

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

ORIGINAL

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

APPLICATION OF AMEREDEV OPERATING, CASE NOS. 16394,  
LLC FOR A NONSTANDARD SPACING AND 16395  
PRORATION UNIT AND COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 6, 2018

Santa Fe, New Mexico

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

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Michael McMillan,  
Chief Examiner, and David K. Brooks, Legal Examiner, on  
Thursday, September 6, 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  
New Mexico CCR #20  
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Albuquerque, New Mexico 87102  
(505) 843-9241

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# APPEARANCES

FOR APPLICANT AMEREDEV OPERATING, LLC:

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1 (1:34 p.m.)

2 EXAMINER McMILLAN: The next case I'd like  
3 to call is Case 16394, application of Ameredev  
4 Operating, LLC for a nonstandard spacing and proration  
5 unit and compulsory pooling, Lea County, New Mexico.

6 Is this case combined with 16395?

7 MS. BROGGI: Yes.

8 EXAMINER McMILLAN: And this is combined  
9 with 16395, application of Ameredev Operating, LLC for a  
10 nonstandard spacing and proration unit and compulsory  
11 pooling, Lea County, New Mexico.

12 Call for appearances.

13 MS. BROGGI: Julia Broggi, with Holland &  
14 Hart, on behalf of the Applicant, Ameredev Operating,  
15 LLC.

16 EXAMINER McMILLAN: Any other appearances?  
17 Please proceed.

18 MS. BROGGI: So we are presenting both of  
19 the cases by affidavit. So I'm a little unclear on how  
20 much information to provide when I'm going through the  
21 affidavit. I can provide as much or as little as you  
22 like.

23 But you have the packet in front of you,  
24 and there are four affidavits. The first affidavit that  
25 is marked Exhibit A is an affidavit from the landman,

1 Brandon Forteza, and he testifies that in the first  
2 case, Case Number 16394, Ameredev is seeking to create a  
3 320-acre spacing and proration unit, to dedicate that to  
4 the proposed Pine Straw Fed Com 25 36 08 #91H well, and  
5 to commit -- pool all uncommitted interests in the Bone  
6 Spring Formation.

7 EXAMINER BROOKS: Okay. That's a two-mile  
8 Bone Spring well, correct, a two-mile horizontal? It  
9 looks like that from Exhibit 1.

10 MS. BROGGI: That's correct.

11 And then the second case, 16395, they are  
12 seeking to create that same 320-acre spacing and  
13 proration unit, to dedicate it to the Pine Straw Fed Com  
14 25 36 08 #101H well and to pool all uncommitted mineral  
15 interests in the Wolfcamp Formation.

16 EXAMINER BROOKS: Okay.

17 MS. BROGGI: And attached as Exhibits A1  
18 and A2 are the C-102s for both of the cases in the two  
19 proposed wells.

20 EXAMINER BROOKS: Okay.

21 MS. BROGGI: And then as Exhibit 3 --  
22 sorry -- A3 and A4, those show both tracts of land. And  
23 then on the second page of those two exhibits, Exhibits  
24 A3 and A4, you'll see the ownership interest both by  
25 tract and by unit. And it is the -- the parties with

1 the asterisk that Ameredev is seeking to pool in -- in  
2 these cases, and it's American Shale Energy and OXY Y-1,  
3 so two working interest companies.

4 EXAMINER BROOKS: Okay.

5 MS. BROGGI: There are overriding royalty  
6 interests, but the instruments that create the overrides  
7 give the authority for Ameredev to pool, and there are  
8 no unleased mineral interest owners in these cases.

9 EXAMINER BROOKS: Okay.

10 MS. BROGGI: And you'll see attached as  
11 Exhibits A5 and A6 copies of the well-proposal letters  
12 that were sent to each of the working interest owners  
13 for each case on the two wells. Also, there are no  
14 depth severances in these two cases.

15 EXAMINER BROOKS: Good (laughter).

16 MS. BROGGI: Exhibit B is the affidavit  
17 from the geologist, Parker Foy, and attached to his  
18 Exhibit as B1 is the locator map. So from that you can  
19 see Ameredev's acreage and the proposed wellbore for the  
20 proposed Pine Straw Fed Com 25 36 08 #91H well.

21 Exhibit 2 is the subsea structure map.  
22 You'll see that it's gently dipping to the southwest,  
23 and he testified that the structure appears consistent  
24 across the proposed wellbore, and he doesn't observe any  
25 faulting, pinch-outs or other geologic impediments.

1                   Exhibit 3 shows the three wells that  
2   Mr. Foy used to create the stratigraphic cross section  
3   in the next exhibit, and those are marked from A to A  
4   prime.

5                   And then the next exhibit, which is  
6   Ameredev B4, is that stratigraphic cross section. The  
7   target interval is marked on that exhibit, and he  
8   testifies that it's consistent -- that the target  
9   interval within the Bone Spring is consistent in  
10  thickness across the entire proposed spacing unit.

