

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. 15806
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
New Mexico CCR #20
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

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

APPEARANCES

FOR APPLICANT XTO ENERGY, INC.:

MICHAEL H. FELDEWERT, ESQ.
HOLLAND & HART, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
(505) 988-4421
mfeldewert@hollandhart.com

FOR MEWBOURNE OIL COMPANY:

JAMES G. BRUCE, ESQ.
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

1	INDEX	
2		PAGE
3	Case Number 15806 Called	4
4	XTO Energy, LLC's Case-in-Chief:	
5	Witnesses:	
6	Angie Repka:	
7	Direct Examination by Mr. Feldewert	4
8	Cross-Examination by Examiner Jones	10
9	Brian Henthorn:	
10	Direct Examination by Mr. Feldewert	11
11	Cross-Examination by Examiner Jones	16
12	Proceedings Conclude	18
13	Certificate of Court Reporter	19
14		
15	EXHIBITS OFFERED AND ADMITTED	
16	XTO Energy, LLC Exhibit Numbers 1 through 5	10
17	XTO Energy, LLC Exhibit Numbers 6 and 7	16
18		
19		
20		
21		
22		
23		
24		
25		

1 (10:52 a.m.)

2 EXAMINER JONES: And let's call Case Number
3 15806, application of XTO Energy, Inc. for a nonstandard
4 spacing and proration unit and compulsory pooling in
5 Eddy County, New Mexico.

6 Call for appearances.

7 MR. FELDEWERT: May it please the Examiner,
8 Michael Feldewert, of the Santa Fe office of Holland &
9 Hart, appearing on behalf of the Applicant. And I have
10 two witnesses here today who have already been sworn.

11 MR. BRUCE: Mr. Examiner, Jim Bruce
12 representing Mewbourne Oil Company. I have no
13 witnesses.

14 EXAMINER JONES: Let the record reflect the
15 witnesses have been sworn.

16 You may proceed.

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

20 DIRECT EXAMINATION

21 BY MR. FELDEWERT:

22 **Q. Would you please state your name and identify**
23 **by whom you're employed and in what capacity?**

24 A. Angie Repka. I'm a division landman for XTO
25 Energy, Inc.

1 Q. And, Ms. Repka, you have previously testified
2 before this Division as an expert in petroleum land
3 matters?

4 A. Yes, I have.

5 Q. Are you familiar with the application filed in
6 this particular case?

7 A. Yes, I am.

8 Q. And are you familiar with the status of the
9 lands in the subject area?

10 A. Yes, I am.

11 MR. FELDEWERT: I'd once again tender
12 Ms. Repka as an expert in petroleum land matters.

13 MR. BRUCE: No objection.

14 EXAMINER JONES: She is so qualified.

15 Q. (BY MR. FELDEWERT) Would you turn to what is
16 marked as XTO Exhibit Number 1? And first identify this
17 exhibit and explain what the company seeks under this
18 application.

19 A. This is the C-102 filed for the Sizzler State
20 2H well. We seek to pool the southeast quarter of
21 Section 31 of 24 South, 29 East, and the east half of
22 Section 6, 25 South, 29 East for a Wolfcamp well.

23 Q. So this would be a one-and-a-half mile stand-up
24 well in the Wolfcamp Formation?

25 A. Correct.

1 Q. Does this exhibit provide for the Examiner the
2 API number for the well?

3 A. Yes, it does.

4 Q. And it identifies the pool and pool code,
5 correct?

6 A. Yes, the Purple Sage; Wolfcamp.

7 Q. With respect to the Purple Sage; Wolfcamp, it
8 has special rules that provide for 320-acre spacing and
9 proration units, correct?

10 A. Correct.

11 Q. Along with 330-foot setbacks?

12 A. Correct.

13 Q. First off, will this well comply with the
14 330-foot setbacks?

15 A. Yes, it will.

16 Q. Secondly, is it correct that you are creating a
17 nonstandard 160-acre spacing unit in Section 31 to
18 combine with a standard spacing unit in Section 6?

