

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. 20364  
COMPANY FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 5, 2019

Santa Fe, New Mexico

BEFORE:   MICHAEL McMILLAN, CHIEF EXAMINER  
             SUSAN SITA, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Michael McMillan,  
Chief Examiner, and Susan Sita, Legal Examiner, on  
Friday, April 5, 2019, 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  
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# APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

ADAM G. RANKIN, ESQ.  
HOLLAND & HART, LLC  
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# INDEX

PAGE

Case Number 20364 Called	3
Case Presented by Affidavit	3
Proceedings Conclude	13
Certificate of Court Reporter	14

# EXHIBITS OFFERED AND ADMITTED

Matador Production Company Exhibits A, B and C	13
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1 (8:38 a.m.)

2 EXAMINER McMILLAN: Let's go ahead. Let's  
3 go to Matador. I would like to call Case Number 20364,  
4 application of Matador Production Company for compulsory  
5 pooling, Lea County, New Mexico.

6 Call for appearances.

7 MR. RANKIN: Good morning, Mr. Examiner.  
8 Adam Rankin, with the law firm of Holland & Hart from  
9 the office here, appearing on behalf of the Applicant in  
10 this case, Matador Resources Company. We would ask that  
11 this case be presented by affidavit.

12 EXAMINER McMILLAN: Okay. Are there any  
13 other appearances?

14 Please proceed.

15 MR. RANKIN: Mr. Examiner, before you is an  
16 exhibit packet containing the affidavits of two of  
17 Matador's witnesses and then our Notice of Affidavit  
18 from the law firm.

19 If you turn to Exhibit A, you'll see there  
20 is an affidavit from the landman, Veronica Ware.  
21 Ms. Ware lays out in this case that Matador is seeking  
22 to pool all uncommitted interests in the Bone Spring  
23 Formation. In this case the pool is the Airstrip; Bone  
24 Spring, pool code 960, and a 160-acre spacing unit  
25 comprised of the east half-east half of Section 31,

1 Township 18 South, Range 35 East, in Lea County, New  
2 Mexico.

3 In this case the proposed horizontal  
4 spacing unit will be dedicated to three wells identified  
5 as the Airstrip 31-18 South, 35E RN, as in Nancy, State  
6 Com #114 well, #124 well and the 134 well. Ms. Ware  
7 lays out the specific locations in her affidavit.

8 Exhibit 1 is a copy of the C-102 for each  
9 of those wells, and the C-102 reflects that the last  
10 perforation and the first perforation, as well as the  
11 entire lateral of the completed interval will be within  
12 the required setbacks for statewide -- statewide wells.

13 Exhibit A2 is an exhibit that identifies a  
14 tract of lands -- ownership of the tract of lands in the  
15 spacing unit they've proposed.

16 Exhibit A3 is a copy of the interest  
17 ownership identification identifying each of the  
18 uncommitted interest owners they're seeking to pool in  
19 this case. In this case there are two groups of working  
20 interest owners, as well as a list of overrides who are  
21 being pooled on the third page of that exhibit.

22 Exhibit 4 attached to her affidavit is a  
23 copy of the well-proposal letters that were sent to each  
24 of the working interest owners that Matador is seeking  
25 to pool in this case, along with the AFE or estimate of

1 costs for each of the wells identified in this pooling  
2 case. Ms. Ware testifies that the costs that Matador  
3 has estimated are in line with what other operators and  
4 Matador have incurred for drilling similar horizontal  
5 wells in the Bone Spring in this area. Matador is  
6 seeking costs -- overhead and administrative costs of  
7 \$7,000 per month -- \$7,000 -- \$7,000 per month while  
8 drilling and \$700 a month while producing. She  
9 testifies that these costs are consistent with what  
10 other operators are incurring while drilling and  
11 producing wells in the area.

12 She testifies that she has made good-faith  
13 efforts to reach agreement with the parties they are  
14 seeking to pool and that if it does reach agreement  
15 subsequent to this hearing, it will notify the Division  
16 to dismiss those parties from the pooling. She provides  
17 us a list of pooling parties she's identified, and we  
18 provided notice, which I will review in our next  
19 exhibit.

20 Any questions on the land, Mr. Examiner?

21 EXAMINER McMILLAN: Okay. So the first  
22 question is: Unlocatable interests?

23 MR. RANKIN: No unlocatable interests.

24 EXAMINER McMILLAN: Depth severances?

25 MR. RANKIN: No depth severances.

1                   EXAMINER McMILLAN: And just so you'll  
2 know, I called your -- I called your office about these  
3 wells and they -- literally last week, and they said  
4 these wells were not subject to a compulsory pooling.

