

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. 20729,
COMPANY, L.P. FOR COMPULSORY POOLING, 20730, 20731
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
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APPEARANCES

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

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1 (9:45 a.m.)

2 EXAMINER MURPHY: Next we'll hear Cases
3 20729, 20730 and 20731, application of Devon Energy
4 Production Company, L.P. for compulsory pooling, Eddy
5 County, New Mexico.

6 Call for appearances.

7 MS. LUCK: Kaitlyn Luck, with the Santa Fe
8 office of Holland & Hart, appearing on behalf of the
9 Applicant, Devon Energy Production, L.P.

10 EXAMINER MURPHY: Any other appearances?

11 MS. LUCK: There are none that we're aware
12 of.

13 EXAMINER MURPHY: Any witnesses?

14 MS. LUCK: Devon asks to present these
15 three cases by affidavit, and we request that all three
16 be consolidated. And we have prepared exhibit packets
17 with the consolidated information for each of the three
18 cases.

19 EXAMINER MURPHY: Please proceed.

20 MS. LUCK: Okay. So, again, in this
21 case -- we have the same two witnesses for these three
22 cases.

23 Verl Brown is the land expert, and behind
24 Tab A, you'll find his affidavit. He's familiar with
25 the three applications filed in these three cases, and

1 he also indicates that none of the uncommitted parties
2 have indicated opposition to these pooling applications,
3 and he doesn't expect any opposition at these hearings.

4 And in Case 20729, Devon is seeking an
5 order pooling all uncommitted interests in the Bone
6 Spring Formation underlying a standard 640-acre
7 horizontal spacing unit comprised of the east half of
8 Sections 22 and 27, to be dedicated to the Papas Fritas
9 27-22 333H well. He also notes in his affidavit that
10 the 333H well will remain within 330 feet of the
11 quarter-quarter line separating the west half of the
12 east half from the east half of the east half to allow
13 inclusion of the acreage into a standard horizontal
14 spacing unit.

15 Behind Tab A2, you'll find the C-102 for
16 the well, which notes that these wells -- this well, as
17 well as the two in the following two cases are located
18 in two pools. So there is the Laguna Salada; Bone
19 Spring Pool, 96721, as well as the Laguna Salada; Bone
20 Spring, South Pool, 96857.

21 Exhibit A3 is the tract map showing the
22 interests in each tract, as well as a unit recap. In
23 this case Devon is seeking to pool both overrides and
24 working interest owners, and both the overriding royalty
25 interest owners and the working interest owners are

1 listed on this exhibit.

2 His Exhibit A4 is a well-proposal letter
3 that was sent to each of the working interest owners who
4 are being pooled in this case, and attached to the
5 well-proposal letter is an AFE with the costs. And he
6 notes that the costs are similar to what Devon and other
7 operators have incurred for drilling similar wells in
8 this area.

9 So going on with the exhibits, Case Number
10 20730, in that case Devon is seeking to pool a standard
11 horizontal spacing unit in the Bone Spring comprised of
12 320 acres in the east half of the west half of Sections
13 22 and 27 for the Papas Fritas 27-22 Fed Com 332H well.
14 The completed interval for this well will remain within
15 the standard setback for horizontal oil wells.

16 Exhibit A5 is the C-102 for this well, and
17 it notes that the well is located in both pools.

18 His Exhibit A6 is the tract map for this
19 proposed spacing unit with the uncommitted working
20 interest owners, as well as the overriding royalty
21 interest owners that Devon seeks to pool in this case.

22 His Exhibit A7 is the well-proposal letter,
23 along with the corresponding AFE that was sent to the
24 uncommitted working interest owners.

25 For Case Number 20731, Devon is seeking an

1 order pooling all uncommitted interests in the Bone
2 Spring for a standard 320-acre spacing unit comprised of
3 the west half of the west half of Sections 22 and 27, to
4 be dedicated to the Papas Fritas 27-22 331H well. This
5 well will also be located at a standard location for
6 horizontal oil wells.

7 His Exhibit A8 is the C-102 for this well,
8 and it notes that the well is located in the pools that
9 were previously mentioned.

10 His Exhibit A9 is the tract and unit recap
11 of the parties that Devon seeks to pool in this case,
12 including overriding royalty interest owners.

13 And finally, his Exhibit A10 is the
14 well-proposal letter together with the AFE for this
15 case. He also notes in this case that Devon is seeking
16 overhead and administrative costs of 8,000 per month
17 while drilling and 800 per month while producing, which
18 is consistent with what Devon and other operators are
19 charging in this area. And his affidavit also notes
20 that he provided our office with the names and addresses
21 of the uncommitted interest owners, and our office
22 provided notice of the hearing and attached as Exhibit
23 C.

