

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. Case No. 22259
for a 1600-acre Nonstandard Horizontal
Well Spacing Unit in the Wolfcamp
Formation, Comprised of Acreage
Subject to a Federal Communitization
Agreement, Eddy County, New Mexico

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, NOVEMBER 4, 2021

EXAMINER HEARING

This matter came on for hearing before the
New Mexico Oil Conservation Division, William
Brancard, Esq. Hearing Examiner, Dean McClure
Technical Examiner, on Thursday, November 4, 2021,
via Webex Virtual Conferencing Platform hosted
by the New Mexico Department of Energy, Minerals and
Natural Resources

Reported by: Mary Therese Macfarlane
New Mexico CCR #122
PAUL BACA PROFESSIONAL COURT REPORTERS
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A P P E A R A N C E S

FOR OXY USA, INC.:

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C O N T E N T S

CASE NO. 22259	PAGE
CASE CALLED:	4
INQUIRY BY EXAMINER McCLURE:	5, 9
EXAMINATION BY EXAMINER BRANCARD:	7
TAKEN UNDER ADVISEMENT:	11

1	I N D E X O F E X H I B I T S	
2	OXY USA, INC. EXHIBITS:	ADMITTED
3	NO DESCRIPTION.	
4	A Application	11
5	B Affidavit of Matthew Cole, Landman	11
6	B-1 Land Plat	11
7	B-2 Communitization Agreement	11
8	B-3 C-102s	11
9	B-4 Notice Plat	11
10	C Affidavit of Tony troutman, Geologist	11
11	C-1 Locator Map and Cross Section Map	11
12	C-2 Cross Section	11
13	C-3 Subsea Structure Map	11
14	D Affidavit of Winslow Horne, Engineer	11
15	D-1 Winslow Horne Resume	11
16	D-2 Surface Facilities Map and Cost Analysis	11
17	E Notice Affidavit	11
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1 (Time noted 10:31 a.m.)

2 EXAMINER BRANCARD: All right. So then we have
3 next Case 22259, OXY.

4 MR. RANKIN: Good morning, Mr. Examiner. Adam
5 Rankin with the Santa Fe office of Holland & Hart
6 appearing on behalf of the Applicant in the case, OXY USA.

7 EXAMINER BRANCARD: Thank you. Any other
8 interested persons for Case 22259? (Note: Pause.)

9 Hearing none, Mr. Rankin you may proceed.

10 MR. RANKIN: Thank you very much, Mr. Examiner.

11 In this case OXY is seeking approval of a
12 proposed 1600-acre, more or less, nonstandard horizontal
13 well spacing unit in the Wolfcamp Formation underlying the
14 south half of Section 17 and all of Sections 19 -- sorry
15 all of Sections 20 and 29 in Township 23 South, Range 31
16 East in Eddy County.

17 Submitted on Tuesday are three sets of
18 affidavits in support of the Application. The first
19 affidavit is from the landman Mr. Matthew Cole, who has
20 previously testified before the Division.

21 Mr. Cole in his affidavit identifies the
22 five wells that OXY has proposed for the proposed
23 nonstandard spacing unit, as well as the C-102s for each
24 of the proposed wells and a plat identifying the operators
25 in the adjoining tracts to whom Notice was provided.

1 Exhibit C is the affidavit of Tony
2 Troutman, the geologist for OXY, who has has previously
3 testified before the Division.

4 Attached to his affidavit are the geology
5 exhibits, reflecting the General Locator Map of the
6 proposed spacing unit, a line of Cross Section, as well as
7 a Cross Section identifying the proposed landing target of
8 each of the wells, and reflecting that the proposed
9 interval that will be targeted by these wells is
10 consistent across the proposed spacing unit and that there
11 are no impediments to developing the acreage by horizontal
12 wells.

13 The last exhibit is a Structure Map
14 reflecting the location of the proposed completed
15 intervals for each of five wells within the spacing unit.

16 Exhibit D is the affidavit of their
17 engineer Mr. Winslow Horne. He has not testified before
18 the Division and has therefore included a copy of his
19 resume with his affidavit. I request he be qualified as
20 an expert witness in petroleum engineering matters.

21 Exhibit D-1 is his resume reflecting his
22 qualifications and education in petroleum engineering.

23 Exhibit D-2 is a map depicting surface
24 facilities that will be required by the proposed spacing
25 unit, as well as analysis of the cost savings that will be

1 realized by the combination of -- the development of this
2 acreage as a nonstandard spacing unit. In short, OXY
3 expects to realize savings of just under \$5 million by
4 being able to develop this as a nonstandard spacing unit
5 rather than two separate spacing units. Those costs will
6 result in, Mr. Horne testifies, in an estimate of a
7 prolonged life of the well and development, relative to
8 having to develop these on a standard spacing unit basis.

9 With that, Mr. Examiner, I would move the
10 admission of Exhibit A -- and then, Mr. Examiner, finally
11 Exhibit E is a copy of our Notice -- Affidavit of Notice
12 reflecting that Notice of the Application was sent to each
13 of the parties identified on the tracking sheet, and each
14 party actually did receive Notice.

15 With that, Mr. Examiner, we would move the
16 admission of Exhibits A through E along with their
17 attachments into the record, and ask that the case be
18 taken under advisement.

19 EXAMINER BRANCARD: Thank you.

20 Mr. McClure?

21 EXAMINER McCLURE: Is this the tract of land
22 that we've already got a submittal for the Bone Spring on,
23 or have we seen that yet?

