

30-015-43201  
Stebbins 20 Fed 123 H

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. 15612  
ORDER NO. R-14264

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 05, 2017, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 11<sup>th</sup> day of January, 2017, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.

(2) Matador Production Company (the "Applicant") seeks approval of a 160-acre non-standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the Bone Spring formation, Wildcat, Bone Spring Pool (Pool code, 98015), comprising the N/2 S/2 of Section 20, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit for the Bone Spring formation.

I, J, K, L

(3) The Unit will be dedicated to Applicant's Stebbins 20 Federal Well No. 123H (the "proposed well"; API No. 30-015-43201); a horizontal well to be drilled from a surface location 1693 feet from the South line and 130 feet from the West line (Unit L) to a bottom-hole location 1870 feet from the South line and 240 feet from the East line (Unit I) both in Section 20, Township 20 South, Range 29 East, NMPM. The location of the completed interval will be standard for oil production within the Unit.

(4) The proposed well location is wildcat for oil production from the Bone Spring formation and is subject to Division Rule 19.15.15.9(A) NMAC, which provides for 330-foot setbacks from the unit boundaries and standard 40-acre units each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of four adjacent quarter-quarter sections oriented west to east.

(5) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) The Bone Spring formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal well from west to east is appropriate for the Unit;
- (c) all quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation, so that the Unit as requested will not impair correlative rights;
- (d) notice was provided to lessees or operators of surrounding tracts as affected parties of the proposed non-standard spacing unit;
- (e) notice was provided to all interest owners subject to pooling proceedings as affected parties of the proposed compulsory pooling within the Unit; and
- (f) notice of this proceeding was also published in a newspaper of general circulation in this county containing the names of all interest owners subject to pooling proceedings.

(6) No other party entered an appearance or otherwise opposed this application.

The Division concludes as follows:

(7) The proposed non-standard unit should be approved to enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste and protecting correlative rights.

(8) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(9) Applicant is owner or affiliate of an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location.



(10) There are interest owners in the Unit that have not agreed to pool their interests.

(11) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(12) Matador Production Company should be designated the operator of the proposed well and the Unit.

(13) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the proposed well.

(14) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7000 per month while drilling and \$700 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations."

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to the application of Matador Production Company, a 160-acre non-standard oil spacing and proration unit (the "Unit") is hereby established for oil and gas production from the Bone Spring formation, Wildcat; Bone Spring Pool (Pool code 98015), comprising the N/2 S/2 of Section 20, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico.

(2) All uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to Applicant's Stebbins 20 Federal Well No. 123H (the "proposed well"; API No. 30-015-43201), a horizontal well to be drilled from a surface location 1693 feet from the South line and 130 feet from the West line (Unit L) to a bottom-hole location 1870 feet from the South line and 240 feet from the East line (Unit I), both in Section 20, Township 20 South, Range 29 East, NMPM. The location of the completed interval will be standard for oil production within the Unit.

(4) The operator of the Unit shall commence drilling the proposed well on or before January 31, 2018, and shall thereafter continue drilling the proposed well with due diligence to test the Bone Spring formation.

(5) In the event the operator does not commence drilling the proposed well on or before January 31, 2018, Ordering Paragraphs (1) and (2) shall be of no effect, unless

the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(6) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the Unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence. If the proposed well is not completed in all of the standard spacing units included in the proposed project area (or Unit) then the operator shall apply to the Division for an amendment to this order to contract the Unit so that it includes only those standard spacing units in which the well is completed.

(7) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this order shall terminate, unless this Order has been amended to authorize further operations.

(8) Matador Production Company (OGRID 228937) is hereby designated the operator of the well and the Unit.

(9) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(10) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(11) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.



(12) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(13) The operator is hereby authorized to withhold the following costs and charges from production from each well:

- (a) The proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

(14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(15) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7000 per month while drilling and \$700 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not more than what are reasonable, attributable to pooled working interest owners.

(16) Except as provided in Paragraphs (13) and (15) above, all proceeds from production from the proposed well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-31, as amended).

