

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:)

CASE NO. 12,863

APPLICATION OF MATADOR E&P COMPANY)
 FOR COMPULSORY POOLING, LEA COUNTY,)
 NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Hearing Examiner

May 30th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Hearing Examiner, on Thursday, May 30th, 2002, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

May 30th, 2002
 Examiner Hearing
 CASE NO. 12,863

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| APPEARANCES | 3 |
| APPLICANT'S WITNESS: | |
| <u>JAY BEAVERS</u> (Landman) | |
| Direct Examination by Mr. Kellahin | 4 |
| Examination by Examiner Brooks | 9 |
| REPORTER'S CERTIFICATE | 11 |

* * *

E X H I B I T S

| Applicant's | Identified | Admitted |
|-------------|------------|----------|
| Exhibit 1 | 4 | 9 |
| Exhibit 2 | 6 | 9 |
| Exhibit 3 | 6 | 9 |
| Exhibit 4 | 7 | 9 |
| Exhibit 5 | 7 | 9 |
| Exhibit 6 | 7 | 9 |
| Exhibit 7 | 7 | 9 |
| Exhibit 8 | 8 | 9 |
| Exhibit 9 | 8 | 9 |

* * *

A P P E A R A N C E S

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

ALSO PRESENT:

MICHAEL E. STOGNER
Hearing Examiner
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87501

WILL JONES
Engineer
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87501

* * *

1 WHEREUPON, the following proceedings were had at
2 11:13 a.m.:

3 MR. BROOKS: We'll call Case Number 12,863,
4 Application of Matador E&P Company for compulsory pooling,
5 Lea County, New Mexico.

6 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
7 the Santa Fe law firm of Kellahin and Kellahin, appearing
8 on behalf of the Applicant, and I have one witness.

9 May the record reflect that Mr. Beavers continues
10 to testify under oath, and he's already qualified as an
11 expert witness?

12 MR. BROOKS: Okay, you may continue.

13 JAY BEAVERS,
14 the witness herein, having been previously duly sworn upon
15 his oath, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. KELLAHIN:

18 Q. Mr. Beavers, if you'll turn to Exhibit Number 1,
19 identify this proposed well location and the leases
20 involved.

21 A. Okay, this is our proposed Cooper 4 Number 2 ✓
22 well. The green represents 80-acre unit outline. Tract 1
23 is in the northwest northeast quarter, Tract 2 is in the
24 northeast northeast quarter. The proposed location is 750
25 feet from the east line and 925 feet from the north line.

1 Q. If this well is capable of oil production from
2 the Monument-Tubb Pool, it will be necessary to dedicate 80
3 acres to that spacing unit?

4 A. Yes, that's correct.

5 Q. Do the tracts that you propose for that
6 dedication to that production, do those leases, underlying
7 leases, contain pooling clauses?

8 A. They do not.

9 Q. Let's look at the leases involved. For Tract 1
10 there's a single lease, for Tract 2 there are two leases,
11 right?

12 A. That's correct.

13 Q. Tell us about those.

14 A. There's one lease covering 100-percent mineral
15 interest in Tract 1. That lease is dated August 5, 1926.

16 In Tract 2 we have two leases. The first one,
17 dated May 24, 1940, covers 75-percent mineral interest.
18 The second lease, dated June 26th, 1940, covers 25-percent
19 mineral interest.

20 Q. When did you discover the fact that these leases
21 did not have pooling clauses in them?

22 A. We have a drilling title opinion that brought
23 this to my attention.

24 Q. Is that the same title opinion that caused you to
25 re-examine other spacing units, including the Laughlin that

1 we just talked about?

2 A. Yes, it is.

3 Q. Have you compiled a list of the parties to send
4 notification to, of the hearing of this case, that have not
5 agreed to pool their interest in this spacing unit?

6 A. Yes.

7 Q. Was that list utilized in the notice that was
8 sent and that has been tabulated for Exhibit Number 2?

9 A. Yes.

10 Q. Let's turn to a breakout of the interest owners.
11 Have you formulated your exhibits for this case in the same
12 manner in which you formulated them for the last case?

13 A. That is correct.

14 Q. Let's go through those, then. If you'll start
15 with Exhibit 3, describe what you've done.

16 A. Okay, Exhibit 3 is our summary which indicates
17 the -- for each tract and lease on a lease basis, how many
18 pooling agreements were mailed out, how many signed and
19 returned we have received, and how many are outstanding.

20 Q. And this has been done per tract, and then for
21 Tract 2 it's subdivided because you've got two different
22 leases?

23 A. That's correct.

24 Q. Okay. Let's turn to the spreadsheets that show
25 how this is organized. If you'll start with Exhibit 4,

1 what is this?

