

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

IN THE MATTTTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

Applications of Devon Energy	
Production Company, L.P. for	
Horizontal Spacing Units and	Case No 22156
Compulsory pooling,	Case No 22157
Eddy County, New Mexico	Case No.22158

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, SEPTEMBER 9, 2021

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq., Hearing Examiner, Kurt Simmons, Technical Examiner, on September 9, 2021, via Webex Virtual Conferencing Platform hosted by New Mexico Department of Energy, Minerals and Natural Resources

Reported by: Mary Therese Macfarlane
New Mexico CCR #122
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A P P E A R A N C E S

FOR DEVON ENERGY PRODUCTION COMPANY, LP.:

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C O N T E N T S

CASE NOS. 22156, 22157, 22158	PAGE
CASE CALLED:	4
TAKEN UNDER ADVISEMENT:	12

1	I N D E X O F E X H I B I T S		
2	NO.	DESCRIPTION	ADMITTED
3	A	Affidavits of landman	12
4	A-1	C-102 Forms	12
5	A-2	Ownership and Sectional Map	12
6	A-3	Well Proposal Letters and AFEs	12
7	A-4	Chronology of Contacts	12
8	B	Affidavit of Geologist	12
9	B-1	Structure Map	12
10	B-2	Stratigraphic Cross Section	12
11	B-3	Gross Isochore	12
12	B-4	Gun Barrel View	12
13	B-5	Trajectory Cross Section	12
14	C	Affidavit of Notice	12
15	C-1	Notice Letters	12
16	C-2	Mailing List	12
17	C-3	Affidavit of Publication	12
18			
19			
20			
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1 (Time noted 10:20 a.m.)

2 EXAMINER BRANCARD: Good morning, Darin.

3 MR. SAVAGE: Davin Savage on behalf of
4 Devon Energy Production Company, L.P.

5 Devon has received no objections in
6 these Cases 22156, 22157, and 22158, therefore with the
7 Division's consent we are presenting these cases by
8 affidavit in consolidated form.

9 These three cases --

10 EXAMINER BRANCARD: Sorry, Mr. Savage. I think
11 we have an entry of appearance for EOG.

12 MR. SAVAGE: Okay.

13 MR. RITTENHOUSE: Yes, sir. This is Joby
14 Rittenhouse from Beatty & Wozniak appearing on behalf of
15 EOG.

16 EXAMINER BRANCARD: Thank you, Mr. Rittenhouse.
17 Do you have any objection to this case going forward by
18 affidavit?

19 MR. RITTENHOUSE: No, sir, no objection from
20 EOG.

21 EXAMINER BRANCARD: Thank you.

22 So are there any other interested parties
23 in Cases 22156 and 22157? (Note: Pause.)

24 Hearing none, please proceed, Mr. Savage.

25 MR. SAVAGE: Thank you. These three cases cover

1 land in Sections 25 and 26, Township 20 South, Range 29
2 East in Eddy County, New Mexico.

3 The landman Andy Bennett for the cases has
4 testified before the Division, his credentials have been
5 accepted and made a matter of record. And the geologist,
6 as well, Joe Dixon, has also testified before the Division
7 and his credentials have been accepted and made a matter
8 of record.

9 In Case No. 22156 Devon seeks an Order
10 creating a standard 640-acre spacing unit comprised of the
11 south half of Section 25 and a 26 and pooling all
12 uncommitted interests underlying the unit in the Bone
13 Spring Formation designated as an oil pool.

14 The unit will be dedicated to the Prairie
15 Fire 25-26 Fed Com 333H Well. Orientation of the well is
16 laydown, west to east, and all setback requirements under
17 statewide rules are met.

18 The well's location qualifies as a
19 proximity well in order to pull in the proximity tracts
20 that it creates in the south half of the unit.

21 Mr. Bennett's Exhibit A in this case
22 includes his Landman Affidavit, C-102, the ownership
23 breakdown, the Well Proposal with AFE, and a chronology of
24 Contacts showing good-faith negotiations.

25 Mr. Dixon's exhibit for this case includes

1 his geology affidavit along with the five standard geology
2 exhibits that show promising potential for development.

