

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: 21240, 21241
21244, 21245

APPLICATION OF CHEVRON USA INC.,
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
July 9, 2020
SANTA FE, NEW MEXICO

This matter came on for virtual hearing before
the New Mexico Oil Conservation Division, HEARING OFFICER
FELICIA ORTH and TECHNICAL EXAMINER DYLAN COSS on Thursday,
July 9, 2020, through the Webex Platform.

Reported by: Irene Delgado, NMCCR 253
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102
505-843-9241

A P P E A R A N C E S

For the Applicant:

CANDACE CALLAHAN
BEATY & WOZNIAK PC
500 Don Gaspar Avenue
Santa Fe, NM 87505
505-670-2924

PADILLA LAW FIRM
ERNEST PADILLA
1512 S. St. Francis Drive
Santa Fe, NM 87505

I N D E X

CASE CALLED

| | |
|------------------------------|----|
| SUMMARY OF CASE AND EXHIBITS | 03 |
| TAKEN UNDER ADVISEMENT | 10 |
| REPORTER CERTIFICATE | 11 |

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

Admitted

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|------------------------------|----|
| All Exhibits and Attachments | 10 |
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1 HEARING EXAMINER ORTH: Let's move then to
2 matters 21240, 21241, 21244, and 21245, Chevron is the
3 applicant in each of these compulsory pooling, and there is
4 a non-standard spacing element to it. The wells or Morag
5 and Kraken. I have Beatty and Wozniak on behalf of the
6 applicant. Is that you, Ms. Callahan?

7 MS. CALLAHAN: Yes. Good morning, Madam
8 Examiner. Candace Callahan and Jill Fulcher appearing on
9 behalf of Chevron USA Inc. in four cases which we are asking
10 to be consolidated for purposes of this hearing.

11 HEARING EXAMINER ORTH: Okay, thank you. Mr.
12 Padilla?

13 MR. PADILLA: Ernest L. Padilla on behalf of EOG
14 Resources. We don't have an objection to presentment of the
15 case by affidavit.

16 HEARING EXAMINER ORTH: Thank you. Let me ask if
17 there are any other appearances this morning.

18 (No audible response.)

19 HEARING EXAMINER ORTH: No? Please go ahead, Ms.
20 Callahan.

21 MS. CALLAHAN: Thank you. Cases 21240 and 21244,
22 excuse me, seek to pool the Bone Spring Formation and create
23 two separate stand-up two-mile horizontal spacing units
24 comprised of 640 acres each.

25 Case numbers 21241 and 21245 seek to pool the

1 Wolfcamp formation and create two separate stand-up two-mile
2 horizontal spacing units comprised of 640 acres each.

3 In case Number 21244 which seeks to pool the Bone
4 Spring formation in the W/2 of Sections 3 and 10 the
5 location of one of the wells proposed for the Third Bone
6 Spring is unorthodox and located 78 feet from the eastern
7 boundary of that well.

8 All four of the Bone Spring spacing units include
9 proximity tracts related to the four proximity (garbled
10 audio) wells which we have identified in each of perspective
11 checklists included in the exhibit package we filed on
12 Monday.

13 As you look through the package you will see the
14 cover sheet followed by a table of contents. Behind the
15 table of content⁵ you will find a (garbled audio) which is
16 the affidavit of Shalyce Holmes, Chevron's land
17 representative who has previously testified and qualified as
18 an expert in petroleum land matters before the Division.

19 Following Ms. Holmes affidavit are the exhibits
20 referenced in her affidavit. Exhibits L-1 through L-5
21 pertain to all four cases. Exhibit L-2 is the notice
22 affidavit for all four cases. There were two working
23 interest owners and three overriding royalty interest owners
24 whose notices were returned.

25 The ownership is uniform throughout the four

1 proposed spacing units, so it is the same working interest
2 owner and overriding royalty interest owners who we had to
3 notice by publication.

4 Exhibit L-3 contains the certificates of
5 publication requested for the notices which are published
6 for all cases as to all mineral interests in the perspective
7 spacing (garbled audio).

8 As to the unorthodox location in Case Number
9 21244, offset owners were also given notice as required by
10 the Division and that reflected in Exhibit L-2.

11 Following L-5 you will find the checklist for
12 each case, and Exhibit L-6 through L-21 which comprise
13 copies of the application filed with the Division, C-102 for
14 each wells in the application, lease tract maps, horizontal
15 spacing unit ownership, a list of parties to pool.

16 Also included are the AFEs for each well that
17 were proposed in the perspective application and which were
18 included in the proposal letter which is Exhibit L-4.

19 Ms. Holmes' testimony and exhibits demonstrate
20 that Chevron made a good faith (garbled audio) to voluntary
21 pool the interest owners, provided all necessary well
22 proposals and AFEs to the interest owners of the (garbled
23 audio) and the AFEs contain fair reasonable estimates of the
24 cost per well. Chevron has complied with all notice
25 requirements of the Division.

1 The affidavit of Sarah Wright, Chevron's
2 development geologist is identified in the package as
3 Exhibit G. The exhibits referenced in her affidavit as
4 Exhibits G-1 through G-12 include the requisite cross
5 sections and structure maps together with spacing unit and
6 gun barrel (garbled audio).

7 Miss Wright's exhibits and testimony demonstrate
8 that the respective horizontal spacing units for the Bone
9 Spring and Wolfcamp formations are justified from a geologic
10 standpoint, that there are no structural impediments or
11 faulting in Chevron's development and that each
12 quarter-quarter section within the proposed units will
13 contribute more or less equally to production.

