

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: 20914 and 20915

APPLICATION OF BTA OIL PRODUCERS LLC  
FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 15, 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 Friday, November 15, 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  
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505-843-9241

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A P P E A R A N C E S

For the Applicant:

JAMES BRUCE  
P.O. Box 1056  
Santa Fe, NM 87504-1056  
505-982-2151  
jamesbruce@aol.com

I N D E X

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|---------------------------------|----|
| CASE NO. 20914 and 20915 CALLED |    |
| REX BARKER (By Affidavit)       | 03 |
| DARYN DOLEZAL (By Affidavit)    | 04 |
| TAKEN UNDER ADVISEMENT:         | 07 |

E X H I B I T I N D E X

|                      |          |
|----------------------|----------|
|                      | Admitted |
| Exhibits 1 through 3 | 06       |

1 HEARING EXAMINER LOWE: Good morning. We are  
2 back on the record. Today is November 15, 2019, and we are  
3 continuing the Docket 42-19, and this morning we are going  
4 to conduct an affidavit hearing, Case Number 20914 and  
5 20915. Is that correct, Mr. Bruce?

6 MR. BRUCE: Yes.

7 HEARING EXAMINER LOWE: Call for appearance.

8 MR. BRUCE: Jim Bruce for the applicant, BTA Oil  
9 Producers.

10 HEARING EXAMINER LOWE: You may proceed.

11 MR. BRUCE: I have handed you a package of three  
12 exhibits.

13 The first is a verified statement of Rex Barker,  
14 a landman for BTA Oil Producers LLC. If you turn back four  
15 pages there is, middle of the map, a company plat. The land  
16 involved in these two cases is the S/2 of Section 2 and all  
17 of Section 11 in 23 South, 34 East.

18 The W/2 of that acreage is being dedicated to the  
19 South Ridge 8030 State Com Well Number 1H. And the E/2 of  
20 that acreage will be dedicated to the South Ridge 8030 State  
21 Com Number 2H. Turn back a couple more pages and C-102s for  
22 the wells showing the locations.

23 The wells are in the Antelope Ridge Bone Spring  
24 Pool. It does not have the pool code, but I will submit it  
25 through the pooling order.

1           Those -- I'm sorry -- those AFEs were in May and  
2 when the APDs were approved, the OCD Hobbs office put those  
3 in the Ojo Chiso Bone Spring Pool. And I will correct that  
4 when I submit the Exhibit A, and the pool code is 97293.

5           Turn to Exhibit C, and it specifies the tracts  
6 involved, the land involved and the interest of each of the  
7 parties in the tracts, and the overall working interest of  
8 the parties in each tract, the interest ownership that the  
9 same parties are involved, and I believe the interest  
10 ownership is common in each well unit.

11           Turn to Exhibit D, and there are sample proposal  
12 letters for each of the two wells. And then the AFEs for  
13 the wells are attached. The estimated cost of these wells  
14 are about \$8.4 million each.

15           The landman came through with information in his  
16 affidavit that the AFEs are stated to be fair and  
17 reasonable, and BTA requests 8000 a month while drilling and  
18 800 a month while producing.

19           And BTA requests the maximum cost plus 200 risk  
20 charge in the event working interest owners go non-consent.  
21 They have been in negotiations and continue to be in  
22 negotiations with the working interest owners, and of course  
23 they will notify the Division in case the parties come to  
24 terms.

25           Exhibit 2 is a verified statement of Daryn

1 Dolezal. He is a geologist for BTA. He has included a  
2 structure map, an isopach which shows that the thickness is  
3 pretty uniform across the acreage in the two well units, and  
4 the cross section. And you can see down towards the Lower  
5 Second Bone Spring, the target zone which is in purple, the  
6 zone is continuous across the well units.

7 Each particular quarter-quarter section in each  
8 well unit will contribute more or less equally, and there is  
9 no faulting or other drilling issues involved. The  
10 geologist states that virtually all of the wells in this  
11 area are stand -- Bone Spring wells in this area are  
12 stand-up wells in that the wells all appear to be  
13 commercial, and that is also shown on the Midland Map  
14 Company plat, that all the wells are stand-up wells, and so  
15 that's why they are drilling these as stand-up wells.

16 And finally, there's the affidavit of notice, and  
17 notice was given to all the interest owners. Although I  
18 have not received all the green cards back, the postal  
19 service records show all address owners did receive actual  
20 notice. The certified mail was delivered to each and every  
21 interest owner.

22 And with that I would move the admission of  
23 Exhibits 1 through 3.

24 HEARING EXAMINER LOWE: Exhibits 1 through 3 will  
25 be accepted for this case.

1 (Exhibits 1 through 3 admitted.)

2 MR. BRUCE: I have nothing further in this  
3 matter.

4 HEARING EXAMINER LOWE: You indicated there was  
5 an error in the pooling.

6 MR. BRUCE: In the -- in Exhibit 1, the  
7 attachment B, the C-102s.

8 HEARING EXAMINER LOWE: The C-102s.

9 MR. BRUCE: When you look at that, when they  
10 filed them in May, it was stated that the wells are in  
11 Antelope Ridge Bone Spring Pool, and I had previously looked  
12 up the AFEs for the well, and the Hobbs Division office  
13 changed that pool designation to the Ojo Chiso pool, and  
14 so --

15 So the application, et cetera, are correct, but I  
16 will, when I submit the exhibits to the Division, I will, I  
17 will correct the C-102, if that is permitted.

18 HEARING EXAMINER LOWE: Okay. And the pool code  
19 you indicated, the 97293 is the Ojo Chiso?

20 MR. BRUCE: Yes.

21 HEARING EXAMINER LOWE: So are you -- is the  
22 Hobbs District, did they update the C-102 to reflect that as  
23 well?

24 MR. BRUCE: They approved the C-102 and the APD.

25 HEARING EXAMINER LOWE: So I will be awaiting

1 those two updates.

2 MR. BRUCE: I will do that later today.

3 HEARING EXAMINER LOWE: Do you have any  
4 questions?

5 EXAMINER MURPHY: I apologize for being late. Is  
6 the Bone Spring oil?

7 MR. BRUCE: It is oil, so the building lots are  
8 40 acres.

9 EXAMINER MURPHY: And is it standard --

10 MR. BRUCE: It is standard.

11 EXAMINER MURPHY: Okay. Thank you.

12 MR. AMES: No questions. Thank you.

13 MR. BRUCE: Nothing further, I would ask that the  
14 matter be taken under advisement.

15 HEARING EXAMINER LOWE: Case Number 20914 and  
16 20915 will be taken under advisement.

17 (Cases 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