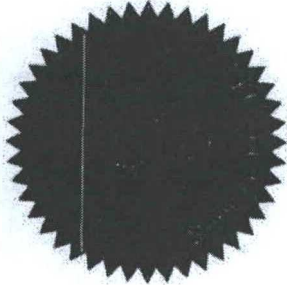
(17) Any unleased mineral interests shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(18) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(19) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of parties subject to the compulsory pooling provisions of this order.

(20) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*David R. Catanach*

DAVID R. CATANACH  
Director

SEAL



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:

APPLICATION OF MATADOR PRODUCTION  
COMPANY FOR A NONSTANDARD SPACING  
AND PRORATION UNIT AND COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

CASE NO. 15611

APPLICATION OF MATADOR PRODUCTION  
COMPANY FOR A NONSTANDARD SPACING  
AND PRORATION UNIT AND COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

Consolidated with  
CASE NO. 15612

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

January 5, 2017

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN AND WILLIAM V. JONES, CHIEF  
EXAMINERS

WILLIAM V. JONES, TECHNICAL EXAMINER

DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Michael McMillan,  
Chief Examiner, William V. Jones, Technical Examiner,  
and David K. Brooks, Legal Examiner, on Thursday,  
January 5, 2017, 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  
New Mexico CCR #20  
Paul Baca Professional Court Reporters  
500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102  
(505) 843-9241

1 APPEARANCES  
 2 FOR APPLICANT MATADOR PRODUCTION COMPANY:  
 3 JORDAN L. KESSLER, ESQ.  
 4 HOLLAND & HART  
 5 110 North Guadalupe, Suite 1  
 6 Santa Fe, New Mexico 87501  
 7 (505) 988-4421  
 8 jlkessler@hollandhart.com

7	INDEX	
8		PAGE
9	Case Numbers 15611 and 15612 Called	4
10	Matador Production Company's Case-in-Chief:	
11	Witnesses:	
12	Jeff Lierly:	
13	Direct Examination by Ms. Kessler	3
14	Cross-Examination by Examiner McMillan	11
15	Cross-Examination by Examiner Jones	11
16	James Andrew "Andy" Juett:	
17	Direct Examination by Ms. Kessler	13
18	Cross-Examination by Examiner Jones	18
19	Proceedings Conclude	19
20	Certificate of Court Reporter	20
21	EXHIBITS OFFERED AND ADMITTED	
22	Matador Production Company Exhibit	
23	Numbers 1 through 11	11
24	Matador Production Company Exhibit	
25	Numbers 12 through 17	17



1 (9:31 a.m.)

2 EXAMINER McMILLAN: Call the hearing back  
3 to order.

4 The next case that we shall hear is Case  
5 Number -- looks like it's 15611, application of Matador  
6 Production Company for a nonstandard spacing and  
7 proration unit and compulsory pooling, Eddy County, New  
8 Mexico.

9 Call for appearances.

10 MS. KESSLER: Mr. Examiner, Jordan Kessler,  
11 from the Santa Fe office of Holland & Hart, on behalf of  
12 the Applicant. And we had requested in our pre-hearing  
13 statement that Case Number 15611 be consolidated for  
14 hearing purposes with Case Number 15612.

15 EXAMINER McMILLAN: Okay. They may be  
16 consolidated. So, therefore, at the same time, we're  
17 calling Case Number 15612, application of Matador  
18 Production Company for a nonstandard spacing and  
19 proration unit and compulsory pooling.

20 Please proceed.

21 MS. KESSLER: Two witnesses.

22 EXAMINER McMILLAN: If the witnesses would  
23 please stand up and be sworn in at this time.

24 Thank you.

25 (Mr. Lierly and Mr. Juett sworn.)

1                               JEFF LIERLY,  
2       after having been first duly sworn under oath, was  
3       questioned and testified as follows:

4                               DIRECT EXAMINATION

5   BY MS. KESSLER:

6       Q.   Please state your name for the record and tell  
7       the Examiners by whom you're employed and in what  
8       capacity.

