

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 XTO ENERGY, INC. CASE NO. 15805
FOR A NONSTANDARD SPACING AND
PRORATION UNIT AND COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 31, 2017

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, William V. Jones,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
Thursday, August 31, 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
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1 (10:33 A.M.)

2 EXAMINER JONES: Let's call Case Number
3 15806 and 15 --

4 Can I do them combined, Mr. Feldewert?

5 MR. FELDEWERT: I have them split for the
6 same reason; it involves different geology.

7 EXAMINER JONES: Let's do that. Let's call
8 Case 15805, application of XTO Energy for a nonstandard
9 spacing and proration unit compulsory pooling in Eddy
10 County, New Mexico.

11 Call for appearances.

12 MR. FELDEWERT: May it please the Examiner,
13 Michael Feldewert, with the Santa Fe office of Holland &
14 Hart, appearing on behalf of the Applicant, and I have
15 two witnesses.

16 EXAMINER JONES: Any other appearances?

17 MR. BRUCE: Mr. Examiner, Jim Bruce of
18 Santa Fe representing Mewbourne Oil Company. I have no
19 witnesses.

20 EXAMINER JONES: Any other appearances?

21 Will the witnesses please stand, and will
22 the court reporter please swear the witnesses?

23 (Ms. Repka and Mr. Henthorn sworn.)

24 ANGIE REPKA,

25 after having been first duly sworn under oath, was

1 questioned and testified as follows:

2 DIRECT EXAMINATION

3 BY MR. FELDEWERT:

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

6 A. Angie Repka. I'm a division landman for XTO
7 Energy, Inc.

8 Q. And, Ms. Repka, you have previously testified
9 before the Division as an expert in petroleum land
10 matters, correct?

11 A. Correct.

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

14 A. Yes.

15 Q. And are you familiar with the status of the
16 lands in the subject area?

17 A. Yes.

18 MR. FELDEWERT: Mr. Examiner, I would
19 tender Ms. Repka as an expert in petroleum land matters.

20 EXAMINER JONES: Would you please state
21 your name?

22 THE WITNESS: Angie Repka.

23 EXAMINER JONES: I mean spell your name.

24 THE WITNESS: Oh. It's Angie, and the last
25 name is R-E-P-K-A.

1 EXAMINER JONES: I'm sorry. I didn't hear
2 your last name.

3 THE WITNESS: That's okay.

4 EXAMINER JONES: Any objection, Mr. Bruce?

5 MR. BRUCE: No.

6 EXAMINER JONES: She is so qualified.

7 **Q. (BY MR. FELDEWERT) Would you please turn to**
8 **what is XTO Exhibit 1? Identify it first and explain**
9 **what the company seeks under this application.**

10 A. Exhibit 1 is the C-102 filed for the Cattle
11 Baron State 2H well. We seek to pool -- this is wrong
12 on here. This is incorrect acreage on here. It should
13 be 239.62 acres.

14 **Q. Hold on a minute.**

15 A. Yeah. I don't know how that happened.

16 Basically, it's a nonstandard proration --

17 **Q. Hold on one second. Let me make sure I'm on**
18 **the right case.**

19 A. It's wrong on the C-102.

20 **Q. So this is -- okay. So this is for the Cattle**
21 **Baron Bone Spring well?**

22 A. Yes. This is a Bone Spring well.

23 **Q. And you're pointing out the dedicated acreage**
24 **is incorrect --**

25 A. Correct. It should be --

1 Q. -- on this C-102?

2 A. -- 239.62 acres.

3 Q. Okay. All right. Continue.

4 A. Okay. So we're seeking to form a proration
5 unit that is the west half of southeast quarter of
6 Section 31, and the west half of the east half of
7 Section 6, 25 South, 29 East.

8 Q. So this is for a mile-and-a-half well in the
9 Bone Spring?

10 A. Correct.

11 Q. Okay. And does this -- aside from the
12 dedicated acreage, does this draft C-102 correctly
13 identify the API number for this well?

14 A. Yes, it does.

15 Q. As well as the pool and the pool code for the
16 Examiner?

17 A. Yes, it does.

18 Q. Is this particular pool subject to the Division
19 statewide rules?

20 A. Yes.

21 Q. And will the completed interval for this well
22 comply with the 330-foot setback requirements?

23 A. Yes.

24 Q. Just for the record, so it's clear, this should
25 be a 239.62-acre spacing unit, correct?

1 A. Correct.

2 Q. And what is the nature of the acreage that's
3 involved here?

4 A. It is state and federal lands.

5 Q. And if I turn to what's been marked as XTO
6 Exhibit Number 2, does this identify the interest owners
7 in this combined nonstandard spacing unit?

