

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:

CASE NOS: 22873

APPLICATION OF CHEVRON U.S.A. INC. FOR
AUTHORITY TO VERTICALLY EXPAND THE UNITIZED
INTERVAL OF THE CICADA UNIT TO INCLUDE THE
BONE SPRING FORMATION AND TO COMMINGLE
PRODUCTION AT THE SURFACE,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
JULY 7, 2022
SANTA FE, NEW MEXICO

This matter came on for virtual hearing before
the New Mexico Oil Conservation Division, HEARING OFFICER
WILLIAM BRANCARD and TECHNICAL EXAMINER McCLURE on Thursday,
July 7, 2022, through the Webex Platform.

Reported by: PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102
505-843-9241

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

MICHAEL FELDEWERT
HOLLAND & HART
110 North Guadalupe, Suite 1
Santa Fe, NM 87501
505-954-7286

I N D E X

CASE CALLED	
TAKEN UNDER ADVISEMENT	15
REPORTER CERTIFICATE	16

1 HEARING EXAMINER BRANCARD: Where were we?

2 TECHNICAL EXAMINER McCLURE: Chevron's case. I
3 think we want to backtrack.

4 HEARING EXAMINER BRANCARD: We had three cases
5 left on the spreadsheet for today, and then we had a
6 Mewbourne case, 22672, but Mr. Bruce sent me an e-mail
7 saying he is out for the day, so we have the rest set up for
8 tomorrow morning at 8:30 a.m. to have continued stuff.

9 And so we are not going to get done today, we are
10 certainly not going to get done with the last item, which
11 is the Siana case, so maybe we can do one more before we
12 leave today.

13 Mr. Feldewert is giving us a thumbs up, and which
14 one are you hoping for, Mr. Feldewert? I'm looking at
15 Number 83, 22921.

16 MR. FELDEWERT: We don't want to do the Cicada
17 Unit. Here is the only concern, tomorrow is Friday, I don't
18 think my -- I believe the witnesses have been on the line,
19 and are still on the line even though it's late Thursday
20 there in Houston.

21 If you have, if you have any questions, that
22 poses a problem for a number of them, that's why I'm
23 wondering if maybe we can get the Cicada Unit done. I don't
24 think it's nearly as complicated as the prior case.

25 HEARING EXAMINER BRANCARD: How long do you think

1 you will go for?

2 MR. FELDEWERT: I can run through the affidavits
3 pretty quickly. I'm presenting by affidavit. There is no
4 objection, ownership is all common, et cetera, so it's
5 really a matter of, do you have questions.

6 HEARING EXAMINER BRANCARD: Right. So the
7 proposal, as I see, Mr. McClure, is they want to expand the
8 unit to include the Bone Spring, and as a result they want
9 to allow surface to commingling of Bone Spring and Wolfcamp.

10 MR. FELDEWERT: In an area of 100 percent common
11 ownership.

12 HEARING EXAMINER BRANCARD: Okay. Mr. McClure,
13 does this create significant issues for you?

14 TECHNICAL EXAMINER McCLURE: The concept doesn't
15 raise issues with me, but there are some additional
16 questions I have because, I mean, some of the information
17 that we would typically get submitted to us in a surface
18 commingling application is not included here, such as, you
19 know, like the batteries that we are commingling at, stuff
20 like that essentially.

21 So I do have some questions as to whether we get
22 it covered today, then I mean we probably can depending on
23 how long of a break we take, how late we want to go, I
24 guess.

25 HEARING EXAMINER BRANCARD: I can hear my dog

1 howling, so we are not going very long. How about we take a
2 five-minute break and come back and try to get this put away
3 in 20, 30 minutes.

4 MS. HARDY: Mr. Examiner, can I raise an issue
5 briefly about the last case, the Siana case. I know that
6 Mewbourne's witnesses, some of them are not available
7 tomorrow. We have a conflict. One of them is traveling, so
8 we would hope to push that to another docket.

9 HEARING EXAMINER BRANCARD: Oh, geez.

10 MS. HARDY: Like July 21, which I know works with
11 our witnesses.

12 TECHNICAL EXAMINER McCLURE: Mr. Brancard, if it
13 makes you feel any better, if we were to do, the case before
14 that, 22921, is probably pretty fast.

