

STATE OF NEW MEXICO  
ENERGY, MINERAL AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION COMMISSION

ORIGINAL

Case No. 15216

Application of RKI Exploration and Production for  
compulsory pooling, Eddy County, New Mexico

October 16, 2014  
8:50 a.m.  
Wendell Chino Building  
1220 South St. Francis Drive  
Santa Fe, New Mexico

BEFORE: MICHAEL MCMILLAN, Technical Advisor  
GABRIEL WADE, Legal Advisor

REPORTED BY: Jan Gibson, CCR, RPR, CRR  
Paul Baca Court Reporters  
500 Fourth Street, NW - Suite 105  
Albuquerque, New Mexico 87102

RECEIVED OCD  
2014 OCT 21 P 3:54

For RKI:  
HOLLAND & HART, LLP  
MICHAEL H. FELDEWERT  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
505-988-4421

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

INDEX

WITNESSES:

Samuel McCurdy.....3

EXHIBITS

PAGE ADMITTED

- 1. Form C-102.....10
- 2. Form 3160-5.....10
- 3. Tract Explanation...10
- 4. 8/13/14 Letter.....10
- 5. Affidavit.....10

1 (Note: In session at 8:50.)

2 MR. MCMILLAN: I would like to call Case  
3 No. 15216, Application of RKI Exploration and  
4 Production for compulsory pooling, Eddy County, New  
5 Mexico. Call for appearances.

6 MR. FELDEWERT: Michael Feldewert with the  
7 Santa Fe office of Holland & Hart appearing on  
8 behalf of the applicant and I have one witness.

9 MR. MCMILLAN: Any other appearances?

10 MR. FELDEWERT: We will ask the first  
11 witness be sworn and called.

12 SAMUEL MCCURDY

13 after having been first duly sworn under oath,  
14 was questioned and testified as follows:

15 EXAMINATION

16 BY MR. FELDEWERT

17 Q. Would you please state your full name for  
18 the record.

19 A. Samuel Lawson McCurdy.

20 Q. By whom are you employed and in what  
21 capacity?

22 A. RKI Exploration and Production as a  
23 landman.

24 Q. How long have you been with RKI?

25 A. I've been with RKI since April 28, 2014.

1 Q. Have your responsibilities included the  
2 Permian Basin?

3 A. Yes, that is my area of responsibility.

4 Q. Who did you work for prior to joining RKI?

5 A. I worked for Devon Energy Production  
6 Company from 2010 until 2014.

7 Q. Again, did your responsibilities include  
8 the Permian Basin?

9 A. Yes, they did.

10 Q. Mr. McCurdy, have you previously testified  
11 before this division?

12 A. Yes, I have.

13 Q. Were your credentials as an expert in  
14 petroleum land matters accepted and made a matter of  
15 public record?

16 A. Yes, they were.

17 Q. Are you familiar with the application  
18 filed in this case?

19 A. I am.

20 Q. Are you familiar with the status of the  
21 lands in the subject area?

22 A. Yes, I am.

23 MR. FELDEWERT: I would once again  
24 re-tender Mr. McCurdy as an expert in petroleum land  
25 matters.

1 MR. MCMILLAN: So qualified.

2 Q. (By Mr. Feldewert) Would you turn to  
3 what's been marked as RKI Exhibit No. 1. What is  
4 this exhibit?

5 A. This is the C-102 form for the proposed  
6 well.

7 Q. And does this identify the location of  
8 your well?

9 A. Yes, it does.

10 Q. What does the company seek under this  
11 particular application?

12 A. We seek to pool the west half project area  
13 as to the Wolfcamp Formation.

14 Q. In what section?

15 A. In Section 35 and 25 south, 29 east, Eddy  
16 County, New Mexico.

17 Q. So you seek to form a 320-acre spacing  
18 unit?

19 A. Yes.

20 Q. Will the completed interval for the well  
21 comply with the division setback requirements?

22 A. Yes, they will.

23 Q. What are the setbacks for the Wolfcamp  
24 Formation?

25 A. 660 feet from the outer boundary of the

1 project area.

2 Q. Do the division records reflect that  
3 there's a prior file APD for this well name?

4 A. Yes. They do. We filed a permit to the  
5 Bone Spring Formation and have since filed a sundry  
6 changing the target interval to the Wolfcamp.

7 Q. And the Wolfcamp is subject 320-acre  
8 space?

9 A. Yes.

10 Q. If I turn to RKI Exhibit 2, is that the  
11 sundry notice that you filed with the BLM that you  
12 just spoke about?

