

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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: 22919

APPLICATION OF FAE II OPERATING, LLC
FOR PRE-APPROVAL OF DOWNHOLE
COMMINGLING OF PRODUCTION FROM THE
YATES, SEVEN RIVERS, QUEEN, AND
GRAYBURG FORMATIONS ON AN AREA-WIDE
BASIS, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
AUGUST 4, 2022
SANTA FE, NEW MEXICO

This matter came on for virtual hearing before
the New Mexico Oil Conservation Division, HEARING OFFICER
WILLIAM BRANCARD and TECHNICAL EXAMINER JOHN GARCIA on
Thursday, August 4, 2022, through the Webex Platform.

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

For the Applicant:

DANA HARDY
HINKLE SHANOR LLP
P.O. Box 0268
Santa Fe, NM 87504
505-982-4554

For COG Operating:

JOBY RITTENHOUSE
ConocoPhillips Company
600 W Illinois Ave
Midland, TX 79701-4882

I N D E X

SUMMARY OF CASE AND EXHIBITS	03
TAKEN UNDER ADVISEMENT	08
REPORTER CERTIFICATE	09

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

Exhibits and Attachments	Admitted 08
--------------------------	----------------

1 HEARING EXAMINER BRANCARD: With that, we will
2 call case 22919.

3 MS. HARDY: Yes, Mr. Examiner, Dana Hardy with
4 the Santa Fe office of Hinkle Shanor on behalf of FAE II
5 Operating LLC.

6 HEARING EXAMINER BRANCARD: I have an entry of
7 appearance for COG Operating.

8 MR. RITTENHOUSE: Yes, sir, Mr. Examiner. This
9 is Joby Rittenhouse appearing on behalf of COG.

10 HEARING EXAMINER BRANCARD: Thank you. Any other
11 interested persons for case 22919?

12 (No audible response.)

13 HEARING EXAMINER BRANCARD: Hearing none, we have
14 a special guest examiner with us, Mr. Dean McClure who can
15 hopefully go through what you have submitted and determine
16 if we have what we need.

17 So with that, Ms. Hardy, please proceed.

18 MS. HARDY: Thank you. We did submit to the
19 Division the information that was requested at the last
20 hearing. We provided supplemental exhibits, and they are,
21 briefly summarized, Exhibit E is a list of approved downhole
22 commingling permits for the commingling area.

23 Exhibit F is a list of API gravity for wells in
24 the commingling area.

25 Exhibit G is a table of wells and pools in the

1 commingling area.

2 Exhibit H is a cross section wells depth
3 analysis.

4 Exhibit I is a table of static bottom hole
5 pressures.

6 Exhibit J is a list of secondary recovery units
7 in the area.

8 Exhibit K is a list of BTU and H2S content for
9 the wells.

10 And Exhibit L is the certified mail chart, and I
11 note that shows the certified mail, notices and receipts
12 that we had provided at the prior hearing, but we did add
13 the tracking numbers that the Division requested.

14 So I think we provided what the Division
15 requested. If there are questions, I do have Forty Acres
16 witnesses available to answer them.

17 HEARING EXAMINER BRANCARD: Thank you. Mr.
18 McClure?

19 TECHNICAL EXAMINER McCLURE: Ms. Hardy, you did a
20 very good job or Forty Acres did a very good job on the
21 supplemental exhibits.

22 I did have a few questions though, and I don't
23 know which witnesses we may want to swear in, I guess, in in
24 regards to the bottom hole pressure and how it was
25 calculated and determined is the primary questions I have, I

1 guess.

2 MS. HARDY: I believe that would be Ms. Neal, if
3 the court reporter would look to like to swear her in.

4 HEARING EXAMINER BRANCARD: I believe these
5 witnesses -- were they sworn in previously?

6 MS. HARDY: They were.

7 TECHNICAL EXAMINER McCLURE: We are still good
8 then?

9 HEARING EXAMINER BRANCARD: We are still good.

10 TECHNICAL EXAMINER McCLURE: Very good, very
11 good. I was going to say, first I have, I guess, two
12 general questions for the supplemental data for the H2S
13 concentrations, the oil gravity, the gas BTU and the bottom
14 hole pressures, do we have enough data points that were
15 provided in these exhibits to get a good coverage of the
16 prior area?

17 MS. NEAL: Yes, we do.

18 TECHNICAL EXAMINER McCLURE: Thank you. I
19 haven't plotted them on a map yet, I'm just preferring that
20 we've got good coverage of these four different sets of
21 information.

22 The other question I had is the tops and bottoms.
23 I know we talked about, you know, having some sort of
24 cross -- I mean, having some sort of cross section across, I
25 just want to confirm we have enough data points to

1 officially draw a good conclusion from in the area.

2 UNIDENTIFIED: Yes.

3 TECHNICAL EXAMINER McCLURE: The question I have
4 on the bottom hole pressure --

5 HEARING EXAMINER BRANCARD: Could the witnesses
6 just each identify themselves when they speak so we get it
7 on the record.

8 MR. BACA: Yes, thank you very much, Mr.
9 Chairman.

10 MS. NEAL: I am Vanessa Neal.

11 MR. HOOPER: I'm Charles Hooper, the geologist.

12 MR. LEHRBASS: I'm Steve Lehrbass?

13 MR. BACA: If you would identify yourselves
14 before you speak, it would help a lot.

15 TECHNICAL EXAMINER McCLURE: The calculated
16 values for the bottom hole pressures, where was that
17 determined in the wellbore? Essentially was it determined
18 at the top of the perms or some other determination?

