

STATE OF NEW MEXICO
ENERGY, MINERAL AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

April 14, 2016
8:26 a.m.
Wendell Chino Building
Porter Hall
1220 S. St. Francis Drive
Santa Fe, New Mexico

TRANSCRIPT OF PROCEEDINGS

CASE NO. 15477

APPLICATION OF RKI EXPLORATION AND PRODUCTION FOR A
NONSTANDARD SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

BEFORE: WILLIAM JONES, Lead Examiner
SCOTT DAWSON, Examiner
DAVID K. BROOKS, Legal Examiner

REPORTED BY: DEBRA ANN FRIETZE
PAUL BACA COURT REPORTERS
500 4th Street, NW, Suite 105
Albuquerque, New Mexico 87102

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A P P E A R A N C E S

For the Applicant:

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BY: JORDAN LEE KESSLER

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1 EXAMINER JONES: At this time, let's call
2 Case Number 15477, application of RKI Exploration and
3 Production for a nonstandard spacing and proration unit
4 and compulsory pooling in Eddy County, New Mexico.

5 At this time we welcome appearances in this
6 case.

7 MS. KESSLER: Jordan Kessler, from the
8 Santa Fe Office of Holland and Hart, on behalf of the
9 applicant.

10 EXAMINER JONES: Any other appearances?

11 MS. KESSLER: I have two witnesses today,
12 Mr. Examiner.

13 [At which time Cameron Enteshary and Cody
14 Buller were duly sworn under oath.]

15 MS. KESSLER: I'll call my first witness.

16 EXAMINER JONES: Okay.

17 CAMERON ENTESHARY

18 having been previously sworn under oath,
19 was questioned and testified as follows:

20 DIRECT EXAMINATION

21 BY MS. KESSLER:

22 Q. Can you please state your name for the record
23 and tell the Examiner by whom you're employed and in
24 what capacity?

25 A. Cameron Enteshary for WPX Energy, and I'm a

1 petroleum landman.

2 Q. Is WPX Energy a fully-owned -- is RKI, excuse
3 me, a fully-owned subsidiary of WPX Energy?

4 A. Yes.

5 Q. Have you previously testified before the
6 Division?

7 A. No.

8 Q. Can you please outline your educational
9 background?

10 A. Yeah. I received an Energy Management degree
11 from the University of Oklahoma in 2008.

12 Q. And your work history?

13 A. I went on to work for Devon Energy in the
14 Barnett Shale and for a few months in the Permian Basin,
15 and then RKI Exploration in the Powder River Basin and
16 most recently in the Permian Basin once WPX acquired
17 RKI.

18 Q. So your current experience does include
19 responsibilities in the Permian Basin?

20 A. Yes.

21 Q. Are you a member of any professional
22 associations?

23 A. Yes, the American Association of Professional
24 Landmen, the Permian Basin Association, and the Oklahoma
25 City Association.

1 Q. And are you familiar with the application
2 that's been filed in this case?

3 A. Yes.

4 Q. And are you familiar with the status of the
5 lands in the subject area?

6 A. Yes.

7 MS. KESSLER: Mr. Examiner, I would tender
8 Mr. Enteshary as an expert witness in petroleum land
9 matters.

10 EXAMINER JONES: He is so qualified.
11 Can you please spell your name?

12 THE WITNESS: Yes. C-a-m-e-r-o-n,
13 E-n-t-e-s-h-a-r-y.

14 EXAMINER JONES: Thank you.

15 Q. (By Ms. Kessler) Mr. Enteshary, please turn to
16 Exhibit 1 and identify this exhibit and explain what RKI
17 seeks under this application.

18 A. Yes. This is a Draft C-102 for the RDX Federal
19 Com 17-40H Well for which RKI is seeking to form a
20 nonstandard 160-acre spacing unit to drill said well.

21 Q. And that would be comprised of the east half;
22 east half of Section 17, Township 26 South, Range 30
23 East in Eddy County; is that correct?

24 A. Correct.

25 Q. Do you seek to pool all mineral interests in

1 the Wolfcamp underlying the proposed unit?

2 A. Yes.

3 Q. What is the API number for this well?

4 A. It is --

5 Q. Is it 30-015-43634?

6 A. That's correct.

7 Q. What is the character of the lands?

8 A. It is made of two federal leases.

9 Q. And will the first and last perforations comply
10 with the Division's 330-foot statewide setback
11 requirements?

12 A. Yes.

13 Q. Has the Division designated a pool for this
14 spacing unit?

15 A. Originally the pool was designated to be a gas
16 pool with a 320-acre spacing unit. And we since have
17 had discussions with Paul Kautz with the NMOCD to change
18 that to the 100-acre oil spacing, since there has been
19 recent production within this same section that has been
20 designated to that same pool.

