

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 AMEREDEV OPERATING, LLC CASE NO. 20416
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 2, 2019

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Scott Dawson,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, May 2, 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 AMEREDEV OPERATING, LLC:

KAITLYN A. LUCK, ESQ.
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INDEX

PAGE

Case Number 20416 Called	3
Case Presented by Affidavit	3
Proceedings Conclude	11
Certificate of Court Reporter	12

EXHIBITS OFFERED AND ADMITTED

Ameredev Operating, LLC Exhibits A, B and C	8
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1 (8:25 a.m.)

2 EXAMINER DAWSON: 20416 -- I'm sorry --
3 Ameredev for compulsory pooling, Lea County, New Mexico.
4 Call for appearances, please.

5 MS. LUCK: Kaitlyn Luck with the Santa Fe
6 office of Holland & Hart for Ameredev.

7 EXAMINER DAWSON: Okay. Any other
8 appearances in this case?

9 When you're ready.

10 MS. LUCK: Thank you.

11 EXAMINER DAWSON: Uh-huh.

12 When you're ready.

13 MS. LUCK: Thank you.

14 EXAMINER DAWSON: Sure.

15 MS. LUCK: So in this case, Ameredev has
16 filed an application for compulsory pooling. Under the
17 first tab, Exhibit A, is an affidavit of Brandon
18 Forteza. He's the landman for Ameredev, and he has
19 previously testified before the OCD and has been
20 accepted as an expert in petroleum land matters. He is
21 familiar with the application filed in the case and the
22 status of the lands in question. His affidavit reflects
23 that none of the uncommitted parties have indicated an
24 opposition to this pooling pool.

25 Ameredev is seeking an order to pool all

1 uncommitted interests in the Wolfcamp Formation
2 underlying a 640-acre horizontal spacing unit comprised
3 of the east half of the west half and the west half of
4 the east half of Sections 5 and 8 in Township 26 South,
5 Range 36 East, Lea County, New Mexico. That is located
6 in the Jal; Wolfcamp, West pool.

7 Ameredev seeks to dedicate the above
8 horizontal spacing unit to the proposed wells, the Holly
9 Fed Com 26-36-05 124H well, which will be drilled from a
10 surface location in Unit C of Section 5 to a bottom-hole
11 location in Unit N of Section 8; the Holly Fed Com 1H
12 well, which will be drilled from a surface location in
13 Unit C of Section 5 to a bottom-hole location of Unit N
14 in Section 8; and finally, the Holly Fed Com 113H well,
15 from a surface location in Unit C of Section 5 to a
16 bottom-hole location of Unit N in Section 8.

17 Attached to Mr. Forteza's affidavit is
18 Ameredev Exhibit A1; Exhibit A2 and Exhibit A3, which
19 are the C-102s for the three wells, which reflect a pool
20 code of 33813. The completed interval for the 124H well
21 will be within 330 feet of the quarter-quarter line
22 separating the west half -- the west half of the east
23 half from the east half of the east half of Sections 5
24 and 8 to allow inclusion of the acreage to a standard
25 640-acre horizontal spacing unit. Incorporating the

1 proximity tracts, all three wells will comply with the
2 Division setbacks.

3 Because the proposed wells will be
4 simultaneously drilled and completed, Ameredev is
5 requesting an extension from 120 days to 365 days to
6 drill and complete the wells, and there are no depth
7 severances.

8 Turning to Exhibit A4, it's an exhibit that
9 identifies the lands in question for the proposed
10 spacing and proration unit. It includes only federal
11 land, and it also shows the interest owners and the
12 percentage of their interest by tract. Ameredev is
13 seeking to pool only the working interest owners as
14 denoted on the exhibit.

15 Exhibit A5 is the well-proposal letter and
16 the AFE. The costs are consistent with what other
17 operators in the area are charging. Ameredev has been
18 able to locate all of the contact information and notice
19 has been provided to all uncommitted interest owners.
20 Ameredev also seeks approval of the administrative and
21 overhead costs of \$7,000 a month while drilling and \$700
22 a month while producing.

23 And that concludes Mr. Forteza's affidavit
24 and Exhibits A1 through A5.

25 Turning to Exhibit B, it's the affidavit of

1 Parker Foy. He's the geologist for Ameredev Operating.
2 He's familiar with the lands in question, and his
3 credentials have been accepted as a matter of record as
4 an expert in petroleum geology.

5 Exhibit B1 is the project locator map,
6 which shows the Ameredev acreage in yellow. The Holly
7 Fed Com 103H and the 113H are shown, as well as nearby
8 wells marked with a green dot.

9 Exhibit B2 is a subsea structure map
10 prepared off the top of the Wolfcamp Formation and shows
11 that the Wolfcamp is gently dipping to the southeast.
12 The structure is consistent across the proposed wellbore
13 path, and there is not any pinching, faulting or other
14 geologic impediments to development to horizontal
15 drilling.

16 Exhibit B3 is a map showing the location of
17 the 103 and the 113H wells. To create a stratigraphic
18 cross-section, the three wells are from A to A prime,
19 are representative of the geology in the area.