15 HEARING EXAMINER BRANCARD: All right. We will
16 deal with that after our break.

17 (Recess taken.)

18 HEARING EXAMINER BRANCARD: Let's just go ahead
19 with Case 22873, Chevron USA.

20 MR. FELDEWERT: May it please the Examiner,
21 Michael Feldewert of the Santa Fe office of Holland & Hart
22 on behalf of the applicant.

23 HEARING EXAMINER BRANCARD: Thank you. Any other
24 interested persons for Case 22873? Hearing none, Mr.
25 Feldewert you may proceed.

1 MR. FELDEWERT: You will see this is an
2 application of the Cicada unit which is a voluntary unit
3 currently approved for the Wolfcamp formation underlying
4 6400 acres of federal and state lands, initially approved by
5 Division Order R-14459 and expanded by Division Order R20458
6 issued in 2019.

7 As reflected in the exhibits that were filed with
8 the Division in advance of this hearing, all of the working
9 interests in the Bone Spring and Wolfcamp formation
10 underlying this unitized acreage is owned by Chevron, and
11 there are no ownership differences in this unitized area
12 between the Bone Spring and Wolfcamp intervals.

13 So Chevron here first seeks to expand the
14 unitized interval of the Cicada Unit to include the Bone
15 Spring formation, and, secondly, it seeks approval to
16 commingle production at the surface within the unitized area
17 from the Bone Spring and the Wolfcamp formation.

18 And since all ownership is common under the
19 unitized acreage, Chevron seeks to allocate production from
20 the Bone Spring and Wolfcamp formations using the well test
21 method which is specifically authorized by 19.15.12.10B1A,
22 where ownership is common and the pools are not prorated.

23 We are dealing with horizontal wells. There is
24 no -- these are not prorated pools. There has been no
25 objection to these requests for vertical expansion, and it

1 has been preliminarily approved by the BLM and the New
2 Mexico State Land Office.

3 So we have provided to you in our package the
4 application. We have also provided the affidavit of Gregg
5 Pazer, the landman who provides the information I just
6 discussed and confirms it. He also provides a complete copy
7 of the proposed expanded unit agreement with all the
8 Exhibits A, B and C. That's in Exhibit A-1. In A-2 are the
9 preliminary approval letters from the New Mexico State Land
10 Office and BLM.

11 Chevron Exhibit B, as in boy, is from Carl Bloor.
12 He is the geologist who provides a type log showing the
13 existing unitized area and the expanded unitized area. He
14 has a structure map and two cross sections across the
15 unitized area to show that it is uniform and makes sense to
16 include the Bone Spring in the unitized area.

17 I also provided the affidavit of Bradley Hulme
18 who is an engineer, and his affidavit does a couple of
19 things. First off it provides within his affidavit
20 information on the -- the oil gravity and the B2U content
21 for certain wells within this area. I'm not sure that's
22 required by the rule, but we provided it anyway.

23 He also identifies the three tank batteries in
24 the affidavit that are within the unitized area where the
25 commingling will occur. And he provides his opinion, that

1 shouldn't come as any surprise, that approval of the well
2 test method and the commingling request will avoid the
3 unnecessary surface disturbance without necessarily
4 impacting rights or revenues received by the mineral
5 interest owners, all of which are common.

6 So with that, we would move the admission of
7 Chevron Exhibits A, B and C. Exhibit D is my notice
8 affidavit, along with the status of the notice which went
9 out to all of the affected parties within the unitized area,
10 including the Bureau of Land Management and New Mexico State
11 Land Office. And out of an abundance of caution, because
12 one was for Mr. Schultz, his item was refused, we provided a
13 notice of publication in the Carlsbad Argus of this
14 application and the relief that is requested.

15 So with that we move admission of A, B, C, D and
16 E and all the sub exhibits and ask that the matter be taken
17 under advisement.

18 Now, if you have questions, I believe I have
19 witnesses on the line if I can't address them.

20 HEARING EXAMINER BRANCARD: Thank you. Mr.
21 McClure, questions?

22 TECHNICAL EXAMINER McCLURE: Yes, Mr. Brancard, I
23 do have a few questions. Mr. Feldewert, I apologize I
24 hadn't noticed that the batteries were included here. I
25 guess the question -- I'm still scrolling through it, yeah,

1 it looks like CV10, CV35 and CV12 -- so are these the
2 Heyhurst New Mexico section in those number central tank
3 batteries. Is that accurate to say?

