

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: 21435

APPLICATION OF CHEVRON USA INC.  
FOR HORIZONTAL SPACING AND PRORATION UNIT  
AND COMPULSORY POOLING  
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS

EXAMINER HEARING

OCTOBER 8, 2020

SANTA FE, NEW MEXICO

This matter came on for virtual hearing before the New Mexico Oil Conservation Division, HEARING OFFICER FELICIA ORTH and TECHNICAL EXAMINERS LEONARD LOWE and KURT SIMMONS on Thursday, October 8, 2020, through the Webex Platform.

Reported by: Irene Delgado, NMCCR 253  
PAUL BACA PROFESSIONAL COURT REPORTERS  
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A P P E A R A N C E S

For the Applicant:

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For Douglas McLeod:

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I N D E X

CASE CALLED

SUMMARY OF CASE AND EXHIBITS 03

TAKEN UNDER ADVISEMENT 07

REPORTER CERTIFICATE 08

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

Admitted

Exhibits A through C and Attachments 07

1                   HEARING EXAMINER ORTH: Let's move to 21435,  
2 Chevron seeking compulsory pooling and approval of other  
3 actions. Well name is SND 14-23. Applicant's counsel is  
4 Abadie and Schill. Who here is -- Mr. Savage?

5                   Let's see here. Hold on, I'm trying to -- I  
6 unmuted you. Who here is from Abadie & Schill.

7                   MR. SAVAGE: I am. This is Darin Savage from  
8 Abadie & Schill.

9                   HEARING EXAMINER ORTH: Perfect.

10                  MR. SAVAGE: I'm sorry. I don't know why there  
11 was a delay on that mute, but it appears it's working now.  
12 So Darin Savage of Abadie & Schill, the Santa Fe office, on  
13 behalf of Chevron USA Incorporated. Thank you. Good  
14 morning.

15                  HEARING EXAMINER ORTH: Good morning. We have  
16 another entry of appearance. This is Douglas McLeod. Mr.  
17 Bruce, I believe you were Call-in User Number 4.

18                  MR. BRUCE: Yes (unclear).

19                  HEARING EXAMINER ORTH: Yes, I can. Thank you.  
20 Let me pause for a moment to see if there are any other  
21 appearances.

22                  (No audible response.)

23                  HEARING EXAMINER ORTH: Hearing none, will we be  
24 proceeding by affidavit this morning?

25                  MR. SAVAGE: Madam Examiner, that's correct.

1                   HEARING EXAMINER ORTH: All right. If you would,  
2 please, go ahead.

3                   MR. SAVAGE: Madam Examiner, if I could direct  
4 you to Pages 1 through 8. They contain the original of the  
5 hearing packet, the original application and the completed  
6 check list for your reference.

7                   Exhibit A on Page 9 is the affidavit of the  
8 landman Scott Sabrsula. If you note in the heading there is  
9 a typo, and his name should be S-a-b-r-s-u-l-a. The  
10 spelling in the signature line is correct, as well as his  
11 resume.

12                  Mr. Sabrsula has not testified previously before  
13 the Division. His credentials are listed in the affidavit  
14 in a one-page resume that's provided for your (unclear) on  
15 Page 15. He is a lead land representative with Chevron. He  
16 is familiar with the subject land, and I ask that he be  
17 accepted as an expert witness as a land professional.

18                  The landman's affidavit explains that Chevron  
19 seeks an order creating a standard 640-acre spacing unit  
20 comprised of the W/2 of Sections 14 and 23, Township 24  
21 South, Range 31 East, Eddy County, New Mexico. And pooling  
22 all interest owners in the Cotton Draw Bone Spring, pool  
23 Code 13367 underlying the unit.

24                  The unit will be dedicated to the SND 14-23 Fed  
25 Com 001 P26 226H well, which is the defining well for the

1 unit. And proximity tracts will be utilized to create the  
2 unit for the W/2.

3 Two infill wells are proposed, the 225H well and  
4 the 227H well. All wells proposed as oil wells which have  
5 standard locations and meet all setback requirements.

6 If I could direct you to Exhibit A-1, Page 16, I  
7 contains the C-102s.

8 Exhibit A-2 Page 19 should be ownership  
9 breakdown the leases and the interest owners and their  
10 status, whether committed or uncommitted.

11 Exhibit A-3, Page 25, provides a sample well  
12 proposal and the AFEs for the wells. All costs are  
13 reasonable and comparable with other wells being drilled in  
14 this area.

15 Exhibit A-4, Page 36, provides the history of  
16 contacts with the interest owners and reflects good-faith  
17 negotiations by Chevron.

18 Exhibit B, Page 37, contains a geologist  
19 affidavit, a geologist Sarah Wright, along with her Exhibits  
20 B-1 through B-4, which include structure maps, seismic and  
21 cross sections.

22 Exhibit C, Page 47 is the affidavit of notice.

23 Exhibit C-1, Page 48 provides the notice letter  
24 sent.

25 Exhibit C-2, Page 52, is the mailing report.

1           And Exhibit C-3, Page 73, provides the affidavit  
2   of publication as a back-up notice. All notice letters and  
3   notice publication were timely and were delivered.

4           Both the landman and geologist affirm that the  
5   approval of this application is in the best interest of  
6   conservation and protection of correlative rights and the  
7   prevention of waste and will prevent the drilling of  
8   unnecessary wells.

9           At this time I ask the exhibits -- I ask that  
10   Exhibits A through C and all sub exhibits and supplemental  
11   exhibits be admitted for the record, and that the Case 21435  
12   be taken under advisement. Thank you.

13           HEARING EXAMINER ORTH: Okay. Thank you, Mr.  
14   Savage. Mr. Bruce, do you have any questions of Mr. Savage?

15           MR. BRUCE: No, I have no questions, and I have  
16   no objection to the admission of the exhibits.

17           HEARING EXAMINER ORTH: All right. Thank you.  
18   Let me pause to see if the technical examiners have  
19   questions. Mr. Simmons?

20           TECHNICAL EXAMINER SIMMONS: No questions at this  
21   time. Thank you.

22           HEARING EXAMINER ORTH: All right. And Mr. Lowe?

23           TECHNICAL EXAMINER LOWE: I have no questions at  
24   this time. Thank you.

25           HEARING EXAMINER ORTH: Thank you. In that case,

1 Mr. Savage, exhibits are accepted and the matter will be  
2 taken under advisement in 21435.

3 MR. SAVAGE: Thank you very much.

4 (Exhibits A-C admitted.)

5 (Taken under advisement.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

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4 REPORTER'S CERTIFICATE

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6 I, IRENE DELGADO, New Mexico Certified Court  
7 Reporter, CCR 253, do hereby certify that I reported the  
8 foregoing virtual proceedings in stenographic shorthand and  
9 that the foregoing pages are a true and correct transcript  
10 of those proceedings to the best of my ability.

11 I FURTHER CERTIFY that I am neither employed by  
12 nor related to any of the parties or attorneys in this case  
13 and that I have no interest in the final disposition of this  
14 case.

15 I FURTHER CERTIFY that the Virtual Proceeding was  
16 of poor to good quality.

17 Dated this 8th day of October 2020.

18

/s/ Irene Delgado

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Irene Delgado, NMCCR 253  
License Expires: 12-31-20

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