9       A.   Jeff Lierly. I'm a senior landman for Matador  
10      Resources Company.

11      Q.   Have you previously testified before the  
12      Division?

13      A.   Yes, I have.

14      Q.   Were your credentials as a petroleum landman  
15      accepted and made a matter of record?

16      A.   Yes, they were.

17      Q.   Are you familiar with the application filed in  
18      these consolidated cases?

19      A.   Yes, I am.

20      Q.   And are you familiar with the status of the  
21      lands in the subject area?

22      A.   Yes.

23                           MS. KESSLER: Mr. Examiners, I would tender  
24      Mr. Lierly as an expert in petroleum land matters.

25                           EXAMINER McMILLAN: So qualified. Please



1 proceed.

2 Q. (BY MS. KESSLER) Mr. Lierly, please turn to  
3 Exhibit 1 and explain what Matador seeks under these  
4 applications.

5 A. This is a map of our Stebbins lease in the  
6 south half of Section 20, Township 20 South, Range 29  
7 East in which we're seeking to establish two 160-acre  
8 nonstandard spacing units in the north half-south half,  
9 dedicated to our Stebbins 20 Federal #123H well, and the  
10 south half-south half for our Stebbins 20 Federal #124H  
11 well, which we're seeking to pool all uncommitted  
12 working interest owners.

13 Q. And you're seeking to pool the uncommitted  
14 interest owners in the Bone Spring Formation; is that  
15 correct?

16 A. Yes, that's correct.

17 Q. Are both spacing units comprised of federal  
18 acreage?

19 A. Yes. It's the same federal lease and ownership  
20 is uniform in both 160-acre spacing units.

21 Q. Is Exhibit 2 a plat for the Stebbins 123H well?

22 A. Yes. This is the C-102 for the Stebbins 20  
23 Federal 123H, again in the north half-south half of  
24 Section 20.

25 Q. Did the Division initially designate a pool for

1 this area?

2 A. Yes. It was originally in the Avalon-Bone  
3 Spring East Pool, but we received an email from Paul  
4 Kautz stating that the wells had been reclassified into  
5 the wildcat pool.

6 Q. Okay. Is that email from Mr. Kautz included as  
7 Exhibit 3?

8 A. Yes, it is.

9 Q. And is the second page of Exhibit 3 a  
10 redesignation of the pool?

11 A. Yes, it is. And I see the pool name is the  
12 Wolfcamp with a bunch of numbers and letters.

13 Q. Okay. That would be Pool Code 98015, correct?

14 A. Correct.

15 Q. What is Exhibit 4?

16 A. This is the C-102 for our Stebbins 20 Federal  
17 124H well. Again, this shows the original pool that we  
18 had on it, but as stated on Exhibit 3, it has been  
19 reclassified as a wildcat pool.

20 Q. Is the wildcat pool subject to Division  
21 statewide setbacks for oil pools?

22 A. Yes.

23 Q. Will each of the two completed intervals for  
24 the wells comply with the 330-foot setbacks?

25 A. Yes, they will.



1 Q. Does Exhibit 5 identify the interest owners in  
2 the nonstandard spacing unit for the 123H well?

3 A. Yes. Up top, it shows the working interest  
4 for -- for MRC Delaware Resources being approximately 73  
5 percent. We received voluntary joinder from two parties  
6 making up about 21 percent, with the uncommitted working  
7 interest owners making up the balance and then the  
8 respective working interests outlined below.

9 Q. These are all working interest owners that you  
10 seek to pool; is that correct?

11 A. That's correct.

12 Q. Is Exhibit 6 a summary of the interest in the  
13 124H well?

14 A. Yes. Same -- same -- same as the prior exhibit  
15 because the uniform interest ownership is the same. The  
16 interest is the same between the two wells.

17 Q. So, again, these are all uncommitted interest  
18 owners that you seek to pool?

19 A. Yes.

20 Q. Is Exhibit 7 a sample of the well-proposal  
21 letter and AFE that you sent to the uncommitted interest  
22 owners of the 123H well?

23 A. This is our well-proposal letter that we sent  
24 to all working interest owners for the Stebbins 20  
25 Federal 123H well.

