

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, LLC      CASE NO. 20416  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 2, 2019

Santa Fe, New Mexico

BEFORE:   SCOTT DAWSON, CHIEF EXAMINER  
          DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, May 2, 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  
                  500 4th Street, Northwest, Suite 105  
                  Albuquerque, New Mexico 87102  
                  (505) 843-9241

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APPEARANCES

FOR APPLICANT AMEREDEV OPERATING, LLC:

KAITLYN A. LUCK, ESQ.  
HOLLAND & HART, LLP  
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1 (8:25 a.m.)

2 EXAMINER DAWSON: 20416 -- I'm sorry --  
3 Ameredev for compulsory pooling, Lea County, New Mexico.  
4 Call for appearances, please.

5 MS. LUCK: Kaitlyn Luck with the Santa Fe  
6 office of Holland & Hart for Ameredev.

7 EXAMINER DAWSON: Okay. Any other  
8 appearances in this case?

9 When you're ready.

10 MS. LUCK: Thank you.

11 EXAMINER DAWSON: Uh-huh.

12 When you're ready.

13 MS. LUCK: Thank you.

14 EXAMINER DAWSON: Sure.

15 MS. LUCK: So in this case, Ameredev has  
16 filed an application for compulsory pooling. Under the  
17 first tab, Exhibit A, is an affidavit of Brandon  
18 Forteza. He's the landman for Ameredev, and he has  
19 previously testified before the OCD and has been  
20 accepted as an expert in petroleum land matters. He is  
21 familiar with the application filed in the case and the  
22 status of the lands in question. His affidavit reflects  
23 that none of the uncommitted parties have indicated an  
24 opposition to this pooling pool.

25 Ameredev is seeking an order to pool all

1 uncommitted interests in the Wolfcamp Formation  
2 underlying a 640-acre horizontal spacing unit comprised  
3 of the east half of the west half and the west half of  
4 the east half of Sections 5 and 8 in Township 26 South,  
5 Range 36 East, Lea County, New Mexico. That is located  
6 in the Jal; Wolfcamp, West pool.

7 Ameredev seeks to dedicate the above  
8 horizontal spacing unit to the proposed wells, the Holly  
9 Fed Com 26-36-05 124H well, which will be drilled from a  
10 surface location in Unit C of Section 5 to a bottom-hole  
11 location in Unit N of Section 8; the Holly Fed Com 1H  
12 well, which will be drilled from a surface location in  
13 Unit C of Section 5 to a bottom-hole location of Unit N  
14 in Section 8; and finally, the Holly Fed Com 113H well,  
15 from a surface location in Unit C of Section 5 to a  
16 bottom-hole location of Unit N in Section 8.

17 Attached to Mr. Forteza's affidavit is  
18 Ameredev Exhibit A1; Exhibit A2 and Exhibit A3, which  
19 are the C-102s for the three wells, which reflect a pool  
20 code of 33813. The completed interval for the 124H well  
21 will be within 330 feet of the quarter-quarter line  
22 separating the west half -- the west half of the east  
23 half from the east half of the east half of Sections 5  
24 and 8 to allow inclusion of the acreage to a standard  
25 640-acre horizontal spacing unit. Incorporating the

1 proximity tracts, all three wells will comply with the  
2 Division setbacks.

3 Because the proposed wells will be  
4 simultaneously drilled and completed, Ameredev is  
5 requesting an extension from 120 days to 365 days to  
6 drill and complete the wells, and there are no depth  
7 severances.

8 Turning to Exhibit A4, it's an exhibit that  
9 identifies the lands in question for the proposed  
10 spacing and proration unit. It includes only federal  
11 land, and it also shows the interest owners and the  
12 percentage of their interest by tract. Ameredev is  
13 seeking to pool only the working interest owners as  
14 denoted on the exhibit.

15 Exhibit A5 is the well-proposal letter and  
16 the AFE. The costs are consistent with what other  
17 operators in the area are charging. Ameredev has been  
18 able to locate all of the contact information and notice  
19 has been provided to all uncommitted interest owners.  
20 Ameredev also seeks approval of the administrative and  
21 overhead costs of \$7,000 a month while drilling and \$700  
22 a month while producing.

23 And that concludes Mr. Forteza's affidavit  
24 and Exhibits A1 through A5.

25 Turning to Exhibit B, it's the affidavit of

1 Parker Foy. He's the geologist for Ameredev Operating.  
2 He's familiar with the lands in question, and his  
3 credentials have been accepted as a matter of record as  
4 an expert in petroleum geology.

5 Exhibit B1 is the project locator map,  
6 which shows the Ameredev acreage in yellow. The Holly  
7 Fed Com 103H and the 113H are shown, as well as nearby  
8 wells marked with a green dot.

9 Exhibit B2 is a subsea structure map  
10 prepared off the top of the Wolfcamp Formation and shows  
11 that the Wolfcamp is gently dipping to the southeast.  
12 The structure is consistent across the proposed wellbore  
13 path, and there is not any pinching, faulting or other  
14 geologic impediments to development to horizontal  
15 drilling.

16 Exhibit B3 is a map showing the location of  
17 the 103 and the 113H wells. To create a stratigraphic  
18 cross-section, the three wells are from A to A prime,  
19 are representative of the geology in the area.

