

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTTTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

Application of DEVON ENERGY
PRODUCTION COMPANY, LP FOR
a Compulsory Pooling Order
Replacing and Revoking
Order Nos. R-21249 and R-21250
Eddy County, New Mexico

Case No. 22260

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, NOVEMBER 4, 2021

EXAMINER HEARING

This matter came on for hearing before the
New Mexico Oil Conservation Division, William
Brancard, Esq. Hearing Examiner, Dean McClure
Technical Examiner, on Thursday, November 4, 2021,
via Webex Virtual Conferencing Platform hosted
by the New Mexico Department of Energy, Minerals and
Natural Resources

Reported by: Mary Therese Macfarlane
New Mexico CCR #122
PAUL BACA PROFESSIONAL COURT REPORTERS
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A P P E A R A N C E S

FOR DEVON ENERGY PRODUCTION COMPANY, LP:

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1 (Time noted 9:11 a.m.)

2 EXAMINER BRANCARD: With that I call Item No.
3 28, Case 22260, Devon Energy Production.

4 EXAMINER BRANCARD: Mr. Rankin, your lips are
5 moving but...

6 MR. RANKIN: (Note: Pause.) Is that working
7 better?

8 EXAMINER BRANCARD: Much.

9 MR. RANKIN: Okay. I don't know why it does
10 that.

11 Mr. Examiner, Adam Rankin with the Santa Fe
12 office of Holland & Hart appearing in this case on behalf
13 of the Applicant Devon Energy Production Company, LP.

14 EXAMINER BRANCARD: Thank you. Do we have any
15 other entries of appearance for Case 22260? (Note:
16 Pause.) Hearing none, Mr. Rankin try to explain to us
17 what's going on here.

18 MR. RANKIN: Good morning, Mr. Examiner. Thank
19 you very much.

20 This is a slightly different case than what
21 you normally see. This is a situation where Devon had
22 previously pooled for two spacing units in the Wolfcamp,
23 east half and west half of the subject acreage, and while
24 drilling one of the designated initial wells they were
25 unable to get across the spacing -- into the correct

1 spacing unit and the well was drilled and completed within
2 330 feet of the -- between THEeast half and west half of
3 the two spacing units.

4 When Devon submitted their as-drilled plat
5 the issue was not identified until after the fact. The
6 plat was identifying, you know, the well had actually
7 penetrated and completed in both of the approved spacing
8 units. It was identified that was an issue subsequently,
9 and then we filed this Application to rectify that
10 problem.

11 So in this case Devon is seeking the
12 revocation of prior Orders, Orders Nos. 21249 and 21250 to
13 be replaced with a single Order pooling all the
14 uncommitted interests in the Wolfcamp underlying what
15 would be a standard 1280-acre, more or less, horizontal
16 spacing unit. That would be comprising all of Sections 2
17 and 11 in Township 26 South, Range 31 East, in Eddy
18 County.

19 Exhibit A is a copy of the application that
20 was filed in the case.

21 Exhibit B is a copy of the Compulsory
22 Pooling Applications Checklist, identifying all of the
23 relevant information for the wells that have been drilled
24 and are producing in this proposed spacing unit.

25 Exhibit C is a copy of the affidavit of the

1 landman in the case Mr. Verl Brown. And he has previously
2 testified. And Mr. Brown in this affidavit lays out the
3 background that led up to the situation that I just
4 reviewed, and identifies each of the wells that have been
5 drilled and are completing in the proposed spacing unit,
6 as well as the well that would serve as the proximity
7 tract well that would pull in each half of this proposed
8 spacing unit.

9 Devon previously presented geology in the
10 underlying cases confirming that the acreage that would
11 comprise this standard spacing unit is suitable for
12 development by horizontal wells and that the target
13 intervals are consistent throughout the entire subject
14 acreage.

15 Also Attached to Mr. Verl Brown's affidavit
16 are the C-102s for each of the wells that are drilled and
17 completed in the spacing unit, identifying their
18 as-drilled locations.

19 Exhibit C-3 is a plat outlining the
20 proposed spacing unit and identifying each of the working
21 interests, including those that remain that would be
22 required to be pooled.

23 Exhibit C-4 are the Well Proposal Letters
24 that outline the issue that Devon identified to each of
25 the working interest owners, and then also the AFEs that

1 relate to each of the wells.

2 There have been no objections, from what we
3 understand, so at this point Devon would ask that the
4 Division grant the application to rescind the prior
5 Pooling Orders and simultaneously repool the acreage and
6 the interests under a single Pooling Order.

7 EXAMINER BRANCARD: Thank you.

8 Mr. McClure.

9 EXAMINER McCLURE: Yeah, I do have a few
10 questions on this one.

11 Currently do you have a comm. agreement in
12 place for the west half and east half of these sections,
13 then, with the BLM?

14 MR. RANKIN: Actually, I don't know the answer
15 to that question, Mr. McClure, but I can certainly find
16 that out and report to you the answer to that.

17 EXAMINER McCLURE: Well, I'm presuming that
18 either you do or you have applications for it, because
19 that's what the BLM regulations would require. I guess
20 the main question I had in relation to that: Would the
21 intention then be to terminate those and then submit an
22 application for a comm. agreement over this entire section
23 that you're asking to be pooled?

