

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 AMEREDEV OPERATING,                   CASE NO. 20256  
LLC FOR COMPULSORY POOLING, LEA  
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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                  (505) 843-9241

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APPEARANCES

FOR APPLICANT AMEREDEV OPERATING, LLC:

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EXHIBITS OFFERED AND ADMITTED

Ameredev Operating, LLC Exhibit Numbers A through D	8
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1 (10:08 a.m.)

2 EXAMINER DAWSON: Do you want to continue  
3 with Case 20256 at this time?

4 MS. BROGGI: Do you mind?

5 EXAMINER DAWSON: At this time we're going  
6 to call Case Number 20256, Ameredev Operating, LLC for a  
7 compulsory pooling, Lea County, New Mexico, for the  
8 Magnolia State 26 36 22 #125H.

9 Call for appearances, please.

10 MS. BROGGI: Julia Broggi, with the Holland  
11 & Hart law firm, on behalf of the Applicant.

12 EXAMINER DAWSON: And there are no other  
13 appearances? No other attorneys to appear in this case?  
14 So when you're ready, Ms. Broggi.

15 MS. BROGGI: Mr. Examiner, once again, this  
16 is a similar format. The affidavit of the landman is  
17 attached as Exhibit A. In this case, 20256, Ameredev is  
18 seeking to pool all uncommitted interests in the  
19 Wolfcamp Formation in the 640-acre spacing unit  
20 comprised of the east half-west half of Sections 15 and  
21 22 and the west half-east half of Sections 15 and 22,  
22 Township 26 South, Range 36 East, Lea County, New Mexico  
23 and dedicating that proposed spacing unit to the  
24 proposed Magnolia State Com 26 36 22 #125H well.

25 And the C-102 is attached as Exhibit A1 to

1 that affidavit. You'll see that a pool code of 33813  
2 has been assigned. Like the last case, Ameredev is  
3 incorporating proximity tracts, and with those proximity  
4 tracts, the completed interval complies with the  
5 Division's setback requirements. There are no depth  
6 severances in the Wolfcamp Formation.

7 Exhibit A2 to the landman's affidavit is an  
8 exhibit that identifies the different tracts and the  
9 ownership interests, and it identifies the two parties  
10 that Ameredev is seeking to pool in this case. That is  
11 S.E.S. Resources, LLC and Petraitis, P-E-T-R-A-I-T-I-S,  
12 Oil & Gas, LLC. These are working interest owners.  
13 There are no unleased mineral interest owners that need  
14 to be pooled, and there are no overriding royalty  
15 interest owners that need to be pooled.

16 Ameredev sent a well-proposal letter to the  
17 two working interest owners. That's attached as Exhibit  
18 A3 to the landman's affidavit, and it includes an AFE.  
19 Ameredev has made an estimate of the overhead and  
20 administrative costs, and, once again, those are 7,000 a  
21 month while drilling and 700 a month while producing.  
22 And Ameredev requests that this be incorporated into any  
23 order issued by the Division.

24 Ameredev provided the law firm of Holland &  
25 Hart the names and addresses of the parties that are

1 being pooled. And Exhibit C in this packet is an  
2 affidavit from myself sharing that notice of the hearing  
3 has been provided to the proposed pool parties. And  
4 notwithstanding that everybody -- all parties were  
5 locatable, out of an abundance of caution, we did  
6 provide notice by publication, and that's found at  
7 Exhibit D in the packet.

8                   And then the affidavit from the geologist  
9 is attached -- or included here as Exhibit B, and the  
10 geologist testifies that Ameredev is targeting the  
11 Wolfcamp Formation.

12                   Exhibit B1 to the geologist's affidavit is  
13 that locator map, which shows Ameredev's acreage and the  
14 proposed wellbore for the proposed Magnolia State Com  
15 #125H well.