11                  So that's for the first case.

12                  And he has those same exhibits for the  
13  second case. B5 is the locator map again showing  
14  Ameredev's acreage and proposed wellbore path.

15                  Exhibit B6 is that subsea structure map,  
16  this time looking at the Wolfcamp Formation as opposed  
17  to the Bone Spring in the earlier case. This too is  
18  also gently dipping to the southwest, and he testifies  
19  that there are no geologic impediments to horizontal  
20  drilling.

21                  Exhibit 7, again, are the three  
22  representative wells that are marked here from A to A  
23  prime, and he used those three wells to create the  
24  stratigraphic cross section, which is the final exhibit,  
25  B8.

1                   Again, the target interval is marked here,  
2                   and he testifies that the structure appears consistent  
3                   across the proposed wellbore path, but that it is  
4                   consistent in thickness across the entire unit. And  
5                   then he expresses his opinion that each quarter-quarter  
6                   section will be productive and contribute more or less  
7                   equally to each 40-acre unit comprising the spacing and  
8                   proration unit and that in his opinion, granting these  
9                   two applications will be in the best interest of  
10                  conservation, the prevention of waste and the protection  
11                  of correlative rights.

12                  Exhibit C is an affidavit from myself  
13                  showing that we provided notice to the pool parties.  
14                  Although there were no unlocatable interests, we did,  
15                  out of an abundance of caution, publish by affidavit --  
16                  publish -- give notice by publication, and there is a  
17                  notice of affidavit -- Affidavit of Notice of  
18                  Publication attached as Exhibit D, and that's the final  
19                  exhibit.

20                  So we would ask that Exhibits A through D  
21                  and their accompanying exhibits be admitted into  
22                  evidence.

23                  EXAMINER McMILLAN: Okay. Exhibits A  
24                  through D may be accepted as part of the record.

25                  (Ameredev Operating, LLC Exhibit Letters A

1 through D are offered and admitted into  
2 evidence.)

3 EXAMINER McMILLAN: Okay. So the first  
4 thing is clean up the C-102, make the dedicated acreage  
5 the same. One's 320. One's 320.5. Make it the same.

6 MS. BROGGI: Okay.

7 EXAMINER McMILLAN: And you didn't say  
8 anything about costs.

9 MS. BROGGI: Oh, I'm sorry. The AFE was  
10 included with the well-proposal letters that are  
11 attached as A5 and A6 to the landman's affidavit. And  
12 they did make an estimate on the overhead and  
13 administrative costs, and that's 7,000 a month while  
14 drilling and 700 a month while producing. That's  
15 paragraph 15 of the landman's affidavit, Exhibit A.

16 EXAMINER BROOKS: I assume you're  
17 requesting a 200 percent risk penalty?

18 MS. BROGGI: Yes.

19 EXAMINER BROOKS: We had some debate the  
20 other day over whether it was necessary for the operator  
21 to request that in order for the presumption to be  
22 triggered. I don't really rule that way, but some  
23 people think it should be.

24 MR. FELDEWERT: Really? Okay.

25 EXAMINER McMILLAN: The next question I've



1 got is related back to the C-102s. Is this going to be  
2 a completed interval, what's on the C-102?

3 MS. BROGGI: That's my understanding. Is  
4 there a problem with that?

5 EXAMINER McMILLAN: I just want to make  
6 sure.

7 MS. BROGGI: I can get clarification if  
8 you'd like.

9 EXAMINER McMILLAN: No. You answered. I  
10 just want to make sure because that's what you're going  
11 to --

12 Okay. The status is proposed?

13 MS. BROGGI: This one has not been drilled.  
14 I know that.

15 EXAMINER McMILLAN: Okay. And the Bone  
16 Spring pool is 98150, and the Wolfcamp is 98234?

17 MS. BROGGI: 98150 and 98234?

18 EXAMINER McMILLAN: Yeah.

19 MS. BROGGI: Yes.

20 EXAMINER McMILLAN: Okay. Go ahead, David.

21 EXAMINER BROOKS: I don't believe I have  
22 any questions.

23 MS. BROGGI: If you have no further  
24 questions, we would ask that Case Numbers 16394 and  
25 16395 be taken under advisement.

1 EXAMINER BROOKS: Now, those two cases are  
2 for the Bone Spring and the Wolfcamp, respectively --

3 MS. BROGGI: Yes.

4 EXAMINER BROOKS: -- so we've already seen  
5 all the exhibits?

6 MS. BROGGI: Yes.

7 EXAMINER McMILLAN: Case Numbers 16394 and  
8 16395 shall be taken under advisement with the updated  
9 C-102.

10 MS. BROGGI: Yes.

11 (Case Numbers 15394 and 16395 conclude,  
12 1:45 p.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO  
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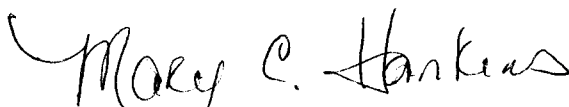
4 CERTIFICATE OF COURT REPORTER

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 DATED THIS 28th day of September 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