

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

CASE 15366

APPLICATION OF MATADOR PRODUCTION COMPANY  
FOR A NON-STANDARD SPACING AND PRORATION UNIT,  
COMPULSORY POOLING, AND A NON-STANDARD LOCATION,  
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 3, 2015

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER  
GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Phillip Goetze,  
Chief Examiner, and Gabriel Wade, Legal Examiner, on  
September 3, 2015, 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: ELLEN H. ALLANIC  
NEW MEXICO CCR 100  
CALIFORNIA CSR 8670  
PAUL BACA COURT REPORTERS  
500 Fourth Street, NW  
Suite 105  
Albuquerque, New Mexico 87102

## A P P E A R A N C E S

FOR MATADOR PRODUCTION COMPANY:

EARL E. DeBRINE, JR., ESQ.  
and JENNIFER L. BRADFUTE, ESQ.  
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## I N D E X

CASE NUMBER 15366 CALLED

APPLICANT MATADOR PRODUCTION COMPANY  
CASE-IN-CHIEF:

WITNESS JONATHAN FILBERT

	Direct	Redirect	Further
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WITNESS JERON WILLIAMSON

	Direct	Redirect	Further
By Mr. DeBrine	13		

	EXAMINATION
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Exhibits Offered and Admitted

MATADOR PRODUCTION COMPANY

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1 (Time noted 8:18 a.m.)

2 EXAMINER GOETZE: Okay. We will move on to  
3 case 15366.

4 Call for appearances.

5 MR. DeBRINE: Okay. Good morning,  
6 Mr. Examiner.

7 EXAMINER GOETZE: Good morning. Do you have  
8 any witnesses?

9 MR. DeBRINE: We have two witnesses.

10 EXAMINER GOETZE: Would the witnesses please  
11 stand, identify yourself, and be sworn in by the court  
12 reporter.

13 (WHEREUPON, the presenting witnesses  
14 were administered the oath by the court  
15 reporter.)

16 EXAMINER GOETZE: Off the record for a  
17 technical issue.

18 (Pause.)

19 EXAMINER GOETZE: Okay. We are back on the  
20 record. Please continue.

21 MS. BRADFUTE: Mr. Examiner, we would like  
22 to call our first witness.

23 EXAMINER GOETZE: Okay. Go ahead.

24 JONATHAN FILBERT  
25 having been first duly sworn, was examined and testified

1 as follows:

2 DIRECT EXAMINATION

3 By Ms. Bradfute:

4 Q. Would you please state your name for the record.

5 A. My name is Jonathan Filbert.

6 Q. And, Mr. Filbert, who do you work for?

7 A. I work for MRC Energy Company, an affiliate of  
8 Matador Production Company.

9 Q. And in what capacity do you work for Matador?

10 A. I am the associate land manager.

11 Q. And what are your responsibilities as an  
12 associate land manager?

13 A. I work on the operations side of things. I'm  
14 staying in front of the drilling rigs, preparing drill  
15 sites to be ready to drill.

16 Q. And have you previously testified before the  
17 Division?

18 A. Yes, I have.

19 Q. And were your credentials as a land manager  
20 accepted as a matter of record?

21 A. Yes.

22 Q. Are you familiar with the application that has  
23 been filed by Matador in this case?

24 A. Yes.

25 Q. And are you familiar with the status of the lands

1 that are subject to the application?

2 A. Yes.

3 MS. BRADFUTE: Mr. Examiner, I would like to  
4 tender the witness as an expert in land matters.

5 EXAMINER GOETZE: He is so qualified.

6 Q. Could you please turn to what has been marked as  
7 Exhibit 1 and explain what Matador is seeking in this  
8 application.

9 A. Sure. Exhibit No. 1 is our C-102 plat. It's for  
10 the Cimarron State 16 S, 34 East RN, 133H, which is a  
11 horizontal well with an unorthodox producing interval.

12 The first penetration point is 330 from the north  
13 line and 1506 from the east line of section 16. And the  
14 final perforation is 330 from the south line and 1506  
15 from the east line of section 16.

16 We wish to form an oil spacing and proration unit  
17 which is comprised of the west half of the east half of  
18 section 16. We also seek a non-standard location  
19 because the well is actually 138 from the quarter,  
20 quarter boundary line.