19 A. That's correct.

20 Q. Okay. And what is the nature of the acreage
21 that's involved?

22 A. State and federal lands.

23 Q. If I then turn to what's been marked as XTO
24 Exhibit Number 2, is this a plat identifying the owners
25 in this consolidated nonstandard spacing unit?

1 A. Yes, it is.

2 Q. And, again, have you highlighted the companies
3 that you seek to pool on this exhibit?

4 A. Yes, we did.

5 Q. Are there any uncommitted interest owners that
6 the company could not locate?

7 A. No.

8 Q. If I turn to what's been marked as Exhibit
9 Number 3, is this a copy of the well-proposal letter
10 that was sent to the interest owners?

11 A. Yes, it is.

12 Q. Does it contain an AFE?

13 A. Yes.

14 Q. And are the costs that are reflected on this
15 AFE consistent with what the company has incurred for
16 drilling similar horizontal wells in this area?

17 A. Yes.

18 Q. Aside from sending this letter, what other
19 efforts did you undertake to reach an agreement with
20 these interest owners that you seek to pool?

21 A. I've spoken with the majority of the interest
22 owners, and we've also provided joint operating
23 agreements for them.

24 Q. Have some of these interest owners actually
25 executed an AFE for this particular well?

1 A. Yes, they have.

2 Q. But they have yet to return a JOA?

3 A. That's correct.

4 Q. So currently they're still on your pool party
5 list?

6 A. Correct.

7 Q. Okay. And what's the status of the discussions
8 of Mewbourne of this particular well?

9 A. We are working on a trade agreement with them.

10 Q. Okay. And if I look at Exhibit Number 3, does
11 it provide for the Examiner, in the second paragraph,
12 the overhead rates that the company seeks on this
13 particular well?

14 A. Yes, it does.

15 Q. And that is 7,500 while drilling and 750 while
16 producing?

17 A. That's correct.

18 Q. And are these rates consistent with what the
19 company and other operators in the area charge for
20 similar wells?

21 A. Yes, they are.

22 Q. As part of this application for hearing, did
23 the company identify the operators and lease mineral
24 interest owners in the acreage in Section 31 that is
25 being excluded from your proposed nonstandard spacing

1 unit?

2 A. Yes, we did.

3 Q. And as a matter of course and out of an
4 abundance of caution, did you also notify all of the
5 320-acre spacing units surrounding your proposed
6 nonstandard?

7 A. Yes, we did.

8 Q. And have these owners and lease mineral
9 interest owners been included in the notice that was
10 sent out for this particular hearing?

11 A. Yes, they were.

12 Q. And is that reflected in what's been marked as
13 XTO Exhibit Number 4?

14 A. Yes.

15 Q. And finally, I know you mentioned that you were
16 able to contact all of the pooled parties; is that
17 right?

18 A. Correct.

19 Q. And, nonetheless, does Exhibit Number 5 reflect
20 that you provided notice of this hearing by publication
21 in the local newspaper?

22 A. Yes, we did.

23 Q. And does it list each of these parties that you
24 seek to pool?

25 A. Yes, it does.

1 **Q. All right. Were Exhibits 1 through 3 prepared**
2 **by you or compiled under your direction and supervision?**

3 A. Yes, they were.

4 MR. FELDEWERT: Mr. Examiner, I would move
5 admission into evidence XTO Exhibits 1 through 5, which
6 includes the two notice affidavits.

7 EXAMINER JONES: Any objection?

8 MR. BRUCE: No objection.

9 EXAMINER JONES: Exhibits 1 through 5 are
10 admitted.

11 (XTO Energy, LLC Exhibit Number 1 through 5
12 are offered and admitted into evidence.)

