

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 DEVON ENERGY PRODUCTION      CASE NO. 20454,  
COMPANY, L.P. FOR A STANDARD HORIZONTAL              20455  
SPACING AND PRORATION UNIT AND 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  
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APPEARANCES

FOR APPLICANT DEVON ENERGY PRODUCTION COMPANY, L.P.:

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Devon Energy Production Company, L.P. Exhibit Numbers 1, 2 and 4 and attachments	16
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1 (10:35 a.m.)

2 EXAMINER DAWSON: So that will move us down  
3 to 20454, which is Devon Energy Production Company,  
4 L.P., standard horizontal spacing and proration unit and  
5 compulsory pooling in Lea County.

6 Please call for appearances.

7 MS. SHAHEEN: Sharon Shaheen for Devon  
8 Energy Production Company, L.P.

9 EXAMINER DAWSON: Okay. Ms. Shaheen, is  
10 this going to be consolidated with Case 20455, or are  
11 they going to be heard separately?

12 MS. SHAHEEN: They will be consolidated.

13 EXAMINER DAWSON: Okay. So this is for  
14 Cases 20454 and 20455, which are both Devon Energy  
15 Production Company, L.P. for a standard horizontal  
16 spacing and proration unit and compulsory pooling, Lea  
17 County, New Mexico.

18 MS. SHAHEEN: That is correct. And today I  
19 have one live witness, and then I'll be presenting -- my  
20 landman is here, and then I'll be presenting the  
21 geologist's testimony by affidavit.

22 EXAMINER DAWSON: Okay.

23 Are there any other appearances in this  
24 case?

25 Seeing none, can your witnesses please

1 stand and be sworn in by the court reporter, please?

2 (Mr. Bennett sworn.)

3 EXAMINER DAWSON: When you're ready,  
4 Ms. Shaheen.

5 MS. SHAHEEN: Thank you, Mr. Examiner.

6 Mr. Bennett is here today to get his feet  
7 wet, and so I hope you'll be nice to him.

8 ANDREW BENNETT,

9 after having been first duly sworn under oath, was  
10 questioned and testified as follows:

11 DIRECT EXAMINATION

12 BY MS. SHAHEEN:

13 **Q. Please state your name and place of residence.**

14 A. Andrew Bennett. I go by Andy Bennett. I live  
15 in Oklahoma City, Oklahoma.

16 **Q. And by whom are you employed and in what  
17 capacity?**

18 A. I work for Devon Energy Production Company,  
19 L.P., and I am a senior staff landman.

20 **Q. Are you authorized to testify on behalf of  
21 Devon today?**

22 A. I am, yes.

23 **Q. Have you previously testified before the  
24 Division or one of its examiners?**

25 A. Not live in person, but I have testified by

1 affidavit, and it's gone into the record.

2 Q. Was that in the related Bell Lake cases for the  
3 Bone Spring Case, Numbers 20152 and 20153?

4 A. Yes.

5 Q. And what is your educational background?

6 A. I went to the University of Oklahoma and got a  
7 bachelor's in business degree, an energy management  
8 major.

9 Q. And how long have you been working as a  
10 landman?

11 A. Just a little over ten years.

12 Q. And is that all with Devon?

13 A. Yes.

14 Q. And how long have you worked in New Mexico?

15 A. About one year and five months.

16 Q. And are you familiar with the applications  
17 filed in this case?

18 A. Yes, I am.

19 Q. And you're familiar with the subject area?

20 A. Yes.

21 MS. SHAHEEN: I would tender Mr. Bennett as  
22 an expert witness qualified to testify in petroleum land  
23 matters.

24 EXAMINER DAWSON: Mr. Bennett will be  
25 admitted to the record as an expert petroleum witness at

1 this time.

2 Q. (BY MS. SHAHEEN) Mr. Bennett, would you briefly  
3 state what Devon seeks in its first application in Case  
4 Number 20454?

5 A. Sure. We seek to pool all uncommitted interest  
6 owners in the west half of Sections 18 and 19, and we  
7 will create a 629.6-acre spacing unit. And we plan to  
8 drill four horizontal wells being the Bell Lake 19-18  
9 State Com 30H, 31H, 34H and 35H.

