

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: 20285

Application of Kaiser-Francis Oil
Company for compulsory pooling in
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: James Bruce
P.O. BOX 1056
Santa Fe, NM 87504

I N D E X

Admitted

CASE NO. 20285 CALLED

MICHAEL MAXEY (By Affidavit) 03

LEE LINDMAN (By Affidavit) 04

TAKEN UNDER ADVISEMENT:

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

Admitted

Exhibit 1, Attachments A-E 05

Exhibit 2, Attachment A 05

Exhibit 3 05

Exhibit 4, Attachments A-C 05

1 HEARING EXAMINER: Right now we are going to
2 start with Case Number 20285, Kaiser-Francis for compulsory
3 pooling, Eddy County.

4 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
5 representing the applicant and submitting the case by
6 affidavit, and I put the affidavits in front of your chairs.

7 Exhibit 1 is the affidavit of Mike Maxey,
8 Kaiser-Francis landman. And in this case they seek an order
9 pooling the W/2 SW of 24 of 23 South, 28 East, and the W/2
10 W/2 of Section 25 adjoining Section 25. Seeking to pool the
11 Brushy -- actually the Delaware Formation. The well is
12 Brantley LBC 2425 Number 1H which is a Lower Brushy Canyon
13 test in the East Loving Brushy Canyon pool.

14 And the affidavit's got the land plat. It's got
15 the C-102 for the well, and Attachment B is the listing of
16 the interest owners being pooled. There are seven of them,
17 and Attachment B is the form proposal letter. Attachment E
18 is the AFE for the wells. It's about a \$6.5 million well.

19 Kaiser-Francis has been in touch with royalty
20 interest owners and made a good-faith effort to obtain their
21 voluntary joinder. And they are asking \$8000 a month for a
22 drilling well and \$800 a month for a producing well. And
23 they are seeking the maximum cost plus 200 percent risk
24 charge for the well.

25 Exhibit 2 is my affidavit of notice. I sent out

1 notice, a couple of -- one interest owner I did not get the
2 green card back. It was Devon Energy Production Company --
3 my life -- but I did publish notice as against all interest
4 owners, including Devon Energy, so all of the parties did
5 receive actual or constructive notice.

6 MR. BROOKS: And this morning the rule
7 specifically says that you are only required to present
8 proof of receipt of mail if available.

9 MR. BRUCE: Exhibit 4 is the affidavit of Lee
10 Lindman, the geologist for Kaiser-Francis, and he's attached
11 a structure map with a Lower Brushy Canyon, the construction
12 dips gently to the east.

13 The gross isopach showing that there's pretty
14 uniform thickness in the Lower Brushy Canyon. It cuts
15 throughout the well bore, and then a cross-section which is
16 representative of Delaware wells in this area and show the
17 landing point in the Lower Brushy Canyon just above the
18 First Water Spring line.

19 Mr. Lindman testifies via his affidavit that the
20 horizontal spacing unit is justified from a geologic
21 standpoint and that each 40-acres in the well unit will
22 contribute more-or-less equally to production.

23 Kaiser-Francis sees no difference between
24 stand-up wells or horizontal wells in this area. People
25 haven't been drilling many of these wells, so there is very

1 little data on what, what is the proper orientation if there
2 is one in the Delaware.

3 Both witnesses assert that the granting of this
4 application is in the best interest of conservation and the
5 prevention of waste, and I would move the admission of
6 Exhibits 1 through 4 and ask that this matter be taken under
7 advisement.

8 HEARING EXAMINER: Exhibits 1 through 4 are
9 accepted.

10 MR. BRUCE: I think this is the second horizontal
11 well that Kaiser-Francis is drilling in this area, and the
12 prior one is forced pooling, and there is virtually no
13 horizontal Delaware production immediately offsetting.

14 MR. JONES: They have a monster target.

15 MR. BRUCE: They think it's a good one, but they
16 are still figuring that out.

17 HEARING EXAMINER: On your next three cases,
18 would you want to do them at the same time as well?

19 MR. BRUCE: Yeah, they are a little different,
20 but I think it's easier because the reality is pretty much
21 the same.

22 (Adjourned.)

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