

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 OXY USA, INC. FOR CASE NO. 20186  
COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

January 10th, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER  
KATHLEEN MURPHY, TECHNICAL EXAMINER  
LEONARD LOWE, TECHNICAL EXAMINER  
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner; Kathleen Murphy and Leonard Lowe, Technical Examiners; and David K. Brooks, Legal Examiner, on Thursday, January 10th, 2019, 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  
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# APPEARANCES

FOR APPLICANT OXY USA, INC.:

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1 (2:13 p.m.)

2 EXAMINER JONES: OXY is case next. Okay.  
3 Let's go to Case 20186, application of OXY USA, Inc. for  
4 compulsory pooling, Eddy County, New Mexico.

5 Call for appearances.

6 MS. KESSLER: Jordan Kessler, from the  
7 Santa Fe office of Holland & Hart, on behalf of OXY USA.

8 EXAMINER JONES: Any other appearances?

9 MS. KESSLER: This is a compulsory pooling  
10 case for a vertical well.

11 EXAMINER BROOKS: I didn't know we did  
12 those anymore.

13 MS. KESSLER: You know, I think in all of  
14 my years doing this, this is the first vertical well  
15 that I've compulsory pooled.

16 MR. BRUCE: I thought I had cornered the  
17 market on that.

18 (Laughter.)

19 EXAMINER JONES: You did. You used to do  
20 from the basement to the surface and telescoping spacing  
21 units.

22 MS. KESSLER: So we did this one a little  
23 bit differently, and that was intentionally,  
24 Mr. Examiner. OXY is seeking to compulsory pool the  
25 interest owners in the north half of Section 4 in a

1 320-acre spacing unit for the Morrow foundation --  
2 Formation and then also for the Strawn Formation, and  
3 only those two formations.

4 EXAMINER JONES: Gas?

5 MS. KESSLER: Correct.

6 So a 320-acre gas spacing unit comprised of  
7 the north half of Section 4 in Township 23 South, Range  
8 28 East, Eddy County, those two gas formations, and is  
9 not seeking to compulsory pool the interests above that,  
10 so none of the double-scoped -- is that what I heard you  
11 say -- spacing units, so not the 40-acre spacing units,  
12 not the Wolfcamp Formation.

13 EXAMINER JONES: Yeah. And we know the  
14 pool names for the Strawn and the Morrow?

15 MS. KESSLER: The pool names are identified  
16 both in the affidavit from Ms. Courtney Carr, which is  
17 Exhibit 1, and also in the first two -- attached to her  
18 exhibit are the C-102s for each of the two formations.  
19 So there is the North Loving; Strawn Gas Pool and the  
20 North Loving; Morrow Gas Pool.

21 This well has already been drilled, and  
22 these are two recompletions. As she sets forth in her  
23 affidavit in paragraph six, the well was initially  
24 completed in the Atoka Formation, and then that joint  
25 operating agreement expired. So now she's having to

1 compulsory pool the interest owners for those two  
2 reasons.

3 EXAMINER JONES: And she's deep enough to  
4 get to the Morrow.

5 MS. KESSLER: Yeah. So I think she's  
6 coming back.

7 EXAMINER JONES: Because the Atoka is right  
8 above the Morrow. So there must be a little bit of room  
9 in the well to go deeper.

10 MS. KESSLER: I looked at the stratigraphy.  
11 We have a chart.

12 None of the interest owners have indicated  
13 opposition to presenting this by affidavit. If you'll  
14 look, Exhibit C shows ownership by tract. And the  
15 parties on the first page that OXY seeks to pool, these  
16 are working interest owners. And then on the third page  
17 of that exhibit, there are a handful of overriding  
18 royalty interest owners that she --

19 She lays out the overhead costs, so she's  
20 requesting \$7,000 during the workover, recompletion, and  
21 then 700 a month thereafter.

