subsequent conversations with Devon?

11 A. Yes, we have.

12 Q. And, once again, they've agreed with this plan  
13 and don't object to it?

14 A. Absolutely. Yes.

15 Q. Is Exhibit 12 -- does this include -- does  
16 Exhibit 12 include four Affidavits of Publication  
17 directed to both pooled parties and overriding royalty  
18 interest owners for these wells?

19 A. Yes, it does.

20 Q. And were Exhibits 1 through 9 prepared by you  
21 or compiled under your direction and supervision?

22 A. Yes.

23 MS. KESSLER: Mr. Examiner, I'd move the  
24 admission of Exhibits 1 through 12. The other exhibits  
25 are notice affidavits and the Commission order.



1 MR. CARR: No objection.

2 MR. McMILLAN: No objection.

3 EXAMINER McMILLAN: Exhibits 1 through 12  
4 may now be accepted as part of the record.

5 (Matador Production Company Exhibit Numbers  
6 1 through 12 are offered and admitted into  
7 evidence.)

8 EXAMINER McMILLAN: Cross?

9 MR. McMILLAN: I have no questions because  
10 Jordan stole my questions.

11 THE WITNESS: Oh, no.

12 MR. McMILLAN: And I agree with the  
13 representations of the witness, and Devon has no  
14 opposition to the amended applications filed in these  
15 cases.

16 MR. CARR: I have no questions. COG does  
17 not oppose the amended application.

18 CROSS-EXAMINATION

19 BY EXAMINER BROOKS:

20 Q. Okay. Is Devon the only party that owns a  
21 working interest that is limited to the depths -- in  
22 this spacing unit that is limited to depths below 11,915  
23 feet?

24 A. They're the only different party above 11,915  
25 feet.

1 Q. Oh, they're above?

2 A. Right. They're above.

3 Q. That's right. And the well is below?

4 A. Correct. Yes.

5 Q. And Devon is the only party who owns an  
6 interest -- is Devon the only working interest owner who  
7 owns a working interest in the spacing unit who does not  
8 own a working interest below 11,915 feet?

9 A. Yes.

10 Q. Okay. What about the overrides? Are any of  
11 those depth-severed?

12 A. I don't believe so.

13 Q. Will you check on that and report back to us?

14 A. I will go double-check. I know I have checked  
15 on it, but I will double-check again.

16 Q. Very good. You expressed some hesitation about  
17 it there for a minute.

18 I think that's all my questions. Oh, no.  
19 I did have another question.

20 On Exhibit Number 6, Scenario 1 -- oh, I  
21 think it is here. It's just in the blue line. And I  
22 assumed the blue line was just column headings, but I  
23 see I was wrong. So on Exhibits 6 and 7, the portion --  
24 the portions of the working interest not owned by the  
25 parties to be pooled are owned by MRC Permian?

1           A.     Yes.   Correct.

2           Q.     And that's 62.5 percent in Scenario 1 and 75  
3 percent in Scenario 2?

4           A.     Yes.   Correct.

5           Q.     Thank you.   That's all I have.

6                               CROSS-EXAMINATION

7 BY EXAMINER McMILLAN:

8           Q.     And in the update of the publication, did you  
9 specifically list the unlocatable interests?

10                       MS. KESSLER:  They're all listed.  We would  
11 be happy to provide you specifically the name of --

12                       EXAMINER McMILLAN:  Just say yes or no.  
13 You did provide them?  Yes?

14                       MS. KESSLER:  Yes.

15                       EXAMINER McMILLAN:  Okay.  I want to make  
16 sure.

17                       EXAMINER BROOKS:  Well, as I understand  
18 your response, you said that they're all in the list,  
19 but it's not broken out as to who is unlocatable; is  
20 that correct?

21                       MS. KESSLER:  That's correct.  They're all  
22 in there.  So if the examiners would like us to indicate  
23 who the unlocatable parties are, we can do that.

