

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

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

CASE NOS. 20261, 20262

Application of Devon Energy Production  
Company, LP, for compulsory pooling in  
Lea County, New Mexico.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

FRIDAY, FEBRUARY 22, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Examiners Michael  
McMillan and Terry Warnell, and Legal Examiner David  
Brooks, on Friday, February 22, 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 Therese Macfarlane  
New Mexico CCR 122  
PAUL BACA COURT REPORTERS  
500 Fourth Street NW, Suite 105  
Albuquerque, New Mexixco 87187  
(505) 843-9241

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A P P E A R A N C E S

For the Applicant: Adam Rankin, Esq.  
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I N D E X

CASES NOS. 20261 AND 20262 CALLED	PAGE
RYAN CLOER: (BY AFFIDAVIT)	4
KIRK MALINOWSKY: (BY AFFIDAVIT)	7
TAKEN UNDER ADVISEMENT: 12	

E X H I B I T I N D E X

APPLICANT DEVON ENERGY PRODUCTION COMPANY, LP	ADMITTED
Exhibits 1A, 1B, 1C	6
Exhibits 2A, 2B	9
EXHIBIT 3	9

1 (Time noted: 8:37 a.m.)

2 EXAMINER McMILLAN: Good morning. I'd like to  
3 call this hearing back to order.

4 We are just going to continue where we left  
5 off. Looks like we're on page 6.

6 And I guess the first case we're going to  
7 call is Case No. 20261, Application of Devon Energy  
8 Production Company, LP, for compulsory pooling in Lea  
9 County, New Mexico.

10 Call for Appearances.

11 For the record is this going to be combined  
12 with Case 20262?

13 MR. RANKIN: Mr. Examiner, we would request that  
14 these cases be heard together.

15 EXAMINER McMILLAN: Okay. So this case is  
16 combined with Case 20262, Application of Devon Energy  
17 Production, LP, for compulsory pooling in Lea County, New  
18 Mexico.

19 Call for appearances.

20 MR. RANKIN: Mr. Examiner, Adam Rankin appearing  
21 on behalf of the Applicant in this case, Devon Energy. I  
22 work for Holland & Hart. I have no witnesses. We will be  
23 presenting these cases by affidavit.

24 MR. BRUCE: Which case is that?

25 MR. RANKIN: 20261 and 20262.

1 MR. BRUCE: Oh, I'm not on those.

2 EXAMINER McMILLAN: Any other appearances?

3 (Note: No response.)

4 EXAMINER McMILLAN: Please proceed.

5 MR. RANKIN: Good morning, Mr. Examiner. The

6 exhibit packet that I just circulated is for those two

7 cases consolidated. In front of you there is a --

8 exhibits containing the affidavits of Devon's landman and

9 geologist.

10 Exhibit No. 1 is a copy of the affidavit of

11 Mr. Ryan Cloer. Mr. Cloer has previously testified before

12 the Division, and he testifies that in both cases Devon is

13 seeking to pool 320-acre spacing units in the Bone Springs

14 pool.

15 In case No. 20261, Devon is seeking to pool

16 320-acre spacing units to be dedicated to the Grumpy Cat

17 15-22 Fed Com. 211H well.

18 In case No. 20262 Devon is seeking to pool

19 a 320-acre spacing unit as described in his affidavit to

20 be dedicated to the Grumpy Cat 15-22 Fed. Com. 212H well

21 1-A is a copy of the C-102 for the 211H well. The second

22 page of that exhibit is a copy of the C-102 on the 212H

23 well. Both exhibits depict the horizontal spacing unit

24 that would be dedicated to the well and the well itself,

25 and it depicts that the wells will be within the setbacks

1 required for the Bone Spring for statewide oil spacing.

2                   You will note, Mr. Examiner, that these  
3 C-102s indicate that the wells are going to be 330 off the  
4 north and south lines. I will confirm with them that  
5 that's where they want them to be, and if they want them  
6 to be 100 feet off the north and south lines I'll ask them  
7 to make sure they submit an updated C-102.

8                   EXAMINER McMILLAN: All right.

9                   MR. RANKIN: Exhibit B is a copy of the land  
10 tracts that are being pooled in each of these cases. And  
11 unfortunately, for whatever reason, the shading, the color  
12 shading depicting the east half of the west half, the west  
13 half of the west half, did not come through in the color  
14 copies. I'm not sure why that happened.

15                   EXAMINER McMILLAN: They will just have to  
16 update that.

17                   MR. RANKIN: I can update that. But in any  
18 event, the first page of Exhibit 1-B should reflect that  
19 the shading is the west half/west half, and the next page  
20 of the exhibit should reflect that the shading is on the  
21 east half of the west half of the 320-acre spacing units.

