

ORIGINAL

3 IN THE MATTER OF THE HEARING CALLED  
4 BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

5 APPLICATION OF AMENDED APPLICATION  
6 OF MATADOR PRODUCTION COMPANY FOR  
7 COMPULSORY POOLING AND UNORTHODOX  
WELL LOCATION, EDDY COUNTY,  
NEW MEXICO.

CASE NO. 15039

8

9 REPORTER'S TRANSCRIPT OF PROCEEDINGS

10 EXAMINER HEARING

11 October 17, 2013

12 Santa Fe, New Mexico

13

14 BEFORE: DAVID K. BROOKS, CHIEF EXAMINER

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18 This matter came on for hearing before the  
19 New Mexico Oil Conservation Division, David K. Brooks,  
20 Chief Examiner, on Thursday, October 17, 2013, at the  
21 New Mexico Energy, Minerals and Natural Resources  
22 Department, 1220 South St. Francis Drive, Porter Hall,  
Room 102, Santa Fe, New Mexico.

21

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23 REPORTED BY: Mary C. Hankins, CCR, RPR  
24 New Mexico CCR #20  
Paul Baca Professional Court Reporters  
25 500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102

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APPEARANCES

FOR APPLICANT MATADOR PRODUCTION COMPANY:

MICHAEL H. FELDEWERT, ESQ.  
HOLLAND & HART  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501  
(505) 988-4421  
mfeldewert@hollandhart.com

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1 (9:02 a.m.)

2 EXAMINER BROOKS: Call Case Number 15039,  
3 amended application of Matador Production Company for  
4 compulsory pooling and unorthodox well location, Eddy  
5 County, New Mexico.

6 Call for appearances.

7 MR. FELDEWERT: Mr. Examiner, Michael  
8 Feldewert, with the Santa Fe office of the law firm of  
9 Holland & Hart, appearing on behalf of the Applicant,  
10 Matador Production Company. I have one witness here  
11 today.

12 EXAMINER BROOKS: Very good. Have your  
13 witness stand and identify himself.

14 State your name, please, for the record.

15 MR. FILBERT: Jonathan Filbert.

16 EXAMINER BROOKS: Would you please swear  
17 the witness?

18 JONATHAN FILBERT,  
19 after having been first duly sworn under oath, was  
20 questioned and testified as follows:

21 EXAMINER BROOKS: Okay. You may proceed.

22 MR. FELDEWERT: Thank you, Mr. Examiner.

23 DIRECT EXAMINATION

24 BY MR. FELDEWERT:

25 Q. Mr. Filbert, would you please identify by whom

1 you are employed and in what capacity?

2 A. I work for Matador Resources Company, and I'm a  
3 senior staff landman for them.

4 Q. And have you previously testified before this  
5 Division?

6 A. No, sir, I haven't.

7 Q. Why don't you review for us your educational  
8 background?

9 A. I attended the University of Oklahoma, where I  
10 double majored in energy management and finance there,  
11 modern economics.

12 Q. And when did you graduate?

13 A. 2010.

14 Q. And once you graduated in 2010, what did you do  
15 after that?

16 A. I worked directly for Chesapeake Energy in the  
17 Utica and Marcellus districts for them.

18 Q. In what capacity did you work for Chesapeake?

19 A. As a landman.

20 Q. And how long were you with Chesapeake?

21 A. Two years eight months.

22 Q. And who did you work for after Chesapeake?

23 A. I went to work for Matador Resources.

24 Q. So sometime in 2013?

25 A. Yes, sir.

1 Q. What is your position with Matador?

2 A. Senior staff landman.

3 Q. And have your responsibilities included the  
4 Permian Basin?

5 A. Yes, sir.

6 Q. Are you a member of any professional  
7 organizations?

8 A. Yes, sir, AAPL, DAPL, Young Professionals in  
9 Energy.

10 Q. How long have you been a member of the AAPL?

11 A. Since 2008.

12 Q. And then the DAPL is what?

13 A. The Dallas Association of Petroleum Landmen.

14 Q. And is that where you reside?

15 A. Yes, I do, in Dallas, Texas.

16 Q. And how long have you been a member of that  
17 organization?

18 A. About a year.

19 Q. And then you mentioned something, YPE. What is  
20 that?

21 A. It's Young Professionals in Energy. It's an  
22 organizational group that -- you know, gathering  
23 engineers, geologists and landmen together that are  
24 young professionals.