1           Q.    And all interest owners have received a  
2 well-proposal letter, correct?

3           A.    Yes.

4           Q.    On what date was the letter sent?

5           A.    September 27th, 2016.

6           Q.    And they received an AFE, which is included in  
7 Exhibit 7, correct?

8           A.    Yes, that's correct.

9           Q.    Is Exhibit 8 a sample of the well-proposal  
10 letter and AFE that you sent to uncommitted interest  
11 owners for the 124H well?

12          A.    This is the well-proposal letter that we sent  
13 to all working interest owners for the Stebbins 20  
14 Federal 124H well.

15          Q.    And what date was this letter sent?

16          A.    September 27th, 2016.

17          Q.    And it also included an AFE?

18          A.    Yes, that's correct.

19          Q.    Are the costs reflected on the AFEs consistent  
20 with what operators in the area have incurred for  
21 drilling similar wells?

22          A.    Yes, they are.

23          Q.    And for each of the wells, has Matador  
24 estimated overhead and administrative costs for  
25 drilling?

1           A.    Yes.  7,000 a month while drilling and 700 a  
2 month while producing.

3           Q.    Are the costs in line with what other operators  
4 in the area are charging for similar horizontal wells?

5           A.    Yes, they are.

6           Q.    Do you ask that overhead and administrative  
7 costs be incorporated into any order resulting from this  
8 hearing?

9           A.    We do.

10          Q.    And do you also ask that those costs be  
11 adjusted in accordance with COPAS accounting procedures?

12          A.    Yes, we do.

13          Q.    With respect to uncommitted interest owners,  
14 are you requesting that the Division impose a 200  
15 percent risk penalty?

16          A.    Yes, we are.

17          Q.    And in addition to sending well-proposal  
18 letters, what other efforts did you make to reach an  
19 agreement with the parties?

20          A.    We've had numerous phone conversations with the  
21 number of working interest parties, spoke with them in  
22 person, had email correspondence.  I think we're very  
23 close to reaching agreements with all parties.  But we  
24 do intend to spud this well probably within the next  
25 three weeks, so we have a short fuse, and we've notified



1     them of that.

2           Q.     So you've had contact with all of the parties  
3     you seek to pool?

4           A.     That's correct.

5           Q.     Are Exhibits 9 and 10 notices of publication --  
6     Affidavits of Publication in the county in which these  
7     wells will be drilled?

8           A.     Yes, they are.

9           Q.     And Exhibit 11 is an affidavit prepared by my  
10    office -- excuse me. Let me back up.

11                   Did Matador identify offset operators or  
12    lessees of record in the 40-acre tracts surrounding the  
13    nonstandard spacing units?

14          A.     Yes, we did.

15          Q.     Is Exhibit 11 an affidavit prepared by my  
16    office with the attached letters providing notice of the  
17    hearing today to the parties that you seek to pool and  
18    the offset operators and lessees for both the 123H and  
19    the 124H wells?

20          A.     Yes.

21          Q.     Were Exhibits 1 through 8 prepared by you or  
22    compiled under your direction and supervision?

23          A.     Yes, they were.

24                   MS. KESSLER: Mr. Examiners, I'd move  
25    admission of Exhibits 1 through 11, which includes --

1 EXAMINER McMILLAN: Exhibits 1 through 11  
2 may now be accepted as part of the record.

3 (Matador Production Company Exhibit Numbers  
4 1 through 11 are offered and admitted into  
5 evidence.)

6 MS. KESSLER: That concludes my  
7 examination.

8 CROSS-EXAMINATION

9 BY EXAMINER McMILLAN:

10 Q. Any unlocatable interests?

11 A. No.

12 Q. Any depth severances?

13 A. No. Actually, the owner -- ownership from  
14 2,000 -- 200 feet below the surface to the southwest  
15 draw is the same. So for our --

16 Q. For compulsory pooling, no depth severances?

17 A. Right.

18 EXAMINER McMILLAN: Go ahead, if you have  
19 questions.

20 CROSS-EXAMINATION

21 BY EXAMINER JONES:

22 Q. Yates or EOG Y Resources is going to  
23 participate, looks like?

24 A. Well, they're actually still uncommitted  
25 working interest owners, but we've had a number of

1 conversations with their land manager. They acquired an  
2 interest from the smaller Yates. I think it was Yates  
3 Industries. But we're pretty close to reaching an  
4 agreement with them.

