

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 OXY USA, INC. FOR CASE NOS. 20765,
COMPULSORY POOLING, EDDY COUNTY, 20766
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 6, 2019

Santa Fe, New Mexico

BEFORE: DYLAN ROSE-COSS, CHIEF EXAMINER
WILLIAM V. JONES, TECHNICAL EXAMINER
KATHLEEN MURPHY, TECHNICAL EXAMINER
DANA Z. DAVID, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Dylan Rose-Coss, Chief Examiner; William V. Jones and Kathleen Murphy, 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 OXY USA, INC.:

JULIA BROGGI, ESQ.
HOLLAND & HART, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
(505) 988-4421
jbroggi@hollandhart.com

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1 (1:40 p.m.)

2 EXAMINER COSS: I'd like to call Case
3 Numbers 20765 and 20766, an application of OXY USA,
4 Incorporated for compulsory pooling in Eddy County, New
5 Mexico.

6 Call for appearances.

7 MS. BROGGI: Julia Broggi, with Holland &
8 Hart, on behalf of the Applicant, OXY USA.

9 EXAMINER COSS: Are there any other
10 appearances?

11 MS. BROGGI: Not that I'm aware of, and we
12 intend to present these consolidated cases by affidavit.

13 EXAMINER COSS: Continue.

14 MS. BROGGI: These consolidated cases
15 follow a similar format to the prior consolidated cases.
16 The affidavit of the land negotiator, Jeremy D.
17 Murphrey, is Exhibit A in the packet before you.

18 Mr. Examiner, do you want me to qualify
19 Mr. Murphrey as an expert again, or does it count that
20 he was qualified before?

21 EXAMINER COSS: Just for the record.

22 MS. BROGGI: Okay. In paragraph two of
23 Mr. Murphrey's affidavit, he testifies that he has
24 previously testified before the New Mexico Oil
25 Conservation Division as an expert witness in petroleum

1 land matters and that his credentials as a petroleum
2 landman have been accepted by the Division and made a
3 matter of public record.

4 And so at this time, I would tender
5 Mr. Murphrey as an expert witness in petroleum land
6 matters for these consolidated cases.

7 EXAMINER COSS: So qualified.

8 MS. BROGGI: The first case, Case Number
9 20765, OXY is seeking an order pooling all uncommitted
10 interests in the Bone Spring Formation underlying a
11 standard 640-acre horizontal spacing unit comprised of
12 the west half of Sections 8 and 17, Township 24 South,
13 Range 29 East, N.M.P.M., Eddy County, New Mexico. And
14 OXY is proposing to dedicate this spacing unit to the
15 proposed Oxbow CC 17-8 Fed Com #33H well. And draft
16 Form C-102 for this proposed well is attached as Exhibit
17 A1.

18 EXAMINER COSS: Did you just tell us the
19 pool code?

20 MS. BROGGI: The pool code is at paragraph
21 nine. It's 50371.

22 When you incorporate the proximity tracts
23 for the completed interval for this proposed well, it
24 does comply with the Division setback requirements. I
25 did want to note that Section 8 is an irregular section.

1 So although it may not at first blush appear to be
2 within the 330 feet of the quarter-quarter section line,
3 the first and last take points, when you use the
4 latitude and longitude lines, it does, in fact, fall
5 within those 330 feet.

6 EXAMINER JONES: Thanks for saying that
7 because it does help when we look at these a month later
8 or something.

9 MS. BROGGI: Yeah. Well, it was confusing
10 to myself, and so that's the explanation. And that's
11 paragraph eight of the testimony on that point.

12 And then in the following case, Case Number
13 20766, again it's that same horizontal spacing unit, but
14 this time, OXY is seeking to pool all of the uncommitted
15 interests in the Wolfcamp; Purple Sage Formation. And
16 OXY is seeking to dedicate this proposed spacing unit to
17 three proposed wells, and those are the Oxbow CC 17-8
18 Fed Com #31H, 32H and 37H wells. And OXY has prepared
19 draft Form C-102s for these proposed wells, and you can
20 find those at Exhibit A2, A3 and A4.

21 And incorporating the proximity tracts
22 here, the completed intervals for the 31H well and the
23 32H well will comply with the Division setback
24 requirements, but for the 37H well, OXY is seeking
25 administrative approval separately for a nonstandard

1 well location. And the pool code for this is 98220.

2 And there are no depth severances either of the Bone
3 Spring Formation or the Wolfcamp Formation.

4 Q. And then Exhibit A5 is the land exhibit that
5 was prepared by the landman, which shows the tracts of
6 land in the proposed spacing unit. And it also shows
7 the interest owners and their percentage of interest by
8 tract for both the Bone Spring Formation and the
9 Wolfcamp Formation, and it also includes unit
10 recapitulations for both of those.

11 And as with the last consolidated cases,
12 OXY is seeking to pool the working interest owners
13 highlighted in yellow.

14 And, again, like the prior cases, there are
15 overriding royalty interest owners, but OXY has the
16 contractual authority to pool them, so we're not looking
17 to pool them in these cases.

18 OXY sent well-proposal letters to the
19 working interest owners in both cases for all four
20 wells, and those well-proposal letters included an AFE.
21 And you can find them at Exhibits A6, A7, A8 and A9.
22 And the landman testifies in his affidavit that the
23 costs reflected in the AFE are consistent what other
24 operators have incurred for drilling similar horizontal
25 wells in the area, and OXY has also made an estimate of

1 overhead and administrative costs. Those are \$7,500 a
2 month while drilling and 75 -- \$750 a month while
3 producing, and OXY asks that those costs be incorporated
4 into any order entered by the Division in these cases.