13 MR. FELDEWERT: And that concludes my
14 examination.

15 EXAMINER JONES: Mr. Bruce?

16 MR. BRUCE: No questions.

17 CROSS-EXAMINATION

18 BY EXAMINER JONES:

19 **Q. So are these all similar owners as to the Bone**
20 **Spring?**

21 A. Correct.

22 **Q. So you've identified all the parties?**

23 A. Yes.

24 **Q. I guess that's pretty basic.**

25 You've got three tracts just like before,

1 two separately owned tracts?

2 A. Two tracts, uh-huh.

3 Q. All parties have been located, but you did a
4 certified newspaper notice to be listing all the pooled
5 parties?

6 MR. FELDEWERT: Yes, sir.

7 Q. (BY EXAMINER JONES) And the location, is
8 that -- will that stay fixed?

9 A. Yes.

10 Q. Is there division of interest vertically in the
11 Wolfcamp that you know about, in the Purple Sage Pool,
12 if you go all the way from the top to the bottom of the
13 pool spacing unit?

14 A. It's the same.

15 Q. I usually try not to ask that question, but --

16 EXAMINER WADE: No questions.

17 EXAMINER JONES: Thank you very much.

18 MR. FELDEWERT: Call our next witness.

19 BRIAN HENTHORN,
20 after having been previously sworn under oath, was
21 questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. FELDEWERT:

24 Q. For the record, would you state your name,
25 identify by whom you're employed and in what capacity?

1 A. Brian Henthorn, regional geologist at XTO
2 Energy.

3 Q. Mr. Henthorn, have you previously testified as
4 an expert in petroleum geology?

5 A. I have, yes.

6 Q. Are you familiar with the application filed in
7 this case?

8 A. Yes, I am.

9 Q. And did you conduct a geologic study of the
10 lands that are the subject of this application?

11 A. Yes.

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

14 MR. BRUCE: No objection.

15 EXAMINER JONES: He is so qualified.

16 Q. (BY MR. FELDEWERT) Mr. Henthorn, what is the
17 targeted interval for this proposed well?

18 A. The Wolfcamp Y.

19 Q. In your opinion, first off, is the Wolfcamp
20 Formation continuous across your proposed nonstandard
21 spacing unit?

22 A. Yes.

23 Q. And does that continuity extend to the Wolfcamp
24 Y sands?

25 A. Yes.

1 Q. If I turn to what's been marked as XTO Exhibit
2 Number 6, is this a structure map that you have prepared
3 of this formation?

4 A. Yes.

5 Q. For the record, would you just orient the
6 Examiners to the lines and the colors that we see on
7 here.

8 A. Yes. The wells posted are Wolfcamp; Purple
9 Sage wells. The subject well is the red line. The
10 yellow is XTO's acreage position in this area, and the
11 blue line is the north-south A to A prime cross section.

12 Q. Are all the wellbores that you show on here --
13 have they actually been drilled?

14 A. No. The open circle well symbols are permitted
15 locations, and the green bottom-hole locations symbol is
16 a producer, which is just east of our subject well. And
17 then the square symbol just east of that well is a well
18 that has been -- we've drilled and is currently waiting
19 on completion.

20 Q. And does your current well follow the
21 mile-and-a-half development pattern that has been
22 started for this Section 31 and Section 6?

23 A. It does, yes.

24 Q. What do you observe about the structure here?

25 A. The structure -- the structure contour on

1 the -- on the Wolfcamp -- on the top of the Wolfcamp,
2 40-foot contour interval and exhibits a gentle dip to
3 the east.

4 Q. Do you see any faults or pinch-outs or other
5 geologic impediments to developing this area with
6 horizontal drilling?

7 A. No.

8 Q. The blue line is for -- depicts the logs -- or
9 the well logs you utilized for your cross section?

10 A. Yeah. Those are deep vertical wells with
11 open-hole logs across the entire Wolfcamp interval.
12 They were the closest open-hole logs I had.

