

3 IN THE MATTER OF THE HEARING CALLED
4 BY THE OIL CONSERVATION DIVISION FOR
5 THE PURPOSE OF CONSIDERING:

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2014 FEB 13 P 1:36

CASE NO. 15077

6 APPLICATION OF DEVON ENERGY
7 PRODUCTION COMPANY, L.P. TO
8 EXPAND THE BURTON FLAT DEEP
9 UNIT, EDDY COUNTY, NEW MEXICO.

ORIGINAL

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

11 EXAMINER HEARING

12 January 23, 2014

13 Santa Fe, New Mexico

14 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER
15 GABRIEL WADE, LEGAL EXAMINER

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17
18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, Richard Ezeanyim,
20 Chief Examiner, and Gabriel Wade, Legal Examiner, on
21 Thursday, January 23, 2014, at the New Mexico Energy,
22 Minerals and Natural Resources Department, 1220 South
23 St. Francis Drive, Porter Hall, Room 102, Santa Fe,
24 New Mexico.

25 REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102

1 APPEARANCES

2 FOR APPLICANT DEVON ENERGY PRODUCTION COMPANY, L.P.:

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20 EXHIBITS OFFERED AND ADMITTED

21 Devon Energy Production Company Exhibit
 Number 1, pages 1 2, 5, 6 and 13 through 19 8

22

Devon Energy Production Company Exhibit
 23 Numbers 2, 3 and 4 8

24 Devon Energy Production Company Exhibit
 Number 1, pages 3, 4 and pages 7 through 12 12

25

1 (8:27 a.m.)

2 EXAMINER EZEANYIM: We go to page 2 and
3 call Case Number 15077, and this is the application of
4 Devon Energy Production Company, L.P. to expand the
5 Burton Flat Deep Unit, Eddy County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of
8 Santa Fe representing the Applicant. I have two
9 witnesses.

10 EXAMINER EZEANYIM: Any other appearances?

11 Okay. Counsel, you may call your witness.

12 Will all the witnesses stand up? State
13 your names and be sworn in.

14 MR. WALKER: Samuel Walker.

15 MR. BLUMSTEIN: Raleigh Blumstein.

16 (Witnesses sworn.)

17 SAMUEL WALKER,
18 after having been first duly sworn under oath, was
19 questioned and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

22 Q. Mr. Walker, state your name and city of
23 residence.

24 A. Samuel Walker, Oklahoma City.

25 Q. Who do you work for and in what capacity?

1 A. I work for Devon Energy as a landman.

2 Q. Have you previously testified before the
3 Division?

4 A. No, I have not.

5 Q. Would you please summarize your educational and
6 employment background for the Examiner?

7 A. Yes. I graduated from O. U. with a bachelor's
8 degree, and I've worked for Devon full-time for two
9 years now.

10 Q. Does your area of responsibility at Devon
11 include this portion of southeast New Mexico?

12 A. It does.

13 Q. And are you familiar with the land matters
14 involved in this application?

15 A. I am.

16 MR. BRUCE: Mr. Examiner, I tender
17 Mr. Walker as an expert petroleum landman.

18 EXAMINER EZEANYIM: So qualified.

19 Q. (BY MR. BRUCE) Mr. Walker, could you identify
20 Exhibit 1 for the Examiner?

21 A. Yes. This is a letter that was sent to both
22 the BLM and the State Land Office for proposed expansion
23 of the Burton Flat Deep Unit.

24 Q. And was this application prepared by you with
25 the assistance of Devon's geologist, Mr. Blumstein?

1 A. It was.

2 Q. Basically, what is Devon seeking to do in this
3 case?

4 A. We're seeking to add 40 acres to the current
5 Burton Flat Deep Unit in Section 2 to expand it by 40
6 acres to include the rest of the well that we have
7 drilled.

8 MR. BRUCE: Mr. Examiner, I have numbered
9 the pages of Exhibit 1, so we can refer to them.

10 Q. (BY MR. BRUCE) Would you go to Exhibits --
11 excuse me -- pages 5 and 6 of Exhibit 1 and identify
12 what those are, Mr. Walker?

13 A. Yes. These are two land plats, the first one
14 on page 5 showing the current boundary of the Burton
15 Flat Deep Unit, and the second one showing the proposed
16 boundary with the added acreage.

17 EXAMINER EZEANYIM: What pages are you
18 referring to?

19 THE WITNESS: 5 and 6.

20 Q. (BY MR. BRUCE) Mr. Walker, the acreage being
21 added would normally be called the southeast-southwest
22 quarter of Section 2 of 21 South, 27 East. What is the
23 actual description to the BLM's records of that?

