

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 15349

APPLICATION OF WPX ENERGY PRODUCTIONS LLC FOR
APPROVAL OF A 640-ACRE NON-STANDARD PROJECT AREA
COMPRISED OF ACREAGE SUBJECT TO A PROPOSED FEDERAL
COMMUNITIZATION AGREEMENT FOR CREATION OF A NEW POOL
WITHIN THE PROJECT AREA AND FOR ALLOWANCE OF 330-FOOT
SETBACKS FROM THE EXTERIOR OF THE PROPOSED PROJECT AREA,
RIO ARriba COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 23, 2015

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Phillip Goetze,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
July 23, 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
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Albuquerque, New Mexico 87102

A P P E A R A N C E S

FOR APPLICANT

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I N D E X

CASE NUMBER 15349 CALLED

WPX ENERGY PRODUCTION, LLC
CASE-IN-CHIEF

WITNESS CHUCK BASSETT

By Mr. Feldewert

DIRECT

4

Examiner Goetze

10

WITNESS SAM SHIVERICK

DIRECT

REDIRECT

By Mr. Feldewert

11

18

Examiner Goetze

Examination

17

Reporter's Certificate

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E X H I B I T I N D E X

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1 (Time noted 9:51 a.m.)

2 EXAMINER GOETZE: Back on the record. We
3 will proceed to case 15349, Application of WPX Energy
4 Production, LLC, for approval of a 640-acre non-standard
5 project area comprised of acreage subject to a proposed
6 federal communitization agreement for creation of a new
7 pool within the project area and for allowance of
8 330-foot setbacks from the exterior of the proposed
9 project area, Rio Arriba County, New Mexico.

10 Call for appearances.

11 MR. FELDEWERT: May it please the Examiner,
12 Michael Feldewert for the Santa Fe Office of Holland and
13 Hart, appearing on behalf of the applicant. I have two
14 witnesses here today and they have previously been sworn
15 in a prior case.

16 EXAMINER GOETZE: Any other appearances?

17 (No response.)

18 EXAMINER GOETZE: Thank you. Proceed.

19 CHUCK BASSETT

20 having been first duly sworn, was examined and testified
21 as follows:

22 DIRECT EXAMINATION

23 BY MR. FELDEWERT:

24 Q. Would you please state your name, identify by
25 whom you are employed and in what capacity.

1 A. Chuck Bassett, landman with WPX Energy, San Juan
2 Basin.

3 EXAMINER GOETZE: One moment, please.
4 You've got to give the court reporter the exhibits.
5 Continue.

6 Q. Mr. Bassett, have you previously testified before
7 this Division and had your credentials as an expert in
8 petroleum land matters accepted and made a matter of
9 public record?

10 A. Yes.

11 Q. Are you familiar with the application filed in
12 this case?

13 A. Yes.

14 Q. And are you familiar with the status of the lands
15 in the subject area?

16 A. Yes.

17 MR. FELDEWERT: I would once again tender
18 Mr. Bassett as an expert witness in petroleum land
19 matters.

20 EXAMINER GOETZE: He is so qualified.

21 Q. Would you please turn to what has been marked as
22 WPX Exhibit 1. First identify it and then explain what
23 the company seeks under this application.

24 A. Right. This identifies section 35 in township 24
25 north, seven west, Rio Arriba County. It shows existing

1 vertical wells. It also shows WPX horizontal
2 development, planned development, where WPX intends to
3 drill three horizontal wells in a diagonal pattern in
4 the Mancos Formation.

5 Q. Does this exhibit also reflect that this
6 particular acreage section 35 is subject to two pools?

7 A. That is correct, the Lybrook Gallup Pool, which
8 is subject to 40 acre spacing and 330-foot setbacks and
9 the Basin Mancos Gas Pool, which requires 660-foot
10 setbacks and then it's 320 acre spacing.

11 Q. And as I look at section 35 here and a
12 designation of the portions that are in the Basin Mancos
13 Gas Pool, first off, there's limited acreage in the
14 Basin Mancos Gas Pool, correct?

15 A. That is correct.

16 Q. And, secondly, if you notice, that acreage is not
17 contiguous?

18 A. That is correct.

19 Q. In addition to that, is the Lybrook Gallup Pool
20 what they call a frozen oil pool under the Division
21 order creating the Basin Mancos Gas Pool?

