

1 OCD STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION

4 IN THE MATTER OF THE HEARING CALLED
5 BY THE OIL CONSERVATION DIVISION FOR
6 THE PURPOSE OF CONSIDERING:

7 APPLICATION OF AMEREDEV OPERATING, CASE NO. 20331
8 LLC FOR COMPULSORY POOLING AND
9 APPROVAL OF A NONSTANDARD WELL LOCATION,
10 LEA COUNTY, NEW MEXICO.

11 REPORTER'S TRANSCRIPT OF PROCEEDINGS

12 EXAMINER HEARING

13 April 4, 2019

14 Santa Fe, New Mexico

15 BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
16 TERRY WARNELL, TECHNICAL EXAMINER
17 WILLIAM V. JONES, TECHNICAL EXAMINER
18 DAVID K. BROOKS, LEGAL EXAMINER

19 This matter came on for hearing before the
20 New Mexico Oil Conservation Division, Michael McMillan,
21 Chief Examiner; Terry Warnell and William V. Jones,
22 Technical Examiners; and David K. Brooks, Legal
23 Examiner, on Thursday, April 4, 2019, at the New Mexico
24 Energy, Minerals and Natural Resources Department,
25 Wendell Chino Building, 1220 South St. Francis Drive,
26 Porter Hall, Room 102, Santa Fe, New Mexico.

27 REPORTED BY: Mary C. Hankins, CCR, RPR
28 New Mexico CCR #20
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32 (505) 843-9241

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APPEARANCES

FOR APPLICANT AMEREDEV OPERATING, LLC:

ADAM G. RANKIN, ESQ.
MICHAEL H. FELDEWERT, ESQ.
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1 (10:43 a.m.)

2 EXAMINER McMILLAN: We're hearing Case
3 Number 20331.

4 I'd like to call Case Number 20331,
5 application of Ameredev Operating, LLC for compulsory
6 pooling and approval of a nonstandard well location, Lea
7 County, New Mexico.

8 Call for appearances.

9 MR. RANKIN: Good morning, Mr. Examiner.
10 Adam Rankin with the law firm of Holland & Hart, Santa
11 Fe office. I'm here on behalf of the Applicant,
12 Ameredev, LLC, and I'll be presenting this case by
13 affidavit.

14 EXAMINER McMILLAN: Any other appearances?
15 Please proceed.

16 MR. RANKIN: Thank you, Mr. Examiner.

17 Before you is an exhibit packet for Case
18 Number 20331. This is the application of Ameredev for
19 the Nandina Fed Com 25 36 31 #101H, 103H, 112H, 114H and
20 121H wells.

21 This is the exhibit packet for our three
22 affidavits.

23 The first is the affidavit of Ameredev's
24 landman, Mr. Brandon Forteza. He has previously
25 testified before the Division and had his credentials as

1 an expert landman accepted.

2 Ameredev in this case is seeking an order
3 pooling all uncommitted interests in the Wolfcamp
4 Formation. The pool is the Jal; Wolfcamp, West pool.
5 We are seeking to pool 640-acre, more or less,
6 horizontal spacing unit comprised of the west half of
7 Sections 30 and 31, in Township 25 South, Range 36 East,
8 Lea County. The spacing unit would be dedicated to five
9 wells, the Nandina wells, as identified in the exhibit.

10 Attached to Mr. Forteza's affidavit are the
11 C-102 plats that identify the locations of each of the
12 wells, as well as the dedicated spacing unit. In
13 addition, Ameredev is seeking to include proximity
14 tracts, identified in Mr. Forteza's affidavit.

15 The completed interval for the proposed
16 Nandina Fed Com 25 36 31 #114H well does not comply with
17 the Division setback requirements for statewide oil
18 wells. It encroaches on the east line of the spacing
19 unit, and so Ameredev has asked with this application
20 for a nonstandard location. And I understand the
21 Division is asking for operators to file separately for
22 administrative approval.

23 EXAMINER McMILLAN: Yes.

24 MR. RANKIN: So while we didn't ask for
25 that in this application, if that's the Division's

1 mandate, we will --

2 EXAMINER McMILLAN: You'll do it?

3 MR. RANKIN: We'll do it.

4 Now, in addition, these wells are going to
5 be proposed to be drilled and completed simultaneous,
6 so, therefore, Ameredev is asking for an extension of
7 time in which to drill and complete, from 120 days to
8 365 days, one year.