25 Q. Is that a national organization?

1 A. Yes, it is.

2 Q. Does it have local chapters?

3 A. It does.

4 Q. And how long have you been a member of the YPE?

5 A. That has been about two years now.

6 Q. Are you familiar with the application that's  
7 been filed in this case?

8 A. Yes, sir, I am.

9 Q. And are you familiar with the status of the  
10 lands of the subject area?

11 A. Yes, sir.

12 MR. FELDEWERT: Mr. Examiner, I tender  
13 Mr. Filbert as an expert witness in petroleum land  
14 matters.

15 EXAMINER BROOKS: So qualified.

16 Q. (BY MR. FELDEWERT) Mr. Filbert, would you turn  
17 to what's been marked as Matador Exhibit Number 1?  
18 Would you first identify it?

19 A. This is a section map showing Matador's acreage  
20 in section -- the south half of Section 12, Township 24  
21 South, Range 27 East, showing our lateral in the  
22 southern portion of that section.

23 Q. So it shows your acreage that you hold in  
24 yellow?

25 A. Yes, sir.

1 Q. And this is your proposed well in what would be  
2 the south half-south half of Section 12?

3 A. That's correct.

4 Q. What are you seeking here under this  
5 application?

6 A. We are seeking a nonstandard location, 330 off  
7 of the far east line, 330 at the far west line, and 380  
8 off of the far south line.

9 Q. What else are you seeking? Are you seeking to  
10 pool the acreage?

11 A. Yes, sir, as well. Yeah.

12 Q. Pooling the south half?

13 A. Yes.

14 Q. What pool is involved with this application?

15 A. This is the Black River-Wolfcamp East pool.

16 Q. Now, are you actually in that pool, or are you  
17 within a mile of that pool?

18 A. We're within a mile of that pool.

19 EXAMINER BROOKS: I'm sorry. What was the  
20 pool?

21 A. It's the Black River-Wolfcamp East pool.

22 MR. FELDEWERT: And, Mr. Examiner, the pool  
23 code is 97442.

24 EXAMINER BROOKS: Okay. Thank you.

25 Q. (BY MR. FELDEWERT) Now, was that the pool that

1 was provided to you from someone within the Division?

2 A. Yes, sir, it was. Paul Kautz provided that  
3 information to us.

4 Q. And does this pool require 320-acre spacing  
5 units?

6 A. It does, yes.

7 Q. And that's what you're seeking to pool here  
8 today, the south half of Section 12?

9 A. The standard 320.

10 Q. The standard unit under the pools?

11 A. That's correct.

12 Q. Now, these pool rules -- is this pool subject  
13 to standard pool rules?

14 A. Yes.

15 Q. So it would be normally subject to a 660-acre  
16 setback?

17 A. That's correct.

18 Q. For this particular well, you're seeking  
19 approval of a location where you are 330 feet from the  
20 east line and 330 -- and 380 feet from the south line  
21 for your surface location; is that correct?

22 A. That is correct.

23 Q. So that would be Unit P?

24 A. I believe so, yes sir.

25 Q. And then your bottom hole that you're seeking



1 approval for is 330 feet from the west line?

2 A. Uh-huh.

3 Q. And 380 feet from the south line?

4 A. Yes, sir. That's correct.

5 Q. So you'll essentially be encroaching on spacing  
6 units to the east, southeast, south, southwest, correct?

7 A. Yes, sir.

8 Q. What is the reason for the request of the  
9 unorthodox location for this initial horizontal well?

10 A. Our engineers believe it will maximize  
11 drainage -- the most efficient draining in the Wolfcamp,  
12 and also spacing in the unit.