21 Q. Is it 183 feet from the boundary line of the  
22 project area?

23 A. That is correct, yes.

24 Q. And what is the acreage of the proration unit  
25 that Matador is proposing?

1 A. It's 160 acres, and it's the west half of the  
2 east half of section 16.

3 Q. And what pool will the unit be located in?

4 A. In the ~~Corral~~ Ridge Bones Springs Pool, Pool Code  
5 ~~50460~~ ~~05460~~. *JB* Quail *JB*

6 Q. Is that pool governed by rule 19.15.15.9, which  
7 requires that an initial well be located on a 40-acre  
8 unit that is located no closer than 330 feet to the  
9 boundary of the spacing unit where the well is located?

10 A. That's correct.

11 Q. And is it true for horizontal wells that every  
12 point of the completed interval must meet a minimum  
13 setback requirement?

14 A. Yes.

15 Q. What is the beginning producing point from the  
16 proposed well?

17 A. It is 330 from the north line, 1506 from the east  
18 line.

19 Q. And what is the location of the end of the  
20 producing interval?

21 A. 330 from the east line -- I'm sorry -- it's 330  
22 from the south line and 1506 from the east line.

23 Q. And is the producing interval unorthodox under  
24 the NMOCD's rules?

25 A. Yes.

1 Q. And who is the operator of the adjoining project  
2 area in the east half, east half of section 16?

3 A. Matador Production Company.

4 Q. And are the interest owners in the adjoining  
5 spacing unit located in the east half, east half common  
6 with the interest owners located in the west half of the  
7 east half?

8 A. Yes.

9 Q. And what is the working interest ownership of the  
10 well unit of the well that you are proposing that is the  
11 subject of this application?

12 A. Sure. It is the 160-acre proration unit. The  
13 north half is Matador. The south half is comprised of  
14 majority interest Amtex Energy at 46.4 percent, Stewart  
15 Royalty at .4 and Mark Trieb at 1.6, and Philip Vogel at  
16 1.6.

17 Q. And if you could turn to what has been marked as  
18 Exhibit 2. Does that exhibit show the working interest  
19 ownership that you just described?

20 A. Yes.

21 Q. And are these the working interest owners that  
22 you are seeking to pool in this application?

23 A. That is correct.

24 Q. Please turn to what has been marked as Exhibit 4.  
25 Please explain what this exhibit is for the hearing



1 Examiner.

2 A. Yes. This is our well proposal sent to all the  
3 working interest owners.

4 Q. And does the well proposal contain an AFE for the  
5 well?

6 A. It does, yes.

7 Q. And could you please explain to the Hearing  
8 Examiner your estimated cost for drilling and completing  
9 the well?

10 A. The total AFE cost is 6.8 million with a dry hole  
11 cost of 3.577 million and a completion cost of  
12 2.68 million.

13 Q. Could you please summarize for the Examiner your  
14 efforts to obtain voluntary pooling of all the interest  
15 owners?

16 A. Sure. We have tried several times in over the  
17 course of probably the last year to reach voluntary  
18 joinders with the interest owners.

19 As in our previous dealings, when we had to force  
20 pool the Cimarron 134H, we were unable to do so due to  
21 lack of response and/or any kind of feedback rejoinder  
22 from interest owners.

23 Q. And did you try calling --

24 A. Yes, phones calls et cetera to follow up, and no  
25 response that we have gotten so far.

1 Q. And in your opinion has Matador made a good faith  
2 effort to obtain the voluntary joinder in the well?

3 A. Yes.

4 Q. And are the costs that are included in the AFE  
5 that you just explained in line with costs for other  
6 horizontal wells drilled to this length and depth in  
7 this area of New Mexico?

8 A. Yes.

9 Q. Who should be appointed as the operator of the  
10 well?

11 A. Matador Production Company.

12 Q. And do you have a recommendation for the amounts  
13 which Matador should be paid for supervision and  
14 administrative expenses?

15 A. Yes. \$7,000 while drilling and \$700 while  
16 producing.

17 Q. Okay. And are these amounts equivalent to those  
18 normally charged by Matador and other operators in this  
19 area for horizontal wells that are drilled to this  
20 length and this depth?

21 A. Yes.

22 Q. Do you request that these rates be adjusted  
23 periodically as provided by the Copas accounting  
24 procedures?

25 A. Yes.

1 Q. And does Matador request the maximum cost plus  
2 200 percent risk charge if any pool working interest  
3 owner fails to pay its share of cost for drilling,  
4 completing and equipping the well?

