

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:

ORIGINAL

CASE 15341

APPLICATION OF RKI EXPLORATION AND PRODUCTION  
FOR COMPULSORY POOLING AND APPROVAL OF AN  
UNORTHODOX WELL LOCATION, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

JULY 9, 2015

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER  
GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, William V. Jones,  
Chief Examiner, and Gabriel Wade, Legal Examiner, on  
July 9, 2015, 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: ELLEN H. ALLANIC  
NEW MEXICO CCR 100  
CALIFORNIA CSR 8670  
PAUL BACA COURT REPORTERS  
500 Fourth Street, NW  
Suite 105  
Albuquerque, New Mexico 87102

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1 A P P E A R A N C E S

2 For the Applicant

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 4 Holland & Hart  
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 5 Santa Fe, New Mexico 87501  
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 6 jlkessler@hollandhart.com

7 I N D E X

8 CASE NUMBER 15341 CALLED

9 RKI EXPLORATION AND PRODUCTION, CASE-IN-CHIEF:

10 WITNESS SAM MCCURDY

11		Direct	Redirect	Further
12	By Ms. Kessler	4		
13		EXAMINATION		
14	Examiner Jones	11		

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1                                    E X H I B I T     I N D E X  
2                                    Exhibits Offered and Admitted

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1 (Time noted 8:39 a.m.) tr 2 case 15341

2 EXAMINER JONES: Let's call case 15341,  
3 Application of RKI Exploration and Production For  
4 Compulsory Pooling and Approval of an Unorthodox Well  
5 Location in Eddy County, New Mexico.

6 Call for appearances.

7 MS. KESSLER: Mr. Examiner, Jordan Kessler  
8 from Holland and Hart for the applicant. I have one  
9 witness today.

10 EXAMINER JONES: Any other appearances?

11 (No response.)

12 EXAMINER JONES: Will the witness please  
13 stand and the court reporter swear the witness.

14 SAM McCURDY

15 having first been duly sworn, was examined and testified  
16 as follows:

17 DIRECT EXAMINATION

18 BY MS. KESSLER:

19 Q. Please state your name for the record and tell  
20 the examiner by whom you are employed and in what  
21 capacity?

22 A. My name is Sam McCurdy and I'm employed as a land  
23 man at RKI Exploration and Production.

24 Q. Have you previously testified before the  
25 Division?

1 A. I have.

2 Q. And were your credentials as a petroleum landman  
3 accepted and made a matter of record?

4 A. Yes, they were.

5 Q. Are you familiar with the application that's been  
6 filed in this case?

7 A. Yes, I am.

8 Q. And are you familiar with the status of the lands  
9 in the subject area?

10 A. Yes, I am.

11 MS. KESSLER: Mr. Examiner, I would tender  
12 Mr. McCurdy as an expert in petroleum land matters.

13 EXAMINER JONES: Mr. McCurdy is qualified as  
14 an expert in petroleum land matters.

15 Q. Mr. McCurdy, please turn to Exhibit 1 and  
16 identify this exhibit for the Examiner.

17 A. Yes, I can. This is the NM OCD form C-102. And  
18 it's showing our east half spacing unit for our proposed  
19 well.

20 Q. What does RKI seek under this application?

21 A. It seeks to pool the mineral interests in the  
22 east half spacing unit for the Wolfcamp Formation.

23 Q. And you also seek to form a 320-acre spacing unit  
24 comprised of the half east half of section 17, correct?

25 A. That is correct.

1 Q. Has the Division designated a pool?

2 A. They have not.

3 Q. Has the C-102 been marked under the pool name as  
4 undesignated Wolfcamp?

5 A. Yes, it has.

6 Q. What are the pool rules associated with  
7 undesignated Wolfcamp?

8 A. 320-acre spacing and 660-foot setbacks.

9 Q. Do you know the surface and bottom hole locations  
10 for this well?

11 A. Yes.

12 Q. What are those locations?

13 A. The surface hole location is 200 feet from the  
14 south line of section .17 and 1,425 feet from the east  
15 line of the same section. And the bottom hole location  
16 is 330 feet from the north line and 1,980 from the east  
17 line.

18 Q. Is this all federal acreage?

19 A. Yes, it is.

20 Q. Will the first and last perforations for this  
21 well comply with the Division's setback requirements?

22 A. No, they will not.

23 Q. Has there been a prior APD filed for this well?

24 A. Yes, there has, filed to the Bone Spring  
25 Formation. And we have submitted a sundry, changing

1 formation to the Wolfcamp for approval.

