

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 NO: 15776 (Re-Open)

Application of OXY USA WTP Limited
Partnership to Re-Open to Amend
the Initial Well Under the Terms
of Compulsory Pooling Order R-14467,
Eddy County, New Mexico.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, MARCH 7, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, Examiners Leonard Lowe and William Jones, and Legal Examiner David Brooks, on Thursday, March 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: Irene Delgado, NMCCR 253
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A P P E A R A N C E S

For the Applicant: Julia Broggi
Holland & Hart
110 N Guadalupe Street, Suite 1
Santa Fe, NM 87501

I N D E X

CASE NO. 15776 (Re-Open) CALLED	
JONATHAN GONZALES (By Affidavit)	03
TAKEN UNDER ADVISEMENT:	10

E X H I B I T I N D E X

	Admitted
Exhibit A, Attachments 1-4 (Identified)	03
Exhibit B (Identified)	05
Exhibit C (Identified)	05

1 HEARING EXAMINER: Okay. Okay.

2 We are going to start going through our numerical
3 order. For our next case -- we are going to hold Jim
4 Bruce's cases towards the end, so what we will start off
5 this morning with will be with Case Number 1, which is going
6 to be Case Number 15776, re-open Case Number 15776 to amend
7 initial well order, terms of compulsory pooling order,
8 Hearing Order 14467. Call for appearances.

9 MS. BROGGI: Julia Broggi with Holland and Hart
10 on behalf of the applicant, Oxy USA WTP Limited Partnership.
11 And I don't believe there are other appearances in the case.

12 HEARING EXAMINER: Okay. Please proceed.

13 MS. BROGGI: Mr. Examiner, in this case we are
14 re-opening it to redesignate the initial well under the
15 original division order. So we have included an affidavit
16 of the land -- landman, which he refers to himself as a
17 land negotiator, Jonathan Gonzales from Oxy, and that is
18 included in your packet as Exhibit A.

19 And Mr. Gonzales has not testified before the
20 Division, so at Paragraph 2 he gives his background. He
21 received a bachelor of arts from St. Mary's University, and
22 went on to receive his doctorate of jurisprudence from South
23 Texas College of Law in 2006.

24 He has been working at Oxy since January of 2011,
25 and he was promoted to land negotiator in August 2014. He

1 has been working in the New Mexico area since May 2017, and
2 he has been a member of the Professional Organization AAPL.

3 With that, he goes on to testify that this case
4 was originally presented in September 2017. In October of
5 2017, this Division entered Division Order R-14467, and we
6 have included that as an exhibit to the affidavit for your
7 convenience as Exhibit A1.

8 And you will see in that division order, the
9 Division created a 312 acre non-standard spacing and
10 proration unit and pooled all uncommitted interest in the
11 Bone Spring Formation. And in that order they designated
12 the unit to propose Turkey Track 8-7, State Well Number 21H.

13 Now, during -- since the Division entered that
14 order, Oxy has started to drill that well, and due to
15 various circumstances, one, there were really bad rains that
16 interrupted their drilling schedule, and then an internal
17 decision that they wanted to target the Second and Third
18 Bone Spring, which initially they were only targeting the
19 Second Bone Spring, they made a decision to plug and abandon
20 that initial well that they had designated under the
21 Division order and are now asking to redesignate two initial
22 wells which you will see at Paragraph 8 is Turkey Track 8-7
23 Number 201H and Turkey Track 8-7 Number 31H Wells. And we
24 have draft C-102s for those two wells as Exhibit A2 and A3
25 to the landman's affidavit.

1 HEARING EXAMINER: Okay.

2 MS. BROGGI: Both of these wells will comply with
3 the statewide setbacks. And aside from designating new
4 initial wells, the rest of the Division order remains
5 unchanged.

6 We did provide a well proposal letter to the
7 working interest owners, and that is attached as Exhibit A4
8 to the landman's affidavit, and it includes an AFE, and he
9 testifies that the cost is consistent with other wells that
10 have been drilled in the area.

11 And then in addition to the landman's affidavit,
12 attached as Exhibit B is my affidavit indicating that we
13 provided notice of the hearing to the parties that were
14 force pooled under the initial division order.

15 And then attached as Exhibit C is the affidavit
16 of publication of notice.

17 MR. JONES: That well that's being plugged,
18 they've already released the acreage then; is that right?
19 So you are proposing new wells, but they haven't been
20 permitted for drilling yet. So has the Division released
21 acreage on the initial -- initial well that was plugged?
22 So basically you are going to re-permit through the Division
23 district office those two, the two proposed wells, new
24 proposed wells?

25 MS. BROGGI: Yes.

1 MR. JONES: And they are going to be standard
2 horizontal spacing units, so there is no controversy about
3 getting them approved for drilling?

4 MS. BROGGI: Yes, that's my understanding.

5 MR. JONES: Okay. Okay.

6 MS. BROGGI: We have pooled that entire Bone
7 Spring Formation and now they are going to try to -- two
8 different wells, Second and Third Bone Spring. So really
9 aside from redesignating new initial wells, everything
10 else remains the same.

