

20184, OCD February 21, final 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 NOVO OIL & GAS NORTHERN CASE NO. 20184
DELAWARE, LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 21, 2019

Santa Fe, New Mexico

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

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner, Terry Warnell, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, February 21, 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
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

1 APPEARANCES

2 FOR APPLICANT NOVO OIL & GAS NORTHERN DELAWARE, LLC:

3 ADAM G. RANKIN, ESQ.
 4 HOLLAND & HART, LLC
 5 110 North Guadalupe, Suite 1
 6 Santa Fe, New Mexico 87501
 (505) 988-4421
 agrankin@hollandhart.com

7 FOR INTERESTED PARTY TDY INDUSTRIES, LLC:

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

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20 EXHIBITS OFFERED AND ADMITTED

21	Novo Oil & Gas Northern Delaware, LLC Exhibit Number 1 and A through C	5
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23	Novo Oil & Gas Northern Delaware, LLC Exhibit Number 2A through 2D	8
24	Novo Oil & Gas Northern Delaware, LLC Exhibit Number 3	9

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1 (3:37 p.m.)

2 EXAMINER McMILLAN: Do you want to do Case
3 20184?

4 MR. RANKIN: That is me.

5 EXAMINER McMILLAN: Okay. Give me one
6 second here.

7 I'd like to call Case Number 20184,
8 application of Novo Oil & Gas Northern Delaware Basin,
9 LLC for compulsory pooling, Eddy County, New Mexico.

10 Call for appearances.

11 MR. RANKIN: Thank you, Mr. Examiner. Adam
12 Rankin, from the law firm of Holland & Hart, on behalf
13 of the Applicant in this case. No witnesses. We'll be
14 presenting this case by affidavit.

15 EXAMINER McMILLAN: Any other appearances?

16 MR. BRUCE: Jim Bruce representing TDY
17 Industries, LLC. I have no witnesses.

18 MR. RANKIN: Thank you, Mr. Examiner. I'll
19 let you get your stuff together.

20 EXAMINER McMILLAN: Please proceed.

21 MR. RANKIN: Thank you, Mr. Examiner.

22 In this case Novo is seeking to pool the
23 Wolfcamp gas pool and the Purple Sage gas pool, a 320
24 spacing unit, which will be dedicated to its Goonch Fed
25 Com 04 #211H well. Mr. Brandon Patrick provided an

1 affidavit that addresses the spacing unit and the
2 request here that Novo is making. Mr. Patrick has
3 previously been accepted as an expert in petroleum land
4 matters, so I won't review that.

5 The well will be wholly within the required
6 setbacks of the special pool rules for the Purple Sage.

7 Exhibit 1A is a C-102 for the proposed
8 well. As I mentioned, the entire completed interval
9 will remain within the setback requirements of the
10 special pool rules.

11 Exhibit 1B is a depiction of the land
12 tracts that comprise the spacing unit, along with the
13 interests by tract and as recapped for the entire
14 spacing unit on a spacing-unit basis. There are no
15 ownership depth severances underlying the acreage. The
16 working interest owners that Novo seeks to pool are
17 identified in Exhibit 1B. And in addition to the
18 working interests, there are some overrides, which are
19 listed there, that Novo is seeking to pool.

20 Exhibit 1C is a sample well-proposal letter
21 that was sent to all the working interest owners for the
22 well. Novo estimates that the overhead costs while
23 drilling will be 8,000 per month and 800 while
24 producing. Mr. Patrick lays out his basis for -- his
25 basis that he undertook a good-faith effort to reach

1 agreement with these parties and identified all
2 potential pool parties. There are no unlocatable
3 interests.

4 If there are no other questions,
5 Mr. Examiner, as to the content of the affidavit, I
6 would ask that Exhibits 1A, B and C be admitted to the
7 record.

8 EXAMINER McMILLAN: Jim?

9 MR. BRUCE: No objection.

10 EXAMINER McMILLAN: Exhibit 1 and Exhibits
11 A, B and C may now be accepted as part of the record.

12 (Novo Oil & Gas Northern Delaware, LLC
13 Exhibit Number 1 and A through C are
14 offered and admitted into evidence.)

15 MR. RANKIN: Do you have any questions,
16 Mr. Examiner, about the land testimony and the
17 affidavit?

18 EXAMINER McMILLAN: Okay. Well -- okay.
19 Looking at the C-102 for the 211, but then when I see
20 the letter to Marathon, it has the 214H also.