20 Ameredev Exhibit A4 is a stratigraphic  
21 cross section showing the open-hole logs run over the  
22 Wolfcamp from the three wells. For each well, the  
23 exhibit shows the gamma ray, resistivity and porosity.  
24 The proposed interval is labeled and marked, and the  
25 logs in the cross section demonstrate that the target --

1 the target interval within the Wolfcamp is a consistent  
2 thickness across the entire proposed spacing unit.

3 Exhibit B5 is the project locator map for  
4 the 124H well, as well as nearby producing wells marked  
5 with green dots.

6 Exhibit B6 is the corresponding  
7 stratigraphic -- sorry -- subsea structure map for that  
8 124H well prepared off the top of the Wolfcamp B  
9 Formation. The structure is -- the map shows the  
10 structure is gently dipping to the southeast. The  
11 structure is consistent across the proposed wellbore,  
12 and he does not observe any faulting, pinchouts or  
13 geologic impediments.

14 Exhibit B7 is a map showing the location of  
15 the wells used to create the stratigraphic cross  
16 section. The three wells from A to A prime are  
17 representative of the geology in their area.

18 And then the following final exhibit,  
19 Exhibit B8, is a stratigraphic cross section displaying  
20 the open-hole logs, similar to an earlier exhibit, and  
21 it shows that the target interval extends across the  
22 entire proposed spacing units.

23 In his opinion, each tract comprising the  
24 spacing unit will be productive and will contribute more  
25 or less equally to production from the wellbore. And in

1 his opinion, the granting of Ameredev's application is  
2 in the best interest of conservation, the prevention of  
3 waste and the protection of correlative rights.

4 And finally turning to Exhibit C is my  
5 affidavit showing that notice was provided to the  
6 working interest owners in this case.

7 And Ameredev would ask -- I would move for  
8 admission of Exhibits A, B and C to the record, and  
9 Ameredev would ask the case be taken under advisement,  
10 if there aren't any questions.

11 EXAMINER DAWSON: Okay. At this time  
12 Exhibits A, B and C will be admitted to the record.

13 (Ameredev Operating, LLC Exhibits A, B and  
14 C are offered and admitted into evidence.)

15 EXAMINER DAWSON: Mr. Brooks, do you have  
16 any questions?

17 EXAMINER BROOKS: Well, just a minute. I  
18 believe our witness here -- or you're not a witness.  
19 You're an attorney.

20 MS. LUCK: That's correct.

21 EXAMINER BROOKS: And your name is?

22 MS. LUCK: My name is Kaitlyn Luck.

23 EXAMINER BROOKS: I'm sorry?

24 MS. LUCK: Kaitlyn Luck.

25 EXAMINER BROOKS: Have you been here

1 before?

2 MS. LUCK: Yes, sir.

3 EXAMINER BROOKS: Well, I don't have a very  
4 good memory.

5 MS. LUCK: That's okay.

6 EXAMINER DAWSON: How could you forget her,  
7 David (laughter)?

8 EXAMINER BROOKS: Your speed of delivery  
9 would qualify you to read the health admonitions on drug  
10 advertisements.

11 (Laughter.)

12 (The court reporter agreed with Examiner  
13 Brooks.)

14 MS. LUCK: I know there's a lot of people  
15 waiting, so I'm trying to make our way through the  
16 docket of cases.

17 EXAMINER BROOKS: Exhibits 1, 2 and 3 are  
18 the well plats, the C-102s for each of the three  
19 wells --

20 MS. LUCK: That's correct.

21 EXAMINER BROOKS: -- three wells. And is  
22 it true that the first two -- let me see. Well, all of  
23 these wells will be dedicated to the same unit, correct?

24 MS. LUCK: That's what Ameredev is asking.

25 EXAMINER BROOKS: And it consists of the

1 east half of the west half and the west half of the east  
2 half of Section 5 and Section 8 --

3 MS. LUCK: Correct.

4 EXAMINER BROOKS: -- 640, acres  
5 approximately, anyway.

6 Now, Exhibit 4 is the tract map, and  
7 Exhibit 5 is the tally of interests. Now, is it true  
8 that there is no one that owns a working interest in  
9 this unit other than Ameredev and XTO?

10 MS. LUCK: That's correct.

11 EXAMINER BROOKS: Okay. You didn't say  
12 anything about overriding royalties. Are there any  
13 overriding royalties?

14 MS. LUCK: There aren't any in this case.

15 EXAMINER BROOKS: What is the land type?  
16 State? Federal?

17 MS. LUCK: It is all federal land, and that  
18 is reflected in paragraph 11 of Mr. Forteza's affidavit  
19 in Exhibit A.

20 EXAMINER BROOKS: Okay. And since XTO and  
21 Ameredev are the only owners, there are no unlocatable  
22 interests?

23 MS. LUCK: That's correct.

24 EXAMINER BROOKS: Okay. Thank you. That's  
25 all I need to establish.

1                   EXAMINER DAWSON: That was a question I was  
2 going to ask, unlocatable interests.

3                   So there are no further questions, and at  
4 this time, Case Number 20416 will be taken under  
5 advisement.

6                   Thank you.

7                   MS. LUCK: Thank you.

8                   (Case Number 20416 concludes, 8:35 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 21st day of May 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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