

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 NOs. 20689,
DELAWARE, LLC FOR COMPULSORY POOLING, 20696, 20698,
EDDY COUNTY, NEW MEXICO. 20701

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 8, 2019

Santa Fe, New Mexico

BEFORE: LEONARD LOWE, CHIEF EXAMINER
MICHAEL McMILLAN, TECHNICAL EXAMINER
DANA Z. DAVID, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Leonard Lowe, Chief Examiner; Michael McMillan, Technical Examiner; and Dana Z. David, Legal Examiner, on Thursday, August 8, 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.

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APPEARANCES

FOR APPLICANT NOVO OIL & GAS NORTHERN DELAWARE, LLC:

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1 (3:17 p.m.)

2 EXAMINER LOWE: That's number 34 -- could
3 you say those again?

4 MR. BRUCE: Yeah. That would be numbers
5 34, number 41, number 43 and number 46.

6 EXAMINER LOWE: Okay. I will call those
7 up. Case Number 20689, application of Novo Oil & Gas
8 Northern Delaware, LLC for compulsory pooling, Eddy
9 County, New Mexico will be consolidated with Case
10 Numbers 20696, 20698 and 20701.

11 Call for appearances.

12 MR. BRUCE: Jim Bruce of Santa Fe
13 representing the Applicant.

14 I'm submitting the cases by affidavit.

15 MR. LARSON: Mr. Examiner, Gary Larson,
16 with the Santa Fe office of Hinkle Shanor, for XTO
17 Delaware Basin, LLC.

18 And I have no objection to Mr. Bruce
19 presenting the case by affidavit.

20 EXAMINER LOWE: Okay. Any witnesses?

21 No witnesses.

22 MR. BRUCE: There are three exhibits I'm
23 presenting, and I'll run through the first one in a
24 little more detail but then a summary with the other
25 ones.

1 In these case Novo seeks the force pooling
2 of certain well units for Bone Spring wells. I think
3 the wells have been divvied up according to whether they
4 were 1st, 2nd or 3rd Bone Spring.

5 EXAMINER McMILLAN: Didn't we hear these
6 cases a couple of years ago?

7 MR. BRUCE: I think -- they're in the same
8 area. They're different wells.

9 EXAMINER McMILLAN: Oh, they are?

10 MR. BRUCE: Yeah. They're different wells
11 because -- these well proposals went out in April, so --
12 I know what you're thinking of, Mr. Examiner.

13 EXAMINER McMILLAN: Okay.

14 MR. BRUCE: Yeah.

15 In 20689, Novo seeks the pooling of the
16 Bone Spring Formation in a horizontal unit comprised of
17 the north half of Section 5 and the north half of
18 Section 6, 23 South, 29 East for the Rana Salada Fed Com
19 well numbers 131H, 132H and 135H. This is one of
20 those -- what do you call them -- proximity tracts.

21 Exhibit 1 is the verified statement of
22 Brandon Patrick, the landman for Novo Petroleum.

23 And if you go through the affidavit,
24 attached as Attachment A are the C-102 for the well
25 showing their locations. Again, there is one that's

1 close to the centerline of the north half of those
2 sections, and that's the reason they requested them
3 together.

4 Attachment B is just kind of a summary.
5 They're only seeking to force pool WPX Energy, who has
6 an approximate 25 percent interest.

7 Attachment C is the well proposal to WPX.
8 They have never elected to join or anything like that.
9 They are also seeking to force pool overrides, which are
10 stated. There are some overriding royalty owners in
11 Sections 6 and 5.

12 And Attachment E is the AFE for the well.
13 It's about a \$10-1/2 million test. There are no depth
14 severances in the Bone Spring Formation. The AFEs are
15 stated to be fair and reasonable for other wells of this
16 length and this depth, and they're requesting overhead
17 and administrative rates of 8,000 a month and 800 a
18 month. Novo requests that the 200 percent risk charge
19 be assessed if WPX goes nonconsent. And that's pretty
20 much for that affidavit.

21 Exhibit 2 is the verified statement of
22 Michael Hale, who is the geologist. And these wells are
23 all 3rd Bone Spring tests.

24 And I apologize. These exhibits should be
25 in color. And I will get you, at least as to the

1 affidavit -- at least as to the cross sections, if you
2 so desire them. I can email you color copies of these.
3 But I will do that.