21 Q. So turning to Exhibit 2, is this a sundry
22 changing the pool from the Wolfcamp Ross Draw, Wolfcamp
23 gas pool; to the Brushy Draw, Wolfcamp oil pool?

24 A. Yes.

25 Q. Would that be Pool Code 97136?

1 A. Yes.

2 Q. And this was at the suggestion of Mr. Kautz; is
3 that correct?

4 A. Correct.

5 EXAMINER JONES: Would you repeat where
6 you're finding that?

7 EXAMINER DAWSON: Turn to Exhibit 3, the
8 second page.

9 EXAMINER JONES: Thank you.

10 Q. (By Ms. Kessler) Turning to Exhibit 3,
11 Mr. Enteshary, does this exhibit show the ownership of
12 the east half; east half of Section 17 by tract?

13 A. Yes.

14 Q. Does it also show the party with whom you seek
15 to pool?

16 A. Yes.

17 Q. Who is that party?

18 A. EOG Resources.

19 Q. And are they an uncommitted working interest
20 owner?

21 A. Yes.

22 Q. Approximately what percent interest do they
23 own?

24 A. 25 percent.

25 Q. And that would be just in the east half; east

1 half, correct?

2 A. Correct.

3 Q. And is Exhibit 4 a copy of the well proposal
4 letter that was sent to EOG for the proposed well?

5 A. Yes.

6 Q. On what date was that letter sent?

7 A. March 3rd, 2016.

8 Q. Did the letter contain an AFE?

9 A. Yes.

10 Q. Are the costs reflected on this AFE consistent
11 with what the company has incurred for drilling similar
12 horizontal wells in this area?

13 A. Yes.

14 Q. What additional efforts did you undertake to
15 reach an agreement with EOG?

16 A. We had both phone and email contact with EOG
17 regarding the proposal, and they did not have any
18 interest in participating in the well nor coming to an
19 agreement with a JOA. That's why we're here today.

20 Q. Have you estimated the requested overhead and
21 administrative costs of this well?

22 A. Yes.

23 Q. What are those costs?

24 A. \$7,500 a month well drilling, and then \$750 a
25 month producing rate.

1 Q. Are these costs in line with what RKI and other
2 operators in the area charge for similar wells?

3 A. Yes.

4 Q. And do you ask that the administrative costs be
5 incorporated into any order resulting from this hearing?

6 A. Yes.

7 Q. Do you ask that it be adjusted in accordance
8 with the appropriate accounting procedures?

9 A. Yes.

10 Q. With respect to EOG, do you request that the
11 Division impose a 200 percent risk penalty?

12 A. Yes.

13 Q. Did you identify the offset operators or
14 lessees of record?

15 A. Yes.

16 Q. Is Exhibit 5 a Midland map indicating the
17 tracts and parties to whom notice was sent for offsets?

18 A. Yes.

19 Q. Were all of the parties whom you seek to pool
20 with EOG, were they locatable?

21 A. Yes.

22 Q. So you did not need to publish notice for this
23 hearing?

24 A. No.

25 Q. Is Exhibit 6 an affidavit prepared by my office

1 with attached letters providing notice to the parties
2 with whom you seek to pool and the offsets?

3 A. Yes.

4 Q. Were Exhibits 1 through 5 prepared by you or
5 compiled under your direction and supervision?

6 A. Yes.

7 MS. KESSLER: Mr. Examiners, I'd move
8 admission of Exhibits 1 through 6.

9 EXAMINER JONES: Exhibits 1 through 6.
10 [Exhibits 1 through 6 admitted.]

11 EXAMINER JONES: Mr. Dawson?

12 EXAMINER DAWSON: The question I have,
13 Mr. Enteshary, is on the Certified Mail that you sent to
14 EOG, did they -- they never indicated receipt of that
15 Certified Mail?

16 MS. KESSLER: Mr. Examiner, if you'll look
17 at the page behind the green card, it indicates that it
18 was delivered. And then if you'll look at the next
19 page, there's a green card to EOG that was returned.