22 A. It is.

23 Q. Is that why the company then seeks a single oil
24 pool for this proposed project area with 330-foot
25 setbacks?

1 A. That is correct.

2 Q. What is the nature of the acreage in section 35?

3 A. There are two federal leases where WPX owns
4 100 percent working interest --

5 Q. And has the company met with the BLM about a
6 communitization agreement covering this acreage?

7 A. We have. And the BLM has agreed to a single
8 communitization agreement for section 35.

9 Q. If I turn to what's been marked as Exhibit No. 2,
10 is this the communitization agreement utilizing federal
11 form required by the BLM?

12 A. This is the form directed by the BLM, which also
13 contains Exhibit A and Exhibit B.

14 Q. But there had been two modifications; is that
15 correct?

16 A. There's two modifications limited to the Mancos
17 Formation and excludes existing and future vertical
18 wells outlined in paragraph 1 of the communitization
19 agreement.

20 Q. And what will be the effective date of this
21 communitization agreement?

22 A. The effective date will be upon execution of the
23 necessary parties and final approval of the secretary of
24 the interior. That's outlined in paragraph 10.

25 Q. What is the status of obtaining approvals from

1 all of the necessary --

2 A. The status right now is -- we are trying to get
3 record title signature in the west half lease of section
4 35. It is abandoned energy, a dissolved company, so we
5 are trying to track down the necessary parties at this
6 time.

7 Q. Have all the other necessary parties signed it?

8 A. That is correct.

9 Q. And then once the -- once you are able to track
10 down a -- and you are just talking about the record
11 title owner --

12 A. That's correct, the record title owner.

13 Q. And once you deal with that issue, you will be in
14 a position to be able to present it to BLM for
15 signature?

16 A. That's correct.

17 Q. Now, you're seeking approval of this section 35
18 as a project area to conform with communitized area?

19 A. That's correct.

20 Q. And then approval of a single oil pool with
21 330-foot setbacks?

22 A. That's correct.

23 Q. Will the approval of this application allow the
24 company to orient its horizontal wells for maximum
25 recovery?

1 A. Yes, it will.

2 Q. And will it also avoid the need to file various
3 administrative applications?

4 A. It will. It will eliminate filing NSLs for Basin
5 Mancos non-standard proration units and project areas
6 for each well, and a down hole commingling, all that
7 could be avoided.

8 Q. In preparing for this case, did the company
9 identify the affected parties and all of the spacing
10 units that surround section 35?

11 A. We did.

12 Q. And was the company able to locate addresses of
13 record for all these affected parties?

14 A. Yes.

15 Q. If I then turn to what has been marked as WPX
16 Exhibit 3, is this an affidavit of publication prepared
17 by my office with an attached letter providing notice of
18 this hearing to the address of record for these affected
19 parties?

20 A. Yes, it is.

21 Q. Were WPX Exhibits 1 and 2 prepared by you or
22 compiled under your direction and supervision?

23 A. They were.

24 MR. FELDEWERT: Mr. Examiner, I would move
25 the admission into evidence of WPX Exhibits 1 through 3,

1 which includes the notice affidavit.

2 EXAMINER GOETZE: Exhibits 1 through 3 are
3 so entered.

4 (WPX Energy Production, LLC, Exhibits 1
5 through 3 were offered and admitted.)

6 MR. FELDEWERT: And that concludes my
7 examination of this witness.

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

9 EXAMINER GOETZE: Counselor has no
10 questions.

11 EXAMINATION BY EXAMINER GOETZE

12 EXAMINER GOETZE: So we are not asking for a
13 backdating of this at this time?

14 THE WITNESS: No, sir.

15 EXAMINER GOETZE: And a schedule, as far as
16 drilling, have we projected as far as where we think we
17 are going to be spud.

18 THE WITNESS: I don't have an exact date,
19 Mr. Examiner. I think it would be based probably on
20 when we could get final approval, it would be soon after
21 final approval.

22 EXAMINER GOETZE: So we are looking at
23 trying to get this consolidated prior to getting on
24 location?

25 THE WITNESS: That is correct.

1 EXAMINER GOETZE: I have no further
2 questions of this witness.

3 MR. FELDEWERT: We call our second witness.

4 EXAMINER GOETZE: Thank you.

5 SAM SHIVERICK
6 having been first duly sworn, was examined and testified
7 as follows:

8 DIRECT EXAMINATION

9 BY MR. FELDEWERT:

10 Q. Would you please state your name and identify by
11 whom you are employed and in what capacity.

12 A. Sam Shiverick, employed by WPX Energy as a
13 geoscientist.

14 Q. And how long have you been a geoscientist?

15 A. Three years.

16 Q. Do you currently reside in Tulsa?

17 A. Yes, sir.

18 Q. And Mr. Shiverick, did you previously testify
19 before this Division and have your credentials as an
20 expert in petroleum geology accepted and made a matter
21 of public record?