4 But he's got a structure map and an isopach
5 and an east-west cross section that shows that the 3rd
6 Bone Spring is continuous across the well unit. The
7 structure is slightly dipping to the east and that,
8 together with the cross section, you can see that the
9 3rd Bone Spring is continuous across the section --
10 across the two sections. Each quarter section will
11 contribute more or less equally to production, and
12 there's no preference in this area for stand-up or
13 lay-down well units.

14 Exhibit 3 is the Affidavit of Notice.
15 These cases were originally filed by Holland & Hart, so
16 I do have my self-affirmed statement. But the notice
17 letter is from Holland & Hart, and it contains all the
18 information on return receipts from the post office.

19 And with that, I move the admission of
20 Exhibits 1 through 3.

21 EXAMINER LOWE: Exhibits 1 through --
22 well --

23 MR. LARSON: No objections.

24 EXAMINER LOWE: Exhibits 1 through 3 will
25 be accepted in all the cases.

1 (Novo Oil & Gas Northern Delaware, LLC
2 Exhibit Numbers 1 through 3 are offered and
3 admitted into evidence.)

4 EXAMINER McMILLAN: Do you have any
5 questions?

6 MR. LARSON: I don't have any questions.

7 EXAMINER McMILLAN: What's the pool code?

8 MR. BRUCE: I will find that out.

9 EXAMINER McMILLAN: And then, also, I want
10 to see an email for the 132H, what the first and last
11 take point is --

12 MR. BRUCE: Okay.

13 EXAMINER McMILLAN: -- just to ensure
14 that's within 330 feet, pull in the proximity tracts.

15 MR. BRUCE: Okay. I will do that. I
16 actually only got those about two hours ago (laughter).

17 I will look at each of these and make sure
18 you have first and last take points on all of these.

19 EXAMINER McMILLAN: Okay. Any unlocatable
20 interests?

21 MR. BRUCE: There were -- I mean, if you
22 look at the notice affidavit, I believe -- and I'm not
23 used to looking at this. I don't know what this postal
24 program is, but I believe there were some returned
25 letters or letters that they never got a green card back

1 on. But they were overriding royalty owners.

2 EXAMINER McMILLAN: Any other questions?

3 EXAMINER LOWE: No. I don't have any
4 questions.

5 EXAMINER DAVID: I have no questions.

6 EXAMINER LOWE: Are you done with these?

7 MR. BRUCE: I am done with -- there are
8 four cases. All I will say on this one is that it's the
9 same general testimony in this case. There are --
10 whoops. I think I gave -- maybe it's over here. Okay.
11 I messed up my own simple filing system.

12 The only difference in this case is that
13 the pool parties are WPX Energy and Chevron USA, Inc.
14 The proposal letters all went out in April, so there has
15 been sufficient time for contact among the parties. But
16 the same overhead rates are requested, the same penalty,
17 et cetera. And in this particular case, the wells being
18 pooled -- this is the south half of Section 6 and the
19 southwest quarter of Section 5, 23 South, 29 East, again
20 for the Rana Salada 123, 124 and 126 wells. These are
21 2nd Bone Spring wells, so the geologist discusses the
22 2nd Bone Spring in this particular application. But
23 it's pretty similar, the structure dipping, the uniform
24 thickness on the isopach. And the cross section shows
25 that the zone is continuous across the well units and

1 that each quarter section of the well unit will
2 contribute more or less equally to production. And,
3 again, this is one of the proximity tracts which has a
4 well unit going down the middle of the well unit, which
5 is the 123H well.