13 Q. Now, do you have yet an API number for this  
14 well?

15 A. No, sir, we do not.

16 Q. Are you in the process of putting together and  
17 filing the C-102?

18 A. Yes, sir. We're days away from having that  
19 filed.

20 Q. Is the south half of Section 12 all fee lands?

21 A. Yes, sir.

22 Q. If I turn to what's been marked as Matador  
23 Exhibit Number 2, does this identify the interest owners  
24 in your proposed 320-acre spacing unit and project area  
25 that you seek to pool?

1 A. Yes, sir.

2 Q. Now, does it show the lease interest owners at  
3 the top of this exhibit?

4 A. I apologize. Say that one more time.

5 Q. Are the interest owners listed at the top of  
6 Exhibit Number 2?

7 A. Yes. Those are --

8 Q. Parties that you seek to pool?

9 A. Yes, sir. Those are unleased parties.

10 Q. And you break down their interest both in  
11 the -- by way of the tract in which they hold their  
12 interest and then their total interest in your proposed  
13 south-half spacing unit?

14 A. That's correct.

15 Q. And if I look at the second chart which  
16 identifies these interest owners, they have very small  
17 interests in your south-half spacing unit, correct?

18 A. Yes, sir.

19 Q. There is an identification here of the first  
20 interest owners that you seek to pool as the possible  
21 claimants to the mineral interest owned by Thomas B.  
22 and Martha Stribling. What is the circumstance  
23 associated with that particular interest?

24 A. That interest is currently in litigation.  
25 There are two different trusts that were formed by

1 different family members, and they are -- they sued each  
2 other, and it's been an ongoing suit for four to five  
3 years now. We've contacted them several times. You  
4 know, we've asked them about when this would be -- they  
5 have no availability -- they've told us that they have  
6 no availability to lease due to the current suit.

7 Q. Were you then able to submit to them a  
8 well-proposal letter and have subsequent contacts with  
9 them about this pooling application?

10 A. Yes, sir.

11 Q. Now, you also mention here as a second interest  
12 that you seek to pool the possible claimants to the  
13 mineral interest owned by Joe H. Beeman. What are the  
14 circumstances? Is Mr. Beeman -- is he deceased?

15 A. Yes, he is.

16 Q. Have you been able to locate and confirm all  
17 the heirs?

18 A. We have not been able to determine ownership in  
19 that tract. That title is very convoluted. It's --  
20 there have been over 25 -- in that one tract by  
21 Mr. Beeman. We spoke to Joe Beeman, Jr. and also  
22 Jacqueline [sic] as well, which are the son and daughter  
23 of Mr. Beeman, and they have no claim to it. The  
24 interest, we cannot determine title in there. We've  
25 spent numerous months in there with our title attorneys

1 and stuff like that.

2 Q. And if I flip over to what's been marked as  
3 Matador Exhibit Number 3, is that a copy of the Notice  
4 of Publication in the local newspaper that's directed  
5 both to potential interest owners in the Stribling  
6 interest, as well as the heirs and devisees of Joe  
7 Beeman?

8 A. That's correct.

9 Q. And it provides notice of hearing today?

10 A. Yes.

11 Q. The final interest owner in here is a Bertha  
12 Lorene Osborn?

13 A. Uh-huh.

14 Q. Have you been able to contact Ms. Osborn?

15 A. We have not been able to.

16 Q. And what efforts were undertaken -- first off,  
17 does Ms. Osborn have an address of record?

18 A. Yes.

19 Q. Was notice of this hearing provided to that  
20 address?

21 A. That's correct, yes.

22 Q. Has your company undertaken additional efforts  
23 to try to reach Ms. Osborn?

24 A. We have. We've searched multiple Internet  
25 sites looking for valid phone numbers, contact

1 information, and we've had no such luck or response  
2 back.