13 A. Yes, it is.

14 Q. And this is reflected that you're moving  
15 the target interval from the Bone Spring down to the  
16 Wolfcamp?

17 A. Yes, it does.

18 Q. Does Exhibit 2 provide the examiner with  
19 an API number for the well?

20 A. Yes, it does.

21 Q. You have not yet received a pool code for  
22 the division for this well, have you?

23 A. We have not.

24 Q. Is it your understanding that this will be  
25 a wildcat well in the Wolfcamp?

1 A. Yes, it is.

2 Q. If I then turn to -- let me ask you first,  
3 you filed your sundry with the BLM. Is the west  
4 half of Section 35 off federal lands?

5 A. Yes.

6 Q. How many leases are involved from in the  
7 west half of Section 35?

8 A. Two federal leases.

9 Q. If I turn to what's marked as RKI Exhibit  
10 3, is this a lease tract map that identifies a  
11 working interest owners to the two federal leases  
12 that are involved?

13 A. Yes.

14 Q. What's the breakout?

15 A. The breakout is that RKI Exploration &  
16 Production owns the leasehold in the east half west  
17 half, which is marked as Tract 2, and they own that  
18 100 percent. XTO Energy, Incorporated owns the west  
19 half west half, which is a separate lease marked  
20 Tract 1.

21 Q. Is XTO Energy the only party that you seek  
22 approval?

23 A. Yes.

24 Q. If I turn to what's marked as RKI Exhibit  
25 4, is this a copy of the well proposal letter for

1 your proposed Wolfcamp well that was sent to XTO?

2 A. Yes.

3 Q. And does it contain an AFE?

4 A. Yes, it does.

5 Q. Are the costs reflected on the AFE  
6 consistent with what operators in the area have  
7 incurred for drilling similar horizontal wells in  
8 the Wolfcamp Formation?

9 A. Yes.

10 Q. Now, have you sent a joint operating  
11 agreement to XTO?

12 A. A proposed joint operating agreement is  
13 included with our well proposal.

14 Q. Have you had discussions with XTO since  
15 submitting your well proposal about entering into a  
16 voluntary agreement?

17 A. Yes, we have, and no progress was made  
18 towards advancing negotiations on an operating  
19 agreement, so we had to file our pooling  
20 application.

21 Q. Have you had some recent discussions with  
22 XTO?

23 A. Yes, and they confirmed that no progress  
24 had been made.

25 Q. Now, in the event that you are able to

1 reach a joint operating agreement with XTO, will  
2 they be released from this pooling order once it's  
3 entered?

4 A. Yes.

5 Q. Has the company made an estimate of the  
6 overhead and the administrative costs while drilling  
7 the well and also producing if you are successful?

8 A. Yes, they have.

9 Q. What are the figures?

10 A. \$7500 while drilling and \$750 while  
11 producing.

12 Q. Are these overhead rates consistent with  
13 what other operators are charging for horizontal  
14 wells in this area?

15 A. Yes, they are.

16 Q. Have you seen these rates for horizontal  
17 wells in shallower formations?

18 A. Shallower than Wolfcamp, yes.

19 Q. For example?

20 A. The Bunswick.

21 Q. Finally, then, is RKI Exhibit No. 5 an  
22 affidavit prepared by my office with the attached  
23 letter providing notice of this hearing to XTO?

24 A. Yes.

25 Q. And were Exhibits 1 through 4 prepared by

1 or compiled under your direction and supervision?

2 A. Yes, they were.

3 MR. FELDEWERT: Mr. Examiner, I move for  
4 the admission into evidence of RKI Exhibits 1  
5 through 5 which includes my notice update.

6 MR. MCMILLAN: Exhibits 1 through 5 are  
7 now made part of the record.

8 (Note: Exhibits 1 through 5 admitted.)

9 MR. FELDEWERT: That concludes my  
10 examination of the witness.

11 MR. MCMILLAN: Once again, there's no  
12 unlocated interest, right?

13 THE WITNESS: Correct.

14 MR. MCMILLAN: I want to make sure RKI is  
15 going to be the operator?

16 THE WITNESS: Yes.

17 MR. MCMILLAN: I have no further questions  
18 at this time.

19 MR. FELDEWERT: That concludes our  
20 presentation in this case.

21 MR. MCMILLAN: Thank you. 15216 will be  
22 taken under advisement. Thank you very much.

23 (Note: The hearing was concluded.)

24 I do hereby certify that the foregoing is  
25 a complete record of the proceedings in  
the Examiner hearing of Case No. 15216,  
heard by me on \_\_\_\_\_

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

REPORTER'S CERTIFICATE

I, JAN GIBSON, Certified Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

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



\_\_\_\_\_  
JAN GIBSON, CCR-RPR-CRR  
New Mexico CCR No. 194  
License Expires: 12/31/14