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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:

ORIGINAL

APPLICATION OF AMEREDEV OPERATING, LLC CASE NOS. 16362,  
FOR A NONSTANDARD SPACING AND PRORATION 16363  
UNIT AND COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 6, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER  
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Michael McMillan,  
Chief Examiner, and David K. Brooks, Legal Examiner, on  
Thursday, September 6, 2018, 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 AMEREDEV OPERATING, LLC:

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EXHIBITS OFFERED AND ADMITTED

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1 (1:55 p.m.)

2 EXAMINER McMILLAN: I would like to call  
3 Case Number 16362, application of Ameredev Operating,  
4 LLC for a nonstandard spacing and proration unit and  
5 compulsory pooling, Lea County, New Mexico.

6 Is this combined with Case Number 16363?

7 MS. BROGGI: Yes.

8 EXAMINER McMILLAN: Appearances?

9 MS. BROGGI: Julia Broggi, with Holland &  
10 Hart, on behalf of the Applicant, Ameredev Operating,  
11 LLC.

12 MR. BRUCE: And Jim Bruce representing  
13 Burlington Resources Oil & Gas Company, LLC.

14 MS. BROGGI: I will be presenting these  
15 cases by affidavit.

16 MR. BRUCE: No objection to that.

17 MS. BROGGI: This is the same format as the  
18 prior two cases. Exhibit A is the affidavit from the  
19 landman.

20 EXAMINER McMILLAN: Let me finish my notes.

21 Okay. Proceed.

22 MS. BROGGI: Thank you.

23 Exhibit A is the affidavit from the  
24 landman, again Brandon Forteza. In these cases -- the  
25 first case, Case 16362, Ameredev is seeking to create a

1 320-acre spacing and proration unit, to dedicate it to  
2 the proposed Redbud State Com 25 36 32 #97H well and to  
3 commit all -- to pool all uncommitted mineral interests  
4 in the Bone Spring.

5 And then with the second case, Case Number  
6 16363, Ameredev is seeking to create a 320-acre spacing  
7 and proration unit, to dedicate that to the proposed  
8 Redbud State Com 25 36 32 #107H well and to pool all  
9 committed [sic] mineral interests in the Wolfcamp.

10 Exhibits A1 and A2 to the landman's  
11 affidavit are the C-102s for both cases in each of the  
12 wells.

13 Exhibits 3 and 4 are the exhibits created  
14 by the landman to show the tracts of lands. The second  
15 page of both of these exhibits, you'll see the different  
16 ownership interest both by tract and by unit.

17 In this case, these are all leased mineral  
18 interest owners, and we are seeking to pool all of the  
19 parties on Exhibit 4 and Exhibit 5. I'm sorry. Exhibit  
20 3 and Exhibit 4.

21 Exhibit 5 and Exhibit 6 are copies of the  
22 well-proposal letters offering to lease the land to the  
23 unleased mineral interest owners.

24 Now, in this case, Ameredev wasn't able to  
25 locate all of the owners, so at paragraph 16, the

1 landman testifies that Ameredev has made offers to lease  
2 all locatable owners. Ameredev has conducted a diligent  
3 search of public records in Lea County, in addition to  
4 searching phone directories and computer searches to  
5 locate heirs of deceased interest mineral owners. And  
6 Ameredev has made offers to lease the locatable heirs.

7 Ameredev has also made an estimate of  
8 overhead and administrative costs, and, once again, it's  
9 7,000 a month while drilling and 700 a month while  
10 producing. Also, there are no depth severances in these  
11 two cases.

12 Exhibit B is the affidavit from the  
13 geologist, Parker Foy. In the very first case, 16362,  
14 Ameredev is targeting the Bone Spring Formation.

15 Exhibit B1 to the geologist's affidavit is  
16 the locator map. You can see Ameredev's acreage, and  
17 the path of the proposed wellbore for the Redbud State  
18 Com 2536 32 Number 97H well.

19 Exhibit B2 is the subsea structure map. It  
20 shows that the Bone Spring is gently dipping to the  
21 southwest. The geologist testifies that he does not  
22 observe any geologic impediments to horizontal drilling.

23 Exhibit B3 shows the three representative  
24 wells that were used to do the stratigraphic cross  
25 section, and they are denoted on that line from A to A

1 prime.

2 Exhibit B4 is the stratigraphic cross  
3 section, and the geologist testifies that the logs on  
4 the cross section demonstrate that the target interval  
5 is consistent in thickness across the entire proposed  
6 spacing unit.

