

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:

ORIGINAL

APPLICATION OF RKI EXPLORATION AND PRODUCTION, LLC FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO. CASE NOS. 16399,  
16400

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

APPEARANCES

FOR APPLICANT RKI EXPLORATION AND PRODUCTION, LLC:

JULIA BROGGI, ESQ.  
HOLLAND & HART, LLP  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501  
(505) 988-4421  
jbroggi@hollandhart.com

FOR INTERESTED PARTY MRC PERMIAN:

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

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1 (3:17 p.m.)

2 MR. BRUCE: Mr. Examiner, on the record,  
3 one final thing, the next two cases being heard, 16399  
4 and 16400, the RKI cases, I'd just like the record to  
5 note that I am entering an appearance for MRC Permian in  
6 both cases. We have no objection to the case being  
7 presented by affidavit. We have no objection to the  
8 exhibits, and we have no objection to taking the cases  
9 under advisement, but I have to get out of here.

10 EXAMINER BROOKS: Okay. And I'm going to  
11 request that to avoid -- to minimize additional  
12 requests -- I nominate you for this. I'm just going to  
13 request, to avoid unnecessary break requests later, that  
14 we take a 15-minute recess.

15 EXAMINER McMILLAN: Yeah. That's fine.  
16 Come back around 3:30, close enough.

17 EXAMINER BROOKS: Sounds good to me.

18 (Mr. Bruce departs, 3:17 p.m.)

19 (Recess, 3:17 p.m. to 3:30 p.m.)

20 EXAMINER McMILLAN: Call the hearing back  
21 to order.

22 I would like to call Case 16399, which is  
23 combined with 16400, and they're the application of RKI  
24 Exploration and Production, LLC for a compulsory  
25 pooling, Eddy County, New Mexico.

1 Call for appearances.

2 MS. BROGGI: Julia Broggi, from Holland &  
3 Hart, on behalf of the Applicant, RKI Exploration and  
4 Production, LLC.

5 And you know Jim Bruce previously entered  
6 an appearance.

7 EXAMINER McMILLAN: Yes, for MRC, et al.  
8 Okay.

9 JULIA BROGGI: And we are presenting these  
10 consolidated cases by affidavit.

11 So once again Exhibit A is the affidavit  
12 from the landman.

13 EXAMINER McMILLAN: Slow down.

14 EXAMINER BROOKS: You don't want to rush  
15 the examiner.

16 EXAMINER McMILLAN: Okay.

17 MS. BROGGI: Okay. So Exhibit A is the  
18 affidavit from the landman. His name is Aaron Young.  
19 The only thing I want to point out in this case is that  
20 we filed the application on behalf of RKI, and we're  
21 asking for the order to be, you know, if favor of RKI.  
22 But just for your benefit, RKI is in the process of  
23 changing its name to WPX Energy Permian, LLC, but there  
24 hasn't been a change-of-operator form with the OCD, but  
25 some of the exhibits do --

1 EXAMINER McMILLAN: Okay. That's fine.

2 MS. BROGGI: -- use WPX. And RKI and WPX  
3 are essentially the same for purposes of these cases.

4 In this case -- in the first case, Case  
5 Number 16399, RKI is seeking to pool all mineral  
6 interests in the Wolfcamp Formation. This is the Purple  
7 Sage; Wolfcamp Gas Pool, 98220, in a 300-acre spacing  
8 and proration unit and dedicating the horizontal spacing  
9 unit for the proposed Cass, C-A-S-S, Draw 10-23-27 Fee  
10 #401H well.

11 And in the second case, Case Number 16400,  
12 RKI is seeking to pool all mineral interests in the  
13 Wolfcamp Formation and, again, the Purple Sage; Wolfcamp  
14 Gas Pool, 98220, in a 320-acre spacing and proration  
15 unit and dedicating it to the proposed Johnson 10-23-27  
16 Fee #401H well.

17 And Exhibits A1 and A2 to the landman's  
18 affidavit are the C-102s.

19 Exhibits A3 and A4 are exhibits prepared by  
20 the landman that show the tracts of land on the first  
21 page of the exhibit and the ownership interest by both  
22 tract and unit on the second page. And they have  
23 denoted -- this is a list of the proposed pool parties,  
24 in Exhibits A3 and A4, and the landman has denoted where  
25 there is a working interest owner. So the only working

1 interest owner is MRC Permian Company, and then there  
2 are NPRI owners designated here, as well as unleased  
3 mineral interest owners. I guess I should say that is  
4 Exhibit A3.

5 And a similar thing is found at Exhibit A4,  
6 although there are no unleased mineral interest owners  
7 in the second case.

8 But, again, MRC Permian Company is a single  
9 working interest owner that we're seeking to pool, as  
10 well as NPRIs.

11 Exhibits 5 and 6 is the well-proposal  
12 letter that was sent to the working interest owners with  
13 a copy of the AFE, which is also included. There are no  
14 depth severances in the Purple Sage; Wolfcamp Formation.  
15 The landman expressed his opinion that he has made  
16 good-faith efforts to reach an agreement with the pool  
17 parties.

