

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:

ORIGINAL

APPLICATION OF MATADOR PRODUCTION
COMPANY FOR COMPULSORY POOLING,
AND AN UNORTHODOX WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

CASE NO. 15190

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 4, 2014

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Phillip Goetze,
Chief Examiner, on Thursday, September 4, 2014, 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:

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FOR INTERESTED PARTY KAISER-FRANCIS OIL COMPANY:

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EXHIBITS OFFERED AND ADMITTED

Matador Production Company Exhibit
Numbers 1 through 5

13

1 (8:53 a.m.)

2 EXAMINER GOETZE: Now moving to Case 15190,
3 application of Matador Production Company for compulsory
4 pooling and an unorthodox well location, Eddy County,
5 New Mexico.

6 Call for appearances.

7 MR. FELDEWERT: May it please the Examiner,
8 Michael Feldewert, with the Santa Fe office of Holland &
9 Hart, appearing on behalf of the Applicant, and I have
10 one witness.

11 EXAMINER GOETZE: Any other appearances?

12 MR. BRUCE: Mr. Examiner, Jim Bruce
13 appearing on behalf of Kaiser-Francis Oil Company. I
14 have no witnesses.

15 EXAMINER GOETZE: Very good.

16 Would the witness please stand, give your
17 name to the court reporter and be sworn in, please.

18 MR. SPORICH: Clayton Sporich, geologist
19 with EOG.

20 CLAYTON SPORICH,
21 after having been first duly sworn under oath, was
22 questioned and testified as follows:

23 EXAMINER GOETZE: Mr. Feldewert, you have
24 the show.

25

DIRECT EXAMINATION

1
2 BY MR. FELDEWERT:

3 Q. Would you please state your full name, identify
4 by whom you're employed and in what capacity?

5 A. Clayton Sporich, with Matador Resources Company
6 as a landman.

7 Q. Now, the Applicant in this case is Matador
8 Production Company. What's your relationship with
9 Matador Resources?

10 A. Matador Resources is the parent company of
11 Matador Production Company.

12 Q. And during your employment as a landman with
13 Matador Resources Company, have your responsibilities
14 included the Permian Basin of New Mexico?

15 A. They have.

16 Q. Have you ever had the opportunity to previously
17 testify before this Division?

18 A. I have not.

19 Q. Would you please review your educational
20 background?

21 A. I have a bachelor's of business administration
22 from the University of Mississippi. I have a law degree
23 from South Texas College of Law.

24 Q. And when did you receive your law degree?

25 A. December of 2009.

1 Q. What's been your work history since receiving
2 your law degree in 2009?

3 A. Since 2010 -- from 2010 to 2013, I was employed
4 by Chesapeake Energy Corporation as a lease analyst for
5 one year and as a landman for roughly two years, and
6 since November of 2013 as a landman for Matador
7 Resources.

8 Q. And have your responsibilities included the
9 Permian Basin?

10 A. Not with Chesapeake Energy, only with Matador
11 Resources.

12 Q. What were your responsibilities with
13 Chesapeake?

14 A. The handling of the Barnett Shale.

15 Q. Difficult project?

16 A. Very much.

17 Q. Are you a member of any professional
18 organizations?

19 A. I'm a member of the State Bar of Texas since
20 2011. I'm a member of AAPL for three years and a member
21 of the Dallas APL for one year and a member of the Rocky
22 Mountain Law Foundation for one year.

23 Q. Are you, Mr. Sporich, familiar with this
24 application?

25 A. I am.

1 Q. And are you familiar with the status of the
2 lands of the subject area?

3 A. I am.

4 MR. FELDEWERT: I would tender Mr. Sporich
5 as an expert witness in petroleum land matters.

6 EXAMINER GOETZE: Mr. Bruce?

7 MR. BRUCE: No, no objection.

8 EXAMINER GOETZE: You are so qualified.

9 Q. (BY MR. FELDEWERT) Would you please turn to
10 what's been marked as Matador Exhibit Number 1?
11 Identify it first, and explain what the company seeks
12 under this application.

13 A. This is a draft APD for the Tiger 14-24S-28E
14 RB, Well Number 224H. We are seeking compulsory pooling
15 and an unorthodox location.

16 Q. If I turn to the last page of Exhibit Number 1,
17 it shows the location of your proposed well; does it
18 not?

19 A. It does.

20 Q. It also identifies the pool?

21 A. It does.

22 Q. Who chose this particular pool for this well?

23 A. I contacted T.C. Shapard from the Artesia
24 office, and he assigned this pool.

25 Q. And this pool is on -- was under the Division

1 statewide rules for spacing of gas pools?

