

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:

APPLICATION OF DEVON ENERGY PRODUCTION CASE NOS. 20727,
COMPANY, L.P. FOR COMPULSORY POOLING, 20728
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 6, 2019

Santa Fe, New Mexico

BEFORE: KATHLEEN MURPHY, CHIEF EXAMINER
MICHAEL McMILLAN, TECHNICAL EXAMINER
DYLAN ROSE-COSS, TECHNICAL EXAMINER
DANA Z. DAVID, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Kathleen Murphy, Chief Examiner; Michael McMillan and Dylan Rose-Coss, Technical Examiners; and Dana Z. David, Legal Examiner, on Friday, September 6, 2019, 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: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

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APPEARANCES

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

KAITLYN A. LUCK, ESQ.
HOLLAND & HART, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
(505) 988-4421
kluck@hollandhart.com

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1 (9:23 a.m.)

2 EXAMINER MURPHY: We'll hear Cases 20727
3 and 20728. These are Devon Energy Production cases.
4 Application of Devon Energy Production, L.P. for
5 compulsory pooling, Eddy County, New Mexico, Cases 20727
6 and 20728.

7 Call for appearances.

8 MS. BROGGI: Kaitlyn Luck, with the Santa
9 Fe office of Holland & Hart, on behalf of the Applicant,
10 Devon Energy Production.

11 EXAMINER MURPHY: Are there any witnesses?

12 MS. BROGGI: We have no witnesses, and we
13 ask to present this case by affidavit -- both of these
14 cases by affidavit, which we have consolidated exhibits
15 for to be presented by affidavit.

16 EXAMINER MURPHY: Any other appearances?

17 MS. BROGGI: None that we're aware of.

18 EXAMINER MURPHY: Please proceed.

19 MS. LUCK: Thank you.

20 So turning to the exhibit packet, first we
21 have our landman affidavit and our geology affidavit,
22 and then finally our notice affidavit. And behind each
23 affidavit, there are subsequent exhibits that apply to
24 both cases. So I will go through those briefly.

25 The affidavit of Verl Brown, he is Devon

1 Energy's landman for this case, and he has not
2 previously testified before the Division. And so Devon
3 is requesting that his credentials as a petroleum
4 landman be accepted and made a matter of public record.
5 You'll find behind Tab A1 his resume filed in both of
6 these cases, and he's familiar with the status of the
7 lands in the subject area. With respect to Case Number
8 20727, Devon is seeking an order pooling all uncommitted
9 interests in the Wolfcamp Formation. And we'd ask,
10 before I proceed, for Mr. Brown to be accepted as an
11 expert petroleum landman based on his credentials that
12 are provided as Exhibit A1.

13 EXAMINER MURPHY: Any objections?

14 EXAMINER COSS: No objection.

15 EXAMINER MURPHY: His credentials are
16 accepted.

17 MS. LUCK: Thank you.

18 So turning to his exhibits that apply to
19 Case Number 20727, in that case Devon is seeking an
20 order pooling all uncommitted interests in the Wolfcamp
21 Formation for a standard 640-acre Wolfcamp spacing unit
22 in the east half of Sections 22 and 27, Township 23
23 South, Range 29 East in Eddy County, to be dedicated to
24 the Papas Fritas 27-22 Fed Com 622, 623 and 713H wells.

25 So behind Tabs A2, A3 and A4, you'll find

1 the C-102s for those wells. The C-102s have not yet
2 been filed. These are drafts, but they do reflect that
3 these wells are located in the Purple Sage; Wolfcamp
4 Pool, and Devon has applied for administrative approval
5 of any nonstandard location of these wells. The first
6 and last take points are also noted on each of the
7 C-102.

8 Turning to Exhibit A5, this is the tract
9 map that shows the tracts of land in the proposed
10 spacing unit, and it also provides the interest owners
11 that Devon seeks to pool in this case.

12 Exhibit A6 is the well-proposal letter,
13 along with the AFE that was provided to the working
14 interest owners for these three wells in Case Number
15 20727.