6 I'll keep these together or I will be
7 confused.

8 EXAMINER LOWE: Are you going to give us
9 questions?

10 MR. BRUCE: If you have questions, go right
11 ahead.

12 EXAMINER McMILLAN: Go ahead.
13 Do you have any questions?

14 MR. LARSON: I have no questions.

15 EXAMINER LOWE: Do you have any questions?

16 EXAMINER DAVID: No questions.

17 EXAMINER McMILLAN: So you're pooling
18 working interests?

19 MR. BRUCE: Working interests and
20 overrides.

21 EXAMINER McMILLAN: And you're going to
22 provide us, for the 123H, the first and last take
23 points?

24 MR. BRUCE: Yes.

25 EXAMINER McMILLAN: Any depth severances?

1 MR. BRUCE: No.

2 EXAMINER McMILLAN: Unlocatables?

3 MR. BRUCE: Again, some of the overrides,
4 apparently, or at least no green cards came back.

5 EXAMINER McMILLAN: And then the geologist
6 stated all quarter-quarter?

7 MR. BRUCE: Yeah. All quarter-quarter
8 sections in the well unit will contribute more or less
9 equally to production.

10 MR. LARSON: I was just going to say, XTO,
11 which is an override, did get notice.

12 MR. BRUCE: Then Case 20698, the next one
13 on the docket, is similar: same information, same land
14 affidavit, Exhibit 1, same type of information. Now,
15 this well unit is the south half-north half of 6 and the
16 south half-northwest quarter of 5. This is, again, a
17 Bone Spring well. This is a 2nd Bone Spring test. The
18 parties being pooled besides the overrides -- the only
19 party -- the only working interest owner being pooled is
20 WPX Permian. And, again, seeking the same overhead
21 rates, 8,000, 800 and a 200 percent risk charge.

22 Exhibit 2 is the affidavit of the geologist
23 who discusses the 2nd Bone Spring Formation for this
24 well, similar information: structure map, isopach,
25 cross section. The zone is continuous across the well

1 unit, and each quarter-quarter section of the well unit
2 will contribute more or less equally to production.

3 And, again, they see no difference in this area between
4 stand-up and lay-down units insofar as production goes.

5 So I'd move the admission of Exhibits 1
6 through 3 in this matter. And if I didn't ask that for
7 20689, I'd ask that also.

8 MR. LARSON: No objection and no objection.

9 EXAMINER LOWE: Okay. Exhibits 1 through 3
10 for 20689, 96 [sic] and 20698 will be admitted.

11 (Novo Oil & Gas Northern Delaware, LLC
12 Exhibit Numbers 1 through 3 are offered and
13 admitted into evidence.)

14 MR. BRUCE: And finally in Case --

15 EXAMINER McMILLAN: Hold on.

16 MR. BRUCE: Oh, okay.

17 EXAMINER McMILLAN: So there are no
18 overlapping horizontal spacing units in any of these?

19 MR. BRUCE: Not that I'm aware of.

20 EXAMINER McMILLAN: Okay. I just want to
21 make sure.

22 MR. BRUCE: Yeah.

23 EXAMINER McMILLAN: It's essentially the
24 north half-north half, south half-north half and then
25 the north half-north half, south half-north half, north

1 half- -- south half and the south half and the west half
2 of Section 5, right? I just want to make sure there is
3 no -- because it makes it more difficult to write it.

4 MR. BRUCE: Correct. I understand.

5 EXAMINER McMILLAN: Wait. Okay. I'm
6 still -- I've got a question on 206 -- what's the
7 dedicated -- I'm confused because -- okay. Let me look.
8 What was the first case?

9 MR. BRUCE: 20689.

10 EXAMINER McMILLAN: My question is: 20689,
11 what's the dedicated acreage?

12 MR. BRUCE: It's the north half of 5 and
13 the north half of 6.

14 EXAMINER McMILLAN: Okay. And then the
15 question I'm getting right now is: I'm looking at
16 20698. It's the south half of the north half and the
17 south half of the northwest quarter.

18 MR. BRUCE: And, Mr. Examiner, I know
19 (laughter). I didn't file these applications.

20 EXAMINER McMILLAN: I know you didn't file
21 the applications, but, you know, there's going to have
22 to be some really nice -- the problem we're going to get
23 is --

24 MR. BRUCE: And they've -- I don't know why
25 they did it, but they're force pooling -- they should

1 have --

2 EXAMINER McMILLAN: There's going to be a
3 problem with this.

4 MR. BRUCE: And I do not know why Holland &
5 Hart filed them this way because it's all Bone Spring.
6 And there are 1st, 2nd and 3rd Bone Spring wells, but I
7 never differentiate between them. I'm just dealing with
8 the -- what I will do is I will put that together, and I
9 will email you that perhaps -- like 20689 and 20701
10 should probably just be one well unit with six different
11 wells dedicated to it.

12 EXAMINER McMILLAN: But then the problem
13 you're getting is that the percentages are going to be a
14 smidgen different, right? I mean, that's the question
15 I'm getting right now.

16 MR. BRUCE: Okay.

17 EXAMINER McMILLAN: Make sense?

18 MR. BRUCE: Let me check. Maybe that is
19 why they did it.

20 Yes, it would be. So that is why there is
21 obviously something going on that I was not aware of.
22 So I guess what they're asking is force pooling by Bone
23 Spring zone, not the entire Bone Spring.