5 In these cases, OXY was able to locate
6 contact information for all of the parties it is seeking
7 to pool, so all parties were locatable.

8 EXAMINER MURPHY: Are there ongoing
9 negotiations?

10 MS. BROGGI: Just like with the last cases,
11 yes, there are negotiations with EOG to resolve this.
12 And if they reach an agreement before an order is
13 entered in this case, we will let the Division know
14 that, that we're no longer seeking to pool them.

15 EXAMINER JONES: Congratulations, by the
16 way.

17 MS. BROGGI: Let the record reflect that
18 Michael passed the bar.

19 And then turning to the geologist's
20 affidavit, which is found at Exhibit B, the geologist is
21 Tony J. Troutman. He testifies at paragraph two that
22 he's previously testified before the Division and that
23 his credentials as a petroleum geologist have been
24 accepted by the Division and made a matter of public
25 record.

1 So we would tender Mr. Troutman again as an
2 expert witness in petroleum geology in these
3 consolidated cases.

4 EXAMINER COSS: So recognized.

5 MS. BROGGI: Thank you.

6 Exhibit B1 is the location map which shows
7 the proposed wellbores for all four proposed wells.
8 Again, the well in the Bone Spring is in purple, and the
9 proposed wells in the Wolfcamp are in red.

10 Exhibit B2 is the subsea structure map for
11 the Bone Spring. It was prepared off of the top of the
12 3rd Bone Spring. And Mr. Troutman testifies that the
13 structure appears consistent in the section, and he does
14 not observe any faulting, pinch-outs or impediments in
15 this area.

16 Exhibit B3 shows the representative wells
17 both from A to A prime and from B to B prime that were
18 used to create the stratigraphic cross sections.

19 And B4 and B5 are those two stratigraphy
20 cross sections. And you'll see that the landing for the
21 proposed wells -- for the proposed well is marked in
22 purple. And he testifies that the logs demonstrate that
23 the target interval is within the 3rd Bone Spring, is
24 consistent in thickness across the entire spacing unit.

25 Then moving to the Wolfcamp Formation,

1 Exhibit B6 is another subsea structure map, this time
2 prepared off the Wolfcamp Formation. And Mr. Troutman
3 testifies that the structure appears consistent in this
4 section, and, again, he observes no faulting, pinch-outs
5 or other geologic hazards to developing the area.

6 Exhibit B7 shows the representative wells
7 used from A to A prime and B to B prime, and the
8 stratigraphic cross section is attached as Exhibits A8
9 and A9. And with respect to those stratigraphic cross
10 sections, Mr. Troutman again testifies that the target
11 interval is within the Wolfcamp, appears consistent
12 thickness across the spacing unit. And you'll see that
13 the landing is also marked for all three of those wells.

14 And finally Mr. Troutman also opines that
15 the granting of OXY's applications in these cases are in
16 the best interest of conservation, the prevention of
17 waste and the protection of correlative rights.

18 Exhibit D is an affidavit from myself with
19 the notice letters that were sent to the parties they're
20 seeking to pool and, you know, the postal delivery
21 report showing those mailings. And even though all
22 parties were locatable, it is our office's practice, out
23 of an abundance of caution, to provide notice by
24 publication. So the affidavit of Notice of Publication
25 is attached as Exhibit D.

1 EXAMINER COSS: Should we move to accept
2 these into --

3 MS. BROGGI: Yeah. At this time I would
4 ask to admit into evidence Exhibits A through D and
5 their accompanying attachments.

6 EXAMINER COSS: Let Exhibits A through D be
7 entered into the record.

8 (OXY USA, Inc. Exhibits A through D are
9 offered and admitted into evidence.)

10 EXAMINER COSS: Do you have any questions,
11 Kathleen?

12 EXAMINER MURPHY: The notice appears to be
13 cut off, and you probably should see if you can find --

14 MS. BROGGI: Notice of Publication?

15 EXAMINER MURPHY: Uh-huh.

16 MS. BROGGI: The only thing I would just.
17 suggest -- I'm happy to get you a better copy, but in
18 this instance, we don't really need the Notice of
19 Publication here because we were able to provide notice
20 to all the parties by mail.

21 EXAMINER MURPHY: And everyone received it?

22 MS. BROGGI: Yes. I mean, we probably
23 didn't need to include this as an exhibit, but we had
24 it, so I did.

25 EXAMINER JONES: It's on the next page

1 anyway, right?

2 EXAMINER DAVID: It's missing one line. We
3 can actually -- you can read it actually. It doesn't
4 take a lot of -- that west half of the west half of
5 Sections 8 and 17 to allow in -- inclusion.

6 The only other thing is about notice. So
7 you can certify to us that notice letters were sent to
8 all the interested parties that were identified in
9 the -- by the landman?

10 MS. BROGGI: Yes, I can do that.

11 EXAMINER DAVID: No further questions.

12 EXAMINER MURPHY: I have no further
13 questions.

14 EXAMINER COSS: I have no questions.

15 MS. BROGGI: In that case, I would ask that
16 Case Numbers 20765 and 20766 be taken under advisement.

17 EXAMINER COSS: Case Numbers 20765 and
18 20766 will be taken under advisement.

19 MS. BROGGI: Thank you.

20 (Case Numbers 20765 and 20766 conclude,

21 1:53 p.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

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