16 Moving on to Case Number 20728, Devon is
17 seeking a standard Wolfcamp spacing unit in the west
18 half of Sections 22 and 27, to be dedicated to the Papas
19 Fritas 27-22 Fed Com 621, 711 and 712H wells. And then
20 the C-102s for each of those wells are located behind
21 Devon Exhibits A7, A8 and A9. These wells are also
22 located in the Purple Sage; Wolfcamp Pool, and Devon has
23 also applied for administrative approval of any
24 nonstandard locations of those wells.

25 Devon Exhibit A10 is the tract map for the

1 proposed spacing unit providing the interest owners that
2 Devon seeks to pool, along with their interest in the
3 unit.

4 And Devon Exhibit All -- sorry.

5 Sorry. If you guys have questions.

6 EXAMINER COSS: Oh. We are not allowed to
7 administratively approve nonstandard locations through
8 this process.

9 MS. LUCK: Right. And we've applied
10 separately through the administrative process for those
11 nonstandard locations, and we just noted that in our
12 affidavit, because it comes up sometimes whether or not
13 we've applied already for those. And in these wells,
14 we've already applied for administrative approval.

15 EXAMINER COSS: Is there something in here
16 that states that?

17 MS. LUCK: In our affidavits -- so
18 affidavit Exhibit A, paragraph seven notes that Devon
19 has applied for administrative approval of the NSLs for
20 those three wells, and then in paragraph 14, it notes
21 again that Devon's applied for administrative approval
22 of the three wells in Case 20728 as well. But we
23 haven't included the administrative applications with
24 these hearing application for this pooling case, since
25 it is a separate process.

1 EXAMINER COSS: Okay.

2 MS. LUCK: Sorry. Does that clear it up?

3 EXAMINER COSS: That clears it up. So I
4 will be able to find those applications somewhere.

5 MS. LUCK: And I'm happy to provide you
6 with the order numbers after the hearing, because I
7 believe that Mr. Lowe has already handled those
8 administrative applications.

9 EXAMINER COSS: Okay. Yeah, if you could.

10 MS. LUCK: And our final exhibit from
11 Mr. Brown is the well-proposal letter for Case Number
12 20728, Exhibit A11, which was sent to the working
13 interest owners. And Mr. Brown notes in his affidavit
14 that Devon is requesting overhead and administrative
15 costs in this case of 8,000 per month while drilling,
16 800 per month while producing.

17 Mr. Brown also provided our office of a
18 list of names and addresses for any of the uncommitted
19 interest owners in the spacing units, and our office
20 provided notice of this hearing, which will be provided
21 as Exhibit C.

22 So before I turn to the geology affidavit,
23 I just want to confirm whether there are any questions.

24 EXAMINER MURPHY: In Tab 10, the ownership
25 breakdown, are they federal minerals?

1 MS. LUCK: That's correct. These are all
2 federal minerals in both of these cases.

3 EXAMINER MURPHY: And so you're seeking to
4 pool the Allar Company and Highland, Texas, Energy?
5 They're uncommitted?

6 MS. LUCK: So on Exhibit A10, it notes that
7 there's several working interest owners in Tract 1 and
8 in Tract 2, which includes OXY, Chevron, TWL, as well as
9 the Allar Company and Highland Energy.

10 EXAMINER MURPHY: You're seeking to pool
11 the -- then.

12 MS. LUCK: That's correct. And so on the
13 third page of Exhibit A10, you'll see the unit recap
14 with the highlighted working interest owners that we're
15 seeking to pool in the case and their percentages of
16 ownership, and it also reflects that Devon is the
17 primary interest holder.

18 EXAMINER MURPHY: I see. Thank you.
19 Any other questions?

20 EXAMINER McMILLAN: Go ahead.

21 EXAMINER COSS: I guess I'm curious to
22 know -- I bet it says in the affidavit -- that they've
23 been in talks with Chevron and OXY, and those are broken
24 down, and that's why we're doing this process?

25 MS. LUCK: It's my understanding that Devon

1 is still working on trades with those companies, but
2 they have not been completed at this point in order to
3 continue with proceeding along with the drilling plans
4 of these wells. We've proceeded to the pooling hearing,
5 but we will notify the Division if we reach an agreement
6 with the uncommitted working interest owners. But given
7 the fact that in these cases we have overrides, we still
8 had to bring the cases to hearing so that their
9 interests could be pooled.