24                       EXAMINER BROOKS:  Okay.  I think that would  
25 be helpful.

1 MS. KESSLER: Okay.

2 RECROSS EXAMINATION

3 BY EXAMINER BROOKS:

4 Q. And did you use reasonable diligence to find  
5 the addresses of the unlocatable parties?

6 A. Yes, we did.

7 Q. And what did that consist of, generally?

8 A. Internet searches; we also use a software,  
9 LexisNexis software, to look for that. And I think  
10 that's about it.

11 REDIRECT EXAMINATION

12 BY MS. KESSLER:

13 Q. Did you review the county records?

14 A. Yes, we did.

15 EXAMINER BROOKS: Nothing further. I'm  
16 done.

17 EXAMINER McMILLAN: I don't have any  
18 further questions. Thank you.

19 THE WITNESS: Thank you.

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

21 EXAMINER McMILLAN: Please proceed.

22 ANDREW PARKER,

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

25

1 DIRECT EXAMINATION

2 BY MS. KESSLER:

3 Q. Please state your name for the record.

4 A. Andrew Parker.

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

6 A. Matador Resources. I'm a senior geologist.

7 Q. Have you previously testified before the Oil  
8 Conservation Division?

9 A. Yes.

10 Q. Were your credentials as an expert in petroleum  
11 geology accepted and made a matter of record?

12 A. Yes.

13 Q. Are you familiar with the applications filed by  
14 Matador in these consolidated cases?

15 A. Yes.

16 Q. And have you conducted a geologic study of the  
17 Bone Spring in the subject area?

18 A. Yes.

19 MS. KESSLER: Mr. Examiners, I would tender  
20 Mr. Parker as an expert in petroleum geology.

21 MR. CARR: No objection.

22 EXAMINER McMILLAN: Seth?

23 MR. McMILLAN: No objection.

24 EXAMINER McMILLAN: So qualified.

25 Q. (BY MS. KESSLER) Please turn to Exhibit 13,

1     **Mr. Parker, and identify this exhibit?**

2           A.     This is a regional map of the Northern Delaware  
3     Basin in southern Eddy and Lea Counties highlighting the  
4     area where the Charles Ling wells that we're presenting  
5     today will be drilled.

6           **Q.     And what is Exhibit 14?**

7           A.     This is a structure map on the top of the 3rd  
8     Bone Spring Sand in subsea depths. You can see the area  
9     where the Charles Ling wells will be, and it's also  
10    showing existing Bone Spring producers in the area.

11          **Q.     Have you identified any geologic hazards in**  
12    **this section?**

13          A.     No.

14          **Q.     And what do you see with respect to dip?**

15          A.     Within the section, it is a very gentle  
16    south-to-southwest dip.

17          **Q.     And you have included four wells on you're a to**  
18    **A prime line; is that correct?**

19          A.     Yes.

20          **Q.     Why did you select these wells?**

21          A.     These are -- these are wells that have, you  
22    know, good open-hole data sets that are representative  
23    of the Bone Spring Formation in this area.

24          **Q.     Please turn to Exhibit 15. And is this your**  
25    **corresponding cross-section exhibit?**

1           A.    It is.

2           **Q.    Can you please walk us through this exhibit?**

3           A.    So this is a stratigraphic cross section, A to  
4   A prime, roughly going north to south through the  
5   Charles Ling area.  It is datumed on the top of the 3rd  
6   Bone Spring Sand.  And the lower top, you can see, is  
7   the Wolfcamp top.  The orange highlighted box is the  
8   rough target interval that we will target in the Charles  
9   Ling wells.

10          **Q.    Okay.  And the ownership depth-severance line**  
11 **is the 3rd Bone Spring Sand top; is that correct?**

12          A.    Yes.  And that is specifically referenced to  
13   the second well from the left, the Stevens 11 1.  So the  
14   11,915, that depth, is where that 3rd Bone Spring Sand  
15   top is on that well.

16          **Q.    In your opinion, is there a frac barrier near**  
17 **the depth-severance line?**

18          A.    Yes.  There are many frac barriers.  As you get  
19   above the 3rd Bone Spring Sand, it becomes very thinly  
20   laminated.  There are abundant alternations of very  
21   dense limestone and organic-rich shales and clays that,  
22   you know, act as multiple frac barriers above the  
23   formation.  You can also see -- about 80 to 100 feet  
24   below the 3rd Bone Spring top, there is also -- there is  
25   another zone of very tight limestone that we believe

1     also acts as a frac barrier within the 3rd Bone Sand.

