

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. 20678
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 8, 2019

Santa Fe, New Mexico

BEFORE: LEONARD LOWE, CHIEF EXAMINER
 MICHAEL McMILLAN, TECHNICAL EXAMINER
 DANA Z. DAVID, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Leonard Lowe, Chief Examiner; Michael McMillan, Technical Examiner; and Dana Z. David, Legal Examiner, on Thursday, August 8, 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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1 (4:23 p.m.)

2 MR. BRUCE: The next case, Mr. Examiner,
3 will be 25 on the docket, Case 20678, Matador.

4 EXAMINER LOWE: Okay. I will call Case
5 Number 20678, application of Matador Production Company
6 for compulsory pooling, Eddy County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of
9 Santa Fe representing the Applicant.

10 EXAMINER LOWE: Are there any witnesses?

11 MR. BRUCE: I am submitting the case by
12 affidavit.

13 EXAMINER McMILLAN: Are there any other
14 appearances?

15 MR. BRUCE: Not that I know of. I hope
16 not.

17 Mr. Examiner, in this case Matador
18 Production Company requests the force pooling of the
19 west half-west half of Section 9 and the west half-west
20 half of Section 16 for two wells, the Jack Sleeper 111
21 well and the Jack Sleeper 121H well. These are Bone
22 Spring tests. The well locations are -- will have
23 standard setbacks. The C-102s are attached, which gives
24 the footages, first and last take points. The wells are
25 in the -- the C-102s are attached. The wells are in the

1 South Culebra Bluff; Bone Spring pool, and the pool code
2 is contained on the C-102s. There are no API numbers
3 for the wells yet.

4 Attachment 2 shows the type of lands
5 involved in the well unit. It's half federal, half
6 state land.

7 Attachment 3 shows the uncommitted working
8 interest owners. I guess there are some -- looks like
9 there is some fee land involved in this, but it gives --
10 basically Matador seeks to force pool slightly less than
11 5 percent of the working interests in the well. A
12 couple of overriding royalties are to be pooled also,
13 and they are identified.

14 A5 is a sample proposal letter. And the
15 AFEs for the wells are contained there. They're about
16 \$9-1/2 million tests. There are no depth severances in
17 the Bone Spring Formation in this acreage. The AFEs for
18 the well are stated to be fair and reasonable. Matador
19 requests 8,000 a month while drilling and 800 a month
20 while producing, which are fair and reasonable and costs
21 charged by other operators in this area for wells of
22 this type. They're requesting a 200 percent -- cost
23 plus 200 percent risk charge. And they said they made a
24 diligent search of all possible -- of all records to
25 locate the interest owners.

1 Exhibit B is the affidavit of Clark
2 Collier, the geologist, and he has a structure map,
3 isopach map, which shows fairly uniform thickness
4 throughout the well unit, and a cross section. And,
5 again, I will get you colored cross sections. But the
6 111H target on the cross section would be several feet
7 higher than the 121H well. They are -- the 111H well is
8 a 1st Bone Spring test. The 121H well is a 2nd Bone
9 Spring test. The setbacks will be standard.

10 Exhibit C is the Affidavit of Notice. I
11 got back some of the envelopes, and some of the green
12 cards did not get returned. And that is shown on
13 Exhibit C.

14 But Exhibit D shows that every single
15 interest owner was also noticed by publication, so
16 actual constructive notice was given to all of the
17 interest owners in the well unit.

18 And with that, I'd move the admission of
19 Exhibits A through D and ask that the matter be taken
20 under advisement.

21 EXAMINER LOWE: Exhibits A through E [sic]
22 will be accepted for Case Number 20678.

23 (Matador Production Company Exhibits A
24 through D are offered and admitted into
25 evidence.)

1 Do you have any questions?

2 EXAMINER McMILLAN: I'm always confused.
3 So there are technically unlocatable interests, right?

4 MR. BRUCE: There are unlocatable
5 interests. Well, I mean -- yeah, there are.

6 EXAMINER McMILLAN: Okay. And then what
7 steps did Matador take to attempt to locate the
8 interests?

9 MR. BRUCE: They checked, of course, public
10 records in the county. Obviously, they checked the
11 state and federal lease files. They checked phone
12 directories and did computer searches.

13 EXAMINER McMILLAN: That's fine.

14 MR. BRUCE: That's in the landman's
15 affidavit.

16 EXAMINER LOWE: Any questions, sir?

17 EXAMINER DAVID: I have no questions.

18 EXAMINER LOWE: I have no questions as
19 well.

20 Case Number 20678 will be taken under
21 advisement.

22 (Case Number 20678 concludes, 4:32 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 19th day of August 2019.

21

22

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

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