5 EXAMINER McMILLAN: I need to make a  
6 statement of fact that this says "Collin R. McMillan."  
7 That was my late father.

8 EXAMINER BROOKS: Apparently it was noticed  
9 in this case, so that raises an issue of  
10 disqualification for the Examiner.

11 EXAMINER JONES: I can do it.

12 EXAMINER McMILLAN: Okay.

13 EXAMINER BROOKS: Okay. If you can take  
14 over the case, that will make it easier.

15 EXAMINER JONES: Let me make sure my name  
16 is not in here, too.

17 MS. KESSLER: Mr. Examiners, I would state  
18 that I notified him as an offset owner. He's not a  
19 party.

20 EXAMINER BROOKS: Anybody required to be  
21 noticed is a party by -- by virtue of our rule. I'm not  
22 sure that offsets should be required to be noticed in a  
23 case like this, but that's a rulemaking question. I'm  
24 not the person -- if you can just take over the case,  
25 we'll obviate --



1 EXAMINER JONES: I have a history of  
2 getting them out in such a hurry.

3 EXAMINER BROOKS: You and me both.

4 EXAMINER JONES: Okay. We don't have any  
5 more questions, unless Mr. Brooks does.

6 EXAMINER BROOKS: No. I don't have any  
7 questions.

8 JAMES ANDREW "ANDY" JUETT,  
9 after having been previously sworn under oath, was  
10 questioned and testified as follows:

11 DIRECT EXAMINATION

12 BY MS. KESSLER:

13 Q. Please state your name for the record.

14 A. James Andrew Juett.

15 Q. Who do you work for and in what capacity?

16 A. Matador Resources Company, and I'm employed as  
17 a senior geologist.

18 Q. Have you previously testified before the  
19 Division?

20 A. Yes, I have.

21 Q. Were your credentials as a petroleum geologist  
22 accepted and made a matter of record?

23 A. Yes, they were.

24 Q. Are you familiar with the applications filed by  
25 Matador in these consolidated cases?

1           A.    Yes, I am.

2           Q.    And have you conducted a geologic study of the  
3 Bone Spring in the subject area?

4           A.    Yes, I have.

5                   MS. KESSLER:  Mr. Examiners, I'd tender  
6 Mr. Juett as an expert in petroleum geology.

7                   EXAMINER JONES:  He is so qualified.

8           Q.    (BY MS. KESSLER) Would you turn to Exhibit 12  
9 and identify this exhibit?

10          A.    Exhibit 12 is a location map to show our  
11 Stebbins project area and where it sits in Lea and Eddy  
12 Counties.

13          Q.    What is Exhibit 13?

14          A.    Exhibit 13 is a subsea structure map that is on  
15 the top of the 2nd Bone Spring Sand in the Stebbins  
16 project area.  This -- this map shows that the 2nd Bone  
17 Spring sands dip gently to the east-southeast and  
18 that -- what you'll also see on this map are the two  
19 proration units for the 123 and 124H wells.

20                   You'll see a lot of cross section that will  
21 be in future exhibits.  And the existing horizontal 2nd  
22 Bone Spring wells are annotated in orange attributes,  
23 and the data points used to make this map are in pink.  
24 And this also shows that there doesn't appear to be any  
25 geologic impediments to drilling the horizontal well in

1     this area.

2           Q.     Did you prepare a cross section of logs to  
3     determine the relative thickness and porosity of the  
4     Bone Spring in this area?

5           A.     Yes, I did.

6           Q.     Is that included as Exhibit 14?

7           A.     Yes, it is.

8           Q.     Could you walk us through this exhibit.

9           A.     Yes. This is a structural cross section with  
10    three wells from north-south, A being north and A prime  
11    being south. It shows the 2nd Bone Spring Sand package,  
12    which is annotated with the orange attribute or orange  
13    line across the well.