9 There are no depth severances of the
10 Wolfcamp in this area.

11 Attached to Mr. Forteza's affidavit is an
12 exhibit which indicates -- reflects all the interests
13 that Ameredev is seeking to pool. It's Exhibit A6. In
14 this case the only uncommitted interest owners are
15 unleased mineral interest owners as reflected in the
16 exhibit.

17 Exhibit 7 to Mr. Forteza's affidavit is a
18 well-proposal letter for each of the wells that are
19 being proposed. Mr. Forteza testifies that the AFEs are
20 consistent with what other operators in the area and
21 Ameredev have incurred for drilling similar wells in the
22 Wolfcamp. Mr. Forteza testifies that he's made a --
23 undertaken a good-faith effort to reach voluntary
24 agreement with the owners they're seeking to pool.
25 There are no unlocatable interests. They're seeking

1 \$7,000 a month while drilling and \$700 a month while
2 producing for administrative and overhead costs. Those
3 are consistent with what Ameredev and other operators
4 have incurred while drilling and producing similar wells
5 in the area. Ameredev provided my law firm with a copy
6 of the interest owners for notice.

7 Exhibit B is a copy of the affidavit
8 prepared by my office reflecting that -- I'm sorry.
9 I'll wait until the end for that. Sorry. Let me skip
10 ahead.

11 Exhibit B is a copy of the geologist's
12 affidavit for Mr. Parker Foy. Mr. Foy has previously
13 testified before the Division. He undertook a study of
14 the geology in the proposed spacing unit in the area.

15 Exhibit 1 to Mr. Foy's affidavit is a copy
16 of the locator maps for each of the wells reflecting the
17 proposed completed intervals for the wells in this case.

18 Exhibit B is a subsea structure map on the
19 Wolfcamp reflecting that the contour intervals at -- I
20 think in this case, Mr. Examiner, they're at 100 feet.
21 Mr. Foy testifies that the structure is consistent
22 across the proposed spacing unit. There are no
23 pinchouts, faulting or other impediments to horizontal
24 development across the spacing unit.

25 Exhibit B3 is a map reflecting the wells

1 that Mr. Foy used to create a cross section from A to A
2 prime. He testifies that the wells he's identified for
3 the structural cross section are representative of the
4 geology in the area.

5 The next exhibit, Exhibit 4, is a
6 stratigraphic cross section from A to A prime denoting
7 the target interval for each of the wells proposed. As
8 reflected in the cross section, the target interval is
9 consistent and continuous throughout the spacing unit.
10 Mr. Foy testifies that in his opinion, each of the
11 tracts of land that comprise the proposed spacing unit
12 will contribute to production more or less equally
13 within the spacing unit. And it's his opinion that the
14 granting of the application in the case is in the best
15 interest of conservation, the prevention of waste and
16 the protection of correlative rights.

17 Exhibit C is a copy of the affidavit
18 prepared by my office reflecting that notice was
19 provided to the parties identified to my law firm by
20 Ameredev. The next page of Exhibit C is a copy of the
21 letter that was sent out by my office to each of those
22 interest owners, along with the United States Postal
23 Service tracking information reflecting that notice was
24 sent by certified mail to each of those interest owners.

25 In addition, Exhibit D is a copy of the

1 Notice of Publication that was provided to each of those
2 interest owners by name reflecting that they have
3 received constructive notice as well of the pooling and
4 the hearing for today's case.

5 With that, Mr. Examiner, I would offer to
6 the record Exhibits A, B, C and D.

7 EXAMINER McMILLAN: Okay. Exhibits A, B, C
8 and D may now be accepted as part of the record.

9 (Ameredev Operating, LLC Exhibits A through
10 D are offered and admitted into evidence.)

11 EXAMINER McMILLAN: Okay. The first
12 question I've got is going back to the C-102 for the
13 112H. Is the first take point going to be 100 feet from
14 the north and 1,020 from the west and the last take
15 point 100 from the north and 1,120 from the west? Is
16 that correct?

17 MR. RANKIN: I'm looking at Exhibit A3.
18 That is a C-102 for the 112H. And it looks to me that
19 the bottom-hole location is going to be 100 feet from
20 the toe, from the north line of the spacing unit, and
21 1,120 from the west line of the spacing unit. Is that
22 what you see as well?

23 EXAMINER McMILLAN: Yeah. I just want to
24 make sure that it's within 330 feet of the
25 quarter-quarter boundary, because 112 is the one that

1 defines the spacing unit. Because if you're pulling in
2 the participating tracts, you go from the 320 to a 640.

