

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:

CASE NOS: 20420, 20421

APPLICATIONS OF DEVON ENERGY PRODUCTION  
COMPANY LP FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 30, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, Examiners Michael McMillan and Leonard Lowe, and Legal Examiner David Brooks, on Thursday, May 30, 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: Irene Delgado, NMCCR 253  
PAUL BACA PROFESSIONAL COURT REPORTERS  
500 Fourth Street, NW, Suite 105  
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APPEARANCES

For the Applicant:	MICHAEL FELDEWERT 110 N. Guadalupe Street Santa Fe, NM 87504-2208
For Providence Minerals Limited:	JIM BRUCE P.O. Box 1056 Santa Fe, NM 87504

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CASE NO. 20420, 20421 CALLED	03
TIM PROUT (By Affidavit)	
BRYAN CURRIE (By Affidavit)	
TAKEN UNDER ADVISEMENT:	07

EXHIBIT INDEX

	Admitted
Exhibit 1, Attachments A-C	
Exhibit 2, Attachments A-C	
Exhibit 3	
Exhibit 4	

1                   EXAMINER McMILLAN: Okay. With that in mind,  
2 let's call Case Number 20420, applications of Devon Energy  
3 Production Company LP for compulsory pooling, Eddy County,  
4 New Mexico.

5                   Is this going to be combined with 20421?

6                   MR. FELDEWERT: Yes, sir.

7                   EXAMINER McMILLAN: And are there any  
8 appearances?

9                   MR. FELDEWERT: May it please the Examiner,  
10 Michael Feldewert of the Santa Fe office of Holland & Hart  
11 on behalf of the applicant, Devon Energy Production Company.

12                  MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,  
13 representing Providence Minerals Limited. I have no  
14 witnesses, and I do not object to the case being presented  
15 by affidavit.

16                  EXAMINER McMILLAN: Okay. Thank you.

17                  MR. FELDEWERT: Mr. Examiner, I gave you an  
18 exhibit package which contains four exhibits.

19                  Exhibit Number 1 for this case is the affidavit  
20 of Tim Prout who is the landman with Devon Energy who has  
21 testified before the Division.

22                  In Exhibit 1-A he provides for you the C-102  
23 plats for the two proposed wells that also have been  
24 identified as spacing units that are involved in the  
25 consolidated cases.

1           So in the first case, 20420, they seek to pool  
2 the W/2 of the W/2 of Sections 22 and 27 of 25 South, 32  
3 East, to be dedicated to the 231H well, which is the first  
4 page of Exhibit 1-A.

5           And then the second page of Exhibit 1-A is the  
6 plat that goes with the second case, 20421, in which they  
7 seek to pool the E/2 of the W/2 of the same acreage, and  
8 both of these C-102s identified for you, Mr. Examiner, the  
9 pool and the pool code.

10           EXAMINER McMILLAN: Okay.

11           MR. FELDEWERT: If you then turn to what's been  
12 marked as Exhibit 1-B, and it identifies for you the  
13 ownership in each tract that is made up -- makes up both of  
14 these proposed spacing units.

15           The first two pages here, which is the initial  
16 case involving the W/2 of the W/2, and the second two pages  
17 deal with the second case involving the E/2 of the W/2.

18           We've highlighted for you the working interest  
19 owners that Devon seeks to pool. They are highlighted in  
20 yellow.

21           And then the last page of this exhibit, he  
22 testified, contains a list of overriding royalty interest  
23 owners that the company likewise seeks to pool.

24           Mr. Prout testifies that there is no ownership  
25 depth severances, or there is also no unleased mineral

1 interests within either of these two proposed spaces.

2 Exhibit 1-C contains the well proposal letters  
3 that went out for both of these proposed wells, and he  
4 testifies that in addition to sending these letters, Devon  
5 undertook good faith efforts to contact and reach an  
6 agreement with the parties that it seeks to pool.

7 Mr. Prout testifies that the costs in the AFE are  
8 consistent with what the company has incurred for drilling  
9 for similar horizontal wells in the area. And you'll see in  
10 his affidavit the company requests \$8,000 a month and \$800 a  
11 month for drilling and then also well producing. These  
12 rates are consistent with what other operators are charging  
13 in this area for similar type wells.

14 Exhibit 2, contains the affidavit of Mr. Currie,  
15 Bryan Currie who's a geologist for the company. First  
16 paragraph he notes that he's got a master's degree in  
17 geology from Western Michigan University from Kalamazoo,  
18 Michigan. He has been a member of the American Association  
19 of Petroleum Geologists for five years, and his  
20 responsibilities include the Permian Basin of New Mexico.

21 So with that background he offers his remaining  
22 portions of his affidavit in which he notes that the company  
23 is targeting these two wells in the Second Bone Spring  
24 interval within this pool. And therefore Exhibit 2-A is a  
25 structure map on the Second Bone Spring Interval, which has

1 your 25-foot contour lines.

2 He has identified the two proposed wells with the  
3 bolded green lines running from south to north in each  
4 spacing unit. And he's provided for you in this map another  
5 indication with the green sticks of the other Second Bone  
6 Spring horizontal wells in this area.

7 What's of interest to you, perhaps, in looking at  
8 the structure map is that the -- not only is it different in  
9 the southeast, but you will see there is an orange depiction  
10 here kind of highlighted with blue dashes, and he testifies  
11 in Paragraph 4 that that is known as the Cotton Draw fault  
12 that exists in the Bone Spring and the Wolfcamp in this  
13 area.

