

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 RKI EXPLORATION AND CASE NO. 16401
PRODUCTION, LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 20, 2018

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, September 20, 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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APPEARANCES

FOR APPLICANT RKI EXPLORATION AND PRODUCTION, LLC:

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INDEX

PAGE

Case Number 16401 Called	3
Case Presented by Affidavit	3
Proceedings Conclude	8
Certificate of Court Reporter	9

EXHIBITS OFFERED AND ADMITTED

RKI Exploration and Production, LLC Exhibit Numbers 1 through 3	8
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1 (10:10 a.m.)

2 EXAMINER JONES: Let's go back on the
3 record this morning and call Case 16401, application of
4 RKI Exploration and Production, LLC for compulsory
5 pooling in Eddy County, New Mexico.

6 Call for appearances.

7 MS. KESSLER: Jordan Kessler, with the
8 Santa Fe office of Holland & Hart, on behalf of the
9 Applicant and presenting this case by affidavit.

10 EXAMINER ONES: Any other appearances?

11 MR. McMILLAN: Thanks for asking
12 (laughter).

13 MS. KESSLER: Mr. Examiners, as I
14 mentioned, this case will be presented by affidavit.
15 I've included three affidavits. The first one is an
16 affidavit from Aaron Young.

17 EXAMINER BROOKS: Excuse me. What case
18 number is this?

19 MS. KESSLER: This is 16401.

20 EXAMINER BROOKS: Thank you.

21 MS. KESSLER: Mr. Young is an employee of
22 RKI, which is also known as WPX Energy Permian. He has
23 previously testified before the Division and been
24 accepted as an expert landman. RKI is seeking to pool
25 the interest of MRC Permian Company in a spacing unit

1 comprised of 319.8 acres in the north half of Section 4,
2 Township 23 South, Range 27 East, Eddy County, New
3 Mexico. This is in the Purple Sage; Wolfcamp pool. The
4 spacing unit would be dedicated to the proposed Bindel 4
5 Fee #1H well.

6 Tab A to Exhibit 1 is a C-102. I
7 understand that this C-102 and the APD have been
8 approved. The API is not reflected because this is a
9 draft that will be submitted with a sundry correcting
10 the proposed dedicating acreage from 320 to 319.8.

11 EXAMINER JONES: Now say again. You're
12 going to do another -- you're going to convert it to a
13 160?

14 MS. KESSLER: No. This will remain a
15 standard spacing unit. It was just to correct 320 acres
16 down to 319.8 acres.

17 EXAMINER JONES: Oh, okay. Thanks.

18 MS. KESSLER: Exhibit B identifies the two
19 tracts. This is all fee acreage. And the second page
20 of Tab B shows that MRC Permian Company is the working
21 interest owner that will be pooled. There are also two
22 NPRI owners that RKI seeks to pool.

23 If I turn to exhibit -- or Tab C,
24 Mr. Young's affidavit also reflects that the well was
25 originally proposed to Titus. And as you can see in

1 that paragraph -- I'm sorry. It's on the second page of
2 Exhibit B. Mr. Young has reflected that Titus conveyed
3 its working interest to MRC Permian effective September
4 6, 2018. So this -- when the well was proposed and when
5 the application filed and notice sent out, everything
6 was sent to Titus. And that interest was then, on
7 September 6th, transferred to MRC. As Mr. Young states
8 in paragraph seven of his affidavit, MRC is aware of the
9 pooling application. They're reviewing the proposal and
10 are aware that the hearing is taking place.

11 Exhibits 1C and 1D contain the original
12 well-proposal letter and AFE.

13 E and F contain an updated well-proposal
14 letter and AFE reflecting that RKI changed targets to a
15 lower portion of the Wolfcamp Formation. And he also
16 opines that the cost reflected on the statement of
17 estimated well costs are consistent with what other
18 operators charge for similar wells. In paragraph 11, he
19 states there are no ownership depth severances in the
20 Purple Sage pool, and he estimates, in paragraph 12,
21 7,500 a month and 750 a month as overhead and
22 administrative costs.

23 RKI has made efforts to reach an agreement
24 with MRC, as I mentioned, and these efforts are outlined
25 in the exhibit.

1 Then I'll turn to Exhibit 2, which is the
2 affidavit of Kasmira Workman, who is a geologist. She
3 has previously submitted testimony to the Division.
4 Exhibits A and B to her affidavit include a structure
5 map of the area and a cross-section exhibit. Her
6 structure map has a 50-foot contour interval. As she
7 outlines in paragraph five, she did not observe any
8 faulting or pinch-outs or geologic impediments to
9 drilling a horizontal well, and she has noted that there
10 is a gentle dip to the east in the proposed spacing
11 unit. She's used two wells to put together the
12 cross-section exhibit. I understand there are not very
13 many logs that cover the Wolfcamp D here. And based on
14 those logs, she has included an opinion that the target
15 interval is continuous throughout the proposed spacing
16 unit in this area.

17 Finally, in paragraph eight, she says that
18 east-to-west orientation of the proposed well is
19 appropriate and is perpendicular to the maximum stress
20 regime set up in this area.

21 In paragraph nine, she states that in her
22 opinion, each of the tracts will contribute, on average,
23 more or less equally to production from the well.

24 And finally in paragraph ten, she says that
25 granting RKI's application will be in the best interest

1 of conservation, the prevention of waste and the
2 protection of correlative rights.

3 I've included as Exhibit 3 the affidavit
4 prepared by my office, along with notice to the party
5 that will be pooled. For some reason, there is, on the
6 third page of this exhibit, a party to be pooled as
7 Titus, and then you'll see on the following page, this
8 includes all of the parties to be pooled, including the
9 NPRI owners. And then the Notice of Publication is
10 included on the last two pages of this exhibit -- or the
11 last three pages of this exhibit.

12 EXAMINER JONES: Okay.

13 MS. KESSLER: So, Mr. Examiners, I would
14 ask that Exhibits 1, 2 and 3, including all of the
15 attachments, be entered as part of the record.

16 EXAMINER JONES: Any objection?

17 MR. BRUCE: No, Mr. Examiner. But I'm
18 going to pull a Seth McMillan --

19 (Laughter.)

20 MR. BRUCE: -- and enter an appearance on
21 behalf of MRC Permian. The only reason is that there
22 were two cases at the last hearing, 16399 and 16400,
23 that I did enter an appearance.

24 We have no objection to the matter being
25 taken under advisement. I'm just protecting my own hide

1 more than MRC Permian's.

2 MS. KESSLER: As long as that's on the
3 record.

4 (Laughter.)

5 EXAMINER JONES: Okay. Exhibits 1, 2 and 3
6 are admitted into the record, and Case --

7 Is that all right, Mr. Brooks? Are you
8 ready to go on this one?

9 EXAMINER BROOKS: I'm okay. I don't have
10 anything to contribute.

11 EXAMINER JONES: Case 16401 is taken under
12 advisement.

13 MS. KESSLER: Thank you.

14 (RKI Exploration and Production, LLC
15 Exhibit Numbers 1 through 3 are offered and
16 admitted into evidence.)

17 (Case Number 16401 concludes, 10:19 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.

20 DATED this 6th day of October 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