10 Q. And which well is the defining well in this  
11 spacing unit?

12 A. The 30H.

13 Q. And in Case Number 20455, can you give us the  
14 same information?

15 A. Yes. We again plan to pool all uncommitted  
16 interest owners in the east half of Sections 18 and 19  
17 being a 640-acre spacing unit for the Bell Lake 19-18  
18 State Com 37H well, 32H well and 36H well.

19 Q. And the defining well for this spacing unit is  
20 which one?

21 A. The 37H well.

22 Q. And have you prepared certain exhibits for  
23 introduction into this case?

24 A. Yes, we have. Yes, I have.

25 Q. And those are located behind of Tab 2, correct?

1           A.    Correct.

2           **Q.    Turning to the first exhibits, A1 and A2 --**  
3 **well, take a look first at A1 in Case Number 20454, and**  
4 **what do we have here?**

5           A.    This is just a plat showing our proposed  
6 wellbore paths in the west half of Sections 19 and 18.  
7 It also provides the surface-hole and bottom-hole  
8 locations of all four of these wells, along with the  
9 three -- three tracts that we plan to drill through in  
10 the state lease numbers for each tract.

11          **Q.    And the following Exhibit A-2 -- this is for**  
12 **Case Number 20455 -- you have similar information there;**  
13 **is that correct?**

14          A.    It is correct.  It's the same thing just for  
15 the east half of Sections 18 and 19, also providing the  
16 surface- and bottom-hole locations for the 36H, 32H and  
17 37H wellbores.

18          **Q.    And the primary target for these wells is what?**

19          A.    The Wolfcamp Formation.

20          **Q.    And are the Upper Wolfcamp wells in this area**  
21 **governed by statewide pool rules?**

22          A.    Yes.

23          **Q.    And does Devon own the right to drill in each**  
24 **tract that will be traversed by the wellbore?**

25          A.    Yes.  Devon owns an interest in each tract that

1 we plan to drill.

2 Q. Turning now to Exhibit B1 and B2, starting with  
3 B1, can you tell us what we have here?

4 A. So B1 is an ownership breakdown of the various  
5 working interest parties' ownership in all three tracts  
6 being the west half of Sections 18 and 19. And as you  
7 can see, Devon owns an interest in all three of these  
8 tracts.

9 Q. And so the second page and the third page lists  
10 all of the owners, their net acres, their percentage  
11 interest and their status, correct?

12 A. Correct.

13 Q. And with respect to -- and that's Tract 1,  
14 Tract 2 and Tract 3. I believe you have similar  
15 information for Case Number 20455, the east half of  
16 Exhibit B2; is that correct?

17 A. That's correct. It's the same as the west half  
18 and just showing the three different tracts and the  
19 ownership interest of all the parties in each tract  
20 between -- Sections -- 18.

21 Q. Were you able to locate addresses for all of  
22 these interest owners?

23 A. Yes.

24 Q. And was notice provided to all of them?

25 A. Yes.

1           **Q.    Are you aware of anyone who did not receive**  
2 **notice of the application?**

3           A.    Yes.  There is one group, Shepherd Royalty,  
4 LLC, that I believe the mail company could not access  
5 this location that we had for them.

6           **Q.    And was Mr. Shepherd subsequently noticed by**  
7 **publication?**

8           A.    He was.

9           **Q.    And you had previously spoken with**  
10 **Mr. Shepherd; is that right?**

11          A.    That's correct.  We've emailed and spoken on  
12 the phone, and so I've been able to provide any  
13 information via email.