21 MR. RANKIN: They were both proposed
22 together. We initially had intended to present these
23 cases at the same time, but the 211H well was continued.
24 So in other words, we presented the 214H -- it's a
25 different spacing unit. They were proposed together,

1 but for different spacing units.

2 EXAMINER McMILLAN: Oh, okay. All right.

3 MR. RANKIN: All right? They're different
4 spacing units, but they're included within the same
5 well-proposal letter. So the 214H is a different
6 spacing unit to the east.

7 EXAMINER McMILLAN: Okay. Kind of threw me
8 for a loop there.

9 MR. RANKIN: Yeah.

10 EXAMINER McMILLAN: Okay. Proceed.

11 MR. RANKIN: Thank you, Mr. Examiner.

12 Moving on to Exhibit Number 2 in this
13 exhibit packet is an affidavit from Mr. Michael Hale,
14 who has previously been accepted as an expert in
15 petroleum geology by the Division.

16 EXAMINER McMILLAN: Yeah.

17 No objections to that, Jim?

18 MR. BRUCE: No objection.

19 MR. RANKIN: Mr. Hale, in his affidavit,
20 reviews the geology in the proposed spacing unit.

21 Exhibit 2C [sic] is a copy of a structure
22 map on the top of the Wolfcamp X-Y, which is the target
23 interval for the 211H well. Mr. Hale reviews the
24 geology in the area and identifies that there are no
25 impediments, faulting or pinch-outs that would impede

1 development of a horizontal well in the area.

2 Exhibit 2C is a copy of an isopach map that
3 he prepared reflecting again that there is a
4 continuous -- the interval is continuous across the zone
5 and across the proposed horizontal spacing unit.

6 Exhibit 2D is a copy of the -- is a
7 depiction of the stratigraphic cross section from A to A
8 prime in which he identifies three representative wells,
9 which are depicted in those structure maps and the
10 isopach map.

11 In his affidavit, Mr. Hale identifies the
12 target interval, which is depicted on the cross section
13 in yellow highlighting. It's approximately 170 feet
14 thick. It is continuous across the spacing unit.

15 Mr. Hale testifies that there are no
16 impediments to drilling a horizontal well and that the
17 Wolfcamp Formation underlying this area is suitable for
18 horizontal development and that production will be
19 contributed equally across -- for every tract in the
20 spacing unit.

21 If there are no questions about these
22 exhibits, Mr. Examiner, I would move the admission of
23 Exhibit 2A, which is Mr. Hale's resume and CV, 2B, C and
24 D into the record.

25 EXAMINER McMILLAN: Any objections?

1 MR. BRUCE: No objection.

2 EXAMINER McMILLAN: Exhibits 2A, B, C and D
3 may now be accepted as part of the record.

4 (Novo Oil & Gas Northern Delaware, LLC.
5 Exhibit Number 2A through 2D are offered
6 and admitted into evidence.)

7 MR. RANKIN: Finally, Mr. Examiner, Exhibit
8 3 is a copy of the affidavit that I prepared reflecting
9 that we provided notice in accordance with the Division
10 rules. The second page of the exhibit is a copy of the
11 notice letter that was sent out. The following page is
12 a list of the parties that received notice, all the
13 working interest parties and overrides that were
14 identified to us by Novo. The final page is a copy of
15 the Notice of Publication that was provided, giving
16 notice by publication identifying each party by name.

17 EXAMINER McMILLAN: There were no
18 unlocatables, correct?

19 MR. RANKIN: No unlocatables.

20 EXAMINER McMILLAN: Okay.

21 MR. RANKIN: With that, I'd ask that
22 Exhibit 3 be admitted into the record.

23 EXAMINER McMILLAN: Any objection?

24 MR. BRUCE: No objection.

25 EXAMINER McMILLAN: Exhibit 3 may now be

1 accepted as part of the record.

2 (Novo Oil & Gas Northern Delaware, LLC
3 Exhibit Number 3 is offered and admitted
4 into evidence.)

5 MR. RANKIN: With that, I'd ask that Case
6 20184 be taken under advisement by the Division.

7 MR. BRUCE: No objection.

8 EXAMINER McMILLAN: Case Number 20184 may
9 now be taken under advisement.

10 (Case Number 20184 concludes, 3:46 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 27th day of March 2019.

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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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