24 EXAMINER McMILLAN: Okay. Then that brings
25 up the question -- it brings up the notification

1 question. Was everyone --

2 MR. BRUCE: Everyone in the Bone Spring was
3 notified.

4 EXAMINER McMILLAN: Was everyone in the
5 mineral estate --

6 MR. BRUCE: Yeah.

7 EXAMINER McMILLAN: -- notified?

8 MR. BRUCE: Yes.

9 EXAMINER McMILLAN: That's a huge issue.

10 MR. BRUCE: All working interest owners and
11 all overrides were notified top to bottom of the Bone
12 Spring.

13 EXAMINER McMILLAN: Okay. But was everyone
14 in the mineral estate notified?

15 MR. BRUCE: I'll have to check.

16 EXAMINER McMILLAN: That's a huge issue.

17 MR. BRUCE: Mineral estate is all federal.

18 EXAMINER McMILLAN: Okay. Well, I mean,
19 this is making a simple case very complicated
20 (laughter).

21 MR. BRUCE: All I can say, Mr. Examiner, is
22 it's not my fault.

23 (Laughter.)

24 MR. LARSON: Objection.

25 (Laughter.)

1 MR. BRUCE: But, you know, the BLM is the
2 one processing this, so I guess they're aware of it.
3 But if additional notice is required, that's perfectly
4 fine. But everyone was notified except perhaps the BLM
5 officially of this application -- of these applications.
6 And I do not have copies of the applications here with
7 me right now.

8 MR. LARSON: Jim, I believe there is one
9 that's attached to the self-affirmed statement in 20689.

10 MR. BRUCE: Oh, yeah. That's right. It
11 is. Yeah. But Holland & Hart's application says
12 "pooling all mineral interests in the Bone Spring
13 Formation." But as I said, 20689 involves the 3rd Bone
14 Spring. 20696 involves the 2nd Bone Spring. 20698
15 involves the 2nd Bone Spring. Now, that's a
16 different --

17 EXAMINER McMILLAN: I thought the
18 south-half ones weren't a big deal.

19 MR. BRUCE: Yeah. The south-half ones --
20 yeah. I don't think it matters in the south half of 6
21 and the southwest quarter of 5.

22 EXAMINER McMILLAN: Yeah. But I think the
23 north halves are a huge problem.

24 MR. BRUCE: And then the north half
25 contains 1st Bone Spring, 2nd Bone Spring and 3rd Bone

1 Spring --

2 EXAMINER McMILLAN: Okay. So --

3 MR. BRUCE: -- with different working
4 interest ownership.

5 EXAMINER McMILLAN: Well, different
6 working?

7 MR. BRUCE: Yeah.

8 EXAMINER McMILLAN: So that means we have a
9 depth severance.

10 MR. BRUCE: Yeah.

11 EXAMINER McMILLAN: Okay. You're going to
12 have to make sure that everyone in the southwest
13 quarter -- northwest quarter of 5 has been notified.
14 And the north half of 6, they're all going to have to be
15 notified, and just make sure everyone in the mineral
16 estate. You said there are different working interest
17 owners. Then this is a huge problem.

18 MR. BRUCE: Okay. Okay.

19 EXAMINER McMILLAN: So all the northwest
20 quarter of 5 and all of the north half of 6 are going to
21 have to be notified. Oh, geez. We're going to have a
22 huge problem, because when you said there is diverse
23 ownership in there, that's opening a whole new box of
24 Pandora.

25 MR. BRUCE: Thank you, Mr. King.

1 (Laughter.)

2 MR. BRUCE: So what you're saying is these
3 cases will have to be continued to the 19th of September
4 probably?

5 EXAMINER McMILLAN: Well, we have a problem
6 because we don't know how to -- like everything --
7 everything is kind of up in the air. We have to figure
8 out how we're going to handle the continuance. We're
9 not -- we're not sure how to handle this.

10 EXAMINER LOWE: Yeah.

11 EXAMINER McMILLAN: So what we're going to
12 do now is we're going to take a ten-minute break and go
13 talk to Will. That's what we're doing now.

14 Let's go, Leonard.

15 3:55, we're coming back.

16 (Recess, 3:44 p.m. to 3:53 p.m.)

