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A P P E A R A N C E S

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1 (Time noted 8:26 a.m.)

2 EXAMINER BRANCARD: All right. Now we have a
3 series of cases that were continued from our prior hearing
4 March 3rd, and we will start with No. 8 on the worksheet,
5 Case 22500, Matador Production Company.

6 MR. RANKIN: Good morning, Mr. Examiner. May it
7 please the Division, Adam Rankin appearing on behalf of
8 the applicant in this case.

9 MR. BRANCARD: All right. Do we have an entry
10 from David Petroleum?

11 MS. McLEAN: Yes. Jackie McClean for David
12 Petroleum.

13 EXAMINER BRANCARD: Thank you, Ms. McLean.

14 Then South Fifth Energy.

15 MR. CARTER: Yes, sir. This is Stuart Carter
16 again.

17 EXAMINER BRANCARD: Thank you, Mr. Carter.

18 Are there any other interested persons in
19 Case 22500? (Note: No response.)

20 Okay. Mr. Rankin, I think we need to
21 apologize to you, because we were saying we were going to
22 get back to you on this case, but our engineers have been
23 tied up in nasty waste-pool stuff, so we have not gotten
24 back to you about this case in the interim.

25 So where are we? I think where we are is

1 the question we were left with, which was whether you're
2 required, your client is required to file geologic
3 evidence in this case, as is normal in an affidavit case
4 for compulsory pooling. And I believe after consulting
5 with the engineers they believe that that is appropriate,
6 that all cases for compulsory pooling, we have not made
7 any kind of distinction between horizontal and vertical,
8 so we do need geologic evidence in this case.

9 MR. RANKIN: Okay. Mr. Examiner, I'm happy to
10 do that. I'll just -- you know one point of explanation I
11 think that may help: The distinction between the
12 horizontal cases and the vertical cases is that where
13 operators are seeking pooling for vertical cases,
14 generally the pooling is the smallest -- you know, you
15 have a single spacing unit that you're pooling, and
16 generally you're confined or constrained by the pool rules
17 for whatever formation you're targeting. And generally
18 speaking, you know, if it's 40-acre pooling or -- 40-acre
19 spacing or 80-acre spacing, that's the smallest unit size
20 that you can produce on.

21 So for that reason, because you can't go
22 any smaller, there was never a need to present any
23 geologic evidence, because that was the smallest spacing
24 size, whereas horizontal wells, you were generally
25 combining more than one tract or spacing unit to create a

1 spacing unit for horizontal well development, and for that
2 reason the Division had required geologic evidence to
3 demonstrate that each of the tracts would contribute more
4 or less equally to the production in the well.

5 So for that reason traditionally vertical
6 wells never required geologic evidence, because you were
7 targeting and producing from the smallest available tract,
8 which is governed by the spacing rules for the pool.

9 So for that reason we did not prepare or
10 present any geologic evidence, because we were already
11 constrained to an 80-acre spacing unit, in which case here
12 it was -- interest was uniform across an undivided
13 interest.

14 EXAMINER BRANCARD: Well, I appreciate that, and
15 I think -- you know, when we developed this checklist two
16 years ago, or more, I think the idea was that we'll give
17 it a try and see if there needs to be changes in the
18 future, and we may need to go back and relook at this
19 checklist for the affidavit process.

20 I think when we get to one of our cases
21 later on I will discuss some ideas for Notice that we may
22 want to update also on our checklist.

23 So I think that's worth looking at, and I
24 think we will look at that in the future, Mr. Rankin.

25 You know, the other issue surrounding this

1 case that I'm aware of relate to a nonstandard location,
2 but I think we will be handling all of that
3 administratively. There has been a fair amount of
4 discussion in-house about that, so I think if there are
5 questions, you can get back to your client directly on
6 that application rather than going through the hearing
7 process on that, which is not really part of this hearing
8 process. So --

9 MR. RANKIN: Right. Yeah, Mr. Lowe has reached
10 out with one question which I believe we've addressed, and
11 so hopefully, you know, if he has any more questions about
12 the NSL we would be able to provide prompt responses to
13 him. But in the meantime we will prepare the geologic
14 affidavit and exhibit and submit that to the portal and
15 serve all parties.

16 EXAMINER BRANCARD: Okay. What time frame do
17 you think you can work that on so we can continue this
18 case till some point.

19 MR. RANKIN: Well, I'm sure the client would
20 like to get that done as quickly as possible, so I will --
21 how about we continue it two weeks, if that's okay with
22 Marlene, if we can continue it two weeks, and then I'll
23 plan to get it filed the early part of next week.

24 EXAMINER BRANCARD: Okay. So this would be
25 continued to April 7th.

1 MR. RANKIN: Yes, please.

2 EXAMINER BRANCARD: Our April dockets are
3 overflowing, each with over 130 cases right now. But, you
4 know, today we started with 120, now we're down to 28.

5 But I guess that's spring break.

6 So I'll go around to the other parties.

7 David Petroleum, any concerns or questions
8 at this point.

9 MS. McLEAN: No issues from David Petroleum at
10 this point.

11 EXAMINER BRANCARD: Thank you. South Fifth
12 Energy?

13 MR. CARTER: Nothing at this point. Thank you.

14 EXAMINER BRANCARD: Thank you, Mr. Carter.

15 Any other persons on Case 22500?

16 Hearing none, this case will be continued
17 to April 7th for submittal and review on the geologic
18 evidence at that time. Thank you.

19 EXAMINER LOWE: I've got a question.

20 EXAMINER BRANCARD: Yes. Yes, Mr. Lowe. I'm
21 sorry.

22 EXAMINER LOWE: I have one question for
23 Mr. Rankin. Good morning, Mr. Rankin.

24 MR. RANKIN: Hi, Leonard. Good morning.

25 EXAMINER LOWE: Just a curious question on the

1 well that -- the Monika well?

2 Why was it deviated, its surface location
3 deviated off, I guess, the bottomhole location.

4 MR. RANKIN: I can tell you why I understand
5 that the bottomhole location is targeted for where it is.
6 I can't tell you why the surface location is where it is.
7 I believe it may be -- you know, speculating, it may be
8 topographical or just a surface issue. I think I recall
9 Mr. Carter suggesting that there may have been an
10 irrigation center pivot that they had to avoid, so there
11 may have been some surface issues that required moving the
12 location to avoid surface issues.

13 As to the bottomhole location, Matador has
14 identified a -- and I don't have the correct geologic term
15 for it, but like a bubble or a mound or a point of
16 interest that they believe has the most prospective, is
17 the most prospective in that zone, so they had to target
18 it by a directional location.

19 EXAMINER LOWE: Okay. All right. That was the
20 only question I've got. Thank you.

21 EXAMINER BRANCARD: So it seems your geologic
22 evidence might help our nonstandard analysis also, Mr.
23 Rankin.

24 MR. RANKIN: Yes, Mr. Examiner. Back in the day
25 we used to do all these together, I guess at the hearing,

1 but I understand that's not the way we are doing it now,
2 which is fine.

3 EXAMINER BRANCARD: And if there's an objection,
4 obviously you could do that. I mean, sometimes people do
5 combine these two, but it's rare.

6 Anyway, thank you.

7 MR. RANKIN: Thank you.

8 (Time noted 8:32 a.m.)

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3 COUNTY OF TAOS)

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