22 EXAMINER JONES: Okay. 7,000, 700. Okay.

23 MS. KESSLER: Attachment D is the  
24 ratification amendment of operating agreement and  
25 workover proposal that she sent to all of the working

1 interest owners and a copy of the AFE.

2 EXAMINER JONES: Okay. Okay. Yeah. This  
3 answers the questions because for them to be drilling a  
4 new deep gas well is -- this is just a workover.

5 MS. KESSLER: This is just a workover.  
6 Yeah. So there is no geology exhibit because my  
7 understanding is that for vertical wells, the spacing  
8 unit's already formed, so no geology testimony.

9 We do have the Affidavit of Notice.

10 Once again, we're requesting that this case  
11 be called on January 24th, and at that time, notice will  
12 be perfected.

13 EXAMINER JONES: But the notice has already  
14 been -- it's already in this document?

15 MS. KESSLER: It's all in here in Exhibit  
16 2. There is an affidavit from our office.

17 EXAMINER JONES: So it's just a  
18 placeholder.

19 EXAMINER MURPHY: So it's an existing well?

20 MS. KESSLER: That's correct.

21 EXAMINER MURPHY: And how deep is it; do  
22 you know?

23 MS. KESSLER: I don't know that. I know  
24 that it's already been drilled to these depths, but I  
25 don't believe that it's been -- it has not been

1 completed in these depths. It's only been completed in  
2 the Atoka Formation.

3 EXAMINER MURPHY: And they're going to  
4 complete up into two different formations?

5 EXAMINER JONES: No. Down into the Morrow  
6 and up into the Strawn. And I'm sure the com agreement  
7 already covers the Pennsylvanian. But this is federal,  
8 so usually they just say "Pennsylvanian 320." So that  
9 old com agreement will still work.

10 Right, Terry?

11 EXAMINER WARNELL: Yes, it would.

12 EXAMINER MURPHY: So they'll recomplete up  
13 and down, drill it deeper?

14 MS. KESSLER: Yeah. And so -- actually,  
15 the case that I just put on, the Novo case right before  
16 this, is the same section in the Wolfcamp Formation. So  
17 there we compulsory pooled the north half of the same  
18 section into a horizontal spacing unit for the Wolfcamp  
19 Formation. Here, we're specifically limiting the  
20 formations that we're pooling to the Morrow and the  
21 Strawn, so right below this (demonstrating).

22 EXAMINER BROOKS: So you're creating a  
23 spacing unit -- you're proposing to create a spacing  
24 unit from the Morrow -- 320 in the Morrow and a 320 in  
25 the Strawn?

1 MS. KESSLER: That's right.

2 EXAMINER BROOKS: But you're not doing a  
3 wedding cake, where you have 320 in the south half and  
4 160 in the southeast quarter and a 40-acre unit in  
5 the southwest-southeast?

6 EXAMINER JONES: Unless they get oil in the  
7 Strawn, and then they have to --

8 MS. KESSLER: Then we'll be back.

9 EXAMINER JONES: If they get oil in the  
10 Morrow, that'll be a surprise.

11 EXAMINER BROOKS: If you get anything, you  
12 can sell the Morrow and it'll to be a surprise.

13 EXAMINER JONES: Normally it's hard to  
14 recomplete like that because it's damaged. Usually the  
15 wellbore is damaged, but if it works, it works. That'll  
16 be good.

17 MS. KESSLER: So, Mr. Examiner, I would ask  
18 that these two affidavits be entered into the record as  
19 evidence and this case be continued to January 24th.

20 EXAMINER JONES: Okay. The exhibits in  
21 Case 20186 are admitted, Exhibits 1, 2 and 3, I think --  
22 1 and 2?

23 MS. KESSLER: 1 and 2.

24 (OXY USA, Inc. Exhibit Numbers 1 and 2 are  
25 offered and admitted into evidence.)



1                   EXAMINER JONES:   And the case is continued  
2   to January 24.

3                   (Case Number 20186 concludes, 2:20 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 31st day of January 2019.

21

22

23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2019  
Paul Baca Professional Court Reporters

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