3 MR. RANKIN: Right.

4 EXAMINER McMILLAN: Is that correct?

5 MR. RANKIN: The purpose of this well is to
6 include the proximity -- is to include the proximity
7 tracts to the east so that we would expand the spacing
8 unit to 640.

9 EXAMINER McMILLAN: And I'll tell you --
10 you spoke to Paul Kautz? It's so difficult to figure
11 out the pool boundaries in there. And the geologist has
12 had conversations, because I can't figure out where the
13 oil and gas starts, pool boundary starts?

14 MR. RANKIN: I don't know the extent of
15 their conversations, Mr. Examiner, but I understand
16 that -- if that's the pool boundary of the pool that
17 they've identified for this spacing unit, it's my
18 understanding they would have gotten that information
19 from the -- I don't know -- I can't represent who they
20 talked to, who they got that information from, but the
21 pool codes are identified on the C-102s.

22 EXAMINER McMILLAN: Just verify that you
23 spoke to Paul Kautz to make sure the pool designation is
24 actually correct, because I want to make sure they're
25 not throwing this into a gas pool.

1 EXAMINER BROOKS: It's very confusing if
2 they do.

3 EXAMINER McMILLAN: Still doesn't change
4 anything. Let's just make sure, since we're writing the
5 order, that we have the pool designation correct.

6 Go ahead.

7 EXAMINER BROOKS: I don't think I have
8 anything.

9 MR. FELDEWERT: Mr. Examiner, I do have one
10 question. We have traditionally, in a circumstance
11 where they've filed a pooling application and we had a
12 nonstandard location, combined the request in the one
13 application for purposes of efficiency. So that, in
14 fact, in this case gave notice to the offsetting parties
15 that would normally not be entitled to notice because of
16 the nonstandard location.

17 EXAMINER McMILLAN: But we're simply doing
18 it because we believe the Engineering Bureau, since
19 that's essentially all Leonard Lowe does, he can do a
20 better job. He can ensure notification better. And
21 that's the policy we'd like to follow.

22 MR. FELDEWERT: So I must have missed the
23 memo because I didn't see the policy.

24 EXAMINER McMILLAN: Well, that's what we
25 have been working on.

1 MR. FELDEWERT: I understand.

2 EXAMINER McMILLAN: Because Leonard does a
3 better job than having me go through this because he
4 does this all the time and he's better at it.

5 MR. FELDEWERT: So the problem here is that
6 we'd have to file now a separate application and, again,
7 give the same notice that we gave in this case, which
8 seems to be rather inefficient to me. So I guess --

9 EXAMINER BROOKS: I didn't get the memo
10 either.

11 (Laughter.)

12 MR. FELDEWERT: I'd like to request that
13 the Division at least consider the nonstandard location
14 to be approved under this application so that we don't
15 have to go through the process of filing an
16 administrative application and give notice a second time
17 around. I think that would be more efficient for
18 everybody, but that's my personal opinion.

19 EXAMINER BROOKS: I would suggest you send
20 a letter to Mr. Jones and copy it to Mr. Wade because
21 those are the people that make policies around here.

22 MR. FELDEWERT: But am I -- so I guess I'm
23 in limbo here. Are you saying there is no -- that the
24 Division will not be approving the nonstandard location
25 under this application even though notice has been

1 provided for the nonstandard.

2 EXAMINER BROOKS: In this case if there --
3 that policy has been announced in several cases that
4 have been presented this morning. I didn't know it
5 existed. This is the first time I've heard about it,
6 but I think we're going to have to follow it in this
7 case. Whether we follow it in any other case depends on
8 what the Division decides.

9 MR. RANKIN: If -- if it's a matter of
10 efficiency for Mr. Lowe, if we provided -- since notice
11 has been provided, if we could demonstrate that notice
12 was provided to the offsets, it seems that an order
13 approving the NSL would be incorporated with this order,
14 with Mr. Lowe's confirmation, other than going through a
15 separate administrative process.

16 EXAMINER BROOKS: Well, assuming that
17 the -- all the information's in there, it's still the
18 same issue. And we have a policy or we don't have a
19 policy. I don't know.

20 MR. FELDEWERT: Can we visit with Mr. Lowe?

21 EXAMINER BROOKS: That's fine with me.

22 MR. RANKIN: So with that, Mr. Examiner,
23 with that issue aside, we ask that the case --

24 EXAMINER McMILLAN: 20331 will be taken
25 under advisement.

1 MR. RANKIN: Thank you very much,
2 Mr. Examiner.

3 EXAMINER McMILLAN: All right. Thanks.

4 (Case Number 20331 concludes, 10:56 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 24th day of April 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
25 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters