

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 NO: 20826

APPLICATION of XTO ENERGY INC.
FOR COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 14, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, EXAMINERS LEONARD LOWE, KATHLEEN MURPHY, PHILLIP GOETZE and LEGAL EXAMINER ERIC AMES, on Thursday, November 14, 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
Albuquerque, NM 87102

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A P P E A R A N C E S

For the Applicant:

MICHAEL FELDEWERT
HOLLAND & HART
110 North Guadalupe, Suite 1
Santa Fe, NM 87501
505-954-7286

I N D E X

CASE NO. 20826 CALLED

KENNETH HILGER (By Affidavit)	03
BRIAN HENTHORN (By Affidavit)	04

TAKEN UNDER ADVISEMENT:	07
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E X H I B I T I N D E X

	Offered
Exhibit A, Attachments 1-7	05
Exhibit B, Attachments 1-2	05
Exhibit C	05
Exhibit D	05

1 HEARING EXAMINER LOWE: We will call case Number
2 20826 XTO for compulsory pooling. Call for appearance.

3 MR. FELDEWERT: May it please the Examiner,
4 Michael Feldewert with the Santa Fe office of Holland & Hart
5 appearing on behalf of the applicant.

6 HEARING EXAMINER LOWE: Any other appearances?
7 (No response.)

8 HEARING EXAMINER LOWE: You may proceed.

9 MR. FELDEWERT: Mr. Examiner, We are presenting
10 this case by affidavit. This involves a 1280 acre
11 horizontal well spacing unit in the Purple Sage Wolfcamp Gas
12 Pool.

13 You will see as Exhibit A we have the affidavit
14 of Ken Hilger, and he attaches various exhibits to his
15 affidavit. Exhibit Number 1 outlines in yellow the acreages
16 that are involved here comprising the proposed spacing unit,
17 and then it depicts, the various colored sticks here, the
18 wells that are involved, the initial wells that are
19 involved. What you will notice is there are four well pads.
20 If you look down there at the bottom you will see Pad 1, Pad
21 2, Pad 3 and Pad 4.

22 Exhibit 2 are all the C-102s for Pad 2. Exhibit
23 3 are all the -- I'm sorry -- C-102s for Pad 1 are under
24 Exhibit 2. C-102s for Pad 2 are under Exhibit 3. C-102s
25 for Pad 4 are under Exhibit 4, and then the final pad is

1 under Exhibit 5.

2 The binding well that's going to allow the
3 inclusion of all this acreage into a standard horizontal
4 well spacing unit is the 104H, which is, the C-102 for that
5 is produced as Exhibit Number 6. Okay.

6 Mr. Hilger also testifies, among other things in
7 his affidavit, that that acreage there, if you look at
8 Exhibit Number 1, that acreage down on the right-hand
9 corner, the E/2 of the NW/4 of Section 8, they had to move
10 that well pad to the north because of some acreage concerns,
11 and they plan on developing that acreage by bringing wells
12 in from the south. That's why well Pad 4 looks different
13 from all the other pads, it had to be moved due to acreage
14 concerns, and he testifies about that in his affidavit.

15 They are only seeking to pool the overriding
16 royalty interest owners, and they are under Exhibit Number
17 7.

18 Exhibit B then is the affidavit from the
19 geologist Brian Henthorn. He provides you the cross
20 sections -- I'm sorry -- the structure maps that you are
21 used to seeing. Under Exhibit B-1 he identifies the wells
22 that he used in the cross -- in stratigraphic cross section,
23 which you will find under Exhibit Number 2.

24 And he offers his opinions that this is suitable
25 for development, the formation is continuous, and that there

1 are no impediments to developing this acreage horizontal.

2 Exhibit C is our notice of affidavit sent out to
3 the overriding royalty interest owners.

4 Exhibit D is an affidavit of publication, because
5 there are a few overriding royalty interest owners who did
6 not receive notice of the hearing, so they were named in the
7 affidavit of publication, which is Exhibit Number D.

8 So unless you have questions. I will move the
9 admission of Exhibits A, B, C and D and all of its
10 attachments and ask that this application be taken under
11 advisement.

12 (Exhibits A, B, C, D and attachments offered.)

13 HEARING EXAMINER LOWE: Any questions?

14 MR. GOETZE: Just one. There is a couple of
15 exhibits that are kind of green. Are you these submitting
16 these electronically so we can have --

17 MR. FELDEWERT: Which one is green?

18 MR. GOETZE: Come on.

19 MR. FELDEWERT: You can't read that?

20 We will be submitting them electronically. I
21 think this is a PDF that I got, I'm not sure. Let me see
22 what I can do.

23 MR. GOETZE: That and the cross section we would
24 like to be able to see. No big deal.

25 EXAMINER MURPHY: How many total wells?

1 MR. FELDEWERT: 20, is what I count. It's
2 because you will see they go across, and they're going to
3 batch drill from these -- move from one pad to the other.
4 That's why there is so many initial wells.

5 EXAMINER MURPHY: And they are all Wolfcamp?

6 MR. FELDEWERT: All Purple Sage Wolfcamp. And of
7 note, perhaps, is we are only pooling overriding royalty
8 interest owners. They have reached an agreement with all
9 the working interest percentage.

10 HEARING EXAMINER LOWE: Do all the wells have APN
11 numbers?

12 MR. FELDEWERT: Yes.

13 HEARING EXAMINER LOWE: All orthodox?

14 MR. FELDEWERT: Yes. Yes. They all meet the
15 setback requirements for the Purple Sage Wolfcamp Gas Pool.

16 HEARING EXAMINER LOWE: You indicated Well Number
17 104H is the defining well.

18 MR. FELDEWERT: The well under Exhibit Number 6,
19 which is the 104H, correct, sir. So that well is within 330
20 of the center line of the acreage.

21 HEARING EXAMINER LOWE: Okay. I was curious to
22 know, how many -- what would define -- I'm sure it would
23 probably be cost, but in this case you have four well pads;
24 right?

25 MR. FELDEWERT: Yes, sir.

1 HEARING EXAMINER LOWE: If you were to make it
2 less, would it be better or worse or depend on the surface
3 location?

4 MR. FELDEWERT: Well, they -- part of it
5 certainly depends upon surface location. That's why they
6 had to put Pad 4 that you see in Exhibit 1 at that location.
7 They intended to put it at the bottom, he testifies in his
8 affidavit that the -- (cell phone interruption) -- required
9 them to move that pad north because of surface concerns down
10 there. So some of this, I'm sure, is driven by surface
11 concerns and surface constraint, but beyond that, I'm not
12 familiar with how they came up with the development.

13 HEARING EXAMINER LOWE: That's all the questions
14 I have. No other questions. Thank you. Case Number 20826
15 will be taken under advisement.

16 MR. FELDEWERT: Thank you.

17 (Case 20826 taken under advisement.)

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1 STATE OF NEW MEXICO)
)SS
2 COUNTY OF SANTA FE)

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

10 Dated at Santa Fe, New Mexico, this 14th day of
11 November 2019.

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