

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 AMEREDEV OPERATING, CASE NO. 15894
LLC FOR A NONSTANDARD SPACING AND
PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 30, 2017

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, William V. Jones,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, November 30, 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 AMEREDEV OPERATING, LLC:

3 JORDAN L. KESSLER, ESQ.
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1 (11:20 a.m.)

2 EXAMINER JONES: Case Number 15894,
3 application of Ameredev Operating, LLC for a nonstandard
4 spacing and proration unit and compulsory pooling, Lea
5 County, New Mexico.

6 Call for appearances.

7 MS. KESSLER: Jordan Kessler on behalf of
8 the Applicant.

9 EXAMINER JONES: Any other appearances?
10 Will the witnesses stand and the court
11 reporter swear in the witnesses?

12 (Mr. Bramble and Mr. Rhoden sworn.)

13 NOAH BRAMBLE,
14 after having been first duly sworn under oath, was
15 questioned and testified as follows:

16 MS. KESSLER: May I proceed?

17 EXAMINER JONES: Yes, please.

18 DIRECT EXAMINATION

19 BY MS. KESSLER:

20 **Q. Please state your full name for the record and**
21 **tell the Examiners by whom you're employed and in what**
22 **capacity.**

23 A. Noah Bramble, Ameredev Operating, LLC, vice
24 president of land.

25 **Q. Have you previously testified before the**

1 **Division?**

2 A. No.

3 **Q. Can you please outline your education and**
4 **professional background?**

5 A. I went to Colorado State University, graduated
6 in 2008. Through school, I was a broker for Laramie &
7 Associates in northern Colorado and in-house, after
8 graduating, with Saga Petroleum out of Denver. I went
9 to Midland to work with COG for three-and-a-half years
10 before starting with Ameredev in 2015.

11 **Q. Approximately how long have your**
12 **responsibilities included the Permian Basin?**

13 A. Six years.

14 **Q. Okay. And are you a member of any professional**
15 **associations?**

16 A. Yes, AAPL, PBLA, APLA.

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

19 A. Yes.

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

22 A. Yes.

23 MS. KESSLER: Mr. Examiner, I tender
24 Mr. Bramble as an expert in petroleum land matters.

25 EXAMINER JONES: So qualified.

1 Q. (BY MS. KESSLER) Can you please tell us what
2 Ameredev seeks under this application?

3 A. Yes. We're seeking to create a 320 nonstandard
4 proration unit dedicated to the Firethorn Fed Com
5 26-36-4 No. 113H.

6 Q. And do you seek to pool uncommitted interest
7 owners in the Wolfcamp Formation?

8 A. We do.

9 Q. Let's turn to Exhibit 1. Is this a draft C-102
10 for the Firethorn Fed Com No. 115H well?

11 A. Yes.

12 Q. Can you please identify the spacing units?

13 A. The spacing units we're applying for is 320
14 acres.

15 Q. And what acreage is included?

16 A. The east half of the west half of Section 4 and
17 the east half of the west half of Section 9, both in
18 Township 26 South, Range 36 East.

19 Q. And this will be dedicated to the Firethorn
20 26-36-4 No. 113H well?

21 A. Yes.

22 Q. Is this all federal acreage?

23 A. It is.

24 Q. And the Division has identified this area as
25 being a wildcat Wolfcamp Pool; is that correct?

1 A. That's correct.

2 Q. And it's not reflected on the C-102, but is it
3 Pool Code 98230?

4 A. It is.

5 Q. Will this pool be -- is this pool subject to
6 Division statewide setbacks for oil wells?

7 A. Yes.

8 Q. And will the completed interval for this well
9 comply with the 330-foot setbacks?

10 A. Yes.

11 Q. Is Exhibit 2 an ownership exhibit showing the
12 interest owners in the nonstandard spacing unit?

13 A. It is.

14 Q. If I turn to the second page of this exhibit,
15 do I understand that EOG is the only party that you seek
16 to pool?