11 MR. JONES: So you pooled the spacing unit, but
12 the spacing unit is going away, but you're going to create a
13 new spacing unit and pool it again. Is that correct?

14 MS. BROGGI: No, I don't believe so. The way we
15 see it is that there is already a pooling order in place
16 that created that spacing unit that pools all the
17 uncommitted interest in the Bone Spring Formation, and the
18 only thing that's changing is that, instead of having that
19 one initial well, now we are going to do two wells.

20 MR. BROOKS: Do you have C-102s for the wells in
21 this package?

22 MS. BROGGI: Yes. It's Exhibit A2 and A3 to the
23 landman's affidavit.

24 MR. BROOKS: Yeah, I see it.

25 So the 201H is going to be located 380 feet from

1 the north line of Section 7 and 8, and it's going to have a
2 spacing unit consisting of the N/2 N/2. Is that all
3 correct?

4 MS. BROGGI: Yes. The spacing unit isn't
5 changing.

6 MR. BROOKS: I don't see the other one -- oh,
7 here's the other one, A4 -- or A3; correct.

8 MS. BROGGI: Yes.

9 MR. BROOKS: Okay. And that well is going to be
10 located 340 feet from the -- no, more than that. It will
11 be located 1099 feet from the north line, and it's also
12 going to be in the N/2 N/2; correct?

13 MS. BROGGI: Yes.

14 MR. BROOKS: Okay. Now, here are you drilling
15 more than just those two wells? Are you drilling a group of
16 wells?

17 MS. BROGGI: I can't personally testify based on
18 my knowledge, but my understanding is it's just these two
19 wells at this moment.

20 MR. BROOKS: Okay. Well, let's otherwise -- I
21 would assume we write our order on that basis, and what we
22 would do is, I think, since we -- because the horizontal
23 well requires the -- it requires that there be a well that
24 defines the spacing unit, we have had several
25 misunderstandings about what it's called, and the lingo is

1 not set out in the rules, though, so it's difficult to know,
2 but I think what you would be doing under the scheme is that
3 horizontal -- of course I was told in negotiations that we
4 have to quit calling it a "scheme." Old habits die hard --
5 is we'll be creating -- well, you'll be creating and we'll
6 be pooling two spacing units which will coincide. That's my
7 view of how it's going to be. Both spacing units will be
8 the N/2 N/2 of Section 7 and 8 in the Bone Spring.

9 And these, each of these two wells will be an
10 initial well. Now, Mr. Feldewert is welcome to -- I assume
11 he has something to contribute which I would like to hear
12 because he also has a good understanding of the wells.

13 MR. FELDEWERT: Mr. Examiner, the -- really
14 all -- they were unable to drill and complete the initial
15 well.

16 MR. BROOKS: That's what I understood.

17 MR. FELDEWERT: The time frame is still alive
18 because they got an extension to complete the initial well.

19 MR. BROOKS: Yeah.

20 MR. FELDEWERT: All they are doing would be just
21 substituting the two wells in this package under the
22 existing pooling order for the well that is designated under
23 the existing pooling order. That's all that needs to be
24 done. Time frame is the same, the only thing that needs to
25 be changed is that the initial wells that are designated to

1 hold that spacing unit, that's all that needs to be changed.

2 MR. BROOKS: Well, the term initial well is not
3 defined in the rules, but it is used on their form; correct?
4 Well, we had conceived, I believe, that one well would be
5 the initial well. I would have to look at the forms and the
6 rules to be sure, but if you are going to have two divided
7 wells rather than one, then I think we should have two
8 spacing units rather than one, even though they would
9 coincide.

10 MR. FELDEWERT: I mean, obviously what they are
11 doing here is, it's a lot like what you see when there are
12 two, three or four wells dedicating a spacing unit, and the
13 order provides that one of those wells has to be drilled to
14 completion within the time frame provided in the pooling
15 order.

16 MR. BROOKS: I think we need to deal with that
17 specifically. Probably if we just don't use the words
18 initial well, we won't get crossed up with what we have done
19 in our forms, so I would have to review that, and I don't
20 have that material right here on the bench. But I don't
21 think it makes any difference; we all know where you want to
22 go and where we want to go, same place.

23 MR. FELDEWERT: I think it requires an amendment
24 to --

25 MR. JONES: We've got an extension letter here to

1 October 31 of 2019.

2 MR. FELDEWERT: Yes.

3 MS. BROGGI: We have the both the order and
4 extension letter as part of A1.

5 MR. FELDEWERT: All we are asking is you modify
6 the paragraphs in the existing order to identify the initial
7 well dedicated to the spacing units.

8 MR. BROOKS: Is your company going to be drilling
9 these two wells simultaneously?

10 MR. FELDEWERT: That's my understanding, that
11 they are ready to go and complete them within the time frame
12 set forth in the extension letter.

13 MR. BROOKS: Well, not to get anybody confused.

14 MS. BROGGI: If there are no further questions,
15 we would ask that Case Number 15776 be taken under
16 advisement.

17 HEARING EXAMINER: Okay. Case 15776 taken under
18 advisement.

19 (Adjourned.)

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