

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

ORIGINAL

APPLICATION OF RKI EXPLORATION AND PRODUCTION TO
RE-OPEN CASE NO. 15341 TO AMEND THE SPACING UNIT
UNDER THE TERMS OF COMPULSORY POOLING ORDER R-14016,
EDDY COUNTY, NEW MEXICO

CASE NO. 15341

OCTOBER 15, 2015
1220 S. St. Francis Drive
Santa Fe, NM 87505

HEARING EXAMINER: MICHAEL MCMILLAN

LEGAL COUNSEL: GABRIEL WADE

APPEARING FOR THE APPLICANT, RKI EXPLORATION AND
PRODUCTION:

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EXHIBITS

7. McCurdy Affidavit

8. Feldewert Affidavit

9. Order of the Division

10. Sundry Notices and Reports

11. Map

12. Charts

Exhibits 7 through 12 admitted into evidence on Page

16.

1 (Note: In session at 8:20.)

2 HEARING EXAMINER MCMILLAN: We will call
3 Case No. 15341, Application of RKI Exploration and
4 Production to Re-Open Case No. 153 to Amend the
5 Spacing Unit Under the Terms of Compulsory Pooling
6 Order R-14016, Eddy County, New Mexico. Call for
7 appearances.

8 MR. FELDEWERT: May it please the
9 examiner, Michael Feldewert for the Santa Fe office
10 of Holland & Hart appearing on behalf of the
11 applicant, and I have one witness today.

12 HEARING EXAMINER MCMILLAN: Any other
13 witnesses? Please proceed.

14 MR. FELDEWERT: Mr. Examiner, this case,
15 as you saw in this matter, we seek to reopen the
16 case that was heard by the division and resulted in
17 the issuance of an order. And in that prior case
18 there was one witness who was a landman and six
19 exhibits were entered into the record. Since we now
20 seek to amend the pooling order and reopen the case,
21 you will notice that our exhibits continue. They
22 start with Exhibit 7, and that's why, because in the
23 prior case there were six exhibits that were
24 entered.

25 With that said, I will proceed with my

1 witness.

2 HEARING EXAMINER MCMILLAN: Please
3 proceed.

4 JEANIE ALLEN

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

7 EXAMINATION

8 BY MR. FELDEWERT

9 Q. Please state your name identify by whom
10 are you employed and in what capacity?

11 A. My name is Jeanie Allen. I'm a geologist
12 and I work for RKI.

13 Q. How long have you been a geologist with
14 RKI?

15 A. Three years.

16 Q. And do your responsibilities include the
17 Permian Basin of New Mexico?

18 A. Yes.

19 Q. Have you had the opportunity, Ms. Allen,
20 to previously testify before this division?

21 A. No.

22 Q. Would you please outline your educational
23 background?

24 A. I have a Bachelor of Science in geology
25 from Oklahoma State University in Oklahoma in 2009.

1 Q. And were you previously working in the
2 industry in some capacity prior to receiving your
3 Bachelor of Science in geology?

4 A. Yes, I worked in the industry since 1985.

5 Q. What did you do for the industry? What
6 was your role?

7 A. I was an analyst. I prepared maps and
8 cross-sections and actually drilled wells and a
9 variety of support to the geologists.

10 Q. Did you work for various companies?

11 A. I did.

12 Q. What areas were you involved in throughout
13 your career?

14 A. I worked in Louisiana. I have worked in
15 the Rocky Mountains, Williston Basin, Powder River.
16 I have worked in the heavy oil fields off of
17 Bakersfield, California and the Sacramento gas
18 fields in California. I have worked in western
19 Oklahoma and the Darko Basin.

20 Q. And you received a geological degree?

21 A. Yes.

22 Q. And since becoming employed by RKI, what
23 has been your prior area of responsibility? What
24 has been your focus for the company?

25 A. The Permian Basin and I am the Wolfcamp

1 geologist.