17 A. That's correct.

18 Q. And they own approximately 25 percent in the
19 proposed spacing units?

20 A. That's right.

21 Q. Are they a working interest owner?

22 A. Yes.

23 Q. Is Exhibit 3 a copy of the well-proposal letter
24 and AFE that you sent to EOG?

25 A. Yes.

1 Q. When did you send this?

2 A. July 28th of 2017.

3 Q. Looking at the AFE, are the costs on that AFE
4 similar to what other operators get for drilling other
5 horizontal wells in the area?

6 A. To the best of my knowledge.

7 Q. What -- what estimate for administrative and
8 overhead costs has Ameredev made?

9 A. 7,000 for drilling and 700 while producing.

10 Q. And are those costs in with what other
11 operators in the area charge for similar wells?

12 A. Yes.

13 Q. Do you ask that those costs be incorporated
14 into any order resulting from this hearing?

15 A. Yes.

16 Q. Do you ask that the costs be adjusted in
17 accordance with the COPAS accounting procedures?

18 A. Yes.

19 Q. For EOG, the uncommitted working interest
20 owner, do you request that the Division impose a 200
21 percent risk penalty?

22 A. Yes.

23 Q. You mentioned sending this well-proposal letter
24 and AFE. Can you please outline your efforts to reach
25 an agreement with EOG?

1 A. We've offered to buy them out of the proration
2 unit. We've offered to buy them out of the section. We
3 offered to trade, offered to farm out. We've never come
4 face-to-face to try to get stuff done and just haven't
5 been able to get across the finish line.

6 Q. So you've had extensive communications with
7 them, it sounds like?

8 A. Yes.

9 Q. In your opinion, did you make a good-faith
10 effort to reach agreement with EOG?

11 A. Yes.

12 Q. Exhibit 4 is an Affidavit of Notice. But as I
13 mentioned, you had extensive communications with EOG,
14 and they received actual notice of this hearing; is that
15 correct?

16 A. Yes.

17 Q. Is Exhibit 5 an affidavit prepared by my office
18 with attached letters providing notice of this hearing
19 to EOG, as well as the offset operators or lessees of
20 record?

21 A. Yes.

22 Q. And were Exhibits 1 through 3 prepared by you
23 or compiled under your direction and supervision?

24 A. Yes.

25 MS. KESSLER: Mr. Examiner, I'd move

1 admission of Exhibits 1 through 5, which has two notice
2 affidavits.

3 EXAMINER JONES: Exhibits 1 through 5 are
4 admitted.

5 There might be some -- a little bit of
6 issues with some of those exhibits.

7 (Ameredev Operating, LLC Exhibit Numbers 1
8 through 5 are offered and admitted into
9 evidence.)

10 CROSS-EXAMINATION

11 BY EXAMINER JONES:

12 Q. The well proposal, Exhibit Number 1, is --
13 should -- that one should probably reflect the 320
14 acres -- 320 acres, the C-102; is that correct? Because
15 you've got -- you're saying 1,281 acres here, but you're
16 not really dedicating that to the same one well.

17 MS. KESSLER: That's correct, Mr. Examiner.
18 This is a draft C-102. I'd be happy to provide a
19 revised version once it's finalized and submitted, and
20 we can also add the pool name in addition to the
21 corrected dedicated acreages.

22 EXAMINER JONES: That sounds good.

23 EXAMINER BROOKS: Okay.

24 Q. (BY EXAMINER JONES) And on Exhibit Number 3,
25 the locations for the well, is that -- I'm having a

1 little bit of trouble. The surface location is 200 from
2 the north, 1,700 from the west of Section 4?

3 A. Yes. So it's going to be off section.

4 Q. So basically it's -- you meant from the south
5 of the section to the north; is that correct?

6 A. Yes.

7 Q. Okay. Okay. But that's -- that was advertised
8 to EOG, and they understood what you were talking about?

9 A. Yes.

10 Q. Did you talk to them in person?

11 A. Yeah, several times.

12 Q. Lots of times?

13 A. Yeah.

14 Q. Okay.

15 EXAMINER JONES: Those exhibits are
16 admitted.

17 (Ameredev Operating, LLC Exhibit Numbers 1
18 through 5 are offered and admitted into
19 evidence.)