20 EXAMINER DAWSON: On what exhibit is that?

21 MS. KESSLER: This is Exhibit 6. It would
22 be the second-to-the-last page.

23 EXAMINER DAWSON: Okay. I was looking at
24 the one on Exhibit 5. Okay, I see it there.

25 Thank you.

1 EXAMINER JONES: I don't have any
2 questions.

3 EXAMINER BROOKS: I don't have any, either.

4 EXAMINER JONES: Thanks for coming.

5 MS. KESSLER: I'll call my next witness,
6 please.

7 CODY BULLER
8 having been previously sworn under oath,
9 was questioned and testified as follows:

10 DIRECT EXAMINATION

11 BY MS. KESSLER:

12 Q. Please state your name for the record and tell
13 the examiners by whom you're employed and in what
14 capacity.

15 A. My name is Cody Buller. I'm employed by RKI, a
16 subsidiary of WPX. I'm a geologist.

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

19 A. I have not.

20 Q. Can you please outline your educational
21 background?

22 A. I got an undergrad in geology in '07 from the
23 University of Kansas. In '09, I got a Master's degree
24 in Geology from New Mexico State University.

25 Q. And what is your work history?

1 A. In '09, I started at Devon in the new ventures
2 group, working anything from California to the Illinois
3 Basin for fours years. And then from there, I went to
4 RKI. Since then, I've been working both the Power River
5 Basin and the Permian Basin.

6 Q. How long have you worked with in the Permian
7 Basin, approximately?

8 A. Oh, gosh. At least a year, over a year.

9 Q. And are you a member of any professional
10 associations?

11 A. The American Association of Petroleum
12 Geologists, APG.

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

15 A. I am.

16 Q. And have you conducted a geologic study of the
17 lands that are the subject of this application?

18 A. Yes.

19 MS. KESSLER: I'll tender Mr. Buller as an
20 expert witness on petroleum geology.

21 EXAMINER JONES: So you went from Lawrence
22 to Las Cruces?

23 THE WITNESS: You bet.

24 EXAMINER JONES: He's qualified as an
25 expert in geology.

1 Q. (By Ms. Kessler) Mr. Buller, please turn to
2 Exhibit Number 7 and identify this exhibit and explain
3 what it shows.

4 A. This is a map with yellow highlighting our WPX
5 or RKI's leased acreage. Also, there are three
6 producing wells highlighted, as well, that have been
7 drilled in the Wolfcamp A. And then the one with the
8 star is the subject well.

9 Q. Is Exhibit 8 a structural map of the Wolfcamp
10 formation in this area?

11 A. Yes.

12 Q. What do you observe with respect to the
13 structure?

14 A. Very little dipping to the east, 100 foot a
15 mile.

16 Q. Do you observe that it is fairly consistent?

17 A. Yes, very consistent.

18 Q. I'm sorry, to the east or to the west?

19 A. To the east. I'm sorry.

20 Q. What is the line labeled A-to-A prime?

21 A. That's a cross-section that is hung on top of
22 the Wolfcamp. That's the next exhibit, kind of
23 bracketing where the well will be drilled.

24 Q. Do you consider the wells on the line A-to-A
25 prime to be representative of wells in the area?

1 A. Yes, I do.

2 Q. What is Exhibit 9?

3 A. This is the cross-section on the previous map,
4 labeled A-to-A prime. It's hung on the Wolfcamp, which
5 is the red line on top. There's also Wolfcamp A picked,
6 as well, as a landing point on top of the Wolfcamp B
7 highlighted as well.

8 Q. So you have shinier target interval on this
9 cross-section?

10 A. Yeah.

11 Q. Can you identify whether you've located or
12 whether you've identified continuity across the proposed
13 nonstandard unit?

14 A. It's very continuous, especially if you look at
15 the logs.

16 Q. Have you observed any faults or pinchouts or
17 other geologic impediments to drilling horizontal wells?

18 A. I have not.

19 Q. In your opinion, will each spacing unit
20 contribute more or less equally to the production of the
21 wellbore?

22 A. Yes.

23 Q. And in your opinion, will approval of this
24 application be in the best interest of conservation for
25 the prevention of waste and the protection of the

1 correlative rights?

2 A. Yes.

3 Q. And will the completed interval be 330 feet
4 from the outer boundaries of the project area?

5 A. Yes.

6 Q. Were Exhibits 7 through 9 prepared by you or
7 compiled under your direction and supervision?

8 A. They were, yes.

9 MS. KESSLER: Mr. Examiners, I'd move
10 admission of Exhibits 7 through 9.

11 EXAMINER JONES: Exhibits 7 through 9 are
12 admitted.

13 [Exhibits 7 through 9 admitted.]