24 A. That is Lot 22 of Section 2.

25 MR. BRUCE: Mr. Examiner, I noticed this a

1 few days ago. I noticed that the BLM has resurveyed
2 this acreage in 21-27, and I will get you the proper
3 description. I think the application called it the
4 southeast-southwest, but as Mr. Walker said, it's Lot
5 22. And I think a lot of the tracts in Section 2 have
6 been resurveyed and renumbered as lots.

7 EXAMINER EZEANYIM: Yeah, could be. Which
8 unit --

9 THE WITNESS: The extended section, yes.

10 EXAMINER EZEANYIM: Extended section? See,
11 I was confused with that. I tried to find it, you know.
12 I will be happy to get the --

13 MR. BRUCE: Yes. I'll get you that data.

14 Q. (BY MR. BRUCE) And basically, what is the
15 reason Devon is seeking the expansion of this unit,
16 which, at this point, is, what, 30 -- 30-plus years old?

17 A. Yes. Basically, we're just wanting to keep all
18 the acreage under the same, as well as the wells drilled
19 within the unit. We currently -- well, we drilled and
20 are now producing from a well that goes through that
21 south part of the section. And three-fourths of that
22 wellbore is in the unit, and the other fourth is outside
23 the unit currently, which is why we're seeking to expand
24 the unit, to make it all within the unit zone.

25 Q. So that all wells will have unit acreage,

1 correct --

2 A. Yes.

3 Q. -- or will complete the unit acreage?

4 A. Yes.

5 Q. And will the next witness discuss a little bit
6 about that, too?

7 A. Yes.

8 Q. And then just briefly, what are pages 13
9 through 19 of Exhibit 1?

10 A. This is the new schedule with the -- revised
11 Exhibit B schedule, the working interest owners, with
12 the expansion of the 40 acres.

13 Q. So this is the revision to the unit agreement
14 for the Burton Flat agreement?

15 A. Yes.

16 Q. What are Exhibits 2 and 3?

17 A. Exhibit 2 is preliminary approval from the BLM
18 for expanding the unit, and Exhibit 3 is preliminary
19 approval from the Commissioner of Public Lands for
20 expanding the unit.

21 Q. And was notice of this application given to all
22 of the working interest owners in the unit?

23 A. Yes, it was.

24 Q. And is that reflected in my Affidavit of Notice
25 marked Exhibit 4?

1 A. Yes.

2 Q. And after this hearing, will final approval be
3 obtained from the Bureau of Land Management and the
4 Commissioner of Public Lands?

5 A. Yes.

6 MR. BRUCE: And, Mr. Examiner, we will
7 submit those final approvals to the Division.

8 EXAMINER EZEANYIM: Okay.

9 Q. (BY MR. BRUCE) Mr. Walker, were pages 1, 2, 5,
10 6 and 13 through 19 prepared by you?

11 A. Yes, they were.

12 Q. And are Exhibits 2, 3 and 4 -- 2 and 3 just
13 compiled from Devon's company records?

14 A. Yes.

15 MR. BRUCE: Mr. Examiner, I would move the
16 admission of pages 1 and 2, 5 and 6 and 13 through 19 of
17 Exhibit 1, plus Exhibits 2, 3 and 4.

18 EXAMINER EZEANYIM: All the mentioned pages
19 will be admitted.

20 (Devon Energy Exhibit Number 1, pages 1,
21 2, 5, 6 and 13 through 19, and Exhibits
22 2, 3 and 4 were offered and admitted into
23 evidence.)

24 MR. BRUCE: I have no further questions of
25 the witness.

1 EXAMINER EZEANYIM: Okay. Thank you.

2 You may step down. No questions.

3 Call your next witness.

4 RALEIGH BLUMSTEIN,

5 after having been previously sworn under oath, was

6 questioned and testified as follows:

7 DIRECT EXAMINATION

8 BY MR. BRUCE:

9 Q. Would you please state your full name and city
10 of residence for the record?

11 A. Raleigh David Blumstein, Oklahoma City.

12 Q. Who do you work for and in what capacity?

13 A. Devon Energy as a geologist.

14 Q. Have you previously testified before the
15 Division?

16 A. Yes.

17 Q. And were your credentials as a petroleum
18 geologist accepted as a matter of record?

19 A. Yes.

20 Q. Are you familiar with the geology involved in
21 this case?

22 A. I am.

23 MR. BRUCE: Mr. Examiner, I tender the
24 witness as an expert petroleum geologist.

25 EXAMINER EZEANYIM: So qualified.

1 Q. (BY MR. BRUCE) If you could just refer to the
2 pages that Mr. Walker did not testify about in Exhibit
3 1. Could you run through them with the geology of the
4 unit and maybe discuss the wells that Devon is drilling
5 out there?

