

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:

AMENDED APPLICATION OF BTA OIL
PRODUCERS, LLC FOR A NONSTANDARD
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO. CASE NO. 16024

Consolidated with

APPLICATION OF MARATHON OIL PERMIAN
LLC FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO. CASE NO. 16076

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 17, 2018

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
MICHAEL McMILLAN, TECHNICAL EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Scott Dawson,
Chief Examiner, Michael McMillan, Technical Examiner,
and David K. Brooks, Legal Examiner, on Thursday,
May 17, 2018, 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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20 EXHIBITS OFFERED AND ADMITTED

21	BTA Oil Producers, LLC Exhibit Number 21	7
22	Marathon Oil Permian LLC Exhibit Letter Q	5

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1 (10:37 a.m.)

2 EXAMINER DAWSON: Okay. Back on the
3 record.

4 And at this point, we want to go to case
5 number 40 on the list, which is Case Number 16024, and
6 case number 41 on the list, which is Case Number 16076.
7 We have some supplemental exhibits that need to be
8 presented on these cases. And I'll go ahead --

9 Jennifer, do you want --

10 MS. BRADFUTE: Jennifer Bradfute on behalf
11 of Marathon Oil Permian LLC.

12 I'll let Michael go ahead.

13 MR. FELDEWERT: Michael Feldewert, from the
14 Santa Fe office of Holland & Hart, appearing on behalf
15 of BTA.

16 EXAMINER DAWSON: Okay. Case Number 16024
17 is an amended application of BTA Oil Producers, LLC for
18 a nonstandard spacing and proration unit and compulsory
19 pooling in Eddy County, New Mexico.

20 Go ahead, Ms. Bradfute.

21 MS. BRADFUTE: Jennifer Bradfute on behalf
22 of Marathon Oil Permian LLC, Mr. Examiner.

23 EXAMINER DAWSON: Okay. Any other
24 appearances on that case?

25 Okay. Go ahead.

1 MS. BRADFUTE: Mr. Examiner, these two
2 cases were heard during a special docket on April 24th
3 by Mr. Jones and Mr. Brooks. At the conclusion of that
4 hearing, the parties agreed in both cases, 16024 and
5 16076, that additional notice needed to be provided.

6 Marathon published notice in a newspaper of
7 general circulation, and then additional certified
8 mailings were sent out to the lessor. Marathon has an
9 exhibit to add in its case, 16076, which confirms that
10 that notification was provided. There is an Affidavit
11 of Publication from a newspaper of general circulation,
12 as well as return receipt confirmation.

13 At this point in time, Marathon asks that
14 this exhibit be admitted into the record.

15 EXAMINER DAWSON: Okay.

16 MR. FELDEWERT: No objection.

17 EXAMINER DAWSON: No objection?

18 MR. FELDEWERT: Mr. Examiner, we also have
19 an exhibit we need to introduce in Case 16024.

20 EXAMINER DAWSON: Okay. So at this point,
21 on Case Number 16076, which is an application of
22 Marathon Oil Permian LLC, compulsory pooling, Eddy
23 County, New Mexico, we have a supplemental exhibit that
24 was provided to us from Ms. Bradfute, and it is Exhibit
25 **Q. Is it all of Exhibit Q?**

1 MS. BRADFUTE: It is.

2 EXAMINER DAWSON: And there is no objection
3 to admitting Exhibit Q to Case Number 16076?

4 MR. FELDEWERT: No, sir.

5 EXAMINER DAWSON: Okay. So at this point,
6 Exhibit Q will be admitted to Case Number 16076.

7 (Marathon Oil Permian LLC Exhibit Letter Q
8 is offered and admitted into evidence.)

9 EXAMINER DAWSON: This case will be
10 continued?

11 MS. BRADFUTE: Yes. Mr. Examiner, we ask
12 this case be continued to the May 31st docket.

13 EXAMINER DAWSON: Case 16076 will be
14 continued to May 31st.

15 We'll bounce back to 16024, Mr. Feldewert.

16 MR. FELDEWERT: Yes, sir. This case, along
17 with the previous case you just discussed, was heard on
18 April 24th as competing Wolfcamp well proposals, which
19 involve the Purple Sage Gas Pool, which is 320-acre
20 spacing units. BTA's development plan is essentially a
21 mile and a half. Marathon's is a mile. To establish
22 the spacing unit for the mile-and-a-half unit, BTA asked
23 in its application to create a nonstandard 160-acre
24 spacing unit in the northwest quarter of 32 to marry
25 with the west half of Section 29, to come up with the

1 480-acre spacing unit for a mile-and-a-half well. The
2 south half of Section 32 is dedicated to a Wolfcamp
3 spacing unit for wells that are being drilled by
4 Mewbourne.

5 At the time of the hearing, therefore, BTA
6 notified the interest owners in the northeast quarter of
7 Section 32 and not the southwest quarter of Section 32
8 because the acreage had been dedicated already to a
9 south-half Wolfcamp spacing unit.

10 Mr. Brooks raised concerns about the way --
11 we should have notified the interest owners in the
12 southwest quarter. And he will acknowledge, I guess,
13 there is a debate between perhaps himself and Mr. Bruce
14 and maybe myself as to whether that actually has to
15 occur. But putting that aside and not wanting that to
16 become an issue in this case, we've gone ahead and
17 notified the interest owners of the southwest quarter of
18 32 for purposes of giving them notice of the creation of
19 that nonstandard unit.

20 So I'd like to introduce BTA Exhibit 21,
21 because there were 20 BTA exhibits admitted back on
22 April 24th, so if I may approach. BTA Exhibit 21 is a
23 notice affidavit providing notice to those mineral
24 owners in the southwest quarter of Section 32 so that we
25 don't have any concerns over whether or not they should

1 be notified. Okay?

2 EXAMINER BROOKS: You will be glad to know
3 that the new horizontal well rule will eliminate this --
4 will eliminate that applicability of that particular
5 provision to nonstandard horizontal spacing units.

6 MR. FELDEWERT: I am well aware of that and
7 look forward to that day. But we're not there yet, so
8 that's why --

9 EXAMINER BROOKS: I do, too.

10 MR. FELDEWERT: That's all I have,
11 Mr. Examiner.

12 EXAMINER DAWSON: Are there any objections?

13 MS. BRADFUTE: No. There are no
14 objections.

15 EXAMINER DAWSON: Okay. So at this point,
16 Exhibit 21 will be admitted to the record on Case Number
17 16024.

18 (BTA Oil Producers, LLC Exhibit Number 21
19 is offered and admitted into evidence.)

20 MR. FELDEWERT: And likewise, that case, by
21 prior agreement and email you sent that week, will be
22 continued to May 31st to accommodate Marathon's
23 additional witnesses who are going to present testimony.

24 EXAMINER DAWSON: Okay. Case Number 16024
25 will be continued to May 31st.

1 MR. FELDEWERT: Thank you.

2 EXAMINER BROOKS: I should not have even
3 mentioned that because you probably know more about the
4 horizontal well than I do at this point.

5 MR. FELDEWERT: I don't know about that,
6 but at least we'll get this issue out of the way.

7 EXAMINER BROOKS: I'm very glad we're going
8 to.

9 (Case Numbers 16024 and 16076 conclude.)

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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 DATED THIS 19th day of June 2018.
21

22
23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
25 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
Paul Baca Professional Court Reporters