14 EXAMINER JONES: Mr. Dawson?

15 EXAMINER DAWSON: Mr. Buller, on Exhibit 9,
16 on your cross-section.

17 THE WITNESS: Yeah.

18 EXAMINER DAWSON: -- on the Yates 8 Federal
19 Number 2 Well, I see the perforations indicated on the
20 log. Is that the same zone that you are targeting or
21 same zones.

22 THE WITNESS: It is perfed about where
23 we're landing, yes.

24 EXAMINER DAWSON: So you're anticipating
25 you'll be producing from the Wolfcamp A in the Wolfcamp

1 A LP?

2 THE WITNESS: That's where we will land
3 specifically the wellbore, yes.

4 EXAMINER DAWSON: All right.

5 EXAMINER JONES: What depths will you land?
6 What will be your TVD?

7 THE WITNESS: It'll be roughly about 10,100
8 DVD.

9 EXAMINER JONES: Can you explain why it's
10 oil here, instead of gas?

11 THE WITNESS: Yeah. I would have to be --
12 I'd attribute it to the majority of the rock itself. It
13 hasn't quite gotten to the dry gas or really gassy
14 maturity window.

15 EXAMINER JONES: You don't have an
16 engineering witness, do you?

17 MS. KESSLER: No.

18 EXAMINER JONES: Okay. So we've got four
19 standard units put together for a 160 in this case,
20 instead of just one 320?

21 MS. KESSLER: That's correct.

22 EXAMINER JONES: And the pool name is
23 Brushy Draw, Wolfcamp. Let's see here.

24 MS. KESSLER: That's right. It's Brushy
25 Draw, Wolfcamp oil.

1 EXAMINER JONES: But they don't put oil on
2 the end, right? They don't put the name oil on the end?

3 MS. KESSLER: They do. It's the Wolfcamp
4 oil pool.

5 EXAMINER JONES: They did?

6 MS. KESSLER: Uh-huh.

7 EXAMINER JONES: Maybe in Wolfcamp it needs
8 to be specified because it's --

9 EXAMINER BROOKS: There's extensive
10 discussion of that subject.

11 EXAMINER JONES: Yeah, and I don't know how
12 those cases are receiving or what.

13 EXAMINER BROOKS: Well, there are some
14 pools that are labeled LL pools, and there are a lot of
15 LL pools that are not labeled.

16 I assume all the gas pools are labeled as
17 gas pools, but I can't be certain of that because I
18 haven't read all the orders establishing --

19 EXAMINER JONES: Except on the northwest.

20 Okay. How does this fit in the area on
21 this -- is this down south, close to the state line? It
22 is 26 South?

23 THE WITNESS: Yes.

24 EXAMINER JONES: The County is Eddy, so
25 you're in that area where it's maybe a retrograde gas

1 prominence; is that correct?

2 THE WITNESS: I wouldn't be sure, but...

3 EXAMINER JONES: Well, even if it was gas
4 or oil, you could still do a nonstandard proration unit.

5 MS. KESSLER: If I can ask a quick
6 follow-up question.

7 FURTHER DIRECT EXAMINATION

8 BY MS. KESSLER:

9 Q. Does RKI have several wells that are offsetting
10 this acreage?

11 A. Yes.

12 Q. And to your knowledge, are they mainly
13 producing oil?

14 A. Yeah.

15 EXAMINER JONES: Okay. I didn't see in the
16 well file that this had been reclassified as oil. So
17 the sundry that you sent and you -- Paul had agreed upon
18 that; is that correct, Paul Kautz? He's the --

19 MS. KESSLER: Oh, I'm sorry. I believe it
20 was the landman that was responsible for submitting the
21 sundry, but he did have a conversation with Paul Kautz
22 regarding this.

23 EXAMINER JONES: He said he did, and we'll
24 go with that.

25 Thank you very much.

1 THE WITNESS: Thank you.

2 MS. KESSLER: Mr. Examiner, I'd just ask
3 that this case be taken under advisement.

4 EXAMINER JONES: Case Number 15477 is taken
5 under advisement.

6 [Proceeding concluded at 10:41 a.m.]

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1 STATE OF NEW MEXICO.
2 COUNTY OF BERNALILLO
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9 REPORTER'S CERTIFICATE

10 I, DEBRA ANN FRIETZE, New Mexico Certified Court
11 Reporter No. 251, do hereby certify that I reported the
12 foregoing proceeding in stenographic shorthand and that
13 the foregoing pages are a true and correct transcript of
14 those proceedings and was reduced to printed form under
15 my direct supervision.

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