8 A. Yes, it does.

9 Q. What's the significance of those interest
10 owners that have been highlighted?

11 A. The highlighted parties are those that have not
12 executed a JOA at this time. Most of the parties have
13 elected to participate in the well.

14 Q. So are these the parties that we currently seek
15 to pool?

16 A. Yes, they are.

17 Q. And as you pointed out -- well, first off, let
18 me ask you: Were you able to locate all of these
19 interest owners?

20 A. Yes, we have.

21 Q. And you said a number of them have executed an
22 AFE, but you're waiting on a JOA?

23 A. Correct.

24 Q. And once they execute the JOA, they will be
25 released from the pooling order?

1 A. Correct.

2 Q. Okay. If I turn to what's been marked as XTO
3 Exhibit Number 3, is this a copy of the well-proposal
4 letter that was sent to the interest owners that are
5 highlighted on Exhibit Number 2?

6 A. Yes, it is.

7 Q. And with this letter, does the company provide
8 an AFE?

9 A. Yes, we did.

10 Q. And the costs that are reflected on this AFE in
11 Exhibit Number 3, are they consistent with what the
12 company has incurred for drilling similar horizontal
13 wells in the area?

14 A. Yes, they are.

15 Q. Aside from submitting this well-proposal
16 letter, what other efforts have you undertaken to reach
17 agreement with the parties that you seek to pool?

18 A. I have spoken with most of the parties that are
19 highlighted on there. We've sent out JOAs to them.
20 We're currently working on a trade agreement with
21 Mewbourne.

22 Q. Okay. On Exhibit 3, if I look at the first
23 page, second paragraph, does it identify for the
24 Examiner the overhead and the administrative costs that
25 you seek to be approved for this well?

1 A. Yes, it does.

2 Q. And it's 7,500 a month while drilling and 750
3 while producing, correct?

4 A. Correct.

5 Q. And are these rates consistent with what the
6 company and other operators charge for similar wells in
7 this area?

8 A. Yes, they are.

9 Q. In preparation for this hearing, did the
10 company identify the operators and the leased mineral
11 interest owners in the 40-acre tract surrounding each --
12 surrounding the proposed nonstandard spacing unit?

13 A. Yes, we did.

14 Q. And did the company include these operators and
15 lease mineral interest owners in the notice of this
16 hearing?

17 A. Yes, we did.

18 Q. If I turn to what's been marked as Exhibit
19 Number 4, is this the affidavit prepared by my office
20 with attached letters providing notice of this hearing
21 to the affected parties?

22 A. Yes, it is.

23 Q. And I know you said you had located everyone,
24 but out of an abundance of caution, if I turn to what's
25 been marked as XTO Exhibit Number 5, is this an

1 **Affidavit of Publication in a local newspaper providing**
2 **notice of this hearing to the pooled parties?**

3 A. Yes, it is.

4 **Q. And it actually lists all those pooled parties**
5 **by name, correct?**

6 A. Yes.

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

9 A. Yes, they were.

10 MR. FELDEWERT: Mr. Examiner, I'd move
11 admission into evidence XTO Exhibits 1 through 5, which
12 includes the two notice affidavits.

13 EXAMINER JONES: Exhibits 1 through 5 for
14 XTO --

15 Well, any objection?

16 MR. BRUCE: No objection.

17 EXAMINER JONES: -- are admitted.

18 (XTO Energy, LLC Exhibit Numbers 1 through
19 5 are offered and admitted into evidence.)