13 Q. In your opinion, are they representative of the
14 area?

15 A. Yes.

16 Q. Okay. If I turn to what's been marked as XTO
17 Exhibit Number 7, is that the cross section that
18 corresponds with the A to A prime shown on Exhibit
19 Number 6?

20 A. Yes.

21 Q. And what do you observe here about the
22 stratigraphic cross section?

23 A. The -- yeah. So just to orient, the green line
24 is the top of the Wolfcamp. The purple is the base of
25 the Wolfcamp. The thickness and porosities within the

1 target interval, Wolfcamp Y, are very consistent and
2 uniform across this area. I've indicated the target
3 interval with a red arrow.

4 Q. I think you said that would be the Y sands?

5 A. The Y sand. That's what we're calling them,
6 yeah. The nomenclature is --

7 Q. Is this an area that can be efficiently and
8 economically developed by horizontal wells, in your
9 opinion?

10 A. Yes.

11 Q. Will the acreage that is utilized to form your
12 nonstandard spacing unit contribute more or less equally
13 to the production of the wellbore?

14 A. Yes, it will.

15 Q. And in your opinion, will the granting of this
16 application be in the best interest of conservation and
17 the prevention of waste and the protection of
18 correlative rights?

19 A. Yes.

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

22 A. Yes, they were.

23 MR. FELDEWERT: Mr. Examiner, I would move
24 admission into evidence XTO Exhibits 6 through 7.

25 MR. BRUCE: No objection.

1 EXAMINER JONES: Exhibits 6 through 7 are
2 admitted.

3 (XTO Energy, LLC Exhibits Number 6 and 7
4 are offered and admitted into evidence.)

5 MR. FELDEWERT: That concludes my
6 examination of this witness.

7 MR. BRUCE: No questions.

8 CROSS-EXAMINATION

9 BY EXAMINER JONES:

10 Q. How does it vary from Lea County to Eddy
11 County? And what's -- why is it -- was it considered
12 Upper Wolfcamp oil over in Lea County, and here, it's
13 considered maybe retrograde gas condensate or whatever
14 it is in this certain spot?

15 A. Yes. Initially, we had Wolfcamp wells that
16 were in an Upper Wolfcamp wildcat pool, but when the
17 Purple Sage -- this is within that area of the Purple
18 Sage Gas Pool. That's when they were transferred --
19 well, those producers were transferred over to the
20 Wolfcamp; Purple Sage Gas Pool. So now that we're in
21 that area, we've pooled them in that particular pool.

22 Q. Okay. But as far as the lithology, how does
23 it -- what is it and how does it change?

24 A. The Wolfcamp Y is a sand at the top of the
25 Wolfcamp interval. This particular sand is -- it's

1 sourced off the Northwest Shelf. It's present in Lea
2 County and in Eddy County.

3 Q. Oh, okay.

4 A. And there are other Y horizontals just north of
5 here that other operators have drilled with great
6 success.

7 Q. Faulting in this area?

8 A. Not really within the Wolfcamp and not -- you
9 don't really see faulting until you get further east,
10 you know, with respect to the deeper Devonian stuff.

11 Q. Do you have any prospects in the Upper Penn in
12 this area?

13 A. Not within the Upper Penn, no, sir. Yeah. We
14 do have other Wolfcamp targets in here.

15 Q. Oh, other Wolfcamp targets?

16 A. Yeah. Yeah.

17 Q. Okay. So it's a target-rich environment, so to
18 speak?

19 A. Yes.

20 Q. Okay. Thank you very much.

21 EXAMINER WADE: I have no questions.

22 MR. FELDEWERT: Thank you, Mr. Examiner.

23 We would ask the case be taken under advisement.

24 EXAMINER JONES: Case 15806 is taken under
25 advisement.

1 We'll have a ten-minute break.

2 THE WITNESS: Thank you.

3 EXAMINER JONES: Thank you.

4 (Case Number 15806 concludes, 11:06 a.m.)

5 (Recess, 11:06 a.m. to 11:20 a.m.)

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

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

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