7 In the second case, Case Number 16363,  
8 Ameredev is targeting the Wolfcamp Formation. And in  
9 that case, Exhibit B5 to the geologist's affidavit is  
10 the locator map.

11 Exhibit B6 is the subsea surface --  
12 structure map that shows the Wolfcamp gently dipping to  
13 the southwest. And the geologist testifies that he sees  
14 no geologic impediments to horizontal drilling in this  
15 area.

16 Exhibit B7 shows the three representative  
17 wells that were used to create the stratigraphic cross  
18 section. They're denoted by the line from A to A prime.

19 And the final exhibit, B8, is the  
20 stratigraphic cross section. And the geologist  
21 testifies that -- the target interval is also marked on  
22 this.

23 I'm not sure I mentioned it, but the target  
24 interval is also marked on Exhibit B4.

25 But as to B8, the geologist testifies that

1 it's consistent in thickness across the entire proposed  
2 spacing unit, and he renders his opinion that each  
3 quarter-quarter section will be productive and  
4 contribute more or less equally to -- comprising the  
5 spacing and proration unit and that granting Ameredev's  
6 two applications, in his opinion, will be in the best  
7 interest of conservation, the prevention of waste and  
8 the protection of correlative rights.

9           And similar to the last two cases, Exhibit  
10 C is the affidavit from myself. I'm showing that we  
11 mailed notice to the proposed pool parties, but as I  
12 mentioned, there were unlocatable interests, so we did  
13 provide notice by publication. And the affidavit for  
14 that Notice of Publication is attached as Exhibit D.

15           EXAMINER BROOKS: Okay. Does the affidavit  
16 set out the diligence that you used to find addresses  
17 for these people that were unlocatable?

18           MS. BROGGI: You mean my affidavit?

19           EXAMINER BROOKS: Yes. Or does any of it?

20           MS. BROGGI: I did not mention that the  
21 Affidavit of Publication does name the parties -- the  
22 proposed pooled parties by name and includes their heirs  
23 and devisees.

24           No, I'm not sure -- I don't have testimony  
25 included in here of the efforts that were taken, but I

1 could prepare that or have that prepared.

2 EXAMINER BROOKS: That would be good. The  
3 rule on the subject says that due diligence has to be  
4 used. Maybe I'm confusing it with SEC law. Maybe it  
5 just says "diligence," but whatever.

6 MS. BROGGI: I understand.

7 EXAMINER BROOKS: It says -- it indicates  
8 that some efforts have to be used, and that's generally  
9 presented in very general terms.

10 MS. BROGGI: Okay. He did testify at  
11 exhibit --

12 EXAMINER BROOKS: Included in the landman's  
13 affidavit?

14 MS. BROGGI: In the landman's affidavit.

15 EXAMINER BROOKS: That's where I would  
16 expect to find it, if not yours.

17 MS. BROGGI: I can direct you to paragraph  
18 16 of the landman's affidavit, which is attached as  
19 Exhibit A, and that they conducted a diligent search of  
20 public records in Lea County. In addition to searching  
21 phone records, they conducted computer searches in an  
22 attempt to locate deceased unleased mineral owners.

23 EXAMINER BROOKS: Okay. I appreciate that.  
24 Thank you.

25 Are you through with your presentation?



1 MS. BROGGI: I am. And I would ask that  
2 Exhibits A through D be accepted as evidence.

3 MR. BRUCE: No objection.

4 EXAMINER McMILLAN: Exhibits A through D  
5 may now be accepted as part of the record.

6 (Ameredev Operating, LLC Exhibit Letters  
7 A through D are offered and admitted into  
8 evidence.)

9 MS. BROGGI: If there are no further  
10 questions, I'd ask that Case Numbers 16362 and 16363 be  
11 taken under advisement.

12 MR. BRUCE: No objection.

13 EXAMINER McMILLAN: Case Numbers 16362 and  
14 16363 shall be taken under advisement.

15 MS. BROGGI: Thank you.

16 (Case Numbers 16362 and 16363 conclude,  
17 2:04 p.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

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CERTIFICATE OF COURT REPORTER

I, MARY C. HANKINS, Certified Court Reporter, New Mexico Certified Court Reporter No. 20, and Registered Professional Reporter, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings that were reduced to printed form by me to the best of my ability.

I FURTHER CERTIFY that the Reporter's Record of the proceedings truly and accurately reflects the exhibits, if any, offered by the respective parties.

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.

DATED THIS 28th day of September 2018.



MARY C. HANKINS, CCR, RPR  
Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2018  
Paul Baca Professional Court Reporters