14                   It shows that -- what's included in this  
15    cross section is resistivity logs and porosity logs and  
16    then also PE curves on wells that had PE curves. It  
17    shows the interval where we intend to drill these  
18    laterals, and it shows that the 2nd Bone Spring Sand  
19    package is fairly uniform across the proration units  
20    that we intend to drill.

21           Q.     Is Exhibit 15 a gross isopach map of the area?

22           A.     Yes, it is.

23           Q.     What does this show us?

24           A.     This basically shows us that the -- along the  
25    length of the lateral, we don't expect any major



1 thickness changes and that the 2nd Bone Spring should be  
2 fairly uniform across the length of the lateral in both  
3 of these proration units.

4 Q. What conclusions have you drawn based on your  
5 geologic study of this area?

6 A. I conclude that there don't appear to be any  
7 geologic impediments to drilling a horizontal well in  
8 this location, that all quarter-quarter sections should  
9 be productive and contribute to production in these  
10 wells and that horizontal drilling should be the most  
11 efficient way and prevent drilling of unnecessary  
12 vertical wells and create the greatest EUR in this area.

13 Q. Would you identify Exhibits 16 and 17 for the  
14 Examiners, please?

15 A. Yes, I will. Exhibits 16 and 17 are basic  
16 instruction [sic] diagrams showing that we will not have  
17 a take point closer than 330 feet from the leaselines,  
18 that we'll have standard locations.

19 And while we're on this exhibit, our  
20 previous witness I think inadvertently testified that  
21 this is a Wolfcamp-Bone Spring field, not a Wolfcamp --  
22 I think wildcat Bone Spring field, not a wildcat  
23 Wolfcamp field. I think he inadvertently said we have a  
24 wildcat Wolfcamp Formation, but these are Bone Spring  
25 Formations. So I just wanted to make sure we noted that

1 for the record.

2 Q. And you can see with that WC in there, it would  
3 be wildcat, correct?

4 A. Yes. Yes.

5 EXAMINER JONES: Still the same pool code,  
6 98015?

7 MS. KESSLER: Yes. But also in that same  
8 is WC-015, Bone Spring Pool Code 98015.

9 EXAMINER JONES: Okay.

10 Q. (BY MS. KESSLER) In your opinion, will granting  
11 Matador's application be in the best interest of  
12 conservation, the prevention of waste and the protection  
13 of correlative rights?

14 A. Yes, it will be.

15 Q. Were Exhibits 12 through 17 prepared by you or  
16 compiled under your direction and supervision?

17 A. Yes, they were.

18 MS. KESSLER: Mr. Examiners, I'd move  
19 admission of Exhibits 12 through 17.

20 EXAMINER JONES: Exhibits 12 through 17  
21 will be admitted.

22 (Matador Production Company Exhibit Numbers  
23 12 through 17 are offered and admitted into  
24 evidence.)  
25

CROSS-EXAMINATION

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

BY EXAMINER JONES:

Q. I really don't have any questions, but I appreciate you coming up here.

How many rigs do you have going nowadays?

A. Right now we have four rigs. Four rigs right now.

Q. Four?

A. Uh-huh.

Q. It's going to be a big year?

A. We hope. We hope it to be. Hopefully it's getting better.

Q. Thank you.

A. Thank you.

EXAMINER JONES: Okay. With that, we will take cases --

Is that all on these two cases?

MS. KESSLER: That is, Mr. Examiner. I just, once again, note that this rig -- excuse me. These two wells are on a tight schedule, so we would request an expedited order.

EXAMINER JONES: The rig is on its way. Okay.

Cases 15611 and 15612 are taken under advisement.



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Thank you very much.  
(Case Numbers 15611 and 15612 conclude,  
9:55 a.m.)

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO  
3

4 CERTIFICATE OF COURT REPORTER

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

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

16 I FURTHER CERTIFY that I am neither  
17 employed by nor related to any of the parties or  
18 attorneys in this case and that I have no interest in  
19 the final disposition of this case.  
20

21  
22 MARY C. HANKINS, CCR, RPR  
23 Certified Court Reporter  
24 New Mexico CCR No. 20  
25 Date of CCR Expiration: 12/31/2017  
Paul Baca Professional Court Reporters