3 Exhibit C provides the Affidavit of Notice
4 for mailing and publication. Notice was timely sent and
5 published and all interest owners were accounted for.

6 Next, in Case 22157, Devon seeks an Order
7 creating a standard 320-acre spacing unit comprised of the
8 north half/south half of Section 25 and 26, and pooling
9 all uncommitted interest owners underlying the unit in the
10 Wolfcamp Formation. This particular Wolfcamp Formation is
11 designated as an oil pool. The unit will be dedicated to
12 the Prairie Fire 25-26 Fed Com 623H Well. Orientation of
13 the well is laid out west to east and all setback
14 requirements under statewide rules are met.

15 Again, Mr. Bennett's Exhibit A in Case
16 22157 includes his affidavits, the C-102, an ownership
17 breakdown, the Well Proposal Letter with AFE and the
18 Chronology of Contacts showing his efforts to negotiate.

19 Mr. Dixon's Exhibit B includes his geology
20 affidavit, along with the five standard geology exhibits
21 that show good potential for development.

22 Exhibit C has the Affidavit of Notice
23 showing the timely sending of Notice Letters and
24 publication, and all interest owners were accounted for.

25 In the final case, Mr. Examiner, 22158,

1 Devon seeks an Order creating a standard 320-acre spacing
2 unit comprised of the south half/south half of Sections 25
3 and 26 and pooling all uncommitted interests underlying
4 the unit in the Wolfcamp Formation. Again, this being the
5 Wolfcamp is designated as an oil pool.

6 The unit will be dedicated to the Prairie
7 Fire 25-26 Fed Com 624H well. The orientation is laydown
8 west to east, and all setback requirements under statewide
9 rules are met.

10 Mr. Bennett's Exhibit A for this case
11 includes his Landman Affidavit, and all the proper land
12 exhibits, the C-102, the ownership breakdown, the Well
13 Proposal Letter with AFE, and a Chronology of Contacts
14 showing good-faith negotiations.

15 Mr. Dixon's Exhibit B in this case includes
16 a geology affidavit along with the five geology exhibits
17 that show good potential for development.

18 Again Exhibit C in this case shows that
19 mailings and publications were timely for notice and all
20 interest owners were accounted for.

21 Both Mr. Bennett and Mr. Dixon affirm that
22 the approval of these applications in the three cases is
23 in the best interest of conservation, protection of
24 correlative rights and the prevention of waste, and will
25 prevent the drilling of unnecessary wells.

1 At this point I move that Exhibits A, B
2 and C and all sub exhibits be accepted into the record for
3 Cases 2256, 22157 and 22158, and these cases be taken
4 under advisement.

5 And I stand available for any questions
6 regarding these cases.

7 EXAMINER BRANCARD: Thank you. Once again, we
8 are on Cases 22156, -157, and -158.

9 Mr. Rittehouse, any questions or
10 objections?

11 MR. RITTENHOUSE: No questions or objections
12 from EOG. Thank you.

13 EXAMINER BRANCARD: Thank you.

14 Mr. Simmons.

15 EXAMINER SIMMONS: I did have one question. I'm
16 not sure Mr. Savage can answer it for me. It's kind of --
17 has to do with these communitization agreements.

18 These wells involve communitization
19 agreements, and I'm just wondering how these agreements
20 work in with the spacing.

21 Will they be reporting production to the
22 spacing unit we're creating here or to the com agreements?

23 MR. SAVAGE: Mr. Examiner, I will have to get
24 with the client on that. We will get you that information
25 promptly, but that's a discussion I will have to have with

1 the client.

2 If you would like to correspond by email to
3 get the specifics on that question to address your
4 concerns, any concerns you have.

5 MR. SIMMONS: We just don't normally get force
6 pooling creating spacing units, because that becomes the
7 lease that they normally report to.

8 MR. SAVAGE: I guess I should say a spacing unit
9 to the extent necessary in this. You know, if -- I mean,
10 I don't think the spacing unit will preclude any standard
11 operations. It's more of just an effort to cover the
12 bases of acknowledgement of the unit size. And, you know,
13 I would qualify that request as a spacing unit to the
14 extent necessary, and then we can work out the details on
15 that.