5 A. Yes.

6 Q. Were the parties that you are seeking to pool  
7 notified of this hearing?

8 A. Yes.

9 Q. Could you please turn to what has been marked as  
10 Exhibit 5.

11 MS. BRADFUTE: Mr. Examiner, this is an  
12 affidavit that I have prepared and signed and along with  
13 this affidavit is a chart summarizing the notices that  
14 were sent along with the proof of mailing, the green  
15 card receipts and an affidavit of publication along with  
16 a notice of publication which shows two working interest  
17 owners that we did not receive green cards for in the  
18 publication.

19 And the publication was published ten  
20 business days prior to the date of the hearing.

21 Q. And were the parties -- excuse me -- and were  
22 Exhibits 1 through 5 prepared by you or under your  
23 supervision or compiled from company business records?

24 A. Yes.

25 Q. Is the granting of this application in the

1 interest of conservation and the prevention of waste?

2 A. Yes.

3 MS. BRADFUTE: Mr. Examiner, I would like to  
4 move the admission of Exhibits 1 through 5.

5 EXAMINER GOETZE: Exhibits 1 through 5 are  
6 so entered.

7 (Matador Production Company Exhibits 1 through 5  
8 were offered and admitted.)

9 MS. BRADFUTE: Thank you.

10 And that concludes the questions that I have  
11 for Mr. Filbert.

12 EXAMINER GOETZE: Thank you.

13 Counselor, any questions?

14 EXAMINER WADE: I do not have any questions.

15 EXAMINATION BY EXAMINER GOETZE

16 EXAMINER GOETZE: Could you elaborate about  
17 your trying to contact Amtex Energy. I know in the past  
18 we've had concerns or at least concerns raised with  
19 Matador and Amtex. Were you able to reach anybody?

20 THE WITNESS: No, sir. In previous -- when  
21 we had to force pool the 134H, we did have a sit-down  
22 meeting with Mr. Savage in Dallas to seek a voluntary  
23 joinder, either JOA and/or trade or assignment or  
24 farmout. Nothing ever came to fruition.

25 After that meeting we were able --

1 essentially there was silence, unable to get any  
2 response back. Since then, the second proposal with the  
3 JOA that we've discussed before, followed up with  
4 several phone calls, and I have not been able to reach  
5 him.

6 EXAMINER GOETZE: So for this one there was  
7 no response?

8 THE WITNESS: Correct.

9 EXAMINER GOETZE: I have no further  
10 questions for this witness. Your next witness. Thank  
11 you.

12 THE WITNESS: Thank you.

13 MR. DeBRINE: Mr. Examiner, we would like to  
14 call Jeron Williamson.

15 JERON WILLIAMSON  
16 having been first duly sworn, was examined and testified  
17 as follows:

18 DIRECT EXAMINATION

19 BY MR. DeBRINE:

20 Q. Please state your name.

21 A. My name is Jeron Williamson.

22 Q. And who do you work for, Mr. Williamson?

23 A. I am employed by MRC Energy Company, an affiliate  
24 of Matador Production Company.

25 Q. And what do you do for MRC?

1       A. I'm employed as a senior staff reservoir  
2 engineer, working with geologists, drilling completion  
3 production engineers to optimize our acreage position in  
4 southeast New Mexico.

5       Q. Could you just give the Examiner a brief  
6 description of your educational background and  
7 experience in the oil and gas industry.

8       A. Sure.

9           I received a bachelor of science degree in  
10 petroleum engineering from Texas A&M University in 1996;  
11 an MBA from Robert Morris University in 2002.

12           I was employed as a petroleum engineer for  
13 Schlumberger Data and Consulting Services, formally S.A.  
14 Horowitz and Associates, for 13 years in Pittsburgh. I  
15 did work in unconventional shale reservoirs.

16           And then employed by Talisman Energy for four  
17 years.

18           As a reservoir engineer, I work in the Marcellus  
19 Shale. In the last year with Matador, working Permian  
20 Basin.

21       Q. Does your work as an engineer also include  
22 working with geologists for various companies and  
23 evaluating geological characteristics of drilling  
24 targets?