5                   MR. RANKIN: This specific Airstrip one?

6                   EXAMINER McMILLAN: All of these wells.

7                   MR. RANKIN: Oh. Well, there are a lot of  
8 wells.

9                   EXAMINER McMILLAN: It's utterly confusing.

10                  MR. RANKIN: Yeah.

11                  EXAMINER McMILLAN: So there is clear proof  
12 of notice?

13                  MR. RANKIN: Yeah. I'll get to the notice.  
14 If you like, I can cover that real quick.

15                  EXAMINER McMILLAN: Yeah. Cover the  
16 notice.

17                  MR. RANKIN: So, Mr. Examiner, if you flip  
18 to the last exhibit, C, in your exhibit packet, you'll  
19 see there is an affidavit behind that tab prepared by  
20 myself and my office reflecting that we provided notice  
21 to all the notice parties that were provided to us by  
22 Matador.

23                  The second page of that exhibit is a notice  
24 letter that was sent reflecting that we gave notice of  
25 this hearing on this date for each of these wells -- for

1     this case, for each of these wells.

2                     The next page is a copy of the USPS  
3     tracking information sheet which shows that we sent  
4     notice to each of these parties.  If you flip through to  
5     the end, you'll see, second-to-the-last page, a list of  
6     the parties actually did receive, signed for these  
7     letters.  A few remained in transit at the time this  
8     information sheet was printed out.  As a  
9     belt-and-suspenders approach, the last page of this  
10    exhibit shows that we provided notice identifying each  
11    of these interest owners by name giving them notice of  
12    today's hearing.

13                    Exhibit B is a copy of the affidavit  
14    prepared by Matador's geologist who undertook the  
15    geologic review.

16                    EXAMINER McMILLAN:  Okay.  We're going back  
17    to the land issue.

18                    MR. RANKIN:  Okay.

19                    EXAMINER McMILLAN:  You just -- so you  
20    stated that there were no unlocatables, but is it  
21    significant that everyone --

22                    MR. RANKIN:  So, you know, sometimes -- the  
23    way that we have found is the postal service sometimes  
24    takes a very long time to update their records.  So,  
25    unfortunately, sometimes these sit for a long time.

1 These addresses are all correct addresses, as Ms. Ware  
2 testifies in her affidavit. These are not returned.  
3 They're just simply --

4 EXAMINER McMILLAN: Do we need to continue  
5 the case?

6 MR. RANKIN: No. They're correct  
7 addresses. It's just that they haven't been signed for  
8 yet. So it's a matter of timing. The postal service  
9 sometimes takes weeks for them to update their -- their  
10 information for us.

11 EXAMINER McMILLAN: I get so confused about  
12 notice.

13 MR. RANKIN: I mean, there is no -- I mean,  
14 it's a correct address. It's just that the update from  
15 the postal service hasn't reflected that they've  
16 actually been received yet. So under the rules -- and I  
17 don't have my rule book in front of me -- it's only  
18 unlocatable if it's somehow demonstrated to be an  
19 incorrect address, or we have not been able to locate an  
20 address for them. Here, we have the correct -- we have  
21 the records that reflect the correct address. It just  
22 hasn't been picked up by the individual, or the postal  
23 service hasn't yet updated information to reflect it's  
24 been signed for and picked up. That's why, in addition,  
25 because of the timing issues, we always go ahead and



1 publish notice giving the individuals constructive  
2 notice by identifying them by name in the Notice of  
3 Publication.

4 Do you want to go off the record for a  
5 minute? We can look at it. I mean, I'm comfortable  
6 saying that there are no unlocatable interests.

7 EXAMINER McMILLAN: That's the biggest  
8 thing we do at the hearings.

9 MR. RANKIN: I know.

10 EXAMINER McMILLAN: And I would much rather  
11 make sure we're correct.

12 MR. RANKIN: Yeah.

13 EXAMINER McMILLAN: The way the database  
14 works for the OCD is you can't have wells landing at the  
15 same --

16 MR. RANKIN: Even though they're underneath  
17 each other? Yeah. Yeah.

18 EXAMINER McMILLAN: Yeah. You can't -- I  
19 had a question. One was like 100 from the north, 101,  
20 and one was 102.

21 MR. RANKIN: Yeah.

22 EXAMINER McMILLAN: But I see that based on  
23 the C-102, they're all 100, 330.

24 MR. RANKIN: I think that's correct.  
25 They're hitting different zones.

1 MS. SITA: "Where proof is available, a  
2 copy of the proof" -- it says, "Given notice at the  
3 correct address, the record shall contain the address of  
4 the persons where notice was sent and where proof of a  
5 receipt is available, a copy of the proof."

