

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. 20546,
COMPANY FOR COMPULSORY POOLING, 20547
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 13, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

 This matter came on for hearing before the
New Mexico Oil Conservation Division, William V. Jones,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, June 13, 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
 New Mexico CCR #20
 Paul Baca Professional Court Reporters
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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

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FOR INTERESTED PARTY EOG RESOURCES, INC.:

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EXHIBITS OFFERED AND ADMITTED

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(4:18 p.m.)

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EXAMINER JONES: Call Cases 20546 and
20547, applications of Matador Production Company for
compulsory pooling, Eddy County, New Mexico.

Call for appearances.

MR. BRUCE: Mr. Examiner, Jim Bruce of
Santa Fe representing the Applicant. I'm presenting the
cases by affidavit.

EXAMINER JONES: Any other appearances?

MR. PADILLA: Ernest L. Padilla for EOG
Resources, Inc. And I have no witnesses or opposition
to this case.

EXAMINER JONES: It was EOG Resources?

MR. PADILLA: Yes.

MR. BRUCE: Mr. Examiner, I've handed you
the package of exhibits.

Exhibit 1 is the affidavit of Sam Pryor, a
landman for Matador. He has previously testified before
the Division in these two cases. If you go back to the
attachments on Exhibit 1, you'll see there is -- they
are seeking to drill the Stebbins 19 Fed Com 203H well
in the north half-south half of Section 19 and then the
204H well in the south half-south half of Section 19,
both in 20 South, 29 East. It shows that the south half

1 is all one federal lease -- the south half-south half is
2 all one federal lease. The north half-south half of
3 Section 9 -- 19 is two federal leases.

4 It contains sheets showing the interest
5 owners who are being -- the uncommitted working interest
6 owners and uncommitted -- excuse me -- the uncommitted
7 working interest owners who are being force pooled. In
8 each case, they are pretty much the same people,
9 although their interests may vary somewhat.

10 In addition, the overriding royalty
11 interest owners are being force pooled. That is shown
12 by the landman. They are identified. There are quite a
13 few of them. Probably about 40 overriding royalty
14 interest owners are being force pooled.

15 Exhibit -- an attachment to the landman's
16 exhibits shows the proposal letter to the working
17 interest owners. It also contains the AFEs for the
18 wells. These are Wolfcamp wells, and each of the wells
19 is about -- oh, about \$7.7 million. These are stated to
20 be fair and reasonable prices. The locations will be
21 orthodox. There are no depth severances in the Wolfcamp
22 formation, and they have been in contact with each of
23 the interest owners seeking to be pooled. They're
24 asking for 7,000 a month for a drilling well and \$700 a
25 month for a producing well for the overhead rates, as

1 well as the maximum cost plus 200 percent penalty.

2 The affidavit also states that they
3 provided Holland & Hart, the original attorneys in this
4 case, with the names and addresses of the parties to be
5 pooled. And Exhibit 2 is a letter from Mr. Rankin of
6 Holland & Hart notifying all of these interest owners of
7 the pooling hearing. As you can see, they use one of
8 these online services, and it gives the status of the
9 certified mail. But they also published in the Hobbs
10 newspaper a notice identifying each and every one of the
11 interest owners, so even if they hadn't received or had
12 not returned a green card by the time of this hearing,
13 they were all given notice. All of the interest owners
14 were given notice of the application constructively.

15 Exhibits 2 and 3 are for the 203H well,
16 which is the north half-south half Exhibits.

17 Exhibits 4 and 5 are the affidavit -- or
18 the notice letter and the Affidavit of Publication for
19 the 204H well, which is the south half-south half well.
20 And, again, all of the parties were notified either by
21 certified mail or by -- or constructively.

22 Exhibit 6 --

23 EXAMINER BROOKS: All the -- all the
24 interest owners that you want to say were notified
25 constructively were all listed in the advertisement?

1 MR. BRUCE: They have either received
2 certified mail, or they were constructively noticed by
3 the newspaper publication.

4 EXAMINER BROOKS: Yeah. But does the
5 affidavit cover whether or not they were -- they were --
6 do you have -- you have the notice attached to that,
7 right, the publication notice?

8 EXAMINER JONES: Yeah. It's right here.

9 EXAMINER BROOKS: Does it have all the
10 names on it?

11 MR. BRUCE: Yes. Yeah. There's a bundle
12 of them. In legal terminology, there's a bundle of
13 names.

14 EXAMINER BROOKS: You don't have to read
15 them all.

16 EXAMINER JONES: I like that legal
17 terminology.

18 MR. BRUCE: But I did -- I did go through
19 it to verify that each and every person who is
20 identified as a working interest owner or an overriding
21 royalty interest owner was notified by publication.

22 EXAMINER BROOKS: Does the affidavit cover
23 due diligence in searching for the addresses?

24 MR. BRUCE: Yes.

25 EXAMINER BROOKS: I'm glad. Thank you.

1 EXAMINER JONES: And the Coles [sic;
2 phonetic] are in there, too, John Cole.

3 MR. BRUCE: Both of these wells are
4 Wolfcamp wells.

5 Exhibit 6 is the affidavit of Andy Juett,
6 the geologist. And he includes the locator map,
7 structure map of the Wolfcamp. And the structure dips
8 gently to the east or east-southeast, and a cross
9 section showing that these wells, both of them, are
10 going to the Wolfcamp Y zone, which is not quite the top
11 of the Wolfcamp Formation. And the formation is pretty
12 much uniform in thickness across the length of the well
13 units, and there are no geologic impediments to drilling
14 horizontal wells in this area. And each quarter-quarter
15 section will contribute more or less equally to
16 production.

17 The geologist states that horizontal
18 drilling is the most efficient method to drill and
19 produce the Wolfcamp in this area, and then there are
20 the wellbore cartoons, schematics, showing that the well
21 will satisfy the setbacks as required by the Division.

22 With that, I'd move the admission of
23 Exhibits 1 through 6.

24 EXAMINER JONES: Any objection?

25 MR. PADILLA: No objection.

1 EXAMINER JONES: Exhibits 1 through 6 are
2 admitted.

3 (Matador Production Company Exhibit Numbers
4 1 through 6 are offered and admitted into
5 evidence.)

6 EXAMINER JONES: It's interesting. It's
7 Eddy County, but it's not Purple Sage.

8 MR. BRUCE: It's a little too far north.

9 EXAMINER JONES: A little too far north.
10 20 South is too far north. Okay.

11 EXAMINER BROOKS: I have no questions.

12 EXAMINER JONES: I guess that's it.

13 Cases 20546 and 20547 are taken under
14 advisement.

15 (Case Numbers 20546 and 20547 concludes,
16 4:27 p.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO
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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
6 Reporter, New Mexico Certified Court Reporter No. 20,
7 and Registered Professional Reporter, do hereby certify
8 that I reported the foregoing proceedings in
9 stenographic shorthand and that the foregoing pages are
10 a true and correct transcript of those proceedings that
11 were reduced to printed form by me to the best of my
12 ability.

13 I FURTHER CERTIFY that the Reporter's
14 Record of the proceedings truly and accurately reflects
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither
17 employed by nor related to any of the parties or
18 attorneys in this case and that I have no interest in
19 the final disposition of this case.

20 DATED THIS 30th day of June 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