2 A. It is.

3 Q. That's why you're seeking a 320-acre spacing
4 unit?

5 A. Correct.

6 Q. And you seek to pool, then, the uncommitted
7 interest owners in the south half of Section 14 in this
8 Wolfcamp Formation?

9 A. Yes.

10 Q. All right. And you mentioned you also seek
11 approval of the nonstandard location for this well?

12 A. Yes.

13 Q. What will be the location of the completed
14 interval for the well?

15 A. The completed interval will be -- the first
16 take point will be 330 feet from the east line, 350 feet
17 from the south line, and the last take point will be 330
18 feet from the west line and 350 feet from the south
19 line.

20 Q. And since this is a pool that's subject to the
21 Division's statewide ⁴⁰⁰~~160~~-foot setback requirements, this
22 is -- this is an unorthodox location?

23 A. It is.

24 Q. And you're encroaching on the spacing units to
25 the -- I guess it would be the east, southeast, the

1 south, the west and southwest; is that correct?

2 A. Correct.

3 Q. All right. What's the reason for the
4 unorthodox location for the initial horizontal well in
5 the Wolfcamp Formation?

6 A. Our engineers believe that this will allow for
7 more efficient well spacing in the future, as well as
8 proper drainage of the Wolfcamp Formation.

9 Q. Do you expect -- based on your discussions with
10 the engineers, what type of production do you expect. I
11 mean, do you expect just gas or --

12 A. We expect some oil production, along with gas.

13 Q. Is the south half of Section 14 all fee lands?

14 A. It is.

15 Q. If you will turn to what's been marked as
16 Matador Exhibit Number 2, does this identify all of the
17 interest owners in your proposed 320-acre spacing unit?

18 A. It does.

19 Q. And is this based on -- and this also shows the
20 total interest in your spacing unit based on your
21 knowledge today?

22 A. Yes, it does.

23 Q. And what is that based upon?

24 A. It's based off of the field work from our title
25 brokers compiling a mineral ownership report.

1 Q. How many of these interest owners listed on
2 here do you seek to pool?

3 A. We seek to pool five remaining.

4 Q. And can you identify those for us, please?

5 A. Yes. Devon, ConocoPhillips, Paw Prints, Brad
6 Bennett and William Bennett.

7 Q. Okay. Now, with respect to these interest
8 owners that you seek to pool, were you able to locate an
9 address of record for all of these interest owners?

10 A. I was.

11 Q. And if I turn to what's been marked as Matador
12 Exhibit Number 3, is this a copy of the well-proposal
13 letter with AFE that was sent to these uncommitted
14 interest owners?

15 A. It was.

16 Q. And it contains an AFE with it?

17 A. It does.

18 Q. In addition to sending this well proposal, what
19 efforts did the company undertake to reach agreement
20 with the interest owners that you seek to pool?

21 A. We've been in contact with all uncommitted
22 interest owners to either participate in the well or to
23 acquire their interest via assignment or lease.

24 Q. And with respect to the number of these
25 remaining interest owners, do you expect to have an

1 agreement from them soon?

2 A. We do.

3 Q. And will the lease stem from the pooling order?

4 A. It will.

5 Q. With respect to the AFE that was submitted with
6 your well-proposal letter, are the costs reflected on
7 the AFE consistent with what the company and other
8 operators incur for drilling similar horizontal wells in
9 the Wolfcamp Formation?

10 A. It is.

11 Q. And does the company have an estimate of the
12 overhead and administrative costs while drilling and
13 while producing if you are successful?

14 A. It's \$7,000 per month for drilling, \$700 per
15 month for production.

16 Q. And are these costs similar to what other
17 operators charge for these types of wells?

18 A. They are.

19 Q. Turning back to the nonstandard location, did
20 the company identify the affected parties in the station
21 units to which the wells are encroaching?

22 A. It did.

23 MR. FELDEWERT: And I apologize,
24 Mr. Examiner. I'm going a little bit out of order, if
25 you'll turn to Exhibit Number 5.

1 Q. (BY MR. FELDEWERT) Does Matador Exhibit Number
2 5 reflect the offset well information that was utilized
3 in providing notice of the nonstandard location?

4 A. It does.

5 Q. And if I turn to the last page of this exhibit,
6 just to orient the Examiner, what's reflected here on
7 the last page of this plat?