22 A. Yes.

23 Q. Are you familiar with the application filed in
24 this case?

25 A. Yes.

1 Q. And have you conducted a geologic study of the
2 lands that are the subject of this application?

3 A. I have.

4 MR. FELDEWERT: I would once again re-tender
5 Mr. Shiverick as an expert witness in petroleum geology.

6 EXAMINER GOETZE: He is so qualified.

7 Q. What is the target of the three horizontal wells
8 that are depicted on WPX Exhibit 1?

9 A. It would be targeted in the Mancos Formation.

10 Q. And in your opinion as an expert, does this
11 formation extend across section 35?

12 A. Yes, it does.

13 Q. And have you prepared a structure map and a cross
14 section to support this conclusion?

15 A. Yes, I have.

16 Q. If I turn to what has been marked as WPX
17 Exhibit 4, is this a structure map that you prepared for
18 this case?

19 A. Yes, it is.

20 Q. Would you please explain to us what you show on
21 this structure map?

22 A. This is a subC structure map on the Mancos top.

23 Q. And what do all the lines represent?

24 A. The red lines represent cross sections that will
25 be showing as exhibits. A to A Prime is a strike cross

1 section, and B to B Prime is a dip cross section. The
2 general formation dip is down dip to the northeast.

3 Q. And do you also show the three proposed
4 horizontal wells?

5 A. Yes, I do.

6 Q. And what do you observe with respect to the
7 structure of cross section 35?

8 A. It is continuous.

9 Q. Do you observe any false pinch-outs or geologic
10 impediments to the development of this area using
11 horizontal wells?

12 A. I do not.

13 Q. And based on your observations, do you see any
14 concerns with respect to the contribution of the well
15 bores --

16 A. No.

17 Q. -- on this acreage?

18 A. No.

19 Q. Now, what do the -- we are going to get now to
20 your cross section. And you mention that you have A to
21 A Prime and B to B Prime lines here. What do the red
22 numbers reflect on those lines?

23 A. Thank you. The red numbers on these lines on all
24 the wells -- or some of the wells in this map, rather,
25 represent the subC depth of the Mancos Formation, which

1 correspond to the contour lines.

2 Q. And do you feel like you got good well control in
3 this area?

4 A. Yes.

5 Q. If I turn then to what has been marked as WPX
6 Exhibit 5, is this a cross section A to A Prime that
7 corresponds with the lines on Exhibit 4?

8 A. Yes, it is.

9 Q. Why don't we pull this out, and then explain to
10 us what this shows, start with all the colors.

11 A. Okay. This is A to A Prime, the two wells in the
12 middle. The colored in tracts, the tract on the left is
13 the gamma ray, with the yellow, the brighter yellow
14 representing more sand, and the darker yellows
15 represents more shales.

16 On the right side of the tract of the depth log
17 is the resistivity. And that's the green curve you see
18 there.

19 Q. And are these two wells that you just described
20 roughly in the middle of this exhibit, are they actually
21 located in section 35?

22 A. Yes, they are.

23 Q. What do the pink markings reflect on this
24 particular exhibit?

25 A. They reflect the perforated interval on these

1 wells.

2 Q. And with respect to your proposed target area,
3 where would that be on this exhibit -- I'm sorry. The
4 target area for your three wells, where would that be
5 located on this exhibit?

6 A. If you look at Marcus A-9, the well second from
7 the right, our target interval will be between 5,200
8 feet and 5,500 feet.

9 Q. And based on your observation, is this particular
10 interval continuous across section 35?

11 A. Yes, it is.

12 Q. And now you mentioned this is a strike cross
13 section that goes west to east?

14 A. Yes, sir.

15 Q. Did you also do a corresponding north to south
16 cross section?

17 A. Yes, we did. B to B Prime.

18 Q. And is that contained on WPX Exhibit 6?

19 A. Yes. And it's from the southwest to the
20 northeast.

21 Q. And is this design set forth roughly in the same
22 fashion as the prior exhibit?

23 A. Yes, it is.

24 There's an additional curve here with an SP
25 curve, which is spontaneous potential. And on the three

1 cross sections with color, that would be the red log
2 overlying the gamma ray.