4 MR. FELDEWERT: The -- I don't know what you
5 mean by Heyhurst, but I know these are central tank
6 batteries identified on the map. There is an associated
7 map. Does that help answer your question? You will see
8 that all of the tank batteries are located with -- so let me
9 step back. Exhibit C-1 is a map of the unit area in red,
10 you see outlined in red.

11 The yellow stars reflect the location of the
12 central tank batteries identified in the affidavit, all of
13 which are within the unitized area.

14 TECHNICAL EXAMINER McCLURE: Yes, sir. Yes, I'm
15 looking at that, and these are exactly the batteries that I
16 thought they are, which actually brings me into my question
17 I guess. Currently the production at these batteries is
18 authorized to be commingled with Com Agreement NMNM 13618
19 under administrative order central tank battery 947.

20 I guess my question, what is Chevron's intent for
21 how this unit order would interact with the current admin
22 order. Are they -- is Chevron no longer planning on
23 commingling from the com agreement that's out of the unit,
24 or are you aware.

25 MR. FELDEWERT: I do not know. Is there someone

1 on the line that can answer that question?

2 MR. HULME: I don't think so.

3 TECHNICAL EXAMINER McCLURE: You don't think
4 there is somebody on the line, or you don't think they are
5 going to be commingling.

6 MR. HULME: I don't think we can answer the
7 question.

8 TECHNICAL EXAMINER McCLURE: I guess moving on,
9 that's going to be something I need an answer to, but
10 whether we can get it submit -- I mean, we can get
11 supplemental information later, it's definitely possible,
12 but moving on I guess to my next question is, do you know,
13 Mr. Feldewert, whether on this unit, is it the BLM's intent
14 to establish two participating areas, or is there no
15 participating areas since there's a developmental unit
16 rather than an exploratory unit?

17 MR. FELDEWERT: Do I know BLM's intent? No. Is
18 there someone on the line that knows BLM's intent? Perhaps.
19 We do have their approval letter. Have you looked at their
20 approval letter? Did it indicate what they are doing there?

21 TECHNICAL EXAMINER McCLURE: I don't believe it
22 did, which is their normal thing, they approve the unit and
23 then later you get the unit number with an A afterwards, or
24 a B afterwards, approved. But normally that's an
25 exploratory unit. Since I don't believe this is an

1 exploratory unit, that may not be the case, but the
2 reason --

3 MR. FELDEWERT: They call it a resource
4 development unit is what the BLM calls it. We have to
5 follow their form. As to what they do with respect to their
6 participating areas within this -- and what their intent is,
7 I do not know. I'm not sure it impacts the request here.

8 TECHNICAL EXAMINER McCLURE: In theory there is,
9 in theory you would be commingling the two participating
10 areas, essentially, rather than unit itself, assuming that
11 allocation is done to the participating area. Now I don't
12 see -- go ahead, Mr. Feldewert.

13 MR. FELDEWERT: Which is something that we would
14 have to deal with with the BLM certainly.

15 TECHNICAL EXAMINER McCLURE: On the commingling,
16 my assumption is, yeah, I mean, my assumption I don't know
17 for sure what the BLM does about commingling participating
18 areas, I'm not sure what the requirements is there.
19 Assuming they have royalties I'm sure they would allow you
20 to.

21 The Division side isn't necessarily any concern
22 there other than just making sure we are actually including
23 the proper terminology in the order, the proper approvals, I
24 guess, just make sure we are explicit in, you know, the
25 participating areas covering this essentially one for the

1 Wolfcamp and one for the Bone Spring.

2 As far as being relevant to whether it can or
3 cannot be approved, yeah, I mean the assumption is one way
4 or the other I need to know one way or the other what it's
5 going to be, but I don't foresee it causing a hiccup
6 regardless of which way it goes, I guess, whether there is
7 no participating area or whether there it is going to be two
8 participating areas.

