

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 NOS: 20295, 20296, 20297

Application of Kaiser-Francis Oil
Company for compulsory pooling,
Lea 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

CASE NO. 20299 CALLED	
MICHAEL MAXEY (By Affidavit)	03
MITCH SULLIVAN (By Affidavit)	04
TAKEN UNDER ADVISEMENT:	06

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

	Admitted
Case Number 20295	
Exhibit 1, Attachments A-E (Admitted)	06
Exhibit 2, Attachment A (Admitted)	06
Exhibit 3 (Admitted)	06
Exhibit 4, Attachments A-C (Admitted)	06
Cases Number 20296, 20297	
Exhibit 1, Attachments A-E (Admitted)	06
Exhibit 2, Attachment A (Admitted)	06
Exhibit 3 (Admitted)	06
Exhibit 4, Attachments A-C (Admitted)	06

1 HEARING EXAMINER: Okay. I'm going to call Cases
2 20295, 20296 and 20297 Kaiser-Francis Oil Company for
3 compulsory pooling, Lea County.

4 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
5 representing the applicant. I'm submitting this case by
6 affidavit -- these cases, I should say.

7 What I have handed you, 20295, affidavit of Mike
8 Maxey again. This concerns the Red Hills Well Numbers 003H
9 and 103H, which are Bone Spring wells. The dedicated unit
10 is the E/2 of the SW/4 of 31, 25, 33, and the E/2 W/2 of
11 Section 6 of 26 South, 35 East.

12 MR. JONES: 33 East.

13 MR. BRUCE: There's a land plat and a C-102
14 attached in the body of the affidavit that says that this is
15 in the -- it gives the pool name, which is the Wildcat.
16 The pool code is 97994, Upper Bone Spring zone.

17 The reason I'm presenting these cases together is
18 the interest ownership is common. If you look at Attachment
19 C to Exhibit 1, you will see there are three parties being
20 force pooled, Atlas OBO Energy, Royalty Clearinghouse 2003,
21 and West Texas Gas, who own minority interests in the well
22 sample.

23 Proposal letters for the two wells are attached,
24 as well as the AFEs for the well -- for the wells. All of
25 these parties were locatable, and Kaiser-Francis states they

1 made a good-faith effort to obtain a voluntary joinder.

2 Again they are requesting 8000 and 800 a month
3 for drilling and producing rates and the maximum cost plus
4 200 percent risk penalty.

5 Exhibit 2, since it's common ownership, I
6 notified all of the parties in the same letter. There were
7 originally four applications. The one -- the Bone Spring
8 test involving acreage immediately to the west, which is
9 Case 20294, they have withdrawn that proposal, so we request
10 that that case be dismissed.

11 Notice was given and shown on Exhibit 2, and all
12 of the parties received actual notice, and I had two
13 addresses for Atlas OBO Energy and it did get to one of the
14 addresses. Nonetheless, I also published notice, and again
15 this is Lea County where I did not receive the affidavit of
16 publication from the newspaper, but all of the parties did
17 receive actual notice.

18 Exhibit 4 is the affidavit of Mitch Sullivan, the
19 geologist for Kaiser-Francis, and this concerns the Bone
20 Spring. And again, there is a typo here, Paragraph 3(a)
21 should be the 003 Well and 103H Well. The Number 1 and
22 Number 103 Wells were previously pooled by the Division in
23 Cases 20050 or 20051.

24 He has attached a structure map, isopach, and a
25 cross-section showing the various Upper Bone Spring zones

1 that they are test -- or that they believe are prospective.
2 There is a number of them. And again, the well unit in the
3 Bone Spring is justified from a geologic standpoint, and its
4 40 acres will contribute more-or-less equally to production.

5 And again, in this area, they see no preference
6 for stand-up or lay-down wells. Kaiser-Francis chose the
7 stand-up due to the configuration of its leases in this
8 area, which you can see on Attachment A to Exhibit 4, right
9 in the center you will see Section 6 and Section 31 blocked
10 off, and that is the Kaiser-Francis acreage.

11 Then the affidavit of Mike Maxey in cases 2000 --
12 or, excuse me -- 20296 and 20297, it's pretty much the same,
13 same interest owners, same well proposals. Obviously the
14 C-102s are different. They are drilling two wells, 402H and
15 the 40 -- the Red Hills 402H and Red Hills 403H, and they
16 are in the Sanders Tank, Upper Wolfcamp, Pool Code 98097,
17 and the affidavit pretty much mirrors the other affidavit.

18 And then Exhibit 4 is the affidavit of the Mitch
19 Sullivan regarding the Wolfcamp in this area. He attaches
20 the same type of structure map, isopach, and cross-section.
21 And you can see that thickness of the Wolfcamp in this area
22 is pretty uniform. And they are going for the Wolfcamp at
23 the top in this case.

24 And again, Exhibits 2 and 3 are the same as were
25 submitted with Case 20295, the notice of affidavits. So I

1 would move the admission of Exhibits 1 through 4 in case
2 20295, and 1 through 4 in cases 20296 and 20297 and ask that
3 these matters be taken under advisement.

4 HEARING EXAMINER: All your exhibits are accepted
5 for the cases as stated.

6 MR. BRUCE: I have nothing further in this
7 matter.

8 MR. BROOKS: Nothing.

9 MR. JONES: Is Michael Maxey related to John
10 Maxey?

11 MR. BRUCE: Not at all. Mike Maxey isn't quite
12 as intense as John.

13 MR. JONES: Oh, okay, not the same thing.

14 HEARING EXAMINER: Case 20295, 20296 and 20697
15 are taken under advisement.

16 (Adjourned.)

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