2           Q.     And there is approximately 200 feet of interval  
3     between the top of your target interval and the  
4     depth-severance line; is that correct?

5           A.     Yes.

6           Q.     Are you familiar with the frac design in the  
7     proposed wells?

8           A.     Yes.

9           Q.     Is the completion designed to achieve  
10    near-wellbore fracs?

11          A.     Yes.

12          Q.     Will the geologic barrier prevent fracs from  
13    growing into or developing above the depth-severance  
14    line?

15          A.     Yes.

16          Q.     In your opinion, will the barrier prevent  
17    hydrocarbons from above the depth-severance line  
18    contributing to the wellbores?

19          A.     Yes.

20          Q.     And that's because of the frac barriers?

21          A.     Because of the frac barriers and the way the  
22    completion is designed to avoid vertical height --

23          Q.     In your opinion, is it necessary to pool only  
24    the interest owners in the proposed interval to protect  
25    the correlative rights of these owners?



1           A.     Yes.

2           Q.     If you pool the entire pool -- if you were to  
3     pool the entire pool, would owners receive a share of  
4     hydrocarbons -- a share of production despite not  
5     contributing hydrocarbons?

6                     Let me state that again.

7                     If you pooled the entire pool, would there  
8     be owners that received a share of production despite  
9     not contributing hydrocarbons?

10          A.     Are you saying if you pool the entire Bone  
11     Spring Formation?

12          Q.     Correct.

13          A.     Yes.

14          Q.     What conclusions have you drawn based on your  
15     geologic study of this area?

16          A.     The 3rd Bone Spring Sand is an excellent target  
17     here. It's very continuous across the acreage. We  
18     expect, you know, all portions of the section to  
19     contribute equally within each of these four wellbores.  
20     And we feel very strongly that our completion will be  
21     contained within the 3rd Bone Spring target, and we will  
22     not drain outside of that.

23          Q.     Can you please identify Exhibits 16 through 19?

24          A.     These are wellbore diagrams for the Charles  
25     Ling 131, 132, 133 and 134 showing surface locations in

1 the north part of the section, drilling to the south,  
2 and showing that we will not perforate beyond the  
3 100-foot setbacks from the new horizontal rules.

4 Q. In your opinion, is the granting of these  
5 applications in the best interest of conservation, the  
6 prevention of waste and the protection of correlative  
7 rights?

8 A. Yes.

9 Q. Were Exhibits 13 through 19 prepared by you or  
10 compiled under your direction and supervision?

11 A. Yes.

12 MS. KESSLER: Mr. Examiners, I'd move  
13 admission of Exhibits 13 through 19.

14 MR. McMILLAN: No objection.

15 MR. CARR: No objection.

16 EXAMINER McMILLAN: Exhibits 13 through 19  
17 may now be accepted as part of the record.

18 (Matador Production Company Exhibit Numbers  
19 13 through 19 are offered and admitted into  
20 evidence.)

21 EXAMINER McMILLAN: Cross?

22 MR. McMILLAN: I have no questions. I  
23 thought the testimony was clear and helpful. Thank you.

24 MR. CARR: No questions.

25

1 CROSS-EXAMINATION

2 BY EXAMINER McMILLAN:

3 Q. The first thing I'd like to see is to show  
4 clearly on the Stevens 11 Well #1 where the barriers  
5 will be on another display that you'll send.

6 A. Okay.

7 Q. That way there will be no ambiguity.

8 A. Yeah. I think we can highlight that on a log.

9 Q. Yeah. You can just show where the barriers  
10 would be.

11 A. Okay.

12 Q. And I talked to David Brooks in another case  
13 about this. Would you --

14 EXAMINER McMILLAN: Remember when we talked  
15 about depth barriers -- for the depth severance if they  
16 describe the well?