10 EXAMINER COSS: And they're not under any
11 sort of time constraint with the BLM?

12 MS. LUCK: Not to my knowledge.

13 EXAMINER COSS: Those are all my questions.

14 EXAMINER McMILLAN: For clarity purposes,
15 you are compulsory pooling the overriding royalty
16 interests, right.

17 MS. LUCK: Correct.

18 EXAMINER McMILLAN: And they're not subject
19 to cost penalties, correct?

20 MS. LUCK: That's correct.

21 EXAMINER McMILLAN: Are there any
22 unlocatable interests?

23 MS. LUCK: No.

24 EXAMINER McMILLAN: And where does it say
25 in your affidavit what steps were taken --

1 MS. LUCK: So it'll be one of the last
2 couple of paragraphs. I think it's paragraph 21.
3 Mr. Brown conducted a diligent search of the public
4 records to locate the parties who we're pooling in this
5 case.

6 EXAMINER McMILLAN: Go ahead.

7 EXAMINER DAVID: She hasn't presented the
8 notice provision yet, so I was going to wait until she
9 did.

10 MS. LUCK: Okay.

11 EXAMINER MURPHY: Please proceed.

12 MS. LUCK: So turning to Devon Exhibit B,
13 this is the geologist's affidavit for both cases, 20727
14 and 20728. This affidavit is of Miranda Childress, who
15 works for Devon Energy Production as a geologist. She
16 has also not previously testified before the Division or
17 had her credentials as an expert witness accepted.

18 Behind Tab B1 is her resume, and with this,
19 she seeks to have her credentials as an expert petroleum
20 geologist accepted and made a matter of record.

21 EXAMINER MURPHY: So accepted.

22 MS. LUCK: Thank you.

23 Ms. Childress notes in her affidavit that
24 in both of these cases Devon is targeting the Wolfcamp
25 Formation.

1 Behind Tab 2, she provides a map showing
2 the paths of the proposed wellbores for these wells,
3 which is overlain, which is also a subsea structure map.
4 And so her exhibits note all of the wells in both of the
5 cases with the wells for the first case -- and I'm
6 sorry. She actually has both of -- the wells for both
7 cases noted on each of her exhibits. So you'll see the
8 paths of the proposed wellbores for both of the cases
9 noted within the proposed spacing units on Exhibits B2,
10 B3 and B4.

11 B3 is her cross-section map with the line
12 of cross section from A to A prime for the wells that
13 she used on her cross section, which is Exhibit B4.

14 Her Exhibit B4 also notes the landing zone
15 for both the Wolfcamp X-Y and the Wolfcamp 100. In her
16 opinion, she notes that each tract comprising the
17 spacing units in both cases will be productive and
18 contribute more or less equally to production from the
19 wellbores, and she also opines that granting Devon's
20 applications in these cases is in the best interest of
21 conservation, the prevention of waste and the protection
22 of correlative rights.

23 And I think that concludes all of her
24 exhibits, so I just wanted to confirm whether you guys
25 had any questions before I move onto the Notice of

1 Affidavit.

2 EXAMINER MURPHY: I don't have any
3 questions.

4 MS. LUCK: Okay. And we don't have a
5 zoomed-out locator map like you mentioned in the last
6 case, so we're happy to submit one of those, if you'd
7 like, that shows the location of these wells in relation
8 to the surrounding area.

9 EXAMINER COSS: It looks like things are
10 dipping to the east again here. And the wells in blue,
11 are those in the same formation, or how does that work?

12 MS. LUCK: So the way that the exhibit is
13 laid out is the wells noted in blue are the 621, 622 and
14 623H wells, and those are the wells targeting the X-Y.
15 So if you turn to the cross section, Exhibit B4, you'll
16 note the landing zone on the right side of the page
17 where the well is noted in blue for the X-Y. And then
18 the wells in green on these maps are the Wolfcamp 100
19 wells, and then those are noted -- the landing zone for
20 those wells are noted on the right side as the Wolfcamp
21 100 landing zone.

22 And you are correct. In her affidavit, she
23 notes that the Wolfcamp is dipping to the east in this
24 area, and that's in paragraph six of her affidavit.