6 EXAMINER McMILLAN: Okay. That's fine.

7 MS. SITA: As long as they've made  
8 good-faith, diligent effort to find the correct address  
9 entitled to notice, giving them notice and providing the  
10 proof where available.

11 EXAMINER McMILLAN: That's fine. Notice is  
12 the biggest thing. So that's fine then. I'm satisfied.

13 MR. RANKIN: Thank you, Mr. Examiner.

14 So with that, we'll move on to the geologic  
15 exhibit?

16 EXAMINER McMILLAN: Yes.

17 MR. RANKIN: Turning to Exhibit B is a copy  
18 of the affidavit of the geologist for Matador, Mr. James  
19 Andrew Juett. Mr. Juett has previously testified before  
20 the Division and has his credentials as an expert in  
21 petroleum geology accepted as a matter of record.

22 He undertook a geologic study of the area,  
23 and attached to his affidavit is Exhibit B1, an overview  
24 locator map reflecting the location of the proposed  
25 spacing unit project area for this well in the -- in the

1 basin?

2                   Exhibit B2 is a copy of the structure map  
3 that Mr. Juett prepared on the top of the Bone Spring  
4 Formation. That map shows that the Bone Spring is  
5 gently dipping to the south, I believe. Is that right?  
6 Yup.

7                   In addition to the structure map -- and I  
8 will convey this to Mr. Juett -- he's included a cross  
9 section A to A prime.

10                  EXAMINER McMILLAN: It's the same thing I  
11 always say.

12                  MR. RANKIN: Yup. Yup. I'll tell them. I  
13 think they got the message yesterday.

14                  Mr. Juett has testified that he has  
15 identified no pinch-outs, faulting or geologic  
16 impediments to the development of a horizontal well  
17 across the spacing unit in this area.

18                  The next page is Exhibit B3, and that  
19 reflects his stratigraphic cross section. Structured  
20 off those three wells, he has identified a structure  
21 map, A to A prime. This map on this exhibit shows the  
22 well logs for those three wells reflecting their  
23 porosity, gamma ray and resistivity. In addition, he's  
24 overlaid the proposed target intervals for each of the  
25 three wells identified in this pooling case reflecting

1 the proposed target intervals for each of the three  
2 wells. And he marks the different zones on the map and  
3 shows that the intervals are consistent and continuous  
4 across the proposed spacing unit. He testifies that  
5 based on his geologic study, he's not identified any  
6 impediments to drilling. In his opinion, each quarter  
7 section of the -- of the proposed spacing unit will be  
8 productive and will contribute more or less equally to  
9 production from the spacing unit. And in his opinion,  
10 horizontal drilling is the most efficient and effective  
11 method to develop hydrocarbons in the area and to  
12 prevent the drilling of unnecessary wells, and it's in  
13 the interest of conservation, the prevention of waste  
14 and the protection of correlative rights.

15 The last page of his exhibit, D4, is a copy  
16 of a series of cartoons reflecting that each of the  
17 proposed wells, the toe and heel, will be within the  
18 required setbacks under the statewide pool rules -- pool  
19 rule -- statewide offset rules for wells.

20 With that, Mr. Examiner, I would ask that  
21 Exhibits A, B and C, along with their attachments, be  
22 accepted into the record and that this case be taken  
23 under advisement, unless you have any other questions.

24 EXAMINER McMILLAN: Exhibits A, B and C may  
25 now be accepted as part of the record.

1 (Matador Production Company Exhibits A, B  
2 and C are offered and admitted into  
3 evidence.)

4 EXAMINER McMILLAN: What's the status of  
5 the wells?

6 MR. RANKIN: I do not know the actual  
7 status of these wells. I do not believe they have been  
8 drilled or spud, but I can find out.

9 EXAMINER McMILLAN: Yes. My plan next week  
10 is to write hearing orders.

11 MR. RANKIN: Okay.

12 EXAMINER McMILLAN: Questions?

13 MS. SITA: (Indicating.)

14 MR. RANKIN: Do you want to know the  
15 estimated drill dates?

16 EXAMINER McMILLAN: No. I just want to  
17 know the status. Have they been -- are they proposed?  
18 Spud but not completed? That's what I want to know.

19 MR. RANKIN: Right. I don't know the  
20 status myself.

21 EXAMINER McMILLAN: Okay. Well, you'll  
22 find that out.

23 So Case Number 20364 shall be taken under  
24 advisement.

25 (Case Number 20364 concludes, 8:53 a.m.)

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 24th day of April 2019.

21

22

23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
25 New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2019  
Paul Baca Professional Court Reporters