14 Miss Wright has not yet testified before the
15 Division and her (garbled audio) is attached as Exhibit
16 G-12, and we ask that she be accepted as an expert
17 geologist.

18 The affidavit of Gerardo Jimenez, Chevron's
19 petroleum engineer is identified as Exhibit E, and the
20 exhibits related to his affidavit are Exhibits E-1 through
21 E-7.

22 Mr. Jimenez's exhibits and testimony demonstrate
23 that the wells and of the proposed unit will become
24 efficient and effective development resource, that the
25 co-development of the Bone Spring and Wolfcamp formations is

1 necessary to reduce vertical interference and will result in
2 greater ultimate recovery from the formations, and also that
3 Chevron's plan centralized facility will result in lower
4 operating costs over the life of the project, greater
5 reliability and reduced impacts to the environment.

6 Mr. Jimenez has not yet testified before the
7 Division. His CV is attached as Exhibit E-7 and we ask that
8 he be accepted as an expert petroleum engineer, and we now
9 ask that the Affidavits L G F and E, together with the
10 exhibits referenced in each of those exhibits be admitted
11 into the record in these consolidated cases and that
12 concludes my presentation.

13 HEARING EXAMINER ORTH: Thank you, Ms. Callahan.
14 Mr. Padilla, do you have questions of Ms. Callahan?

15 MR. PADILLA: No, I don't, and I have no
16 objection to introduction of the exhibits.

17 HEARING EXAMINER ORTH: All right. Thank you
18 very much. Mr. Rose Coss, do you have questions of Ms.
19 Callahan?

20 TECHNICAL EXAMINER COSS: No, I do not. Thank
21 you, Ms. Callahan, for your presentation. You can tell your
22 geologist, Miss Wright, that her exhibits are very good, if
23 not exceptional, and I was also happy to see in her resume
24 that she was a classmate of mine at UNM, so -- she has an
25 impressive resume. That's all I have at this point. Yes.

1 HEARING EXAMINER ORTH: All right. Thank you.

2 Mr. Lowe, do you have questions of Ms. Callahan?

3 TECHNICAL EXAMINER LOWE: Good morning Ms.

4 Callahan, this is Leonard Lowe, can you hear me now?

5 MS. CALLAHAN: Yes.

6 HEARING EXAMINER ORTH: I just want to reconfirm
7 what you stated. My audio on my end was basically sporadic
8 here and there. Just, just to understand, and this is in
9 reference to case 21244, you have indicated that case number
10 is -- it just -- you just noted that that well indicated
11 that case has an NSL status?

12 MS. CALLAHAN: Yes.

13 TECHNICAL EXAMINER LOWE: Are you requesting that
14 through the Division as well?

15 MS. CALLAHAN: Yes, yes, we are.

16 TECHNICAL EXAMINER LOWE: Okay. As far as I
17 recall, the OCD processes NSL requests administratively
18 only. So if you can, if you already provided public notice,
19 I would suggest you extrapolate that public notice
20 information and submit an NSL application and the OCD will
21 process that administratively. We are separating such
22 requests in a hearing.

23 Let's see another question. That 21244 request,
24 what, what's the name of the well for that? For the --

25 MS. CALLAHAN: That well is the DL 10 3 Morag Fed

1 Com 505H.

2 TECHNICAL EXAMINER LOWE: 505H, okay. And that's
3 a Bone Springs; correct?

4 MS. CALLAHAN: It is a Third Bone Spring.

5 TECHNICAL EXAMINER LOWE: When you submit your
6 NSL application to the OCD to process, if you could, please,
7 in the application indicate and reference any -- reference
8 this case number, that it was -- it's pertaining to a case
9 that was brought forth in the case or noted in the case.
10 This is so that we can close this loop that we have here
11 when this scenario is brought up in a case, in a hearing.

12 MS. CALLAHAN: All right.

13 TECHNICAL EXAMINER LOWE: And so 21241, 21245 are
14 Bone Springs; correct?

15 MS. CALLAHAN: No, those are the Wolfcamp.

16 TECHNICAL EXAMINER LOWE: Wolfcamp, okay, yeah.
17 And you also indicated this is non-stand-up proration
18 status -- yeah, 640 acres, okay. That's all I have for
19 questions right now.

20 MS. CALLAHAN: Thank you.

21 HEARING EXAMINER ORTH: Thank you, Mr. Lowe.
22 Anything further on these four matters?

23 (No audible response.)

24 HEARING EXAMINER ORTH: No? All right. Thank
25 you, Ms. Callahan.

1 MS. CALLAHAN: We ask you to take the cases under
2 advisement.

3 HEARING EXAMINER ORTH: Yes. So your witness
4 affidavits are accepted the, the exhibits are admitted, and
5 the four matters will be taken under advisement.

6 MS. CALLAHAN: Thank you.

7 (Exhibits admitted.)

8 (Taken under advisement.)

9 (Concluded.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 REPORTER'S CERTIFICATE

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6 I, IRENE DELGADO, New Mexico Certified Court
7 Reporter, CCR 253, do hereby certify that I reported the
8 foregoing virtual proceedings in stenographic shorthand and
9 that the foregoing pages are a true and correct transcript
10 of those proceedings to the best of my ability.

11 I FURTHER CERTIFY that I am neither employed by
12 nor related to any of the parties or attorneys in this case
13 and that I have no interest in the final disposition of this
14 case.

15 I FURTHER CERTIFY that the Virtual Proceeding was
16 of poor to extremely poor quality.

17 Dated this 9th day of July 2020.

18

/s/ Irene Delgado

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Irene Delgado, NMCCR 253
License Expires: 12-31-21

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