6 A. Sure. Pages 3 and 4 of Exhibit 1 and then
7 pages 7 through --

8 Q. 12?

9 A. -- 12. Thank you.

10 Pages 3 and 4 are just a verbal [sic]
11 description of our development of the unit within the
12 Bone Spring -- 1st Bone Spring Sand. We primarily
13 developed the unit in Sections 2 and 3 and most recently
14 drilled a full well pad in Section 2 into the southern
15 part. If you look at page 7, I can show you those
16 wells. The last four wells drilled within the unit were
17 the BFDU 53H, 54H, 57H and 58H in the southernmost third
18 of Sections 2 and 3. And the well in question regarding
19 the unit expansion is Burton Flat Deep Unit 24H.

20 Q. And with the approval of this application, all
21 of Devon's Bone Spring wells will be totally unit
22 acreage; is that correct?

23 A. That's correct.

24 Q. Up toward the north in Section 2, there is a
25 location outside of the unit. Are those wells completed

1 only in the unit?

2 A. They are.

3 Q. And does Devon have plans to further develop
4 all of the unit acreage for the Bone Spring?

5 A. We will, I guess, develop it as -- based on the
6 reservoir quality.

7 EXAMINER EZEANYIM: What?

8 THE WITNESS: As to the reservoir quality.

9 Q. (BY MR. BRUCE) And then if you could just run
10 through pages 9 and -- pages 9 through 12.

11 A. I submitted page 9 as kind of a type log for
12 the 1st Bone Spring Sandstone within the unit. It's
13 from the pilot hole on the BFDU 52H. The left track is
14 gamma ray. True resistivity is in the middle track to
15 the right of the depth track, and then the neutron and
16 density porosities are shown there.

17 The next page, page 10, is a structure map
18 at the top of the 1st Bone Spring Sand showing in and
19 outside the unit, showing general structural trends that
20 cover the unit. And along with Section -- or the cross
21 section that's shown on page 12 is A to A prime to -- to
22 the east. And the point of that was to show that the
23 reservoir quality or reservoir continuity is similar
24 both in and out of the unit with respect to the acreage
25 that we're looking to add to the said unit.

1 Q. So adding the -- adding this acreage to the
2 unit will not be to the detriment of any working
3 interest unit?

4 A. That's correct.

5 Skip to page 11. That shows a porosity
6 fitness map within the 1st Bone Spring Sand, and it
7 shows that the porosity thickness is relatively constant
8 through the acreage that we're looking to add with
9 respect to the other parts of the -- completed within
10 the unit currently.

11 Q. Were pages 3 and 4 and 7 through 12 prepared by
12 you or under your supervision?

13 A. Yes.

14 Q. And in your opinion, is the granting of this
15 application in the interest of conservation and the
16 prevention of waste?

17 A. Yes.

18 MR. BRUCE: Mr. Examiner, I'd move the
19 admission of pages 3 and 4 and 7 through 12 of Exhibit
20 1.

21 EXAMINER EZEANYIM: Pages 3 and 4 and 7
22 through 12 will be admitted.

23 (Devon Energy Exhibit Number 1, pages 3,
24 4 and pages 7 through 12 were offered and
25 admitted into evidence.)

1 MR. BRUCE: And I have no further questions
2 of the witness.

3 CROSS-EXAMINATION

4 BY EXAMINER EZEANYIM:

5 Q. Everything here is marked confidential. Why
6 are they confidential?

7 A. I had initially marked them confidential and I
8 had submitted it to the BLM, as it wasn't a matter of
9 public record.

10 Q. Are they going to stay confidential?

11 A. No.

12 Q. Because if it's confidential, I have to turn it
13 over to Legal and see how we can handle that, because we
14 don't want to --.

15 MR. BRUCE: We are not asking that it be
16 marked confidential.

17 EXAMINER EZEANYIM: Okay. It was marked
18 confidential, so that's why --

19 THE WITNESS: Yeah. The exhibits were not
20 really generated for the hearing.

21 EXAMINER EZEANYIM: I don't see why it
22 should be. Thank you. That's all the questions I have.

23 Anything further?

24 MR. BRUCE: No, sir.

25 EXAMINER EZEANYIM: At this point, Case

1 Number 15077 will be taken under advisement.

2 (Case Number 15077 concludes, 8:41 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15077
heard by me on _____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified
6 Court Reporter No. 20, and Registered Professional
7 Reporter, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that
9 the foregoing pages are a true and correct transcript of
10 those proceedings that were reduced to printed form by
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's
13 Record of the proceedings truly and accurately reflects
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither
16 employed by nor related to any of the parties or
17 attorneys in this case and that I have no interest in
18 the final disposition of this case.

19

20

Mary C. Hankins
MARY C. HANKINS, CCR, RPR
Paul Baca Court Reporters, Inc.
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2014

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