2 A. Exhibit 4, this is a list of all of the royalty
3 and overriding royalty interest owners. It shows what
4 their royalty and overriding royalty interest is. And the
5 "In" column means that they have signed and returned
6 pooling agreements. The "Out" column indicates that we
7 have not received signed pooling agreements.

8 Q. This is a two-page exhibit with that last entry
9 continuing on the second page?

10 A. Yes.

11 Q. Let's turn to Tract 2 and look at Exhibit 5.

12 A. Okay, this is the same spreadsheet as Exhibit 4,
13 and this covers Tract 2, which is the drillsite tract, and
14 we have it set up for Lease 1 and Lease 2.

15 Q. All right. And "In" and "Out" refers to whether
16 you've received signed pooling agreements back?

17 A. That's correct.

18 Q. Let's look at the correspondence that you used to
19 send this out. Identify for us Exhibit 6.

20 A. This is a sample letter that was sent out to the
21 royalty and overriding royalty interest owners. And
22 attached to this letter is a sample of the pooling
23 agreement.

24 Q. All right, sir, turn to Exhibit 7 for us.

25 A. Okay.

1 Q. Identify and describe this exhibit.

2 A. Okay, this is the list of overriding royalty
3 interest owners and royalty interest owners that we mailed
4 pooling agreements to in Tract 1, which is the non-
5 drillsite tract.

6 Q. Do you have a current list that shows the
7 remaining parties out of Tract 1 that have not signed and
8 returned the pooling agreement?

9 A. That would be Exhibit Number 8.

10 Q. Now, let's turn to Tract 2, the leases. There
11 are two leases that consist of Tract 2.

12 A. Okay, this is Exhibit Number 9. Mine appears to
13 be out of order, but all of the information is here. This
14 first page is actually the people that we have not received
15 signed pooling agreements from on the Lease Number 1 in
16 Tract 2, and for some reason --

17 Q. They were collated wrong, so go ahead and explain
18 them --

19 A. Yeah.

20 Q. -- in the order that they're stapled.

21 A. Okay, I'll do that. Okay, the first page, Tract
22 2, Lease Number 1, these are the people that have not
23 signed and returned the pooling agreements.

24 The next page, Tract 2, Lease Number 2, pooling
25 agreements were mailed to these parties.

1 The next page, Tract 2 Lease Number 2, this is
2 the only party that has not signed and returned the pooling
3 agreement.

4 The last two pages are the parties in Tract 2,
5 Lease Number 1, that were mailed pooling agreements.

6 Q. So if the Examiner looks at Exhibit 9 and finds
7 the spreadsheets that are captioned "Pooling Agreements Not
8 Signed or Returned", that's the list of the parties to be
9 pooled?

10 A. That is correct.

11 MR. KELLAHIN: All right, that concludes my
12 examination of Mr. Beavers.

13 We would move the introduction of his Exhibits 1
14 through 9.

15 MR. BROOKS: Exhibits 1 through 9 are admitted.

16 EXAMINATION

17 BY MR. BROOKS:

18 Q. This again is a Monument-Tubb Unit that you're
19 asking to be created?

20 A. Yes, sir.

21 Q. And do you have plans to drill a second well in
22 Tract 1 in instance?

23 A. Not at this time.

24 Q. Okay. Now, one question -- I was thinking there
25 was a question I had forgotten to ask you in the last one,

1 and it is this, and it applies to both of them: Is Matador
2 E&P Company, who is the Applicant, is that also going to be
3 the operator?

4 A. No, sir, Matador --

5 Q. That's what I was worried about.

6 A. -- Matador Operating Company.

7 Q. Matador Operating Company is to be the operator.

8 Now, is that true in both 12,863 and 12,852?

9 A. Yes, sir, it is.

10 MR. BROOKS: Okay, thanks. No further questions.

11 MR. KELLAHIN: That concludes our presentation.

12 MR. BROOKS: Very well. If there's nothing
13 further, Case Number 12,863 is taken under advisement.

14 (Thereupon, these proceedings were concluded at
15 11:23 a.m.)

16 * * *

17
18
19 I do hereby certify that the foregoing is
20 a complete and correct transcript of the proceedings in
21 the Examiners' hearing of Case No. 12803,
22 heard by me on May 30, 2002.
23 David K. Burke, Examiner
24 Oil Conservation Division
25

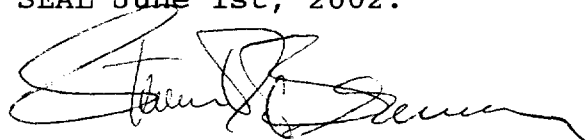
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL June 1st, 2002.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002