9 HEARING EXAMINER BRANCARD: Let me stop you
10 there. Is there anybody on the line that knows what BLM's
11 intent is with respect to the participating areas.

12 MR. PAZER: I don't know if you can hear me.

13 MR. FELDEWERT: Gregg, we can barely hear you.
14 This is Mr. Gregg Pazer.

15 MR. PAZER: I'm trying to speak as loud as I can.
16 My understanding is that their initial production will be
17 unit productive from the Bone Spring. Our intent is to
18 commingle that with the PA Purple Wolfcamp as our existing
19 Wolfcamp PA covers the entirety of the unit. Once the P.A.
20 is established, depending on the size of the P.A. we may
21 need to seek commingling approval if the P.A. is (bad
22 audio).

23 TECHNICAL EXAMINER McCLURE: That kind of answers
24 my question. That is what I kind of assumed what it was
25 going to be. I guess my question to Mr. Brancard is do we

1 need to sign the witness in or swear the witness in, or
2 what's your thoughts there?

3 Are you muted, Mr. Brancard.

4 HEARING EXAMINER BRANCARD: I am. Mr. Feldewert,
5 can we identify the witness and have them sworn in.

6 MR. FELDEWERT: Mr. Gregg Pazer. He is the one
7 that submitted the land affidavit in this case.

8 (Witness duly sworn.)

9 HEARING EXAMINER BRANCARD: Mr. McClure, any
10 other questions?

11 TECHNICAL EXAMINER McCLURE: The only other
12 question I had was a clarification from Mr. Feldewert of
13 what Chevron is requesting here. When you are directly
14 referencing the rule, I think it's A-2, maybe, within Part
15 12 there, essentially the well test requirement, what is
16 your -- what is the proposed well test schedule that is
17 being proposed here?

18 MR. FELDEWERT: I believe if you look at the
19 engineer's affidavit -- hold on -- monthly. If you look at
20 Paragraph 7 of Mr. Hulme's affidavit.

21 TECHNICAL EXAMINER McCLURE: So the request
22 currently is once a month.

23 MR. FELDEWERT: I believe the rule says no less
24 than annually. Chevron is proposing monthly.

25 TECHNICAL EXAMINER McCLURE: You are absolutely

1 correct on the rule, but to elaborate on that, I don't think
2 what actually can construe the well test under rule is
3 actually defined anywhere. And anyway, we are not going
4 down the line of once a year, that's a discussion we don't
5 need to have right here, I guess.

6 I believe that was the only questions I had. So
7 I guess the only follow-up that I needed was just what the
8 intent is for this order in this case in regards to that
9 administrative order central tank battery 947.

10 I just need to know what the intent is there.
11 Are we trying -- what the interaction is. Are we trying to
12 just dismiss that, or is there some sort of world that we
13 are trying to make these two orders work together somehow?

14 MR. FELDEWERT: Which order are you referencing,
15 sir?

16 TECHNICAL EXAMINER McCLURE: Central tank -- or
17 CTB 947. It's a currently approved surface commingling
18 order for the three Heyhurst batteries which allows the
19 commingling of the current unit wells and a neighboring con
20 agreement.

21 MR. FELDEWERT: All right. I can hopefully run
22 that down and get you that information if not tomorrow by
23 early next week.

24 TECHNICAL EXAMINER McCLURE: Very good. Very
25 good. Thank you, sir, and Mr. Brancard that was all my

1 questions I had.

2 HEARING EXAMINER BRANCARD: Thank you. I don't
3 have any questions. So, Mr. Feldewert, to sum, up or are
4 you done?

5 MR. FELDEWERT: That's all have, Mr. Brancard,
6 thank you. I ask that the case be taken under advisement.

7 HEARING EXAMINER BRANCARD: Thank you. So with
8 that, Case 22873 will be taken under advisement, and there
9 is a response to the one request from Mr. McClure.

10 MR. FELDEWERT: Certainly.

11 (Taken under advisement.)

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

REPORTER'S CERTIFICATE

I do hereby certify that I reported the foregoing virtual proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings to the best of my ability.

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

I FURTHER CERTIFY that the Virtual Proceeding was of poor to good quality.

Dated this 7th day of July 2022.

/s/ Irene Delgado

Court Reporter
License Expires: 12-31-22