22                   The next pages of the exhibit reflects the  
23 interests by tract, and then the final page reflects the  
24 unit recapitulation for each of the spacing units along  
25 with the overriding royalty interest owners that Devon is

1 seeking to pool in each of the spacing units.

2 Exhibit 1-C contains the Well Proposal  
3 Letters that were sent out proposing each of these wells,  
4 along with AFEs, estimate of costs for each of wells that  
5 Devon has estimated.

6 The costs, as Mr. Cloer testifies, are  
7 consistent with what other operators have incurred for  
8 drilling similar wells in the area of the Bone Springs.

9 There are no depth severances within the  
10 spacing units.

11 Devon has estimated the overhead for  
12 drilling at \$8,000 a month and well producing at \$800 a  
13 month.

14 With that, Mr. Examiner, I would move to  
15 admit Exhibits 1A through -C into the record.

16 EXAMINER McMILLAN: Okay. Exhibits 1A through  
17 -C may now be accepted as part of the record.

18 MR. RANKIN: Exhibit 2 in the exhibit packet  
19 before you is an affidavit of Kirk Malinowsky, who is the  
20 geologist for Devon.

21 EXAMINER McMILLAN: The pool is 50- -- pool code  
22 53805?

23 MR. RANKIN: That's correct.

24 EXAMINER McMILLAN: Okay. Let me see.

25 No depth severances. Okay. And update

1 that. Okay. Okay.

2 You may proceed. I don't have any  
3 questions.

4 MR. RANKIN: That's the pool code for both these  
5 horizontal --

6 EXAMINER McMILLAN: Yes.

7 MR. RANKIN: So Exhibit 2 is a copy of the  
8 affidavit of Mr. Kurt Malinowsky, who's the geologist. He  
9 has previously testified before the Division and has had  
10 his expert credentials as a petroleum geologist accepted  
11 as a matter of record.

12 He conducted the geologic study of two  
13 spacing units. Exhibit 2A in that packet is a copy comb  
14 of the structure map reflecting the structure of the base  
15 of the Second Bone Spring. The interval is at 25 feet.  
16 Spacing units are outlined lined in black, the proposed  
17 wells are in red.

18 On that same structure map is a depiction  
19 of the line of cross section from A to A-prime.

20 Mr. Malinowsky testifies that he did not  
21 identify any pinch-outs or other geologic impediments to  
22 the development of these horizontal wells across the  
23 spacing units.

24 Mr. Malinowsky that there is no geologic  
25 impediments to developing horizontal wells in the area.

1                   Exhibit A -- I'm sorry, Exhibit 2B is a  
2 copy of the cross -- stratigraphic cross section depicting  
3 the three wells that he's identified as being  
4 representative of the area in that line of cross section  
5 from A to A-prime.

6                   In his affidavit Mr. Malinowsky testifies  
7 that the proposed target get interval that's identified in  
8 the shading in Exhibit 2B is consistent across the entire  
9 interval within that spacing unit.

10                  Mr. Malinowsky testifies that in his  
11 opinion the orientation of these wells in this area is  
12 preferred, and that the underlying area is suitable for  
13 the development of horizontal wells, and that the granting  
14 of the applications in these cases are in the best  
15 interest of conservation, prevention of waste, protection  
16 of correlative rights.

17                  Exhibit 3 in the packet is an affidavit  
18 that was prepared by me in my office, reflecting we  
19 provided Notice to the parties Devon is seeking to pool,  
20 including all the overrides that were listed Mr. Cloer's  
21 affidavit.

22                  The subsequent the pages are a copy of he  
23 letter that we sent, United States Postal Service tracking  
24 lists identifying the parties by name, and the status of  
25 their certified letters. And the last pages of the

1 exhibit are copies of the Notice of Publication reflecting  
2 that we identified each of the parties we are seeking to  
3 pool, by name, and that they were published in a newspaper  
4 of general circulation within the county in which the well  
5 is located.

6 I'm just noticing that I see only the one  
7 NOP so I'll make sure to update the Division with the  
8 second -- oh, wait. I see it. Sorry.

9 So the way Exhibit 3 is structured is that  
10 there is a Notice letter for the first well in Case No.  
11 20261, and halfway through that exhibit you'll see a  
12 Notice of Publication for that case and the parties by  
13 name. And then the second set of pages in that same  
14 exhibit is a copy of the Well Letter that goes with case  
15 No. 20262 and the parties who were identified in that  
16 case.