3 Q. And, again, here there's now three wells in this
4 particular cross section that are contained within
5 section 35?

6 A. Yes, sir.

7 Q. And you also have the pink perforations noted?

8 A. Yes, sir.

9 Q. And what again is the target zone for your
10 proposed well bores?

11 A. If we can look at the Marcus 10, which is the
12 second from the right, this well is in our proposed
13 area, and our target would be from 5,200 to 5,500.

14 Q. And this additional cross section, does it
15 confirm that this particular zone is continuous across
16 section 35?

17 A. Yes, it does.

18 Q. In your opinion, will the two federal leases that
19 comprise section 35 contribute to the production from
20 the proposed horizontal well bores?

21 A. Yes.

22 Q. And in your opinion will the approval of this
23 application be in the best interests of conservation,
24 prevention of waste, and the protection of correlative
25 rights?

1 A. Yes, it will.

2 Q. Were WPX Exhibits 4 through 6 prepared by you or
3 compiled under your direction and supervision?

4 MR. FELDEWERT: Mr. Examiner, I would move
5 the admission into evidence of WPX Exhibits 4 through 6.

6 EXAMINER GOETZE: Exhibit 4 through 6 are so
7 entered.

8 (WPX Energy Production, LLC, Exhibits 4
9 through 6 were offered and admitted.)

10 MR. FELDEWERT: And that concludes my
11 examination of this witness.

12 EXAMINER GOETZE: Counselor Wade?

13 EXAMINER WADE: I have no questions.

14 EXAMINER GOETZE: Very good.

15 Before we get any farther, have we made sure
16 that our notifications met the test of time so we have
17 no continuance --

18 MR. FELDEWERT: We provided -- we found
19 addresses of record for all the affected parties and we
20 provided notice of those addresses.

21 EXAMINER GOETZE: Very good.

22 EXAMINATION BY EXAMINER GOETZE

23 EXAMINER GOETZE: Now, to return to the
24 geologist, in Exhibit 4, there are three other
25 horizontals shown here. Does WPX have any interest in

1 those or any information regarding those, the Escrito or
2 the Northeast Chaco?

3 THE WITNESS: I don't believe so.

4 EXAMINER GOETZE: Have you looked at them as
5 part of your exercise in constructing this?

6 THE WITNESS: Yes. There are logs available
7 on the state website.

8 EXAMINER GOETZE: And any impact on what you
9 are going to do as far as their success or failure?

10 THE WITNESS: I don't think so. It is our
11 practice to notify offset operators of vertical wells
12 before we stimulate these proposed wells.

13 EXAMINER GOETZE: They just wanted to see if
14 there was other participants in this area and their
15 results and if you're modifying your plan to reflect
16 their success or failure. I have no further questions
17 for this witness.

18 MR. FELDEWERT: I have one.

19 REDIRECT EXAMINATION

20 BY MR. FELDEWERT:

21 Q. Mr. Shiverick, if you look at Exhibit 4.

22 A. Yes, sir.

23 Q. And do you see down in the bottom right-hand
24 corner of this exhibit, there's two wells that are
25 labeled the Northeast Chaco 176H and the Northeast Chaco

1 177H?

2 A. Yes, sir.

3 Q. Are those WPX wells?

4 A. They are.

5 Q. Those would be in the northeast Chaco unit?

6 A. That's correct.

7 Q. And in part your orientation of the wells that
8 are reflected in section 35, is that, in part, the
9 result of the observations you've seen in drilling just
10 lay-down horizontal wells?

11 A. It's really -- we've changed azimuth of these
12 well bores based off what we've seen for microseismic
13 and results we've seen from offset operators drilled in
14 this orientation.

15 MR. FELDEWERT: That's all the questions I
16 have.

17 EXAMINER GOETZE: Thank you. That is very
18 good. I appreciate it.

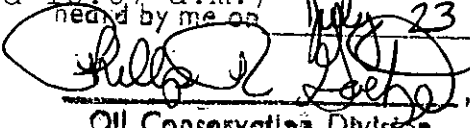
19 No further questions for you. Thank you
20 very much. And with that, we will go ahead and case No.
21 15349 will be taken under advisement.

22

23

24

25

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15349
(Time noted 10:07 a.m.) heard by me on July 23, 2015
, Examiner
Oil Conservation Division

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 23,
 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
 18 I FURTHER CERTIFY that I am neither employed by
 19 nor related to nor contracted with (unless excepted by
 20 the rules) any of the parties or attorneys in this case,
 21 and that I have no interest whatsoever in the final
 22 disposition of this case in any court.
 23
 24
 25

Ellen Allanic

ELLEN H. ALLANIC, CSR
 NM Certified Court Reporter No. 100
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