20 EXAMINER JONES: Mr. Brooks?

21 CROSS-EXAMINATION

22 BY EXAMINER BROOKS:

23 Q. Well, now the surface location is in Section 4.

24 EXAMINER JONES: It's actually the section
25 to the north of 4.

1 EXAMINER BROOKS: Well, that's the way it's
2 shown on the plat. It's shown being up in Section 33 of
3 the -- of the next township to the north.

4 THE WITNESS: Right. So that's the surface
5 location, and the first take point would be in Section
6 4.

7 Q. (BY EXAMINER BROOKS) Yeah. That's the way it's
8 shown on the C-103.

9 Do you have a permit for this?

10 A. So it's pending. We're in the middle of doing
11 an environmental assessment and arch study right now.

12 Q. So it's federal?

13 A. Yeah.

14 Q. You filed with BLM?

15 A. Yes.

16 Q. You have the correct location on the filing.

17 What about the notice -- the notice that
18 was published -- OCD-published notice that you provided
19 on your application? Does it have the correct location?

20 A. Yes.

21 Q. I notice Exhibit 2 also has -- no. Exhibit 2
22 just has the project area. Okay.

23 Are there other working interest owners in
24 this project area?

25 A. No, sir.

1 Q. So you don't have any joint interests -- joint
2 operating agreement partners?

3 A. No.

4 Q. And there are no other -- are there any
5 unleased interests?

6 A. No. Ours is in its primary term. It's all one
7 lease, which would be the first mile and a half of the
8 lateral, and then EOG's is HBP'd by its offset.

9 Q. Yeah. And there are no other interests -- no
10 other unleased interests?

11 A. No.

12 Q. Okay. So I guess that's it.

13 EXAMINER JONES: I have no more questions
14 either.

15 MS. KESSLER: Thank you. I'll call my next
16 witness.

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

20 DIRECT EXAMINATION

21 BY MS. KESSLER:

22 Q. Please state your name for the record and tell
23 the employers by whom you're employed and in what
24 capacity.

25 A. Eric Rhoden. I'm employed by Ameredev

1 Operating. I'm vice president of geology.

2 **Q. And have you previously testified before the**
3 **Division?**

4 A. No, I have not.

5 **Q. Can you please outline your educational**
6 **background?**

7 A. Sure. I graduated from the College of
8 Charleston in 1998 with a Bachelor of Science in
9 Geology.

10 **Q. And what has been your work history since that**
11 **time?**

12 A. Since then I've been employed as a geologist in
13 oil and gas industry for 19 years working across
14 multiple basins. I've been involved over 230 wells
15 across multiple basins.

16 Most recently, in 2015, I joined Ameredev
17 as VP of geology where we've been focused on the Permian
18 Basin, Delaware Basin specifically, and drilled --
19 successfully drilled three horizontal Wolfcamps, and we
20 have currently two wells drilling.

21 **Q. And prior to that, your experience included**
22 **responsibilities as a petroleum geologist, you said,**
23 **across a variety of basins?**

24 A. That is correct.

25 **Q. And a variety of companies?**

1 A. That's correct.

2 Q. Are you familiar with the application that's
3 been filed by Ameredev in this case?

4 A. Yes, I am.

5 Q. And let me take a step back.

6 Are you a member of any professional
7 associations?

8 A. I am a member of the AAPG, the Houston
9 Geological Society and the West Texas Geological
10 Society.

11 Q. And have you conducted a geologic study of the
12 Wolfcamp in the subject area?

13 A. Yes, I have.

14 MS. KESSLER: Mr. Examiners, I would tender
15 Mr. Rhoden as an expert petroleum geologist.

16 EXAMINER JONES: He is so qualified.

17 Q. (BY MS. KESSLER) Can you please turn to Exhibit
18 6 and identify this exhibit for the Examiners?

19 A. This is a base map, location map, showing our
20 proposed Firethorn 113 well, as well as the next closest
21 producing horizontal Wolfcamp well.