16 EXAMINER SIMMONS: We may just have to -- legal
17 may have to look at it. I'm just not sure. I haven't
18 seen it before, and I know there are issues that a com
19 agreement is a reporting unit, a spacing unit itself. So
20 is what we are doing here today going to create a spacing
21 unit, I'm just not sure, so I thought I would bring it to
22 attention we'll just have to pursue that question.

23 MR. SAVAGE: Okay.

24 EXAMINER SIMMONS: It may affect the outcome. I
25 couldn't predict.

1 MR. SAVAGE: Okay. Well, thank you for the
2 heads up on that, and we'll get you the necessary
3 information to negotiate that.

4 EXAMINER SIMMONS: Okay.

5 EXAMINER BRANCARD: I haven't looked, but is the
6 com agreement a different size than the spacing unit being
7 requested?

8 MR. SAVAGE: The com agreement is a federalized
9 unit, it's a larger unit.

10 This is within a federalized unit that
11 covers quite a bit of federal acreage, and, as I
12 understand, part of these units that we are requesting,
13 part of the units are within the federalized unit and part
14 of the unit is outside the federalized unit.

15 So since it has that combination my sense
16 was the OCD would need to account for the spacing, in
17 particular the part that extends outside the federalized
18 unit, you know, and make sure it's consistent with the
19 part within the federal unit.

20 EXAMINER BRANCARD: Okay. Because I mean we've
21 had requests for nonstandard spacing units to match the
22 size of com agreements. We've had a couple of those
23 requests in the past, but this seems different.

24 MR. SAVAGE: These are standard-sized units, but
25 they traverse a large part of the federal unit and then

1 they extend outside, as I understand it.

2 EXAMINER BRANCARD: Mr. Simmons, do you need --

3 MR. SAVAGE: Let me confer with the client on
4 this and I'll get you the specifics of what's going on so
5 we can negotiate that particular issue.

6 EXAMINER SIMMONS: Yeah. If you could send us
7 the boundaries of what's involved in the com, what extends
8 within, what extends without, so we can at least properly
9 identify what we're dealing with, and then we will just
10 have to go from there.

11 I haven't dealt with one of these before so
12 I can't tell you how we will resolve it, but we will just
13 have to communicate. Send that to my email.

14 MR. SAVAGE: My request for the pooling and the
15 Notice for the pooling, those appear to be all in order.
16 If there's any differentiation regarding the spacing unit,
17 I would think the pooling request should still stand up in
18 that regard, hopefully.

19 EXAMINER SIMMONS: All right. We will probably
20 want to know what the boundaries of the com agreement are,
21 in any event, and how the spacing unit we are trying to
22 create today interacts with that. I think we will need to
23 know that, and then we can probably go forward.

24 So if you can submit that to Hearings or
25 email it to me directly, either way. Probably should go

1 into an official, so probably send it to Hearings and get
2 it posted to the well file -- or the case file.

3 MR. SAVAGE: ALL right. Thank you.

4 EXAMINER BRANCARD: Mr. Simmons, do you want to
5 continue this case or just want to get the information?

6 EXAMINER SIMMONS: No, I don't want to continue
7 it if we don't have to. Let's just try to get the
8 information and we'll have to see how we can resolve it,
9 and if we need to bring it back for some other reason, we
10 can do it at that point, I think.

11 EXAMINER BRANCARD: Thank you.

12 Any more comments from any other interested
13 persons on Cases 22156, -157, -158?

14 Hearing none, the exhibits in this matter,
15 these three matters, will be admitted into the record and
16 these cases will be this taken under advisement. Thank
17 you.

18 MR. SAVAGE: Thank you.

19 (Time noted 10:34 a.m.)

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1 STATE OF NEW MEXICO)
2) ss
3 COUNTY OF TAOS)
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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE Macfarlane, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday,
8 September 9, 2021, the proceedings in the above-captioned
9 matter were taken before me; that I did report in
10 stenographic shorthand the proceedings set forth herein,
11 and the foregoing pages are a true and correct
12 transcription to the best of my ability and control.

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

18 /s/ Mary Macfarlane
19 _____

20 MARY THERESE Macfarlane, CCR
21 NM Certified Court Reporter No. 122
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