2 Q. And is that attached as Exhibit 2?

3 A. Yes, it is.

4 Q. And the sundry notes for a change from the Bone  
5 Spring to the Wolfcamp, correct?

6 A. Yes.

7 Q. And you said there is no pool code; is that  
8 correct also?

9 A. That is correct.

10 Q. If you turn to Exhibit 3, are you also seeking a  
11 non-standard location for this well?

12 A. Yes, we are.

13 Q. Is that because you don't know if the well will  
14 produce gas or oil?

15 A. Correct.

16 Q. Okay. Is Exhibit 3 a plat showing the 320 acres  
17 spacing units towards whom you encroached to the north,  
18 northwest; west, southwest, and south?

19 A. Yes, it is.

20 Q. And did you provide notice of this application to  
21 the 320-acre parties who were affected?

22 A. Yes, we did.

23 Q. And is this notice reflected in a later exhibit?

24 A. Yes.

25 Q. If you could turn to Exhibit 4. Does this

1 exhibit show ownership of the east half of section 17 by  
2 tract?

3 A. Yes, it does.

4 Q. What interests do you seek to pool?

5 A. We seek to pool the uncommitted working interest  
6 of EOG Resources Inc.

7 Q. And is Exhibit 5 a copy of the well proposal  
8 letter that you sent to COG for the proposed Wolfcamp  
9 well?

10 A. Yes, it is.

11 Q. On what date was this letter sent?

12 A. April 14, 2015.

13 Q. And does the letter also contain an AFE?

14 A. Yes, it did.

15 Q. Are the costs reflected on this AFE consistent  
16 with what RKI has incurred in drilling similar  
17 horizontal wells in Syria?

18 A. Yes, they are.

19 Q. And what additional efforts did RKI undertake to  
20 reach an agreement with EOG in addition to sending this  
21 well proposal letter?

22 A. We had several, a handful I guess, phone  
23 conversations with EOG trying to come to some form of  
24 agreement, but were unable to do so.

25 And we have a lease obligation at the end of this



1 year, that we have to drill the well in order to meet  
2 this obligation, so we had to move forward before we  
3 could reach an agreement.

4 Q. Have you estimated the requested overhead and  
5 administrative costs while drilling this well and also  
6 while producing it should you be successful?

7 A. Yes, we have.

8 Q. And what are those costs?

9 A. 7,500 while drilling and then 750 for producing.

10 Q. And are these costs in line with what RKI and  
11 other operators in this area charge for similar wells?

12 A. Yes, they are.

13 Q. Do you ask that the administrative and overhead  
14 costs be incorporated into any order that results from  
15 this hearing?

16 A. Yes.

17 Q. Do you ask as well that it be adjusted in  
18 accordance with the appropriate accounting procedures?

19 A. Yes.

20 Q. With request to the uncommitted interest owner,  
21 do you request that the Division impose a 200 percent  
22 risk penalty?

23 A. Yes.

24 Q. Was it necessary to identify offset interest  
25 owners?

1 A. No.

2 Q. And is that because we are forming a standard  
3 unit here?

4 A. That's correct.

5 Q. But you did identify and notice affected parties  
6 for the non-standard location, correct?

7 A. That's correct.

8 Q. Was it necessary to publish notice or were all of  
9 the parties locateable?

10 A. They all were locateable.

11 Q. And is Exhibit 6 an affidavit prepared by my  
12 office with attached letters providing notice of this  
13 hearing to EOG and also to the affected parties of the  
14 non-standard location?

15 A. Yes, it is.

16 Q. Were Exhibits 1 through 5 compiled by you --  
17 prepared by you or compiled under your direction or  
18 supervision?

19 A. Yes, they were.

20 MS. KESSLER: Mr. Examiner, I would move the  
21 admission of Exhibits 1 through 6.

22 EXAMINER JONES: Exhibits 1 through 6 are  
23 admitted.

24 (WHEREUPON, RKI Exploration and Production  
25 LLC Exhibits 1 through 6 were offered and

1 admitted.)