24 So before I turn to the geology exhibits
25 and affidavits, are there any questions about the land

1 exhibits?

2 EXAMINER COSS: Are there any setbacks for
3 this well?

4 EXAMINER McMILLAN: Statewide. Are
5 these --

6 EXAMINER COSS: I can't read your
7 handwriting.

8 EXAMINER McMILLAN: Are these two pools
9 governed by statewide setbacks?

10 MS. LUCK: Yes. They are governed by
11 statewide setbacks for oil wells. And just to be clear,
12 the 333H well is a proximity tract well, so it's pulling
13 in the proximity acreage to create an enlarged spacing
14 unit.

15 EXAMINER MURPHY: You're seeking to pool
16 the working interests, and that's mainly OXY and
17 Chevron?

18 MS. LUCK: That's correct.

19 EXAMINER MURPHY: And then the other one,
20 again, is the Highland Energy Company in Texas?

21 MS. LUCK: That's correct. You'll see that
22 on page 3 of our unit recap, behind -- that Devon is the
23 primary working interest owner in the units, that we're
24 also seeking to pool those four additional working
25 interest owners, in addition to the overriding royalty

1 interest owners.

2 EXAMINER MURPHY: And I'm sorry if I did
3 not hear, but you have contacted all the overriding
4 royalty interest owners?

5 MS. LUCK: I'm not sure about the status of
6 those discussions, and I'm happy to get back with
7 Mr. Brown and have him provide information on that. But
8 we are seeking to pool the overriding royalty interests
9 in this case because we don't have pooling language that
10 permits us to pool their interests. So we provided the
11 overrides notice of the hearing, but I'm not sure of the
12 contact with them prior to the hearing.

13 EXAMINER MURPHY: But you sent them notice?

14 MS. LUCK: Correct.

15 EXAMINER COSS: And the landman has been in
16 contact with the Artesia office about the enlarged
17 spacing for these pools?

18 MS. LUCK: Devon has been advised by the
19 Artesia District Office that these wells are located in
20 the two pools. And so we note on our tract map which
21 tracts are located in which pool based on our
22 understanding, but I don't know that the Artesia office
23 is willing to contract or expand either pool to
24 encompass the wells within a single pool rather than two
25 separate pools.

1 EXAMINER McMILLAN: It's an absolute
2 nightmare when a district has to combine two pools,
3 because you have to do a bunch of behind-the-scenes
4 work. So the Division is going to request what steps
5 you took in discussions with the Artesia District Office
6 for these -- you know, to justify, you know, why you
7 didn't move the boundaries of one pool, because I've
8 done these in the northwest, and, like I said, they're
9 an internal nightmare. As a general rule, the Division
10 tries to move the boundaries of a pool. And like I
11 said, the Division wants to know what steps you took for
12 discussions.

13 MS. LUCK: Okay. And I can provide that by
14 email as far as what discussions Mr. Brown had with the
15 Artesia District Office.

16 EXAMINER COSS: We would appreciate that.

17 MS. LUCK: Okay.

18 EXAMINER MURPHY: Any more questions?

19 EXAMINER McMILLAN: And are the first and
20 last take points clearly specified on the 333H?

21 MS. LUCK: On the 333H? They should be
22 specified on the C-102, and it looks like --

23 EXAMINER COSS: The last take point, 100
24 feet from the north line, 330 feet from the west line.
25 First take point, 100 feet from the south line, 330 feet

1 from the west line.

2 EXAMINER McMILLAN: Okay. It's here, but
3 it's 100 from the south, 1,254 from the east, and 100
4 from the north and 1,254 from the east. That's fine. I
5 just want to make sure that you can justify
6 participating tracts.

7 MS. LUCK: Okay.

8 EXAMINER McMILLAN: Do you have any
9 questions?

10 EXAMINER DAVID: I do not have any
11 questions.

12 EXAMINER McMILLAN: We're going to take a
13 break. I think they're having something upstairs.

14 EXAMINER MURPHY: We'll take a break until
15 10:15.

16 (Recess, 9:57 a.m. to 10:36 a.m.)

17 EXAMINER MURPHY: Let's go back on the
18 record.

19 I believe we are at the geology section.

20 MS. LUCK: Yes, Exhibit B for these cases.

21 EXAMINER MURPHY: 20729, 20730 and 20731.
22 Please continue.

23 MS. LUCK: That's correct.

24 This is the affidavit of Miranda Childress.
25 She's the geologist for Devon in these cases. And,

1 again, she's familiar with the applications filed in
2 each of these cases, and she's conducted a geologic
3 study of the Bone Spring Formation.

4 Behind her Exhibit B2, she provides a
5 locator map showing the paths of the proposed wellbores
6 for the 331, 332 and 333H wells. This map is also a
7 subsea structure map, and she provides that the contour
8 intervals are 25 feet. She doesn't observe any
9 faulting, pinch-outs or geologic impediments to
10 horizontal drilling of these wells.