18 So with respect to the single working  
19 interest owner, MRC Permian, RKI has made several  
20 telephone calls, circulated a proposed joint operating  
21 agreement. With respect to the unleased mineral  
22 interest owner, in the first case, Case Number 16399,  
23 RKI made telephone calls and sent a landman to visit the  
24 unleased mineral interest owner's home. And finally,  
25 with respect to the nonparticipating royalty interest

1 owners, the NPRIs, RKI sent unit ratification letters  
2 out, and a copy of one of those unit ratification  
3 letters is attached as Exhibit A7 to the affidavit of  
4 the landman.

5 Exhibit B is an affidavit from the  
6 geologist, Kasmira Workman. She has not previously  
7 testified before the Division, but in paragraph three,  
8 she lays out her credentials. She has a BS in geology.  
9 Following graduation, she worked with a wellsite company  
10 for three years. In September 2014, WPX, or RKI, hired  
11 her as a geoscientist for the Williston Basin. In  
12 December of 2007, she moved to work in the Permian Basin  
13 as a Geoscientist II, and she has been working  
14 New Mexico projects since January 2018.

15 She's also part of the following  
16 professional clubs: AAPG, RMAG, TGS and HGS. I don't  
17 know what those stand for.

18 EXAMINER BROOKS: It's impressive anyway.

19 MS. BROGGI: Exhibit B1 to the affidavit is  
20 a subsea structure map for the Wolfcamp. The proposed  
21 spacing units in both cases are denoted by that green  
22 box, and you can see the proposed wellbore paths for the  
23 Cass Draw and the Johnson well. You can see that the  
24 Wolfcamp is gently dipping to the east.

25 Exhibit 2 is a stratigraphic cross section.

1 You can see that they use two representative wells which  
2 are denoted as A and A2. And the geologist testifies  
3 the target interval is consistent in thickness across  
4 the entire spacing unit, and actually the proposed  
5 target area is denoted on that Exhibit B2.

6 EXAMINER McMILLAN: The geologist is an  
7 expert witness.

8 MS. BROGGI: I wasn't sure how to handle  
9 that.

10 EXAMINER McMILLAN: Okay. Let's move on.

11 MS. BROGGI: And finally, she testified  
12 that each -- in her opinion, each quarter-quarter  
13 section will be productive and contribute more or less  
14 equally to each 40-acre unit comprising the spacing and  
15 proration units and that the granting of these two  
16 applications will be in the best interest of  
17 conservation, the prevention of waste and the protection  
18 of correlative rights.

19 Exhibit C is an affidavit from myself with  
20 the letters and notice that was provided to the pool  
21 parties.

22 I'm pretty sure that there were no  
23 unlocatable interests. Yeah. All parties were  
24 locatable, but notwithstanding that, out of an abundance  
25 of caution, we provided notice by publication, and an



1 Affidavit for Notice of Publication is attached as  
2 Exhibit D.

3 And we would ask that Exhibits A through D  
4 be accepted into evidence.

5 EXAMINER McMILLAN: Okay. Exhibits A  
6 through D may now be accepted as part of the record.

7 (RKI Exploration and Production, LLC  
8 Exhibit Letters A through D are offered and  
9 admitted into evidence.)

10 EXAMINER McMILLAN: Any depth severances?

11 MS. BROGGI: No.

12 EXAMINER McMILLAN: Okay. Now, let's see.  
13 And the completed interval within the -- that will be  
14 orthodox?

15 MS. BROGGI: Yes. And it complies with the  
16 special rules that applies to the Purple Sage. It's  
17 paragraph A.

18 EXAMINER McMILLAN: Now, let's be clear  
19 about that. This is a gas well, so you expect every  
20 quarter section to contribute equally, right?

21 MS. BROGGI: Oh, okay.

22 EXAMINER McMILLAN: Is that what that says?

23 MS. BROGGI: Well, no, but that may be a  
24 mistake.

25 EXAMINER McMILLAN: It'll need to be fixed.

1 MS. BROGGI: Okay.

2 EXAMINER BROOKS: We're in the Purple Sage,  
3 right?

4 EXAMINER McMILLAN: Yeah.

5 EXAMINER BROOKS: Isn't that quarter  
6 section --

7 EXAMINER McMILLAN: Yeah, but she said  
8 quarter-quarter.

9 MS. BROGGI: I said each quarter-quarter  
10 section. I see what you're saying.

11 EXAMINER BROOKS: Well, every  
12 quarter-quarter, then it's equally every quarter will  
13 contribute --

14 MS. BROGGI: Is it okay?

15 EXAMINER BROOKS: Every quarter-quarter  
16 contributes to one, then every quarter-quarter will  
17 contribute -- every quarter will contribute four.

18 EXAMINER McMILLAN: That's fine.

19 JULIA BROGGI: And if you have no further  
20 questions, we would ask that these consolidated cases be  
21 taken under advisement.

22 EXAMINER McMILLAN: Okay. Case 16399 and  
23 Case 16400 are taken under advisement.

24 (Case Numbers 16399 and 16400 conclude,  
25 3:42 p.m.)

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 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