2 Q. How many wells have you drilled or
3 overseen?

4 A. We have drilled around 40 horizontal
5 Wolfcamp wells to date.

6 Q. If the company has a question about the
7 Wolfcamp formation do they go to you?

8 A. Yes.

9 Q. Are you a member of any professional
10 affiliations or associations?

11 A. The American Association of Petroleum
12 Geologists as well as the Oklahoma City Geological
13 Society.

14 Q. How long have you been a member of the
15 AAPG?

16 A. Probably 1985.

17 Q. And with respect to the Oklahoma city
18 Geologic Society, how long have you been with that
19 group?

20 A. Probably four years.

21 Q. Are you familiar with the application
22 filed in this case?

23 A. I am.

24 Q. Have you conducted a geologic study of the
25 lands that are the subject of the application?

1 A. Yes.

2 MR. FELDEWERT: Mr. Examiner, before I
3 proceed further with this witness, you will note
4 that I have marked as Exhibit No. 7 the affidavit of
5 Sam McCurdy. He is the landman that testified for
6 RKI in the first hearing. He has provided in his
7 affidavit the background of this case and what was
8 done the first time around. He's also provided for
9 the examiners a list of the parties that were then
10 identified for notice with respect to this case.

11 Exhibit No. 8 then is my affidavit of
12 publication to the parties to be identified for
13 notice. And with this witness then we would proceed
14 with what we have marked as Exhibit No. 9.

15 Q. (By Mr. Feldewert) Ms. Allen, is that the
16 pooling order that was issued by the division in
17 July of 2015?

18 A. Yes.

19 Q. That we seek to amend?

20 A. Yes.

21 Q. And if you look at this particular pooling
22 order, if you go to Page 3, and on Page 3 if you go
23 to the ordering paragraphs 1 and 2, under this order
24 the division created a 320-acre spacing unit in the
25 Wolfcamp; is that correct?

1 A. Yes.

2 Q. And the second paragraph identifies the
3 RDX Federal Com 17 well No. 26H as the well that was
4 initially dedicated to that pool spacing unit?

5 A. Yes.

6 Q. And this well was to be completed in the
7 Wolfcamp; is that right?

8 A. Yes.

9 Q. If I continue on that page to Ordering
10 Paragraph 3, it provides that if the well is
11 completed as an oil well in the Wolfcamp, the
12 company is to return back to the division and seek
13 to amend the pool spacing unit, correct?

14 A. Yes.

15 Q. Has this well actually been drilled and
16 completed?

17 A. It has been drilled. It has not been
18 completed.

19 Q. If I turn to what's been marked as RKI
20 Exhibit 10, is that the application for permit to
21 drill that was filed for this particular well?

22 A. Yes.

23 Q. And there's some handwriting on it. And
24 if I go to Page 2 you'll see that someone changed
25 the pool for this particular well; is that correct?

1 A. Yes.

2 Q. From wildcat to an oil pool?

3 A. Yes.

4 Q. Was that done by someone within the
5 division?

6 A. Yes.

7 Q. And also on that second page of Exhibit
8 No. 10 someone within the division modified the
9 dedicated acres from 320 to 160 acres; is that
10 correct?

11 A. Yes.

12 Q. As a result, is the company here today to
13 change the pool spacing unit from 320 acres to 160
14 acres?

15 A. Yes.

16 Q. And will that comprise the west half of
17 the east half of Section 17?

18 A. Yes.

19 Q. As reflected on this exhibit?

20 A. Yes.

21 Q. Does the company seek any other
22 modifications to the pooling order?

23 A. No, sir.

24 Q. Are you familiar with the horizon in which
25 this well has been drilled?

1 A. Yes, sir.

2 Q. And is that the Wolfcamp?

3 A. Yes.

4 Q. Does that formation extend across the
5 subject area?

6 A. It does.

7 Q. Have you prepared a structure map and
8 cross-section showing that?

9 A. I have, yes.

10 HEARING EXAMINER MCMILLAN: Have we
11 formally qualified her as an expert witness?

12 MR. FELDEWERT: I can do that.

13 HEARING EXAMINER MCMILLAN: Let's do it
14 now.

15 Q. Ms. Allen, we have gone through
16 educational background; you've conducted your
17 geologic study. I would then tender you as an
18 expert witness in petroleum geology.

19 HEARING EXAMINER MCMILLAN: So qualified.
20 Please proceed.

21 Q (By Mr. Feldewert) Ms. Allen, if I turn to
22 Exhibit 11, is that a structure map that you
23 prepared for this area?

