

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 XTO ENERGY, INC. FOR CASE NOs. 20687,
COMPULSORY POOLING, EDDY COUNTY, 20695
NEW MEXICO.

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.

REPORTED BY: Mary C. Hankins, CCR, RPR
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APPEARANCES

FOR APPLICANT XTO ENERGY, INC.:

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1 (2:41 p.m.)

2 EXAMINER LOWE: Okay. We are back on the
3 record.

4 Call Case Number 20687, application of XTO
5 Energy for compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. FELDEWERT: May it please the examiner,
8 Michael Feldewert, with the Santa Fe office of Holland &
9 Hart, appearing on behalf of the Applicant.

10 We'd ask that this case be consolidated
11 with Case 20695, which appears on page 11 of your
12 docket. It's the same acreages involved.

13 EXAMINER LOWE: Okay.

14 Any other appearances?

15 MR. FELDEWERT: So perhaps you could call
16 Case --

17 EXAMINER LOWE: And Case 20695 is
18 consolidated with 20687.

19 MR. FELDEWERT: Mr. Examiner, there is no
20 opposition to these -- either of these pooling
21 applications. We'll be presenting the case by
22 affidavit, which I have a set of affidavits. In front
23 of you, there are four exhibits -- fundamental exhibits,
24 Exhibit A, which is the affidavit of the landman, and
25 Exhibit B, which is the affidavit of the geologist, and

1 then Exhibit C, which is the Affidavit of Notice, and
2 then Exhibit D, which is the Affidavit of Publication in
3 the local newspaper.

4 If you turn to Tab A, Exhibit A, it's the
5 affidavit of Mr. Greg Davis. He's the senior land
6 advisor for the company. He has previously testified
7 before this Division as an expert in petroleum land
8 matters. And he notes in his affidavit that in Case
9 20687, the first one you called here today, involves the
10 Bone Spring Formation. And under that case, they seek
11 to pool a 640-acre standard horizontal spacing unit
12 comprised of the south half of Sections 13 and 14 in 20
13 South, 31 East and dedicated to four initial wells,
14 which are -- the C-102s of which comprise Exhibit A1.

15 If you look at those, Exhibit A1, and the
16 four C-102s, you'll see that this is in a pool, and the
17 pool code is identified. Neither of these well
18 applications have been filed yet, so we do not have an
19 API number. And those are the four wells that will be
20 dedicated to the Bone Spring spacing unit, what you
21 would call the proximity tract well, which allows the
22 north half of the south half of the south half of the
23 south half to be brought together. That would be the
24 Anakin 203H well, which is the first well, the first
25 C-102 on Exhibit A1. And you'll see that it's at a

1 location that allows that well to be -- bring in the
2 proximity tracts.

3 He then goes on to testify that in Case
4 20695, they seek to pool the same acreage in the
5 Wolfcamp Formation, and the C-102 application for that
6 particular case is under Exhibit A2, the C-102 plat.
7 What you'll notice is that yes, this is in Eddy County,
8 but it is not in the Purple Sage; Wolfcamp Gas Pool.
9 It's outside the boundaries of that pool, so we
10 understand it's going to be placed in a wildcat Wolfcamp
11 pool.

12 The Jedi well that you see in Exhibit A2 is
13 the initial well for this proposed spacing unit, and it
14 is at a location which allows the proximity tracts to be
15 brought in to combine the acreage for a south-half
16 spacing unit.

17 Exhibit A3 contains the tracts of land that
18 are involved whether you look at this in the Bone Spring
19 or the Wolfcamp. So it's the same tracts, same owners
20 whether you're in the Bone Spring or the Wolfcamp. He
21 testifies to that. And the second page of this exhibit
22 identifies the interests that are involved and more
23 importantly identifies the two parties that they seek to
24 pool, Xplor Resources, which is a working interest, and
25 then a mineral interest of Leslie H. Bates III.

1 Exhibit A4, he testifies, is an example of
2 the well-proposal letters that were sent for each of
3 these proposed wells in the spacing units with the Bone
4 Spring well proposal comprising A4 and the Wolfcamp well
5 proposal comprising A5. He testifies that in addition
6 to sending these letters, that the company had
7 discussions with the pool parties and undertook efforts
8 to reach agreements with the parties they seek to pool.

9 The last page, page 4, of his affidavit,
10 identifies the overhead rates that are sought for both
11 of these spacing units, and that would be 7,500 per
12 month and 750 per month while drilling. Mr. Davis
13 testifies that there are no depth severances within
14 either of these two formations and that he has provided
15 the last known address of with these pool parties to our
16 law firm for notice purposes.

17 If we then turn to Exhibit B, it is the
18 geologist's affidavit, Michael Williams. Mr. Williams
19 has not previously testified before this Division, and
20 he provides his extensive qualifications in paragraph
21 two of his affidavit and asks that the Division accept
22 them and accept him as an expert in petroleum geology.