3 Q. Now, if I turn to what's been marked as Matador  
4 Exhibit Number 4, is that a copy of the well-proposal  
5 letter with an AFE that was sent to the interest owners  
6 that the company was able to locate?

7 A. That's correct.

8 Q. This particular one was sent to Zia Royalty,  
9 correct?

10 A. That's correct.

11 Q. And they are participating in this well?

12 A. They actually -- we signed an oil and gas lease  
13 with them.

14 Q. And this letter includes an AFE, correct?

15 A. That is correct.

16 Q. Are the costs that are reflected in this AFE  
17 consistent with what other operators have incurred for  
18 drilling similar horizontal wells in this area?

19 A. Yes, sir.

20 Q. Has the company also made an estimate of the  
21 overhead and administrative costs while drilling this  
22 well and also producing if you are successful?

23 A. Yes, sir. It would be 7,000, 700.

24 Q. 7,000 a month while drilling and then 700 a  
25 month while producing?

1           A.    That's correct.

2           Q.    And are those costs identified in Exhibit  
3   Number 4, towards the bottom of the first page?

4           A.    They are.

5           Q.    Are these costs similar to what operators are  
6   charging in this area for this type of well?

7           A.    Yes, sir.

8           Q.    Does Matador request that these costs be  
9   incorporated into the order of this hearing and provide  
10   for an adjustment in accordance with the COPAS  
11   accounting procedures?

12          A.    Yes, sir.

13          Q.    And does the company also request that the  
14   customary 200-percent risk penalty, which is provided  
15   under the Division rules, be imposed on each working  
16   interest owner that you are unable to locate or does not  
17   voluntarily consent to the well?

18          A.    Yes, sir.

19          Q.    Now, with respect to your nonstandard location,  
20   if I turn back to Exhibit Number 1, did the company  
21   undertake efforts to identify the affected parties in  
22   sections -- in the 320-acre spacing units surrounding  
23   your proposed south half of Section 12 spacing unit?

24          A.    Yes, sir.

25          Q.    And did that include both a potential lay-down

1 or stand-up 320-acre spacing units?

2 A. Yes, sir.

3 Q. And if I turn to what's been marked as Matador  
4 Exhibit Number 5, is that a list of the parties that you  
5 were able to identify in these surrounding potential  
6 spacing units?

7 A. Yes, sir. That's correct.

8 Q. The operator if there was an operator, correct?

9 A. Yes.

10 Q. And the lessee if there was a lessee?

11 A. Uh-huh.

12 Q. And the mineral owner if there was no lease?

13 A. Yes, or if there was no production or lease,  
14 yes.

15 Q. And did your company provide notice to all of  
16 these parties?

17 A. We did.

18 Q. And if I turn to what's been marked as Matador  
19 Exhibit Number 6, is that an affidavit prepared by my  
20 office with attached letters providing notice of this  
21 hearing, not only to the pool parties, but as well as  
22 all these parties affected by the nonstandard location?

23 A. That's correct.

24 Q. And were Exhibits 1 through 5 prepared by you  
25 or compiled under your direction and supervision?

1 A. That's correct.

2 MR. FELDEWERT: Mr. Examiner, at this point  
3 I would move for admission into evidence of Matador  
4 Exhibits 1 through 6, which includes my affidavit.

5 EXAMINER BROOKS: Okay. 1 through 6 are  
6 admitted.

7 (Matador Exhibit Numbers 1 through 6 were  
8 offered and admitted into evidence.)

9 Q. (BY MR. FELDEWERT) Mr. Filbert, is this well  
10 currently on a drilling schedule?

11 A. Yes, sir, it is.

12 Q. And what's the status of that drilling  
13 schedule? When do you hope to commence drilling of this  
14 well?

15 A. We are currently drilling a well right now. We  
16 would like to have this next in line, after completion  
17 of the current well. So roughly about 30 days from now.

