

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 ASCENT ENERGY, LLC CASE NO. 20243
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 7, 2019

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
 KATHLEEN MURPHY, TECHNICAL EXAMINER
 TERRY WARNELL, TECHNICAL EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner; Kathleen Murphy and Terry Warnell, Technical Examiners; and David K. Brooks, Legal Examiner, on Thursday, February 7, 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
 New Mexico CCR #20
 Paul Baca Professional Court Reporters
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APPEARANCES

FOR APPLICANT ASCENT ENERGY, LLC:

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EXHIBITS OFFERED AND ADMITTED

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| Ascent Energy, LLC Exhibit Numbers 1 through 3 | 5/6 |
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1 (10:37 a.m.)

2 EXAMINER DAWSON: The next case we will
3 hear is 20243, which is the application of Ascent
4 Energy, LLC for compulsory pooling, Eddy County, New
5 Mexico, for the Red Hornet Fed Com well #702H.

6 Mr. Bruce, do you have any witnesses?

7 MR. BRUCE: I am submitting this case by
8 affidavit, Mr. Examiner.

9 EXAMINER DAWSON: Okay. All right.

10 MR. BRUCE: I'm a little shy of a set of
11 exhibits.

12 EXAMINER DAWSON: When you're ready,
13 Mr. Bruce.

14 MR. BRUCE: Mr. Examiner, Jim Bruce
15 representing Ascent Energy. I'm submitting the case by
16 affidavit. I've handed you the exhibits.

17 The first Exhibit 1 is an affidavit of Lee
18 Zink, Ascent's landman, and it contains the usual
19 information. If you run through the exhibits, you'll
20 see that this well is part of the Red Hornet development
21 area. It's a development area in the potash area
22 subject to BLM regulations. The development area covers
23 the south half of Section 23 and the south half of
24 Section 24, 20 South, 30 East.

25 A couple of weeks ago, there was another

1 case regarding the development area that force pooled
2 the same unit area for the Bone Spring Formation, two
3 Bone Spring wells.

4 Today we're here for a Wolfcamp well, the
5 Red Hornet Fed Com Well #702. If you'll run through the
6 exhibits, you'll see stuff on the development area.
7 You'll see a land plat showing the well unit, which is
8 the north half-south half of Section 23 and north
9 half-south half of Section 24. The only party being
10 pooled is XTO Holdings, LLC, which owns a 1/8 working
11 interest.

12 The well proposal is in this packet, along
13 with the AFE, and the estimated well cost is
14 approximately \$9.7 million. The overhead rates sought
15 are \$7,500 and \$750 per month. Of course, the Applicant
16 requests the maximum risk charge cost plus 200 percent.

17 The only overriding royalty owners are in
18 Ascent's tract, and they have the right to force pool
19 the overriding royalty owners.

20 Exhibit 2 is my affidavit of notice showing
21 that notice was sent to XTO Holdings, and they received
22 actual notice.

23 Finally, Exhibit 3 is the affidavit of Ben
24 Metz, one of Ascent's geologist. This is an Upper
25 Wolfcamp test. It's a Wolfcamp A test. And he has

1 submitted the usual structure map and cross section.
2 The cross section does show the target zone, does
3 identify the landing zone.

4 And there are a few Wolfcamp wells in this
5 area. There is attached a table of offset Wolfcamp
6 production. And the only new well is a Matador well,
7 and there is no reported results on that. The other
8 wells are older vertical Wolfcamp wells, but you can see
9 there was pretty good productivity just from the
10 vertical wells of 100,000 to 185,000 barrels of oil. So
11 we believe this area is ripe for vertical development.

12 Each quarter-quarter section in the well
13 unit will contribute more or less equally to production,
14 and there is no faulting or other issue that would
15 affect the drilling of this well. And both of the
16 witnesses state that the granting of the application is
17 in the interest of conservation and the prevention of
18 waste.

19 And so I would move the admission of
20 Exhibits 1 through 3 and ask that the case be taken
21 under advisement.

22 EXAMINER DAWSON: Okay. If there are no
23 other parties contesting this, Exhibits 1 through 3 will
24 be taken under advisement at this time.

25 (Ascent Energy, LLC Exhibit Numbers 1

1 through 3 are offered and admitted into
2 evidence.)

3 EXAMINER DAWSON: Mr. Brooks, do you have
4 any questions?

5 EXAMINER BROOKS: No.

6 EXAMINER DAWSON: Mr. Warnell?

7 EXAMINER WARNELL: No questions.

8 EXAMINER DAWSON: Ms. Murphy?

9 EXAMINER MURPHY: No questions.

10 EXAMINER DAWSON: I have no questions.

11 So at this time, Case Number 20243 will be
12 taken under advisement.

13 Thank you, Mr. Bruce.

14 (Case Number 20243 concludes, 10:43 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 7th day of March 2019.

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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

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