11 Her Exhibit B3 shows the locations of the
12 wells used to create the stratigraphic cross section
13 which are representative of the geology in the area.

14 And then her Exhibit B4 is a stratigraphic
15 cross section with the open-hole logs for each of the
16 three representative wells for the 3rd Bone Spring. She
17 finally notes in her affidavit that each tract
18 comprising the proposed horizontal spacing units in each
19 of the cases will be productive and contribute more or
20 less equally to production from the wellbores and that
21 the granting of Devon's applications is in the best
22 interest of conservation, the prevention of waste and
23 the protection of correlative rights.

24 And, again, in this case we haven't
25 provided a zoomed-out locator map, so we're happy to

1 submit that, that shows the location of these wells in
2 relation to the surrounding area.

3 EXAMINER COSS: Because after the fact, I
4 can see where this is on the map, but during the
5 hearing --

6 MS. LUCK: It would be helpful to have?

7 EXAMINER MURPHY: You know, we could maybe
8 announce that at the beginning of the next hearing, to
9 give an example.

10 MS. LUCK: Okay.

11 EXAMINER MURPHY: But it would be -- it
12 would be helpful for us.

13 MS. LUCK: And I understand. Some of our
14 clients do provide those but not every time, so I'm
15 happy just to make sure that we request those be
16 included with our exhibits.

17 EXAMINER MURPHY: And we have thought about
18 standardization for the exhibits, but that's on our
19 to-do list internally.

20 MS. LUCK: Okay. Well, we're always open
21 to suggestions.

22 EXAMINER COSS: That would be helpful for
23 me going forward.

24 MS. LUCK: Okay.

25 If there isn't anything further on the

1 geology piece, I'll just turn to Exhibit C, which is my
2 notice affidavit showing that notice of this hearing for
3 each of the three cases was provided to all the
4 interested parties in the three cases.

5 And, again, out of an abundance of caution,
6 these cases are published before hearing ten days in
7 advance, but we also include the delivery tracking
8 information. And it is my understanding that the
9 reason -- one of the packages had not been signed for at
10 the time of hearing, and so we include that Notice of
11 Publication.

12 EXAMINER MURPHY: I don't have any
13 questions.

14 MS. LUCK: Okay.

15 EXAMINER DAVID: So just for the record,
16 this is an affidavit case. I note that paragraph 28 of
17 Mr. Brown's affidavit -- this would be Exhibit A --
18 states that he "provided the Holland & Hart law firm a
19 list of names and addresses for the committed interest
20 owners, and in compiling these addresses, Devon
21 conducted a diligent search of all public records in the
22 county where the proposed wells are located and the
23 phone directories, including computer searches."

24 So, Ms. Luck, would you verify that -- or
25 confirm that the notice letters were sent to all of the

1 interested parties?

2 MS. LUCK: That's correct. Notice letters
3 were sent to all of the interest parties providing
4 notice of the hearing.

5 EXAMINER DAVID: Thank you very much.

6 MS. LUCK: If there is nothing further, I'd
7 move the admission of Exhibits A, B and C, together with
8 the corresponding attachments.

9 EXAMINER MURPHY: Exhibits A, B, C are
10 accepted.

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

14 MS. LUCK: Do you have a question? I'm
15 sorry.

16 EXAMINER McMILLAN: Yeah. Can you get a
17 little bit better copy of the Affidavit of Publication?
18 Looks like the bottom portion of it is cut off.

19 MS. LUCK: Oh, no. Okay. I'll make sure
20 that we resubmit that with the entire page.

21 EXAMINER McMILLAN: Okay.

22 MS. LUCK: It was probably something to do
23 with our printing.

24 And if there is nothing further, I'd
25 request that these three cases be taken under

1 advisement.

2 EXAMINER MURPHY: Cases 20729, 20730 and
3 20731 --

4 EXAMINER McMILLAN: And if I could make one
5 comment. On here, it says that it's seven miles east of
6 Loving, New Mexico and not downtown Loving.

7 MS. LUCK: Okay.

8 EXAMINER McMILLAN: Thank you.

9 MS. LUCK: Thank you.

10 EXAMINER McMILLAN: I'll state for the
11 record that an attorney stated that --

12 MR. BRUCE: It's beautiful downtown Loving.

13 EXAMINER McMILLAN: -- it's beautiful --
14 not just Loving but beautiful downtown Loving.

15 (Laughter.)

16 EXAMINER MURPHY: These three cases will be
17 taken under advisement.

18 MS. LUCK: Thank you.

19 (Case Numbers 20729, 20730 and 20731
20 conclude, 10:42 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