17 And the last page of that exhibit is a  
18 Notice of Publication that reflects that we identified all  
19 the parties by name in Case 20262.

20 With that, Mr. Examiner, I would ask that  
21 Exhibits 2A and B and Exhibit 3 be admitted into the  
22 record.

23 EXAMINER McMILLAN: Exhibits 2A, 2B and 3 will  
24 now be accepted as part of the record.

25 Are there any unlocatables?

1 MR. RANKIN: There were no unlocatables.

2 EXAMINER McMILLAN: Okay. One of my -- another  
3 of my giant pet peeves when you do structure maps, you put  
4 too much information on this map. This is --

5 MR. RANKIN: Too many other wells?

6 EXAMINER McMILLAN: No. I like to see, uhm, the  
7 line of cross section on a unique map.

8 MR. RANKIN: Okay.

9 EXAMINER McMILLAN: So you will resubmit that  
10 form.

11 MR. RANKIN: Okay. You'd like to see just a  
12 separate map.

13 EXAMINER McMILLAN: Yeah. It's too much  
14 information on the map for me. We are state employees.  
15 What do you expect?

16 MR. RANKIN: I think you would expect  
17 efficiency.

18 EXAMINER McMILLAN: You will see to that.

19 MR. RANKIN: But we can fix that.

20 So I'll just have them redraw this with a  
21 separate line of cross section.

22 EXAMINER McMILLAN: Yeah, just literally show a  
23 base map of where the cross section is.

24 MR. RANKIN: Okay.

25 EXAMINER McMILLAN: Okay. The geologist said

1 that they are all in quarter-quarter sections?

2 MR. RANKIN: That is included in Mr.  
3 Malinowsky's affidavits, that each of the tracts that  
4 comprise the spacing units will contribute more or less  
5 equally to the production of the well.

6 EXAMINER McMILLAN: Okay. Let's go back to --  
7 this doesn't make any sense.

8 Okay. So I'm looking at the 212. Now, the  
9 tract map doesn't -- the tract map is showing the west  
10 half of the east half. The spacing unit, when you look at  
11 the C-102 is the east half of the west half.

12 MR. RANKIN: So if you look at Exhibit B -- I'm  
13 sorry, 1B, the first page, again that shading is not  
14 clear, but the shading for the first page of that exhibit  
15 which reflects the spacing unit for the 211-H well --  
16 Right?

17 EXAMINER McMILLAN: Yeah. The 211 is the west  
18 half/west half.

19 MR. RANKIN: Right. And then the next half it  
20 seems like the spacing is for the 212H well.

21 EXAMINER McMILLAN: Yeah.

22 MR. RANKIN: And that should be the east half of  
23 the west half.

24 EXAMINER McMILLAN: And it's not clear on this.

25 MR. RANKIN: I agree it's not clear. The color

1 shading didn't come out well. They printed it in color.

2 I don't know how that happened.

3 EXAMINER McMILLAN: Do you see what's

4 confusing?

5 MR. RANKIN: I absolutely understand. I agree.

6 But you will see the tracts are numbered in the area that

7 would be in the east half of the west half.

8 So I will that make sure we get that fixed.

9 EXAMINER McMILLAN: Yeah, get that fixed.

10 Do you have any questions?

11 MR. WARNELL: No questions.

12 MR. BROOKS: No question.

13 EXAMINER McMILLAN: Okay.

14 MR. RANKIN: Unfortunately I didn't see that

15 until we had the exhibit packets submitted.

16 EXAMINER McMILLAN: Not that big a deal, but

17 you'll get it fixed.

18 MR. RANKIN: Yeah.

19 Thank you, Mr. Examiner. We ask that these

20 cases be taken under advisement.

21 EXAMINER McMILLAN: 20261 and 20262 shall be

22 taken under advisement with the required information.

23 MR. RANKIN: Thank you.

24 (Time noted: 8:49 a.m.)

25

1 STATE OF NEW MEXICO )

2 :SS

3 COUNTY OF TAOS )

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REPORTER'S CERTIFICATE

6

I, MARY THERESE MACFARLANE, New Mexico Reporter

7

CCR No. 122, DO HEREBY CERTIFY that on Friday,

8

February 22, 2019, the proceedings in the above-captioned

9

matter were taken before me; that I did report in

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stenographic shorthand the proceedings set forth herein,

11

and the foregoing pages are a true and correct

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transcription to the best of my ability and control.

13

I FURTHER CERTIFY that I am neither employed by

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nor related to nor contracted with (unless excepted by the

15

rules) any of the parties or attorneys in this case, and

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that I have no interest whatsoever in the final

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disposition of this case in any court.

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