25       A. Yes.

1       Q. Have you previously testified before the  
2 Division?

3       A. I have.

4       Q. Were your credentials as an engineer accepted and  
5 made a matter of record in those cases?

6       A. Yes.

7               MR. DeBRINE: Mr. Examiner, we tender  
8 Mr. Williamson as an expert in petroleum engineering and  
9 geological matters.

10              EXAMINER GOETZE: He is so qualified.

11       Q. Are you familiar with the application filed by  
12 Matador in this case?

13       A. Yes.

14       Q. Are you also familiar with the status of the  
15 lands?

16       A. Yes.

17       Q. And they are all state lands?

18       A. That's correct.

19       Q. Have you conducted an engineering and geologic  
20 study of the area embraced in the proposed proration  
21 unit in the project area for the well?

22       A. Yes.

23       Q. If you could please turn to what has been marked  
24 as Exhibit 6 and explain to the Examiner what this  
25 represents.

1       A. Exhibit 6 is a structure map in the Quail Ridge/  
2 Bone Spring Pool area for the top of the Third Bone  
3 Spring, subsea.

4           The Third Bone Spring in this area is dipping to  
5 the southwest, about a one-degree dip. The contour  
6 intervals on this structure map are 50 feet.

7           The Matador acreage is depicted in yellow. The  
8 project area is shown in green.

9           Also shown on this map are the Third Bone Spring  
10 data points, wells that have penetrated Third Bone  
11 Spring. Those are shown in blue.

12          The Second Bone Spring producers of which there  
13 is one well to the northeast is shown in an orange  
14 circle. And the existing Third Bone Spring producing  
15 wells are depicted with red circles.

16          Also shown on this structure map is our -- the  
17 location of our Cimarron 134H well, which is due east of  
18 the proposed 133H location.

19          And in addition to that, we've shown our A to A  
20 Prime cross section that will be discussed in a later  
21 exhibit.

22       Q. Did you identify any geological impediments in  
23 drilling a Third Bone Spring well?

24       A. No, we did not.

25       Q. If you could turn to Exhibit 7 --



1 A. Okay.

2 Q. -- and explain what this represents to the  
3 Examiner.

4 A. Exhibit 7 is the A to A Prime cross section  
5 alluded to in the previous exhibit. There are three  
6 wells that are shown here, that is, Cimarex Pipeline A  
7 Fed No. 2, Matador Pipeline 16, State No. 1, and Gulf  
8 Oil Corp Strange A Fed No. 1 Well.

9 We are showing in each of these gamma ray  
10 resistivity and porosity logs.

11 Also depicted in the center of the page in the  
12 dark black line, the thick black line, is the well path  
13 for our Cimarron 134H Well that is landed in the center  
14 of the Third Bone Spring Sand in the higher porosity  
15 streak as noted in the third tract porosity log, shaded  
16 in red.

17 And the Cimarron 133H Well is proposed to be  
18 landed in that same section of the Third Bone Spring  
19 Sand.

20 Q. The wells that you selected for your cross  
21 section, did you consider these to be representative of  
22 Third Bone Springs in this area?

23 A. Yes.

24 Q. Would you please turn to what has been marked as  
25 Exhibit 8 and explain to the Examiner what this

1 represents.

2 A. Exhibit 8 is an isopach map of the Third Bone  
3 Spring Sand showing that the sand in the area of the  
4 proposed project area is thickening from 300 to 350 feet  
5 or so, thickening to the southeast.

6 The contour interval on this exhibit is also  
7 50 feet.

8 Q. Based on your engineering geologic study of the  
9 project area, what conclusions did you draw with regard  
10 to the area?

11 A. Our conclusions are that the reservoir is  
12 continuous in this area. We do expect each quarter,  
13 quarter section to contribute to production and we  
14 believe that horizontal wells will optimize production,  
15 minimize waste, and maximize recovery in this area.

16 Q. Do you believe it would also prevent the drilling  
17 of unnecessary wells to have a horizontal well in this  
18 section?

19 A. Yes, we do.

20 Q. If you could turn to Exhibit 9 and explain what  
21 you are depicting here on Exhibit 9.

22 A. It is a construction diagram that shows that our  
23 first perforation point will be no closer than 330 feet  
24 from the north line of section 16, and the last  
25 perforation point will be no closer than 330 feet from

1 the south line of section 16.