18 Q. And do you have some leases that are expiring  
19 or are of concern to the company?

20 A. Yes, sir. That's correct, December expiration  
21 dates.

22 Q. So if at all possible, would you request that  
23 the Division enter an expedited order, so we have the  
24 ability to move forward in the next 30 days?

25 A. Yes, sir. We would much appreciate it.



1 Q. And is the company willing to spin a draft  
2 proposed order to assist the Division, if that would be  
3 helpful?

4 A. We are.

5 MR. FELDEWERT: Mr. Examiner, that  
6 concludes my examination of this witness.

7 CROSS-EXAMINATION

8 BY EXAMINER BROOKS:

9 Q. Okay. Looking at this Exhibit Number 6, I see  
10 Section 11 is covered.

11 And then Section 12 -- that Section 12 --  
12 it doesn't encroach in anything in Section 12, right?  
13 You give me notice for purposes of NSL, right? Because  
14 since your standard spacing unit -- if you don't have --

15 MR. FELDEWERT: Yeah. We're not -- we  
16 don't have to worry about the north half of Section 12.

17 EXAMINER BROOKS: Pardon me?

18 MR. FELDEWERT: We didn't have to worry  
19 about --

20 EXAMINER BROOKS: No, because that's a  
21 large part of this notice, is this ownership list in  
22 Exhibit 6, but that's not really involved.

23 THE WITNESS: Okay.

24 Q. (BY EXAMINER BROOKS) Okay. Section 14 you've  
25 got covered?

1 A. Yes, sir.

2 Q. Section 18 -- that would be 18 to -- 28 East,  
3 right?

4 A. Yes, sir, 24 South, 28 East.

5 Q. COG has the entire north half; Marbob for the  
6 south half, but, of course, Marbob is now COG, right?

7 A. Yes, sir.

8 Q. Is 13 -- did you get 13 on here somewhere?  
9 Where is 13? I think I've overlooked it.

10 MR. FELDEWERT: I think it's on page 6,  
11 Mr. Examiner.

12 EXAMINER BROOKS: Page 6? Oh, I see. Way  
13 up at the top.

14 MR. FELDEWERT: Yeah.

15 EXAMINER BROOKS: Very good.

16 Q. (BY EXAMINER BROOKS) You've got the overhead at  
17 7,000, 700?

18 A. Yes, sir.

19 Q. The location is -- surface location is 330 from  
20 the south and 330 from the east?

21 A. 330 from the east, 380 from the south.

22 Q. 380 from the south.

23 A. Yes, sir.

24 Q. 380 from the south and 330 from the east.

25 And the bottom hole is what?

1 A. 330 from the west, 380 from the south.

2 Q. 380 from the south and 330 from the west.

3 A. That's correct.

4 Q. And you said this was -- this is spaced on 320?

5 A. Yes, sir.

6 Q. So it's just a single unit?

7 A. That's correct.

8 Q. Single spacing unit?

9 A. That's correct.

10 Q. I think that's all I need.

11 EXAMINER BROOKS: Anything further?

12 MR. FELDEWERT: Mr. Examiner, the only  
13 question is whether you would like us to submit a draft  
14 proposal order to assist in expediting this.

15 EXAMINER BROOKS: I don't think it would  
16 help that much. We've got the form, and there doesn't  
17 seem to be anything in this that doesn't fit into the  
18 form -- that isn't covered in the form. I think we can  
19 just go ahead and --

20 MR. FELDEWERT: In that case, Mr. Examiner,  
21 that concludes our presentation.

22 EXAMINER BROOKS: Very good. Case Number  
23 15039 re-advertised will be taken under advisement.

24 THE WITNESS: Thank you, sir.

25 EXAMINER BROOKS: And this docket is

1 completed.

2 (Case Number 15039 concludes, 9:20 a.m.)

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 15039,  
heard by me on 10-17-13.

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David K. Bink, Examiner  
Oil Conservation Division

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

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

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

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MARY C. HANKINS, CCR, RPR  
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