16                   Exhibit B2 to the geologist's affidavit is  
17 a subsea structure map. It shows that the Wolfcamp is  
18 gently dipping to the west, and the geologist testifies  
19 that he observed no faulting, pinch-outs or other  
20 geologic impediments to horizontal drilling in this  
21 area.

22                   Exhibit B3 to the geologist's affidavit  
23 shows the three wells from A to A prime that are used in  
24 the stratigraphic cross section, which is the next  
25 exhibit. And the geologist testifies that these three

1 wells are representative of the geology in the area.

2                   And finally the final exhibit, Exhibit B4,  
3 to the geologist's affidavit is a stratigraphic cross  
4 section that was prepared displaying open-hole logs run  
5 over the Wolfcamp Formation for those representative  
6 wells, and for each well, the exhibit shows the  
7 following logs: gamma ray, resistivity and porosity.

8                   The proposed target interval is labeled and  
9 marked, but I'm wondering, Mr. Examiner, if you'd like  
10 the geologist to prepare an updated exhibit showing the  
11 landing area and --

12                   EXAMINER DAWSON: The thickness of the  
13 landing zone? Yes, please.

14                   MS. BROGGI: Okay. We can do that.

15                   But the geologist does testify that the  
16 logs in the cross section demonstrate that that target  
17 interval is consistent in thickness across the proposed  
18 spacing unit, and ultimately he testifies that the  
19 granting of Ameredev's application is in the best  
20 interest of conservation, the prevention of waste and  
21 the protection of correlative rights.

22                   EXAMINER DAWSON: Mr. Brooks, do you have  
23 any questions?

24                   EXAMINER BROOKS: Did you comment on  
25 overrides?

1 MS. BROGGI: No overrides.

2 EXAMINER BROOKS: Thank you. Nothing else.

3 EXAMINER DAWSON: Mr. Warnell?

4 EXAMINER WARNELL: Nothing.

5 EXAMINER DAWSON: Ms. Murphy?

6 EXAMINER MURPHY: No questions.

7 EXAMINER DAWSON: One question I have --  
8 let me get there. Sorry. Let me find the exhibit.

9 I'm looking under Exhibit A3, specifically  
10 at the single well projects, AFE for this well, and I  
11 notice the total cost on this Wolfcamp well is  
12 \$14,948,647.02. My question is: Is this reasonable,  
13 and is this reflective of other wells that are being  
14 drilled in the Wolfcamp in this area?

15 MS. BROGGI: I mean, I will tell you that  
16 the landman did testify in his affidavit that it is  
17 consistent with other wells in the area. I personally  
18 can't speak to that but if you'd like me to go back to  
19 the landman and ask for additional information. But he  
20 does testify at paragraph 12 that the costs reflected in  
21 the AFE are consistent with what other operators have  
22 incurred for drilling similar horizontal wells in the  
23 area.

24 EXAMINER DAWSON: Okay.

25 MS. BROGGI: Is that satisfactory, or would

1 you like --

2 EXAMINER DAWSON: Is that in these  
3 exhibits?

4 MS. BROGGI: Yeah. It's in paragraph 12 to  
5 the landman's affidavit attached as Exhibit A.

6 EXAMINER DAWSON: All right. That should  
7 be sufficient.

8 EXAMINER BROOKS: The concern is about the  
9 two cents, I assume?

10 (Laughter.)

11 EXAMINER DAWSON: All right.

12 MS. BROGGI: We will provide you the  
13 updated geology exhibit.

14 With that, we would ask that Case Number  
15 20256 be taken under advisement.

16 EXAMINER DAWSON: Okay. At this time Case  
17 Number 20256 will be taken under advisement, and all  
18 exhibits, Exhibits A through D, and attachments will be  
19 admitted to the record.

20 (Ameredev Operating, LLC Exhibit Letters A  
21 through D are offered and admitted into  
22 evidence.)

23 EXAMINER DAWSON: Thank you very much.

24 MS. BROGGI: Thank you very much.

25 (Case Number 20256 concludes, 10:16 a.m.)

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.

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

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