24 MR. RANKIN: I don't think you have seen that
25 yet, Mr. McClure. I can't tell you off the top of my head

1 what the status is of the Bone Spring.

2 EXAMINER McCLURE: Okay. But the presumption
3 would be that OXY will be asking for the same spacing for
4 that, as well?

5 MR. RANKIN: That would be my presumption. I
6 just can't tell you what the status is at the moment. I'm
7 not 100 percent sure what the status of the Bone Spring
8 development is.

9 EXAMINER McCLURE: No worries there. We don't
10 need any additional there.

11 And then to your understanding was an Order
12 similar to this granted for the tract of land directly to
13 the east and slightly offset to the south?

14 MR. RANKIN: I can tell you that I know that OXY
15 has received similar Orders. And other than the names of
16 the developments, I wouldn't be able to tell you. I would
17 have to go back and look and figure out if -- you know,
18 the proximity and the location of those. But there have
19 been several others in the recent past that OXY has
20 received similar Orders regarding their proposed
21 nonstandard spacing units.

22 EXAMINER McCLURE: Just to confirm, essentially
23 we are looking at four different standard horizontal
24 spacing units, essentially, correct, that's getting
25 formed -- that you are requesting be formed together here?

1 MR. RANKIN: I'm not sure I understand the
2 question. Can you rephrase it so I can make sure I'm
3 following?

4 EXAMINER McCLURE: If the wells were not to be a
5 nonstandard spacing unit, would there be four of them?

6 MR. RANKIN: Well, I think it would be possible
7 to develop them on two, uhm, because it's depending on the
8 location of the wells, I think -- I -- I -- if they -- if
9 the wells are lined up in a manner that allows the
10 proximity tracts to pull in the east half/east half and
11 west half/east half. I'm not 100 percent sure of that.
12 It either would be two or four.

13 EXAMINER McCLURE: I understand exactly what
14 you're saying, yeah, and off the top of my head I don't
15 recall if there's the center line wells or proximity wells
16 there or not.

17 Okay. I was going to say all these ones
18 are kind of real interesting, I guess the size we are
19 going for our spacing unit, but I don't think I have any
20 other questions. I don't know if Mr. Brancard wants more
21 details on the facilities or not, but I myself don't have
22 any questions at the moment, unless I have follow-up after
23 Mr. Brancard.

24 EXAMINER BRANCARD: Thank you.

25 So the rationale for a nonstandard unit

1 here is one less tank battery; is that correct?

2 MR. RANKIN: Yes. And in fact in this case
3 actually it would be one less tank battery and one less
4 train required to process the production, which would
5 result in the cost savings reflected in Mr. Horne's
6 exhibit.

7 The pad is -- in this case the pad would be
8 essentially the same size, so the surface area disturbed
9 wouldn't change, but the facilities would be vastly
10 reduced under the proposed spacing unit.

11 EXAMINER BRANCARD: Is that primarily what
12 you're talking about with the \$5 million in savings?

13 MR. RANKIN: Yes.

14 EXAMINER BRANCARD: Okay. All right. You're
15 saying there won't be a change in surface disturbance
16 because the tank batteries would have been on the same
17 pad? Or...

18 MR. RANKIN: In this case, as it turns out the
19 surface disturbed would not be changed if they had to put
20 another train on the facility.

21 EXAMINER BRANCARD: Okay. All right.

22 Anything further, Mr. McClure?

23 EXAMINER McCLURE: I guess there was one other
24 topic that just comes to mind.

25 It looks like, just to confirm, essentially

1 the main acreage here is all federal leases. Correct?

2 MR. RANKIN: Yes. If you look at the Notice
3 Plat, Exhibit B-4, you will see that the legend key there
4 identifies the two principal types of lands within the
5 area are fed and state, and that the proposed spacing unit
6 here is comprised entirely of federal acreage, federal
7 tract.

8 EXAMINER McCLURE: Now, understanding that the
9 BLM won't give you a comm. agreement without the spacing
10 unit as signed, I guess was it your -- was it in your
11 understanding that they are in support of the larger
12 spacing unit, or are they essentially neutral to it one
13 way or the other?

14 MR. RANKIN: I don't have a clear understanding
15 from the BLM's perspective. I think they generally prefer
16 situations that can be more efficient and result in more
17 efficient recovery of reserves. That's my general
18 understanding, but I don't have an understanding of what
19 the BLM's specific position is on this particular
20 instance.

21 EXAMINER McCLURE: Do you happen to know if the
22 east half and west half in these sections have different
23 federal interests between them -- or royalties, I should
24 say, I guess.

25 MR. RANKIN: I don't know the answer to that

1 one.

2 EXAMINER McCLURE: Okay. Thank you. I don't
3 have any other questions. Thank you.

4 EXAMINER BRANCARD: Okay. Anything further, Mr.
5 Rankin?

6 MR. RANKIN: No, just we ask these exhibits be
7 admitted into the record and the case be taken under
8 advisement.

9 EXAMINER BRANCARD: Thank you. Are there any
10 other interested persons for Case 22259? (Note: Pause.)

11 Hearing none, the exhibits in Case 22259
12 will be admitted into the record and the case will be
13 taken under advisement. Thank you.

14 MR. RANKIN: Thank you.

15 (Time noted 10:42 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 November 4, 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

19 /s/Mary Macfarlane_____

20 MARY THERESE MACFARLANE, CCR
21 NM Certified Court Reporter No. 122
22 License Expires: 12/31/2021

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