24 A. Yes.

25 Q. Would you please explain to us what you

1 are showing with the colors and what this reflects?

2 A. The orange indicates our Wolfcamp rights
3 in Section 17, in Township 26 south Range 30 east.
4 This is a structure map on the top of the Wolfcamp.
5 As you can see, it strikes north and dips gently to
6 the east less than -- just a little over one degree
7 per mile.

8 Q. What data did you use to put together this
9 structure map?

10 A. The public data.

11 Q. And you noted that it reflects RKI's
12 acreage. Is that in yellow or orange?

13 A. That is in orange.

14 Q. There are two horizontal wells reflected
15 on here. Can you please orient us as to where they
16 are?

17 A. Yes. If you look at the Cross-section A
18 to A prime indicated on the exhibit, the first well
19 RDX 17-16H is a horizontal Wolfcamp well. The other
20 horizontal Wolfcamp well is the third well on the
21 line, RDX 17-26H.

22 Q. Is that the well that was initially
23 dedicated to the pooled spacing unit?

24 A. Yes, it is.

25 Q. What are the other two wells that you

1 identified on here?

2 A. The second well, the Yates Federal 8-2 is
3 a vertical well. And the SRC State 1-Y is also a
4 vertical well.

5 Q. Are those the only two vertical wells in
6 the area that have penetrated the Wolfcamp
7 formation?

8 A. Yes.

9 Q. Have you therefore used in your
10 cross-section all four wells in the area that have
11 penetrated the Wolfcamp?

12 A. I have, yes.

13 Q. Have you observed, Ms. Allen, any geologic
14 faults or other impediments to horizontal
15 development in this particular area?

16 A. No, I have not.

17 Q. If I then turn to what's been marked RKI
18 Exhibit 12, is this your cross-section 8A prime?

19 A. Yes.

20 MR. FELDEWERT: Mr. Examiner, if you note,
21 there's a smaller version of the exhibit marked as
22 Exhibit 12. If you are interested in the larger
23 it's behind it in the sleeve.

24 Q. Ms. Allen, would you please first orient
25 the examiners to this particular cross-section and

1 then explain how it's put together and what it
2 shows.

3 A. This is a cross-section from A to A prime
4 which has the four wells placed on the
5 cross-section. This is hung on the top of the
6 Wolfcamp. This is a stratigraphic cross-section.
7 The first well is the RDX 17-16H, which is a
8 horizontal well. The curves indicated is an MWD
9 gamma ray, which is a curve that is generated as we
10 drill the horizontal and it indicates the top of the
11 Wolfcamp and where we typically land.

12 The second well is the Yates Federal 8-2.
13 This is the vertical well drilled in 2000. This was
14 completed in the Wolfcamp C.

15 The third well is the RDX Federal 17-26H,
16 which is the subject well for this section. It's a
17 horizontal well, of course, and the red curve is the
18 MWD gamma ray and our landing point. We have not
19 completed this well.

20 The fourth well is the SRC State 1-Y.
21 This is a vertical well. This was drilled in 1980
22 and it was completed in the Wolfcamp B and D. You
23 can see the perforations located in the bottom of
24 the well indicated where it was perf'd in the
25 Wolfcamp B.

1 Q. You're looking at the bottom right-hand
2 corner of Exhibit No. 12?

3 A. Correct.

4 Q. Now, you mentioned the Wolfcamp C and you
5 mentioned the Wolfcamp B and D. Are those different
6 intervals within the Wolfcamp formation?

7 A. They are.

8 Q. In what interval is the company completing
9 its horizontal wells?

10 A. These are in Wolfcamp A.

11 Q. Are any of the existing vertical wells out
12 there completed in the Wolfcamp A?

13 A. No, sir.

14 HEARING EXAMINER MCMILLAN: So it's the
15 landing point, right?

16 A. The landing point is the horizontal,
17 correct.

18 Q. What do you observe with respect to the
19 continuity of the landing zone, the Wolfcamp A,
20 across the acreage that you seek to -- you have
21 created as your spacing unit?