8 A. This shows the operators -- they have the
9 spacing units that are in question for offset
10 operations.

11 Q. So you've identified on here the south half of
12 Section 15 in yellow?

13 A. Correct.

14 Q. And then with respect to the surrounding
15 acreage, you've identified the areas that have operators
16 of record?

17 A. Correct.

18 Q. In the Wolfcamp?

19 A. Correct.

20 Q. And you've been able to cover the entire area
21 towards which you are encroaching whether it be a
22 stand-up or a lay-down, correct?

23 A. Correct.

24 Q. There are a number of letters shown on this
25 plat. Do they then correspond to the preceding pages?

1 A. It does.

2 Q. And, for example, if I looked at the area to
3 the south of Section 14, which is identified with an I,
4 the preceding page is what identified the operator
5 associated with that particular spacing unit?

6 A. It does.

7 Q. If I then turn to what's been marked as Matador
8 Exhibit Number 4, is that an affidavit prepared by my
9 office with attached letters providing notice of this
10 hearing not only to the pool parties but also the
11 parties affected by the nonstandard location?

12 A. It is.

13 Q. Now, when I look at the letters of notice of
14 the hearing to the pooled parties, okay, I note that
15 there are a couple of parties for whom we are missing --
16 do not have a return receipt. There is a Mr. Brad
17 Bennett. There is a Paw Prints Oil and Gas, and there
18 is a Mr. William H. Bennett. Okay? Have you had
19 discussions with each of these parties with respect to
20 your pooling efforts?

21 A. We have.

22 Q. And has at least one of these parties signed
23 the election and the AFE?

24 A. Yes. Paw Prints has signed the election to
25 participate in the well, as well as the AFE.

1 Q. And the addresses that you utilized for these
2 three interest owners, are they addresses that you
3 previously successfully utilized to give various notices
4 to them?

5 A. They have.

6 Q. Were Exhibits 1 through 3 and Exhibit Number 5
7 prepared by you or compiled under your direction or
8 supervision?

9 A. They were.

10 MR. FELDEWERT: At this point, then,
11 Mr. Examiner, I would move the admission into evidence
12 of Matador Exhibits 1 through 5, which includes my
13 affidavit marked as Exhibit Number 4.

14 MR. BRUCE: No objections.

15 EXAMINER GOETZE: No objections.

16 Very well. Then Exhibits 1 through 5 are
17 so entered.

18 (Matador Resources Company Exhibit Numbers
19 1 through 5 were offered and admitted into
20 evidence.)

21 EXAMINER GOETZE: Any questions, Mr. Bruce?

22 MR. BRUCE: A couple of questions,
23 Mr. Examiner.

24

25

CROSS-EXAMINATION

1
2 BY MR. BRUCE:

3 Q. With respect to the unorthodox location, does
4 Matador -- or would Matador, or MRC, object to mirror
5 locations for any offset to the unorthodox location?

6 A. We have no objection.

7 Q. And then just one other, if you turn to your
8 Exhibit 1 and go to the C-102. You said your engineers
9 wanted to place the well here for, among other reasons,
10 future development. At this point does Matador foresee
11 having more than one -- excuse me -- more than two
12 Wolfcamp wells per well unit?

13 A. At this point I don't know. I can't answer
14 that.

15 Q. Okay. Thank you.

16 MR. BRUCE: That's all.

17 EXAMINER GOETZE: Very good. So I'll just
18 follow up with one more question.

19 CROSS-EXAMINATION

20 BY EXAMINER GOETZE:

21 Q. Based upon your discussion with your engineers,
22 they feel this is going to be a gas well and not
23 necessarily an oil well?

24 A. They believe it'll be a mix.

25 Q. Okay. Well, I don't have any further questions

1 for this case.

2 EXAMINER GOETZE: Any more from you?

3 MR. FELDEWERT: No, Mr. Examiner. That
4 concludes our presentation.

5 EXAMINER GOETZE: Any more from you,
6 Mr. Bruce?

7 MR. BRUCE: No, sir.

8 EXAMINER GOETZE: On that, we will go ahead
9 and take Case 15190 under advisement.

10 And let's give people a few minutes' break.
11 Come back in ten, and we'll start it up again.

12 (Case Number 15190 concludes, 9:06 a.m.)
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19 I do hereby certify that the foregoing is
20 a complete record of the proceedings in
the Examiner hearing of Case No. 15190.
heard by me on Sept. 20, 2014.

21  , Examiner
22 Oil Conservation Division
23
24
25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

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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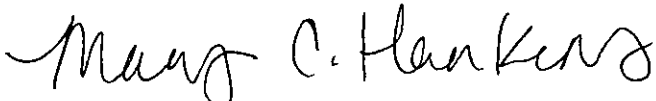
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