14          **Q.    And you've received no objections to Devon's**  
15 **proposals here, right?**

16          A.    Correct.

17          **Q.    Has Devon submitted APDs to the Division for**  
18 **those wells?**

19          A.    Yes, we did, in February of this year.

20          **Q.    And have they been approved?**

21          A.    Yes, they are.

22          **Q.    And when were they approved?**

23          A.    Also February of this year.

24          **Q.    What experience does Devon have in drilling and**  
25 **operating these types of horizontal oil wells in the**

1     **Wolfcamp?**

2           A.     In this area Devon has drilled many horizontal  
3     Wolfcamp wells dating back ten-plus years.

4           **Q.     Is the north-south orientation for these units**  
5     **and wellbores consistent with the prevailing development**  
6     **pattern in the area?**

7           A.     Yes, it is.

8           **Q.     Referring back to Exhibits B, B1 and B2, what**  
9     **percentage of the acreage in the west half unit is**  
10    **voluntarily committed to this well?**

11          A.     Only Devon's percentage.

12          **Q.     And the same -- what about for the east half?**

13          A.     The same. Only Devon's interest is committed  
14    at this time.

15          **Q.     And are you still communicating with the other**  
16    **working interest owners about their participation?**

17          A.     Yes. They all have copies of the joint  
18    operating agreements covering the east half and west of  
19    half contract areas, and we're still in a dialogue with  
20    some of those parties about entering into joint  
21    operating agreements.

22          **Q.     What type of leases are included in these**  
23    **spacing units?**

24          A.     These are all state leases.

25          **Q.     So no fee leases?**

1           A.    Correct.

2           **Q.    No federal leases?**

3           A.    Correct.

4           **Q.    Are there any unleased mineral interest owners?**

5           A.    There are not.

6           **Q.    Are you asking the Division to pool all**

7 **unjoined working interests and overrides?**

8           A.    Yes, we are.

9           **Q.    Does Devon also seek the imposition of a 200**  
10 **percent risk penalty against those unjoined interests**  
11 **who do not elect to participate?  And I should say**  
12 **unjoined working interest who do not elect to**  
13 **participate.**

14          A.    Yes.

15          **Q.    Does Devon also seek to be the designated**  
16 **operator for these wells?**

17          A.    Yes, we do.

18          **Q.    In your opinion, has Devon made a good-faith**  
19 **effort to locate all the uncommitted interest owners and**  
20 **communicate with them in order to obtain their voluntary**  
21 **participation in the well?**

22          A.    Yes.  Like I said, we've been in dialogue with  
23 all of them about entering into a JOA, and some have  
24 been more receptive to that than others.  And we're  
25 still working with some of the companies in ongoing

1 discussions.

2 Q. Turning to Exhibit C, I believe you've attached  
3 all C-102s for these wells; is that correct?

4 A. That's correct.

5 Q. And are the surface- and bottom-hole locations  
6 identified on these C-102s?

7 A. Yes, they are.

8 Q. What are the setbacks for oil wells in this  
9 pool?

10 A. It is the standard setbacks.

11 Q. And that would be 330 feet from the outer  
12 boundaries and 100 feet from first and last take point?

13 A. Correct.

14 Q. Are the surface-hole locations and the  
15 bottom-hole locations within the required setbacks?

16 A. For all wells except to two on the -- on the  
17 west half being Case 20454. The 30H well is the one  
18 that is our defining well that allows us to pull in the  
19 proximity tracts. And on the east half, Case 20455, the  
20 37H well is the one that is our defining well and allows  
21 us to pull in the proximity tracts.

22 Q. And will the take points be situated within the  
23 setbacks?

24 A. Yes, they will.

25 Q. And the first and last take points are located

1 on the C-102s, correct?

2 A. Correct.

3 Q. Turning to Exhibit D, is Exhibit D a sample  
4 well proposal with AFEs for each well?

5 A. It is. Yes, it is.

6 Q. And I notice that there are actually eight  
7 wells on this well proposal, but you've only sought  
8 pooling for seven of those wells. Can you tell us why  
9 that is?

10 A. Right. So initially we proposed all eight  
11 wells, and subsequently we decided that the 33H well,  
12 which was in the east half, being Case Number 20455, we  
13 are not going to be drilling that well as a two-mile  
14 well, so we would not ask that it be part of the case or  
15 the hearing today.