17 EXAMINER LOWE: We're back on the record.

18 EXAMINER McMILLAN: We're talking about
19 20689 and 20698; Is that correct?

20 EXAMINER LOWE: 20698 and 20689.

21 MR. BRUCE: Yeah. We're probably going to
22 have to include 20701 in that mix, too.

23 EXAMINER McMILLAN: Okay. We will include
24 those cases.

25 EXAMINER LOWE: We've concluded that those

1 three cases -- four --

2 EXAMINER McMILLAN: Three. That's right.

3 EXAMINER LOWE: Those three cases will be
4 continued for notice purposes, in that sense. So we'll
5 probably shoot for in the next 30 days. We'll continue
6 that for that docket, unless told otherwise, I guess.

7 MR. BRUCE: September 19th?

8 EXAMINER LOWE: Pretty much.

9 MR. BRUCE: Okay. That's fine.

10 EXAMINER McMILLAN: Anything else?

11 MR. BRUCE: I think 20696 --

12 EXAMINER McMILLAN: Hold on, Jim.

13 MR. BRUCE: Okay. Excuse me.

14 EXAMINER LOWE: And those three cases, when
15 it comes back for that day, we want the landman to come
16 in and provide a statement at that time.

17 MR. BRUCE: Okay. Will do. No problem.
18 Okay. I understand. I've got my marching orders.

19 EXAMINER McMILLAN: Okay.

20 EXAMINER LOWE: So we'll continue those
21 three for the next -- for the September 19th docket.

22 MR. BRUCE: 20689, 20698 and 20701. Okay.
23 20696, that has its own separate acreage,
24 so that one should be fine. I hope.

25 EXAMINER LOWE: Okay.

1 EXAMINER McMILLAN: No objection, right?

2 MR. LARSON: No objection.

3 EXAMINER DAVID: So we'll take 20696 under
4 advisement --

5 MR. BRUCE: Yes.

6 EXAMINER DAVID: -- and then the other
7 three will be continued?

8 20689, 20698 and 20701, those will be
9 continued until September 19th. And we'll have -- you
10 will redo the notice on those, and you will come back
11 with a landman to testify.

12 MR. BRUCE: And I'll file the motion for
13 continuance with the --

14 EXAMINER DAVID: I don't know if you need
15 to file a motion. We're just doing this as part of the
16 proceedings. So unless you need something for your
17 record, but it's part of the record.

18 EXAMINER McMILLAN: Okay. This is what
19 you're going to do, Jim. You're going to talk to
20 Marlene. She understands all the little ins and outs of
21 it. That's the best way to handle it.

22 MR. BRUCE: Okay. Okay. Thank you.

23 EXAMINER DAVID: We'll talk to Marlene,
24 too, so she knows that we instructed this in the course
25 of the proceedings.

1 MR. BRUCE: Thank you. Now if something
2 happens, it will be my fault.

3 (Laughter.)

4 EXAMINER McMILLAN: Okay. But then let's
5 go to case -- I'd like to open Case 20701, and you can
6 do the geologic presentation. Any problems with that?

7 EXAMINER DAVID: No objection.

8 EXAMINER LOWE: No problem.

9 MR. BRUCE: Okay. So 20701, the geologic
10 presentation, again it's the north half of 5, north half
11 of 6 for the Rana Salada, well numbers 111H, 112H and
12 115H. These are 1st Bone Spring tests. And, again,
13 we've got a locator map, structure map. The structure
14 is pretty similar in all these cases. The isopach
15 showing a fairly consistent thickness of the 1st Bone
16 Spring, and then the cross section, which shows the
17 target interval as a consistent uniform thickness across
18 the well unit. And each quarter section in the well
19 unit will contribute more or less equally to production.
20 There is no impediment to drilling a horizontal well,
21 and there is no preference for stand-up or lay-down
22 units.

23 And with that, I'd move the admission of
24 Exhibits 1 through 3 in Case 20701, subject to bringing
25 the landman back.

1 EXAMINER LOWE: Those exhibits are admitted
2 for Case Number 20701.

3 EXAMINER McMILLAN: Any objections?

4 MR. LARSON: No objection.

5 (Novo Oil & Gas Northern Delaware, LLC
6 Exhibit Numbers 1 through 3 are offered and
7 admitted into evidence for Case Number
8 20701.)

9 EXAMINER McMILLAN: Thanks.
10 (Case Numbers 20689, 20696, 20698 and 20701
11 conclude, 4:00 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 19th day of August 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

25