24 MR. RANKIN: Mr. McClure, I have not discussed
25 that specific issue with the client. I would imagine that

1 in general the intent would be to have a CA that matches
2 the spacing unit. That would be what the BLM would want,
3 and I think that is what Devon would want, as well.
4 That's my understanding of the --

5 EXAMINER McCLURE: Okay. I guess I only had one
6 other question, which you may not have knowledge, I guess,
7 of the answer on this one either. I guess it would be --
8 it looks like this well that's actually producing out of
9 its -- what I imagine the comm. agreement it's assigned
10 to, has been producing since April of this year, and I
11 guess I wasn't sure if the BLM was aware that it's
12 producing some mix in the comm. agreement, and what the
13 thought process was for that production.

14 MR. RANKIN: My understanding is that the BLM is
15 aware of the issue. Once Devon, you know, identified the
16 problem, apprised the BLM of the status of the situation.

17 EXAMINER McCLURE: Sounds good. That was the
18 more important, I guess, of my questions.

19 I don't think I have any other questions.
20 Thank you, sir.

21 MR. RANKIN: Okay. Appreciate it.

22 EXAMINER BRANCARD: Thank you. So this well is
23 producing, Mr. Rankin?

24 MR. RANKIN: My understanding is that it is,
25 yeah. And just so it's clear, the way the leases and the

1 interests are aligned between the east half and the west
2 half, they are 100 percent uniform across both sides, so
3 the interests are being shared, you know, uniformly
4 between each half of these existing spacing units.

5 EXAMINER BRANCARD: And Devon got approval from
6 our agency for an unorthodox well location?

7 MR. RANKIN: They did not, I don't believe.

8 EXAMINER McCLURE: I thought we had -- let me
9 look. For some reason, I thought we had an NSL, but maybe
10 not.

11 It looks like we have NSL 8059. But having
12 said that, that was approved with the original proposed
13 drilling, the original proposed C-102. I don't think it
14 was ever amended for the as-built drilled, I guess. And
15 obviously there is a difference, a discrepancy between the
16 planned and the actual drilling plans or what actually
17 happened, I mean.

18 MR. RANKIN: Right. And I guess to address that
19 question, Mr. Examiner, our understanding would be with
20 the approval of the proposed spacing unit the need for an
21 NSL would be obviated by the large spacing unit.

22 EXAMINER McCLURE: Well, you would still be
23 encroaching on the north half -- excuse me, the section
24 north of it, excuse me, because I think you're like 115
25 feet or something, if memory serves, and you're in the

1 Wolfcamp -- or the Purple Sage, excuse me.

2 MR. RANKIN: You're right. I'm sorry. I was
3 addressing the, uh --

4 EXAMINER McCLURE: East/West, yeah.

5 MR. RANKIN: Yeah.

6 EXAMINER McCLURE: Yeah, exactly. But I guess I
7 don't know if you have the same interest owned -- or I
8 don't know if it's the same working interest on the east
9 half of the section above it as the west half. I guess is
10 that -- and I don't know. I didn't check that myself. I
11 don't know if it says it in your NSL or not.

12 MR. RANKIN: I will look at that, Mr. Examiner.
13 I will confirm whether or not the NSL would need to be
14 unupdated or amended based on its actual location.

15 EXAMINER McCLURE: You can submit us an email
16 with the follow-up on all the above?

17 MR. RANKIN: Yeah.

18 MR. BRANCARD: All right. Okay. I mean,
19 because I'm looking on our rules here, and it says: The
20 operator shall obtain approval for an as-drilled location
21 before producing the horizontal well.

22 If you have a problem with your as-drilled
23 location you should have got some sort of approval from us
24 before you started producing it.

25 MR. RANKIN: Mr. Examiner, I think it was an

1 issue that was missed, and we submitted the as-drilled
2 plat to the Division, which was approved, showing that the
3 completions were where they were.

4 So once we identified that, we sought to
5 rectify it by filing this Application.

6 EXAMINER BRANCARD: Thank you. I think that may
7 have been our problem, too, missing that. So...

8 Okay. So are there any other interested
9 persons or questions for Case 22260? (Note: Pause.)
10 Hearing none, we will admit your exhibits into the record,
11 take it under advisement, but you will follow up with us
12 about whether there's a need for an additional nonstandard
13 location to also go along with this well. Correct?

14 MR. RANKIN: We will, Mr. Examiner.

15 EXAMINER McCLURE: And then also follow up on
16 the comm. agreement, too, please.

17 EXAMINER BRANCARD: Two issues: Comm. agreement
18 and NSL.

19 EXAMINER McCLURE: I'm sure it will be an easy
20 follow-up on that one, because I'm sure it's probably the
21 case, but...

22 MR. RANKIN: Thank you, Mr. Examiner. With that
23 we ask that the case be taken under advisement.

24 EXAMINER BRANCARD: Thank you. So with that
25 Case 22260 the exhibits are admitted and the case is taken

1 under advisement. Thank you.

2 (Time noted 9:23 a.m.)

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STATE OF NEW MEXICO)

: ss

COUNTY OF TAOS)

REPORTER'S CERTIFICATE

I, MARY THERESE MACFARLANE, New Mexico Reporter
CCR No. 122, DO HEREBY CERTIFY that on Thursday,
November 4, 2021, the proceedings in the above-captioned
matter were taken before me; that I did report in
stenographic shorthand the proceedings set forth herein,
and the foregoing pages are a true and correct
transcription to the best of my ability and control.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with (unless excepted by the
rules) any of the parties or attorneys in this case, and
that I have no interest whatsoever in the final
disposition of this case in any court.

/s/Mary Macfarlane_____

MARY THERESE MACFARLANE, CCR
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