2 MS. KESSLER: And that concludes my  
3 examination.

4 EXAMINER JONES: Okay. There is no geologist  
5 in this case; is that right?

6 MS. KESSLER: That's correct and that is  
7 because we are forming a standard unit.

8 EXAMINATION BY MR. JONES

9 EXAMINER JONES: As long as it is gas, which  
10 is what is being applied for.

11 THE WITNESS: That's correct.

12 EXAMINER JONES: And you had -- I didn't --  
13 did you say again this is all federal?

14 THE WITNESS: Yes, it is.

15 EXAMINER JONES: And EOG, were they  
16 interested in the well when it was going to be a Bone  
17 Spring well, but they're not now?

18 THE WITNESS: They actually do not own their  
19 rights in the Bone Spring on the same formation, so this  
20 will be the first time that we have to work with them in  
21 this section?

22 EXAMINER JONES: Do you think they might  
23 sign?

24 THE WITNESS: At this point, there's no  
25 reason to believe they will.

1 EXAMINER JONES: But the Yates parties did  
2 sign and Oxy?

3 THE WITNESS: Those were only noticed as  
4 offset affected parties for the non-standard location.

5 EXAMINER JONES: Okay. And no objections to  
6 that?

7 THE WITNESS: No.

8 EXAMINER JONES: Can you say again when you  
9 noticed these non-standard offsetting tracts?

10 THE WITNESS: When we provided notice?

11 EXAMINER JONES: Yes.

12 THE WITNESS: That is on Exhibit 6.

13 MS. KESSLER: Mr. Examiner, it looks like  
14 the letter was not included as part of that affidavit  
15 although the green cards were. So we will need to  
16 provide a copy of that letter to you.

17 EXAMINER JONES: That is fine with me. You  
18 can send it later. But, basically, though, the green  
19 cards show June 19th, June 22nd --

20 THE WITNESS: Yes.

21 EXAMINER JONES: The mailing dates, not the  
22 returns. How much interest did EOG have, did you say?

23 THE WITNESS: 25 percent working interest.

24 EXAMINER JONES: Because they have a lease?

25 THE WITNESS: Yes.

1 EXAMINER JONES: Okay. And this looks like  
2 the Wolfcamp is reasonable for north, south  
3 development --

4 THE WITNESS: Yes.

5 EXAMINER JONES: -- in this area?

6 THE WITNESS: Yes.

7 EXAMINER JONES: Your geologist -- obviously,  
8 your management and your geologist want to do it that  
9 way.

10 THE WITNESS: Yes, they've preferred north,  
11 south orientation in all of our Wolfcamp wells.

12 EXAMINER JONES: Okay.

13 THE WITNESS: We don't have very many in  
14 this immediate area. But further south, that has been  
15 the preferred orientation.

16 EXAMINER JONES: Okay. But if they did go  
17 east, west, you would be able to as a landman obtain the  
18 interests, one way or the other -- compulsory pooling,  
19 whatever.

20 THE WITNESS: Correct.

21 EXAMINER JONES: I don't have any more  
22 questions.

23 EXAMINER WADE: I don't have any questions.

24 THE WITNESS: Thank you.

25 MS. KESSLER: Thank you, Mr. Examiner.

1                   EXAMINER JONES: If that's all in this case,  
2 we'll take case 15341 under advisement.

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(Time noted 8:50 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. \_\_\_\_\_  
heard by me on \_\_\_\_\_.

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\_\_\_\_\_, Examiner  
Oil Conservation Division

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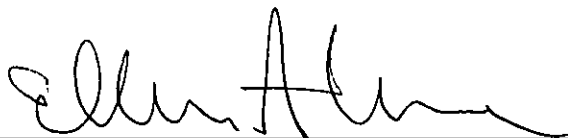
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1 STATE OF NEW MEXICO )  
 2 ) ss.  
 3 COUNTY OF BERNALILLO )  
 4  
 5  
 6

7 REPORTER'S CERTIFICATE

8  
 9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR  
 10 No. 100, DO HEREBY CERTIFY that on Thursday, July 9,  
 11 2015, the proceedings in the above-captioned matter were  
 12 taken before me, that I did report in stenographic  
 13 shorthand the proceedings set forth herein, and the  
 14 foregoing pages are a true and correct transcription to  
 15 the best of my ability and control.

16  
 17 I FURTHER CERTIFY that I am neither employed by  
 18 nor related to nor contracted with (unless excepted by  
 19 the rules) any of the parties or attorneys in this case,  
 20 and that I have no interest whatsoever in the final  
 21 disposition of this case in any court.

22  
 23  
 24  
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ELLEN H. ALLANIC, CSR  
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