22 A. Well, if we look at the gamma ray, which
23 is the red curve, and also the first curve on the
24 vertical wells, you will see that it correlates
25 across as the characteristic of the top of the

1 Wolfcamp and on down through, and with the
2 resistivity curves you can see the same log
3 character as it goes across.

4 Q. So in your opinion as an expert, is the
5 Wolfcamp A zone that is the target of your proposed
6 well, is it fairly continuous across the pooled
7 area?

8 A. Yes.

9 Q. And in your opinion will be subject area
10 contribute more or less equally to the production of
11 the well?

12 A. It will.

13 Q. In your opinion, will the approval of this
14 application be in the best interest of conservation,
15 prevention of waste and protection of correlative
16 rights?

17 A. I believe so, yes.

18 Q. Ms. Allen, were RKI Exhibits 11 and 12
19 compiled under your supervision?

20 A. They were.

21 MR. FELDEWERT: At this time I move the
22 admission of RKI exhibits 7 through 12, 7 being the
23 affidavit of Mr. McCurdy, 8 being my notice of
24 affidavit, 9 being the order of the division and 10
25 being the APD that was filed with the division.

1 HEARING EXAMINER MCMILLAN: Exhibits 7
2 through 12 may now be accepted as part of the
3 record.

4 (Note: Exhibits 7 and 12 admitted into
5 evidence.)

6 MR. FELDEWERT: That concludes my
7 examination of the witness.

8 HEARING EXAMINER MCMILLAN: Okay. I'm
9 trying to understand. You are saying 17-26 well
10 hasn't been completed, correct?

11 THE WITNESS: Correct. It's been drilled
12 but not completed.

13 HEARING EXAMINER MCMILLAN: So then what
14 was their justification for moving it from a gas to
15 an oil spacing?

16 MR. FELDEWERT: It was the division.

17 HEARING EXAMINER MCMILLAN: The division?

18 MR. FELDEWERT: If you will notice on
19 Exhibit No. 10, someone at the division moved it
20 from the end designated Wolfcamp pool to the what
21 they call the Brushy Draw Wolfcamp O pool, which is
22 identified as an oil pool and then actually changed
23 the dedicated acres from 320 to 160.

24 HEARING EXAMINER MCMILLAN: So the first
25 well on the left-hand cross-section, what's the

1 gravity? Any idea?

2 THE WITNESS: It's around 45 degrees API.

3 HEARING EXAMINER MCMILLAN: Okay. And the
4 next question, I assume that everyone in the
5 surrounding acreage has been notified?

6 MR. FELDEWERT: Yes, Mr. Examiner. If you
7 look at the affidavit of Mr. McCurdy in Paragraph 4,
8 he notes that he identified the operators and
9 lessees in the 40-acre tract surrounding the west
10 half of the east half of Section 17 and provided
11 that notice, that list to us for the purposes of
12 notification. He also notified the only party that
13 was actually pooled, which is COG Resources. I
14 shouldn't say he identified them. We noticed them
15 under my notice of affidavit which has been marked
16 as Exhibit No. 8.

17 HEARING EXAMINER MCMILLAN: Okay. For
18 clarity purposes, the RDX 17-16H is the same zone as
19 the RDX Federal 17-26H, correct?

20 THE WITNESS: Correct.

21 HEARING EXAMINER MCMILLAN: Okay. Go
22 ahead if you have questions.

23 LEGAL COUNSEL WADE: I don't have any
24 questions.

25 MR. FELDEWERT: So, Mr. Examiner, just to

1 reiterate, the only thing we seek to change is the
2 spacing unit under the pooling order. Everything
3 else with respect to the pooling order remains the
4 same.

5 HEARING EXAMINER MCMILLAN: I have no
6 further questions. Thank you very much. This will
7 be taken under advisement. Thank you.

8 (Note: Proceedings concluded.)
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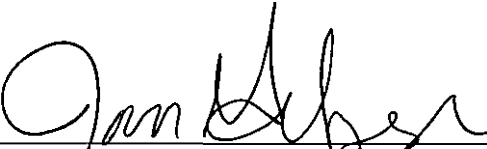
14 I do hereby certify that the foregoing is
15 a complete record of the proceedings in
16 the Examiner hearing of Case No. _____,
heard by me on _____.

17 _____, Examiner
18 Oil Conservation Division
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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
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