17 EXAMINER BROOKS: Yeah. I was going to ask  
18 a question about that. I guess the -- I suppose I  
19 should ask the land witness about how exactly it's  
20 described, although everything that's been said so far  
21 is that it's at 11,915 feet, if the lawyer knows the  
22 answer to that. That's not really a question for a  
23 geologist.

24 If the lawyer knows the answer to that. Do  
25 you know? Is that the way it's expressed in the

1 governing instrument?

2 MS. KESSLER: It was a negotiated agreement  
3 between Devon and Matador.

4 MS. HAHN: It was a trade agreement, and  
5 that's the depth we decided on.

6 EXAMINER BROOKS: I'm sorry. I didn't  
7 hear.

8 MS. HAHN: Sorry. It's a trade agreement  
9 between Matador and Devon, and that was the depth that  
10 we decided on.

11 EXAMINER BROOKS: You divide it on the  
12 basis of footage rather than on the basis of a  
13 correlation to a log?

14 MS. HAHN: I believe it was based on the  
15 correlation of a log, the Stevens 11.

16 THE WITNESS: Yeah. It's referencing this  
17 Stevens 11 1, and that is a very, you know, common pick  
18 of where the top of the 3rd Bone Spring is.

19 EXAMINER BROOKS: We have the same issue as  
20 we have in that other case, where you express a footage  
21 and you also give a log correlation. Now, that question  
22 is -- because normally the formation characteristics  
23 don't go in precisely straight lines --

24 MS. HAHN: Right.

25 EXAMINER BROOKS: -- or not precisely the

1 same distance from the center of the earth, of all  
2 places. So you have an ambiguity as to whether the  
3 severance line is the depth articulated or the  
4 stratigraphic equivalent of that depth in the referenced  
5 well. And we need to be precise in our orders, so we  
6 need to know how that's interpreted.

7 MS. KESSLER: We'll provide you an email,  
8 Mr. Examiner. I believe that the parties, between Devon  
9 and Matador, have agreed that it's the 11,915 feet.

10 EXAMINER BROOKS: Yeah. That will make it  
11 easier than it was in this other case, although the  
12 thing that made it easier in the other case was that it  
13 was such a long distance from the depth-severance line  
14 to the --

15 CROSS EXAMINATION

16 BY EXAMINER BROOKS:

17 Q. And I was going to ask you: What is the  
18 anticipated landing depth of these wells?

19 A. TVD of these wells will be about 12,150.

20 Q. So they will be like about 200 feet -- 250 feet  
21 below the --

22 A. Below the depth-severance line, top of the 3rd  
23 Bone Spring, yes.

24 Q. Okay. So this is a big difference between this  
25 and the case in which it was 2,000 feet from the

1     depth-severance line. Yeah. We do need to figure out  
2     exactly where that depth-severance line should be stated  
3     as being in the order. That's all I have.

4                     MS. KESSLER: Thank you.

5                     EXAMINER BROOKS: Oh, I do have one more  
6     question for the lawyers in this case. What you're  
7     asking for is to pool the portion of the pool below the  
8     depth-severance line, however you define it, right?

9                     MS. KESSLER: That's correct.

10                    EXAMINER BROOKS: However you define it.

11                    MS. KESSLER: Correct.

12                    EXAMINER BROOKS: And you have agreed to  
13     that?

14                    MR. McMILLAN: Exactly.

15                    EXAMINER BROOKS: Your client, Devon, has  
16     agreed to that?

17                    MR. McMILLAN: Indeed. Indeed.

18                    EXAMINER BROOKS: Okay. That makes it very  
19     similar to the case you cited where there was a letter  
20     of support, so I think we're in good shape.

21                    Thank you very much.

22                    EXAMINER McMILLAN: Do you want closing  
23     statements or anything?

24                    MR. McMILLAN: I've got nothing. I made my  
25     statement. Thanks.

1 EXAMINER McMILLAN: Thanks. You may be  
2 excused.

3 Case Numbers 16252 through 255 shall be  
4 taken under advisement.

5 Thank you.

6 Let's take a ten-minute break.

7 (Case Numbers 16252 through 16255 conclude,  
8 2:35 p.m.)

9 (Recess, 2:35 p.m. to 2:46 p.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 25th day of October 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