16 Q. And is it your understanding that Devon will be  
17 drilling a one-mile well for that particular well?

18 A. Yes. Correct.

19 Q. And there is no need to force pool for that?

20 A. Correct.

21 Q. Okay. Turning now to Exhibit E -- get past all  
22 the AFEs -- and tell us what we have here.

23 A. So Exhibit E is just a spreadsheet that shows  
24 when we sent the well proposals and AFEs to the working  
25 interest parties and gives a little time line of when

1 they received it and when it was delivered and how it  
2 was delivered and the tracking number through the mail.

3 Q. And turning back to the AFEs, what is the  
4 estimated total for a completed well?

5 A. For these wells, it's roughly -- I'm sorry --  
6 \$11.8 million.

7 Q. And have these AFE cost estimates been updated  
8 from the time of Devon's original well proposals?

9 A. No, they have not.

10 Q. Are these costs in line with what is being  
11 charged by other operators in the area for similar  
12 wells?

13 A. Yes.

14 Q. And have you made an estimate and overhead and  
15 administrative costs while drilling?

16 A. Yes, we have.

17 Q. And while producing?

18 A. Yes, we have.

19 Q. And what are those amounts?

20 A. 8,000 for the drilling per month and 800 for  
21 the producing per month.

22 Q. When does Devon plan to drill these wells?

23 A. We plan to spud the first well and drill these,  
24 you know, consecutively starting in August of this year.

25 Q. And are the costs that we discussed in line

1 with what is being charged by other operators in the  
2 area?

3 A. Yes, they are.

4 Q. And do you recommend that these drilling and  
5 producing overhead rates be incorporated into the order  
6 that results from this hearing?

7 A. Yes, I would.

8 Q. Does Devon request that the order to be issued  
9 in this case provide for an adjustment of the drilling  
10 and producing overhead rates in accordance with the  
11 current COPAS?

12 A. Yes.

13 Q. In your opinion, has Devon acted diligently to  
14 develop these reserves?

15 A. Yes.

16 Q. In your opinion, would the granting of Devon's  
17 applications be in the best interest of conservation,  
18 the prevention of waste and the protection of  
19 correlative rights?

20 A. Yes.

21 Q. And were the exhibits presented under Tab 1, A1  
22 through E prepared by you or at your direction and  
23 control?

24 A. Yes, they were.

25 MS. SHAHEEN: Mr. Examiner, also included

1 behind Tab 3 -- no. Excuse me -- behind Tab 4 is an  
2 Affidavit of Notice, that we've sent notice to all of  
3 the addresses that were identified in Exhibits B1 and  
4 B2, and we have also published notice in the newspaper.  
5 And so I offer Exhibits A1 through E and the exhibit  
6 behind Tab 4 to be admitted into the record.

7 EXAMINER DAWSON: Exhibits A1 -- 1A through  
8 B?

9 MS. SHAHEEN: Maybe I should list each one  
10 separately.

11 EXAMINER DAWSON: That would be good.

12 MS. SHAHEEN: A1, A2, B1, B2, C, D, E and  
13 4.

14 EXAMINER DAWSON: Okay. At this time  
15 Exhibits A1, A2, B1, B2, C, D and E and 4 will be  
16 admitted to the record.

17 (Devon Energy Production Company, L.P.  
18 Exhibit Numbers 1, 2 and 4 and all  
19 attachments are offered and admitted into  
20 evidence.)

21 EXAMINER BROOKS: A motley crew of  
22 exhibits.

23 MS. SHAHEEN: I'm sorry. Yes. I could  
24 rethink that between now and my next presentation.

25 EXAMINER BROOKS: Well, you did well with

1 it.