20 Ameredev Exhibit A4 is a stratigraphic
21 cross section showing the open-hole logs run over the
22 Wolfcamp from the three wells. For each well, the
23 exhibit shows the gamma ray, resistivity and porosity.
24 The proposed interval is labeled and marked, and the
25 logs in the cross section demonstrate that the target --

1 the target interval within the Wolfcamp is a consistent
2 thickness across the entire proposed spacing unit.

3 Exhibit B5 is the project locator map for
4 the 124H well, as well as nearby producing wells marked
5 with green dots.

6 Exhibit B6 is the corresponding
7 stratigraphic -- sorry -- subsea structure map for that
8 124H well prepared off the top of the Wolfcamp B
9 Formation. The structure is -- the map shows the
10 structure is gently dipping to the southeast. The
11 structure is consistent across the proposed wellbore,
12 and he does not observe any faulting, pinchouts or
13 geologic impediments.

14 Exhibit B7 is a map showing the location of
15 the wells used to create the stratigraphic cross
16 section. The three wells from A to A prime are
17 representative of the geology in their area.

18 And then the following final exhibit,
19 Exhibit B8, is a stratigraphic cross section displaying
20 the open-hole logs, similar to an earlier exhibit, and
21 it shows that the target interval extends across the
22 entire proposed spacing units.

23 In his opinion, each tract comprising the
24 spacing unit will be productive and will contribute more
25 or less equally to production from the wellbore. And in

1 his opinion, the granting of Ameredev's application is
2 in the best interest of conservation, the prevention of
3 waste and the protection of correlative rights.

4 And finally turning to Exhibit C is my
5 affidavit showing that notice was provided to the
6 working interest owners in this case.

7 And Ameredev would ask -- I would move for
8 admission of Exhibits A, B and C to the record, and
9 Ameredev would ask the case be taken under advisement,
10 if there aren't any questions.

11 EXAMINER DAWSON: Okay. At this time
12 Exhibits A, B and C will be admitted to the record.

13 (Ameredev Operating, LLC Exhibits A, B and
14 C are offered and admitted into evidence.)

15 EXAMINER DAWSON: Mr. Brooks, do you have
16 any questions?

17 EXAMINER BROOKS: Well, just a minute. I
18 believe our witness here -- or you're not a witness.
19 You're an attorney.

20 MS. LUCK: That's correct.

21 EXAMINER BROOKS: And your name is?

22 MS. LUCK: My name is Kaitlyn Luck.

23 EXAMINER BROOKS: I'm sorry?

24 MS. LUCK: Kaitlyn Luck.

25 EXAMINER BROOKS: Have you been here

1 before?

2 MS. LUCK: Yes, sir.

3 EXAMINER BROOKS: Well, I don't have a very
4 good memory.

5 MS. LUCK: That's okay.

6 EXAMINER DAWSON: How could you forget her,
7 David (laughter)?

8 EXAMINER BROOKS: Your speed of delivery
9 would qualify you to read the health admonitions on drug
10 advertisements.

11 (Laughter.)

12 (The court reporter agreed with Examiner
13 Brooks.)

14 MS. LUCK: I know there's a lot of people
15 waiting, so I'm trying to make our way through the
16 docket of cases.

17 EXAMINER BROOKS: Exhibits 1, 2 and 3 are
18 the well plats, the C-102s for each of the three
19 wells --

20 MS. LUCK: That's correct.

21 EXAMINER BROOKS: -- three wells. And is
22 it true that the first two -- let me see. Well, all of
23 these wells will be dedicated to the same unit, correct?

24 MS. LUCK: That's what Ameredev is asking.

25 EXAMINER BROOKS: And it consists of the

1 east half of the west half and the west half of the east
2 half of Section 5 and Section 8 --

3 MS. LUCK: Correct.

4 EXAMINER BROOKS: -- 640, acres
5 approximately, anyway.

6 Now, Exhibit 4 is the tract map, and
7 Exhibit 5 is the tally of interests. Now, is it true
8 that there is no one that owns a working interest in
9 this unit other than Ameredev and XTO?

10 MS. LUCK: That's correct.

11 EXAMINER BROOKS: Okay. You didn't say
12 anything about overriding royalties. Are there any
13 overriding royalties?

14 MS. LUCK: There aren't any in this case.

15 EXAMINER BROOKS: What is the land type?
16 State? Federal?

17 MS. LUCK: It is all federal land, and that
18 is reflected in paragraph 11 of Mr. Forteza's affidavit
19 in Exhibit A.

20 EXAMINER BROOKS: Okay. And since XTO and
21 Ameredev are the only owners, there are no unlocatable
22 interests?

23 MS. LUCK: That's correct.

24 EXAMINER BROOKS: Okay. Thank you. That's
25 all I need to establish.

1 EXAMINER DAWSON: That was a question I was
2 going to ask, unlocatable interests.

3 So there are no further questions, and at
4 this time, Case Number 20416 will be taken under
5 advisement.

6 Thank you.

7 MS. LUCK: Thank you.

8 (Case Number 20416 concludes, 8:35 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 21st day of May 2019.

21

22

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