22 Q. And Ameredev's acreage is in yellow, and then
23 you can see the EOG acreage down there in the south half
24 of 9; is that correct?

25 A. That's correct, and our proposed surface

1 lateral and bottom-hole location.

2 **Q. Is Exhibit 7 a structure map of this area?**

3 A. Yes, it is. This is the same area showing our
4 well location and the closest offset horizontal Wolfcamp
5 well, and this is showing the structure on the top --
6 subsea structure map on the top of the Wolfcamp, which
7 is our objective interval. And you can see that it's
8 got -- the contour interval is 50 feet, and you've got
9 a, generally, west to southwest dip and no major
10 geologic features, no faults or hazards, that would
11 impede the drilling on the lateral.

12 **Q. And is Exhibit 8 your base map with a line of**
13 **section drawn on it?**

14 A. This is -- this is a base map showing, again,
15 our proposed well location and the three -- three
16 closest vertical control points that bracket our area
17 that we think are representative wells of the Wolfcamp
18 and what we would expect in our well.

19 **Q. And Exhibit 9 is a cross section showing these**
20 **well logs, correct?**

21 A. That's correct, a north-south cross section
22 through these representative wells, and this is
23 flattened on the Wolfcamp and showing -- highlighting
24 our target interval in this Upper Wolfcamp, and kind of
25 showing -- this is gamma ray on the far left with a TVD

1 depth track in the middle and resistivity curves on the
2 right and showing lateral continuity across our area, no
3 major thickness changes or no major lithologic changes.
4 So we think our well should be very easy to drill, very
5 consistent across the -- the geology is very consistent
6 across this area.

7 **Q. And you've bracketed your target interval as**
8 **the top of the Wolfcamp.**

9 A. This is the Upper Wolfcamp within the -- what
10 we call the Wolfcamp A.

11 **Q. What conclusions have you drawn based on your**
12 **study of this area?**

13 A. Concluded that there are no major geologic
14 hazards that will impede the drilling of a horizontal
15 well, that each quarter-quarter section is productive
16 and will contribute, more or less, equally to the
17 production from -- to the well, and also that a
18 horizontal well is the most effective way, most
19 efficient way to recover these reserves and minimize
20 remaining -- minimize loss or extra wells being drilled
21 unnecessarily.

22 **Q. In your opinion, is granting this application**
23 **in the best interest of conservation, for the prevention**
24 **of waste and the protection of correlative rights?**

25 A. Yes.

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

3 A. Yes.

4 MS. KESSLER: Mr. Examiners, I move
5 admission of Exhibits 6 through 9.

6 EXAMINER JONES: Exhibits 6 through 9 are
7 admitted.

8 (Ameredev Operating, LLC Exhibit Numbers 6
9 through 9 are offered and admitted into
10 evidence.)

11 EXAMINER JONES: Mr. Brooks?

12 EXAMINER BROOKS: No questions.

13 CROSS-EXAMINATION

14 BY EXAMINER JONES:

15 **Q. Yeah. Our geologist says there is a huge fault**
16 **along the state line real close to this well.**

17 A. There is, yeah. Further to the -- a little
18 further east, there is kind of a major -- I mean,
19 it's sort of a known sort of regional fault that is sort
20 of a deep or buried fault, but it won't -- you know,
21 it's further east. It's not going -- we don't expect it
22 to affect this well.

23 **Q. Okay. Well, good luck. Good luck with your**
24 **well.**

25 A. Well, thank you.

1 Q. You expect it to be permitted at this spot that
2 you have proposed?

3 A. That's what we're expecting. I think we're
4 still working on getting approval.

5 Q. Did you talk to EOG's geologist or their people
6 about why they didn't want to participate in this?

7 A. I have not spoken with EOG's geologist at this
8 location.

9 Q. Okay. Thanks very much.

10 EXAMINER JONES: With that, we'll take Case
11 15894 under advisement.

12 (Case Number 15894 concludes, 11:36 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.
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