25 EXAMINER COSS: And the building blocks for

1 this area is going to be?

2 MS. LUCK: Yeah. So these wells are
3 located in the Purple Sage; Wolfcamp Pool, and so we're
4 asking for 320 building blocks.

5 EXAMINER MURPHY: Because it's a gas pool.

6 MS. LUCK: This is located in the Purple
7 Sage; Wolfcamp Pool.

8 EXAMINER COSS: And is that also specified
9 in here?

10 EXAMINER McMILLAN: She said yeah.

11 EXAMINER COSS: She did?

12 EXAMINER McMILLAN: She said the horizontal
13 spacing unit -- if it's a standard spacing unit, they
14 need to clearly specify that.

15 EXAMINER COSS: Noted.

16 EXAMINER McMILLAN: And you said there are
17 no depth severances, right?

18 MS. LUCK: There are no depth severances in
19 this acreage.

20 And so if there are no further questions on
21 the geology affidavit, I'll turn to the notice
22 affidavit, which is Exhibit C. It's prepared by me
23 noting that our office provided notice of this hearing
24 for both of these applications, and we provided the
25 letters, as well as our delivery reports.

1 Again, there were items that had not been
2 delivered as of the time that we printed our delivery
3 report, and so in an abundance of caution, we always
4 publish these applications, and we provide our notice of
5 publication reflecting that all the parties received
6 both a mail copy and notice of -- by publication.

7 EXAMINER MURPHY: Do you have any
8 questions?

9 EXAMINER COSS: Do you?

10 EXAMINER MURPHY: I don't.

11 EXAMINER COSS: So you printed something in
12 the "Carlsbad Current-Argus," which suggests that you
13 couldn't reach everybody?

14 MS. LUCK: We always publish in the event
15 that the mailings are not delivered. And so when we
16 check our mailing status a couple of days before
17 hearing, we noted that some of these had not been
18 delivered. So even though we do have an address for all
19 of the parties, for some reason or another, people might
20 not have picked up their mail or they didn't sign the
21 green card, we also include the Notice of Publication.

22 EXAMINER McMILLAN: But you consider valid
23 addresses, right?

24 MS. LUCK: I think that they are valid
25 addresses, but that's based on the records that Devon

1 has based on their title searches.

2 EXAMINER McMILLAN: Okay.

3 EXAMINER COSS: Do you have any questions,
4 Dana?

5 EXAMINER DAVID: Yeah. Just real quick, I
6 think you stated for the record -- I haven't had a
7 chance to go through all the list here, but all the
8 identified interest holders were sent notifications of
9 the hearing date --

10 MS. LUCK: That's correct.

11 EXAMINER DAVID: -- to you best of your
12 knowledge?

13 Not that it really matters, I'll just note
14 for the record, the questions asked about the Affidavit
15 of Publication, the Affidavit of Publication was
16 published -- was on August 20th. Most of the letter
17 receipts were received after the publication date, not
18 that that makes any difference.

19 MS. LUCK: It is my understanding that
20 publication has to occur ten days before hearing, and so
21 we make sure and publish it on time.

22 EXAMINER DAVID: Sorry to put you on the
23 spot. I notice probably that the date of the certified
24 letter is actually one day before the 20 days. So is it
25 kind of standard practice to cut it to the edge like

1 that?

2 MS. LUCK: That's correct. We typically
3 mail out our notice letters 20 days before hearing.

4 EXAMINER DAVID: All right. No further
5 questions.

6 MS. LUCK: Thank you.

7 With that, I move the admission of Exhibits
8 A, B and C and the required attachments and ask the case
9 be taken under advisement.

10 EXAMINER MURPHY: Exhibits A, B and C will
11 be accepted.

12 (Devon Energy Production Company, L.P.
13 Exhibits A, B and C are offered and
14 admitted into evidence.)

15 EXAMINER MURPHY: Cases 20727 and 20728
16 will be taken under advisement.

17 MS. LUCK: Thank you.

18 (Case Numbers 20727 and 20728 conclude,
19 9:44 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

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

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

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

20 DATED THIS 6th day of October 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters

25