23 Noting the targets that are involved with
24 each of these wells in both the Bone Spring and the
25 Wolfcamp, he first provides in Exhibit B1 a structure

1 map that is based off the 3rd Bone Spring Lime
2 structure, which is representative of the targeted
3 intervals for these wells within the Bone Spring
4 Formation. I believe they meet the requirements of the
5 Division in terms of the contouring, as well as
6 providing the data points that he utilized, which you
7 will observe in these exhibits, because there is not a
8 whole lot of data points when you get into this acreage.
9 That's why this is somewhat of a wildcat area,
10 particularly in the Wolfcamp. But he does testify,
11 based on the information that they have, that he does
12 not observe any faulting, pinch-outs or other geologic
13 impediments that would prevent the development of this
14 Bone Spring Formation.

15 Exhibit B2 is a similar structure map for
16 the Wolfcamp. Not a whole lot of difference, he
17 testifies in his affidavit. And, again, he sees no
18 faulting or pinch-outs that would prevent the
19 development of horizontal wells.

20 His Exhibit B3 is the locator map for the
21 wells that he utilized in his cross section. He
22 testifies, just to orient you, that the red line that
23 you see in the south half of 14 and 13 is just a
24 depiction of approximately where the wells are going to
25 be, and you'll see that he was able to utilize a

1 saltwater disposal well right in Section 14 as one of
2 his three cross-section wells. You'll see again there
3 are not a whole lot of data points out there for him to
4 utilize.

5 Exhibit B4 is then the stratigraphic cross
6 section utilizing the three wells that he identifies on
7 Exhibit B3. And he identifies the target zone for the
8 four Bone Spring wells and then the single Jedi Wolfcamp
9 well, the Jedi being in the Wolfcamp, approximately, X-Y
10 or A zone down there at the bottom of this exhibit, B4.

11 He testifies that the targeted intervals
12 for this that they have proposed here extends across the
13 area that they seek to utilize as their spacing units.
14 Now, because of the nature of the information and what's
15 available, he took the extra step of not only providing
16 the stratigraphic cross section, but then using that
17 well all the way to the right-hand side, that SWD well,
18 beginning on Exhibit B5, he shows the target zone in
19 more detail for each well utilizing that SWD well.

20 So Exhibit B5 deals with the Anakin well.
21 B6 deals with the Bone Spring Qui-Gon well. B7 shows
22 the type log for that well, for the Rey 102H well in the
23 target zone. B8 shows that final 3rd Bone Spring target
24 zone for the Obi-Wan 102H well.

25 And then with respect to the Wolfcamp

1 Formation, Exhibit B9 shows the Jedi well and its
2 location in the Wolfcamp X-Y target zone. So it
3 provides a little more detail for you.

4 He testifies that he expects each of the
5 quarter sections in these spacing units to contribute
6 more or less equally to production from the wellbores,
7 and he testifies, on the last page, that the orientation
8 of the proposed wells is appropriate for this area.

9 Exhibit C, then, is our Affidavit of
10 Publication to the two parties -- I'm sorry -- the
11 Affidavit of Notice to the two parties we seek to pool
12 here today. The notice letter to Leslie H. Bates III
13 reflects that it's still in transit. I'm not sure what
14 that means.

15 But as a result, Exhibit D is an Affidavit
16 of Publication in the local newspaper both for the Bone
17 Spring spacing unit -- that's the first case, Case
18 20687 -- and then separately for the Wolfcamp spacing
19 unit, 20695. And you'll see that in each case, the
20 Notices of Publication is directed to Leslie H. Bates
21 III devisees and heirs.

22 So with that, we would ask that Exhibits A
23 through D be accepted into the record.

24 EXAMINER LOWE: Exhibits A through D will
25 be accepted for the record.

1 (XTO Energy, Inc. Exhibits A through D are
2 offered and admitted into evidence.)

3 MR. FELDEWERT: And I'd ask this case be
4 taken under advisement.

5 EXAMINER McMILLAN: Okay. First, the
6 Wolfcamp is a wildcat pool, correct?

7 MR. FELDEWERT: That's what they've been
8 told.

9 EXAMINER McMILLAN: Okay. So it's going to
10 be a wildcat gas pool, right?

11 MR. FELDEWERT: They've been told it's
12 going to be a wildcat oil pool, which is why they're on
13 40 building blocks. They understand this is going to be
14 a wildcat pool.

15 EXAMINER McMILLAN: Let's see. The Jedi --

16 MR. FELDEWERT: That's for the Jedi.
17 You'll see the pool says --

18 EXAMINER McMILLAN: Well -- Okay. I see
19 what you're doing. Okay, this is a wildcat oil, but
20 then it's on the quarter-quarter boundary.

21 MR. FELDEWERT: Yes. It brings in the
22 proximity bounds, yes.

23 EXAMINER McMILLAN: All right. And you
24 stated that every quarter-quarter section will
25 contribute equally?

1 MR. FELDEWERT: Yes.

2 EXAMINER McMILLAN: Okay. Go ahead.

3 EXAMINER LOWE: Any questions, sir?

4 EXAMINER DAVID: I have no questions.

5 EXAMINER LOWE: I have no questions at this
6 time.

7 Case Number 20687 and Case Number 20695
8 will be taken under advisement.

9 MR. FELDEWERT: Thank you.

10 (Case Numbers 20687 and 20695 conclude,
11 2:53 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

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