20 MR. FELDEWERT: And that concludes my
21 examination of this witness.

22 EXAMINER JONES: Mr. Bruce?

23 MR. BRUCE: No questions.

24

25

1 CROSS-EXAMINATION

2 BY EXAMINER JONES:

3 Q. So you're trying to work out a trade agreement
4 with Mewbourne?

5 A. Correct.

6 Q. And you said you just need the JOA ratified by
7 the nonconsenting parties; is that correct?

8 A. Yes, most of them. There are a couple of them
9 that have not elected to participate.

10 Q. Okay. So everybody's located.

11 And it is -- my map says all state, but
12 this is some state and some BLM?

13 A. Section 31 is federal.

14 Q. Okay. So it's -- yes. There is a federal
15 north -- northwest of the southeast; is that correct?

16 A. Correct.

17 Q. That's a federal tract?

18 A. Yes.

19 Q. How many tracts -- separate tract did you say?

20 A. There are three, I believe.

21 Q. Three separately owned tracts?

22 A. Yeah. I don't have it in here. There are two
23 state leases and then the 40-acre federal.

24 Q. Okay. Okay. Two state leases.

25 So you're doing a com agreement. And

1 **that's all done?**

2 A. It's not done yet.

3 Q. **Not done yet. It's in the works?**

4 A. It's in the process.

5 Q. **The 102, I guess it still lists -- for some**
6 **reason, it lists 479.**

7 A. That needs to be amended.

8 Q. **Yeah. They were confusing it for a Wolfcamp, I**
9 **guess.**

10 MR. FELDEWERT: Yes.

11 THE WITNESS: Uh-huh. That second
12 application is a Wolfcamp.

13 Q. **(BY EXAMINER JONES) So you guys will take care**
14 **of sending it to --**

15 A. Yes.

16 Q. **-- I guess to the Artesia office?**

17 A. Yes.

18 Q. **How did XTO obtain interest in this area?**

19 A. We've had several acquisitions in this area of
20 different parties.

21 Q. **Okay. So how much does XTO own in the well?**

22 A. In this well, I believe it's a little over 60
23 percent.

24 Q. **60 percent? Over 60?**

25 MR. FELDEWERT: If you look at Exhibit

1 Number 2.

2 THE WITNESS: It's XTO and ExxonMobil, 62
3 percent.

4 MR. FELDEWERT: You have to take those two
5 together.

6 Q. (BY EXAMINER JONES) You've got Big Brother --
7 are you out of Fort Worth?

8 A. Currently.

9 Q. Currently.
10 So things might change?

11 A. Possibly.

12 Q. Hopefully they won't move south.

13 MR. FELDEWERT: Don't ask that question.

14 EXAMINER JONES: Don't ask that question.
15 That's a bad question right now. Oh, boy. Okay.

16 Q. (BY EXAMINER JONES) Well, in the location of
17 the well, will it change?

18 A. No.

19 Q. Okay. Did you -- I mean -- I'm sorry. Is this
20 a standard location for this well?

21 A. Yes.

22 Q. Okay. We know the pool is Bone Spring,
23 Southeast. And it's standard rules for that pool?

24 A. Correct.

25 Q. Okay. I don't have any more questions.

1 EXAMINER WADE: I don't have any questions.

2 EXAMINER JONES: Call --

3 MR. FELDEWERT: Call our next witness.

4 EXAMINER JONES: Okay.

5 BRIAN HENTHORN,

6 after having been previously sworn under oath, was

7 questioned and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. FELDEWERT:

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

12 A. Brian Henthorn, regional geologist for XTO
13 Energy.

14 Q. Mr. Henthorn, you've also previously testified
15 before this Division as an expert in petroleum geology,
16 correct?

17 A. I have, yes.

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

20 A. Yes.

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

23 A. I have, yes.

24 MR. FELDEWERT: I would once again tender
25 Mr. Henthorn as an expert witness in petroleum geology.

1 MR. BRUCE: No objection.

2 EXAMINER JONES: He's so qualified.

3 Q. (BY MR. FELDEWERT) Mr. Henthorn, what is the
4 target interval for this proposed well?

5 A. The 3rd Bone Spring Sandstone.

6 Q. In your opinion, is the Bone Spring Formation
7 continuous across the proposed nonstandard spacing and
8 proration unit?

9 A. Yes, it is.

10 Q. And does that continuity extend to the 3rd Bone
11 Spring Sand targeted interval?

12 A. Yes.

13 Q. Have you prepared a structure map and a cross
14 section of this formation for the Examiners?

15 A. I have, yes.

16 Q. If I turn to what's been marked Exhibit Number
17 6, is this your structure map?

18 A. Yes.

19 Q. Before discussing the structure, would you just
20 orient the Examiners as to, you know, the various lines
21 that are shown on here? And what's the significance of
22 the yellow shading?

23 A. Yes. This is the area surrounding the subject
24 well, and it -- the yellow is XTO acreage. The wells
25 posted on the map are the Willow Lake-Bone Spring wells.

1 The red line denotes the subject well Cattle Baron 2H,
2 and the blue line denotes the north-south cross section,
3 A to A prime cross section.

4 Q. So the other wells that you show on here are
5 3rd Bone Spring wells or Bone Spring wells?

6 A. They're Bone Spring wells. They're 2nd Bone
7 Spring and one 3rd Bone Spring well.

8 Q. Okay. And does your proposed mile-and-a-half
9 wellbore essentially continue the development pattern
10 that has been established for this area?