14 But he goes on to testify in Paragraph 4 that  
15 both Devon and other operators have successfully drilled  
16 horizontal wells through this fault without any issues.  
17 And, as a result, in his opinion, this fault is likewise not  
18 going to impose any impediments to the drilling of these  
19 horizontal wells.

20 Exhibit 2-B identifies the wells utilized to  
21 create this cross-section, and you will notice he utilized  
22 these well logs not only because they have good quality, but  
23 he testified that they have been subjected to the  
24 petrophysical analysis with the targeted intervals and the  
25 proposed logs.

1           If you turn to Exhibit 2-C, that is the  
2 stratigraphic cross-section, A to A prime, that corresponds  
3 with the prior Exhibit 2-B. He identifies on Exhibit 2-C  
4 with red lines the various stratigraphic surfaces. And he  
5 identifies in green the landing zone for both proposed wells  
6 in this area, and in his opinion it demonstrates that this  
7 interval extends across this area as a pool.

8           He testifies that the north -- south-to-north  
9 orientation is appropriate for this area, and that he sees  
10 no impediments to drilling horizontal wells in this area,  
11 and that, in his opinion, the tracts comprising the proposed  
12 spacing units will contribute more or less equally to the  
13 production from the wellbores.

14           Exhibit 3 is the affidavit prepared by my office  
15 with attached letters providing notice of this hearing in  
16 these cases for each case. The first page following my  
17 affidavit deals with the 231H well, and the second page  
18 deals with the 232H well. The interest owners here, Mr.  
19 McMillan, are all the same, therefore the letters went out  
20 the same interest owners and those are reflected in the  
21 final remaining pages of this exhibit.

22           Since there were a few states involved, if you  
23 turn to Exhibit 4, this is an affidavit of publication for  
24 each case directed by name and party where they seek to  
25 pool, identifying the filing of this application.

1           With that, I would asked that Exhibits 1 through  
2 4 be accepted into the record.

3           EXAMINER McMILLAN: Exhibits 1 through 4 may now  
4 be accepted as part of the record.

5           (Exhibits 1 through 4 admitted.)

6           MR. FELDEWERT: That concludes my presentation.

7           EXAMINER McMILLAN: Mr. Bruce.

8           MR. BRUCE: Just one comment. I was just  
9 informed yesterday that Providence has signed Devon's GOA,  
10 and I would really ask that if that is subsequently  
11 confirmed, that Mr. Feldewert notify the Division that  
12 Providence is longer subject to the pooling.

13           EXAMINER McMILLAN: Was the geologist'  
14 credentials accepted in previous cases?

15           MR. FELDEWERT: This is the first time he's  
16 testified.

17           EXAMINER McMILLAN: Well then, Jim, do you have  
18 any objection to his qualifications?

19           MR. BRUCE: No objection.

20           EXAMINER McMILLAN: Okay. And the status of  
21 these wells are proposed; correct?

22           MR. FELDEWERT: Yes, sir.

23           EXAMINER McMILLAN: And unlocatable interests?

24           MR. FELDEWERT: There are none -- well, let me  
25 step back. There are states, that's why we published.

1 EXAMINER McMILLAN: Well then in Texas there are;  
2 right?

3 MR. FELDEWERT: If that's what you want to call  
4 them.

5 EXAMINER McMILLAN: Okay, well. And the  
6 completion interval will be orthodox?

7 MR. FELDEWERT: Yes, sir. The wellbore will  
8 comply with the setback.

9 EXAMINER McMILLAN: And all quarter-quarter  
10 sections will contribute equally?

11 MR. FELDEWERT: The geologist testified to that.

12 EXAMINER McMILLAN: You're pooling working  
13 interest in the overriding royalty interest?

14 MR. FELDEWERT: Yes, sir.

15 EXAMINER McMILLAN: And the overriding royalty  
16 interests are not subject of penalty.

17 MR. FELDEWERT: They will not be.

18 EXAMINER McMILLAN: Okay. Go ahead.

19 EXAMINER LOWE: I have a question for you on the  
20 Exhibit B.

21 MR. FELDEWERT: 2-B or 1-B?

22 EXAMINER LOWE: 1-B. On the first page right  
23 after that's your working interest, and then back of the  
24 page is your uncommitted working interest. What's the  
25 difference?

1                   MR. FELDEWERT: So the first page they list the  
2 interest owners by tract. So Tract 1, Tract 2, and top of  
3 second page is Tract 3, and then the last depiction is a  
4 consolidation of those tracts into the proposed basin. So  
5 it gives you a picture of each tract, as well the ownership  
6 in the consolidated spacing unit.

7                   EXAMINER LOWE: That's all the questions I had.  
8 Thank you.

9                   MR. FELDEWERT: We ask the case be taken under  
10 advisement.

11                   EXAMINER McMILLAN: Any objections to this, Jim?

12                   MR. BRUCE: No.

13                   EXAMINER McMILLAN: Case Number 20420 and Case  
14 Number 20421 shall be taken under advisement.

15                   MR. FELDEWERT: Thank you.

16                   (Concluded.)

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STATE OF NEW MEXICO )  
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COUNTY OF SANTA FE )  
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4 I, IRENE DELGADO, certify that I reported the  
5 proceedings in the above-transcribed pages, that pages  
6 numbered 1 through 10 are a true and correct transcript of  
7 my stenographic notes and were reduced to typewritten  
8 transcript through Computer-Aided Transcription, and that on  
9 the date I reported these proceedings I was a New Mexico  
10 Certified Court Reporter.

11 Dated at Santa Fe, New Mexico, this 30th day of  
12 May 2019.

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Irene Delgado, NMCCR 253  
Expires: 12-31-19