2 Q. So the perforation points in the completed  
3 interval will be orthodox but you're seeking an  
4 unorthodox location because of the location lateral to  
5 the quarter, quarter section line?

6 A. That's correct. The lateral will be 183 feet off  
7 the east line of the project area.

8 Q. In your opinion, would the granting of Matador's  
9 application be in the best interest of conservation and  
10 prevention of waste and the protection of correlative  
11 rights?

12 A. Yes.

13 Q. Were Exhibits 6 through 9 prepared by you under  
14 your direction and supervision?

15 A. Yes.

16 MR. DeBRINE: We move the admissions of  
17 Exhibits 6 through 9 and tender the witness for further  
18 questioning.

19 EXAMINER GOETZE: Exhibits 6 through 9 are  
20 so entered.

21 (Matador Production Company Exhibits 6  
22 through 9 were offered and admitted.)

23 EXAMINER GOETZE: Any questions?

24 EXAMINER WADE: No questions.

25 EXAMINATION BY EXAMINER GOETZE

1                   EXAMINER GOETZE: Let's see. In drilling of  
2 this well, are we looking at testing the upper portion  
3 of the Bone Springs as we go through? Are there any  
4 plans for that?

5                   THE WITNESS: There are no plans to test  
6 upper sections, no.

7                   EXAMINER GOETZE: Is there any particular  
8 reason why they're not interested in the upper?

9                   THE WITNESS: No particular reason except to  
10 say that we are pleased with the results from our 134H  
11 Well which has landed in the same section, so we are  
12 targeting this section in this test, in this go-round.  
13 That is not to say, we wouldn't come back in the future  
14 and test upper sections.

15                  EXAMINER GOETZE: Seeing that we have a bore  
16 hole in the middle of it, is there any interest in going  
17 with another lateral in this project area in the future  
18 or are you just going to right now plan for one?

19                  THE WITNESS: Our current plans are to drill  
20 this well. In the future we may decide to drill other  
21 wells.

22                  EXAMINER GOETZE: So geologically what is  
23 the reason we are pulling so tight up against the  
24 boundary of the project area; is that a land issue or is  
25 that geology or a reservoir issue?

1 THE WITNESS: It's primarily a -- it is kind  
2 of a two-part answer. Part of it is, for reservoir  
3 reasons, the 134H well was drilled up against or closer  
4 to the eastern edge of that section. So we wanted to  
5 make sure that we're recovering as much as we can  
6 recover, so we are kind of hugging the eastern edge of  
7 this project area as well.

8 But the other reason is we are stepping out  
9 and drilling this well from the same surface location as  
10 the 134 was drilled from. So those are the reasons why.

11 EXAMINER GOETZE: Okay. Thank you. I have  
12 no further questions for this witness. Any other  
13 comments or additions?

14 MR. DeBRINE: No. That concludes our  
15 presentation, Mr. Examiner.

16 EXAMINER GOETZE: Very well.

17 Since we didn't do it properly in the  
18 beginning, case No. 15366, Application of Matador  
19 Production Company for a non-standard spacing and  
20 proration unit, compulsory pooling, and a non-standard  
21 location, Lea County, New Mexico, is taken under  
22 advisement.

23 Thank you very much.

24

25

(Time noted 8:37 a.m.)

I do hereby certify that the foregoing is  
a correct record of the proceedings in  
the Examiner hearing of Case No. 15366  
heard by me on April 3 2015.  
*[Signature]*  
Oil Conservation Division, Examiner

1 STATE OF NEW MEXICO )  
2 ) ss.  
3 COUNTY OF BERNALILLO )  
4  
5  
6

7 REPORTER'S CERTIFICATE

8  
9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR  
10 No. 100, DO HEREBY CERTIFY that on Thursday, September  
11 3, 2015, the proceedings in the above-captioned matter  
12 were taken before me, that I did report in stenographic  
13 shorthand the proceedings set forth herein, and the  
14 foregoing pages are a true and correct transcription to  
15 the best of my ability and control.

16  
17 I FURTHER CERTIFY that I am neither employed by  
18 nor related to nor contracted with (unless excepted by  
19 the rules) any of the parties or attorneys in this case,  
20 and that I have no interest whatsoever in the final  
21 disposition of this case in any court.

22  
23  
24  
25  


ELLEN H. ALLANIC, CSR  
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