2 EXAMINER DAWSON: Do you have any  
3 questions, Mr. Brooks?

4 EXAMINER BROOKS: I have no questions.

5 EXAMINER DAWSON: I have no further  
6 questions myself -- oh, one question. I'm sorry.

7 CROSS-EXAMINATION

8 BY EXAMINER DAWSON:

9 Q. Are there any depth severances?

10 A. There are not.

11 Q. There are no depth severances. Okay.

12 EXAMINER DAWSON: That's all the questions  
13 we have of this witness.

14 Thank you.

15 THE WITNESS: Thank you.

16 MS. SHAHEEN: And I'll present the  
17 geologist's testimony by affidavit. That will be behind  
18 Tab 3.

19 Briefly, Mr. Tom Peryam is employed as a  
20 petroleum geologist for Devon Energy Production Company.  
21 He's familiar with the application and the geology  
22 involved. He has not been previously qualified by the  
23 Division as an expert petroleum geologist, but his  
24 credentials are as follows:

25 He has a bachelor's degree in geology from

1 the University of Oregon, a master's of science degree  
2 in geology from New Mexico State and a Ph.D. in geology  
3 from the University of Oregon. He finished school in  
4 2012 and has been employed as a petroleum geologist with  
5 Devon since August 2012.

6 So I offer Mr. Peryam's testimony by  
7 affidavit as an expert witness in petroleum geology.

8 EXAMINER DAWSON: At this time Mr. Peryam  
9 will be admitted to the record as an expert in petroleum  
10 geology.

11 MS. SHAHEEN: Exhibit A to the affidavit is  
12 a Wolfcamp structure map. The unit being pooled is  
13 outlined -- it's supposed to be in red, and I can  
14 provide -- I'll provide Kathleen with the color copies.  
15 I noticed that our copies are not colored here. But it  
16 is outlined in red in the color copies. The strata dips  
17 approximately 75 feet to the east across the Bell Lake  
18 sections. There is an apparent structural dip along the  
19 proposed Bell Lake wellbores around zero degrees, and no  
20 major structural hazards exist at this location.

21 Exhibit A also identifies wells in the  
22 vicinity of the proposed well with the cross-section  
23 line running from A to A prime. It also shows that the  
24 structure dips down to the east.

25 Mr. Peryam also attaches Exhibit B to his

1 affidavit, which is a Wolfcamp stratigraphic cross  
2 section hung on the top of the Wolfcamp unit. It shows  
3 that there is a consistent target thickness of between  
4 175 to 200 feet in wells near the proposed Bell Lake  
5 wells. There are well logs that give a representative  
6 example. The target zone is the Wolfcamp Y to the  
7 Wolfcamp 120 as indicated by the target level in Exhibit  
8 B. And the target zone is continuous across the well  
9 unit. And, again, I will provide Ms. Murphy with the  
10 color copies.

11 Exhibit C is also attached by Mr. Peryam to  
12 his affidavit. The gross isochore of the Wolfcamp  
13 Formation shows thickness for the target interval that  
14 is indicated in Exhibit B, and the Wolfcamp is largely  
15 uniform across the proposed well unit. Based on  
16 Mr. Peryam's geological analysis, he concludes that the  
17 horizontal spacing and proration unit is justified from  
18 a geologic standpoint. There are no structural  
19 impediments or faulting that will interfere with  
20 horizontal development, and each quarter-quarter section  
21 in the unit will contribute more or less equally to  
22 production.

23 He further concludes that the preferred  
24 well orientation in the area is north-south because the  
25 inferred orientation of the maximum horizontal stress is

1 roughly east to west. He further states that the  
2 exhibits were prepared by him or compiled from Devon's  
3 business records and that the granting of this  
4 application is in the interest of conservation, the  
5 prevention of waste and the protection of correlative  
6 rights.

7 With that, I would ask that you admit  
8 Mr. Peryam's testimony by affidavit and that you take  
9 this case under advisement.

10 EXAMINER DAWSON: Okay. Mr. Peryam's  
11 exhibits under Tab 3 will be taken into the record at  
12 this time.

13 (Devon Energy Production Company, L.P.  
14 Exhibit Number 3 and attachments are  
15 offered and admitted into evidence.)

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

18 EXAMINER BROOKS: I have no questions.

19 EXAMINER DAWSON: I have no questions.

20 So at this time, Case Numbers 20454 and  
21 20455 will be taken under advisement.

22 MS. SHAHEEN: Thank you, Mr. Examiners.

23 EXAMINER DAWSON: Thank you, Ms. Shaheen.

24 (Case Numbers 20454 and 20455 concludes,  
25 10:55 a.m.)

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

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

25