11 A. It does, yes.

12 Q. What do you observe about the structure in this
13 area?

14 A. Yeah. The structure is a 40-foot contour
15 interval and exhibits a gentle dip to the east.

16 Q. And is that structure consistent across this
17 area?

18 A. Yes.

19 Q. Do you observe any faults or pinch-outs or any
20 geologic impediments to drilling horizontal wells?

21 A. No, I don't.

22 Q. These other Bone Spring wells that are shown on
23 here, have they been successful?

24 A. They have been, yes.

25 Q. Now, with respect to your cross section, A to A

1 **prime here, how did you choose these wells for your**
2 **cross-section analysis?**

3 A. Yeah. These are two of the nearest verticals
4 that had open-hole logs across the entire Bone Spring
5 interval.

6 Q. In your opinion, are these wells representative
7 of the area in question?

8 A. Yes, they are.

9 Q. If I turn to what's been marked as XTO Exhibit
10 Number 7, is this the cross section that corresponds
11 with A to A prime on Exhibit Number 6?

12 A. Yes, it is.

13 Q. Would you explain to the Examiners what you
14 show on here starting with the identification of the
15 zone of interest?

16 A. Yes. This is that north-south A to A prime
17 cross section. The blue line denotes the top of the 3rd
18 Bone Spring. The green line denotes the top of the
19 Wolfcamp Formation or base of the Bone Spring. I've
20 indicated the landing target by the red arrow in the
21 Lower 3rd Bone Spring Sandstone.

22 Q. And what do you observe about the continuity of
23 this particular target zone?

24 A. It's very uniform, and consistent porosities
25 and resistivities are very similar across these two

1 wells and across the project area.

2 Q. In your opinion, is this an area that can be
3 efficiently and economically developed by horizontal
4 wells?

5 A. Yes.

6 Q. And will your proposed nonstandard spacing
7 unit, on average, contribute more or less equally to the
8 production of the well?

9 A. Yes.

10 Q. And finally, in your opinion, will the granting
11 of this application be in the best interest of
12 conservation, for the prevention of waste and the
13 protection of correlative rights?

14 A. Yes.

15 Q. Were XTO Exhibits 6 and 7 prepared by you or
16 compiled under your direction and supervision?

17 A. They were, yes.

18 MR. FELDEWERT: Mr. Examiner, I'd move
19 admission into evidence of XTO Exhibits 6 and 7.

20 MR. BRUCE: No objection.

21 EXAMINER JONES: Exhibits 6 and 7 are
22 admitted.

23 (XTO Energy, LLC Exhibit Numbers 6 and 7
24 are offered and admitted into evidence.)

25 MR. FELDEWERT: That concludes my

1 examination of this witness.

2 MR. BRUCE: No questions.

3 CROSS-EXAMINATION

4 BY EXAMINER JONES:

5 Q. Okay. So your target zone looks like -- in one
6 well, it looks like it's a little bit different behavior
7 on -- I'm not sure of the tract. Right opposite to the
8 right of the depth track, is that porosity logs?

9 A. Tract 2?

10 Q. Yeah, Tract 2.

11 A. Yeah. Tract 2 is the porosity.

12 Q. So it's separating the porosity on the left
13 one, and on the right, it's together?

14 A. Yeah. The right-hand well, the porosity --
15 yes. The northern well will have maybe a little more
16 porosity in the pay zone to the north than the well on
17 the right. The well on the right is kind of close to
18 the surface-hole location.

19 Q. Okay.

20 A. But still, the porosity in that area -- and
21 that 10 percent porosity is the middle line there. So,
22 I mean, it's well beyond the cutoff of good reservoir.

23 Q. Okay. So you have a certain cutoff that you
24 look at for porosity?

25 A. Yeah.

1 Q. And is the strategy to stay above that
2 little -- there is a deviation on your porosity right
3 below that. You seem to be staying right above that.

4 A. Yeah. I'm targeting the area of highest
5 porosity at the top of that particular sand.

6 Q. At the top of that sand?

7 A. Yeah.

8 Q. Okay. Okay. This well is a mile and a half.
9 You stated that all separately owned tracts will
10 participate --

11 A. More or less equally.

12 Q. -- produce from the well?

13 A. Yes.

14 Q. Are you going to run any kind of tracers or
15 chemical tracers to see where your oil and water is
16 coming from in this well?

17 A. In these wells, we're not, but the adjacent
18 wells in the east half of the east half, we are planning
19 to run tracers, oil, water and sand, I think. I'm
20 not -- it's not my area of expertise.

21 Q. Okay. But they're the nonradioactive -- the
22 chemical tracers?

23 A. Right.

24 Q. Okay. Thank you very much.

25 A. Okay.

1 MR. FELDEWERT: Mr. Examiner, we ask this
2 case be taken under advisement.

3 EXAMINER JONES: Case Number 15805 is taken
4 under advisement.

5 (Case Number 15805 concludes, 10:52 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO
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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
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