19 MS. NEAL: So it was calculated from the fluid
20 level, and it was fluid level to mid perf location.

21 TECHNICAL EXAMINER McCLURE: Mid perf?

22 MS. NEAL: Yes.

23 TECHNICAL EXAMINER McCLURE: And when we are
24 referring to the middle of the perms, did you just take like
25 the top and bottom and then just took the average? Is that

1 essentially what you did?

2 MS. NEAL: Yes.

3 TECHNICAL EXAMINER McCLURE: Now, how were they
4 actually calculated.

5 MS. NEAL: So we shot through between levels on
6 the wells, these were wells that had been shut in for a day
7 so it was a static fluid level. And it was the fluid level
8 was calculated over the mid perf and it was using the
9 standard formula of -- I can't remember the formula's name,
10 but it's like .052 times your TVD, times your (unclear
11 audio). I believe that's correct.

12 TECHNICAL EXAMINER McCLURE: So you essentially
13 shot the fluid levels, you used an echo gun (unclear audio).
14 And so as far as the density of your gas, that was just
15 assumed to be zero; is that correct?

16 MS. NEAL: Correct.

17 TECHNICAL EXAMINER McCLURE: What did you use as
18 far as the density for your liquid?

19 TECHNICAL EXAMINER McCLURE: I used standard
20 water (unclear audio).

21 TECHNICAL EXAMINER McCLURE: So essentially fresh
22 water was what was assumed?

23 MS. NEAL: Yes.

24 TECHNICAL EXAMINER McCLURE: Okay, thank you.
25 Actually, I believe that was all the questions I had,

1 Mr. Brancard. Thank you for your time.

2 HEARING EXAMINER BRANCARD: Mr. Garcia, any
3 questions?

4 TECHNICAL EXAMINER GARCIA: No further questions.

5 HEARING EXAMINER BRANCARD: Okay. Mr. McClure,
6 did you have any other requests for information at this
7 point?

8 TECHNICAL EXAMINER McCLURE: No, I don't think
9 so, Mr. Brancard. I think we are good to proceed.

10 HEARING EXAMINER BRANCARD: Thank you. All
11 right. So any interested persons for case 22919?

12 (No audible response.)

13 HEARING EXAMINER BRANCARD: Hearing none, case
14 22919, the exhibits -- the additional exhibits will be
15 admitted into the record and the case will be taken under
16 advisement. Thank you all.

17 MS. NEAL: Thank you.

18 MR. LEHRBASS: Thank you.

19 (Exhibits admitted.)

20 (Taken under advisement.)

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

STATE OF NEW MEXICO
COUNTY OF BERNALILLO

REPORTER'S CERTIFICATE

I do hereby certify that I reported the foregoing virtual proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings to the best of my ability.

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

I FURTHER CERTIFY that the Virtual Proceeding was of poor to good quality.

Dated this 4th day of August 2022.

Court Reporter

License Expires: 12-31-22

0	add 4:12	behalf 3:4,9	conclusion 6:1
0268 2:4	additional 8:14	believe 5:2,4 7:11,25	confirm 5:25
03 2:11	admitted 2:16 8:15,19	bernalillo 9:2	conocophillips 2:7
052 7:10	advisement 2:12 8:16,20	best 9:7	conservation 1:3 1:5,20
08 2:12,17	albuquerque 1:24	bottom 4:4,24 5:13 6:4,16,25	considering 1:6
09 2:13	analysis 4:3	bottoms 5:22	content 4:8
1	answer 4:16	box 2:4	correct 7:11,15 7:16 9:6
105 1:23	api 3:23	brancard 1:21 3:1,6,10,13 4:17 5:4,9 6:5 8:1,2,5 8:9,10,13	county 1:11 9:2
12-31-22 9:17	appearance 3:7	briefly 3:21	court 1:23 5:3 9:16
2	appearing 3:9	btu 4:8 5:13	coverage 5:15,20
2022 1:18,21 9:14	applicant 2:2	c	cross 4:2 5:24,24
22919 1:7 3:2,11 8:11,14	application 1:8	d	
4	approval 1:9	d 2:10,15	
4 1:18,21	approved 3:21	calculated 4:25 6:15,19 7:4,8	dana 2:3 3:3
4th 9:14	area 1:10 3:22 3:24 4:1,7 5:16 6:1	call 3:2	data 5:12,14,25
5	assumed 7:15,22	called 1:5	dated 9:14
500 1:23	attachments 2:17	case 1:7 2:11 3:2 3:11 8:11,13,15 9:9,11	day 7:6 9:14
505-843-9241 1:24	attorneys 9:9	certificate 2:13 9:3	dean 3:14
505-982-4554 2:5	audible 3:12 8:12	certified 4:10,11	density 7:14,18
6	audio 7:11,13,20	certify 9:4,8,12	department 1:2
600 2:8	august 1:18,21 9:14	chairman 6:9	depth 4:2
7	available 4:16	charles 6:11	determination 6:18
79701-4882 2:8	ave 2:8	chart 4:10	determine 3:15
8	average 6:25	cog 2:6 3:7,9	determined 4:25 6:17,17
87102 1:24	b	commingling 1:9 3:22,22,24 4:1	different 5:20
87504 2:4	b 2:15	company 2:7	disposition 9:10
a	baca 1:23 6:8,13	concentrations 5:13	division 1:3,5,20 3:19 4:13,14
ability 9:7	basis 1:11		downhole 1:9 3:21
acres 4:15,20			

[draw - numbers]

draw 6:1	forty 4:15,20	hinkle 2:3 3:4	llp 2:3
e	four 5:20	hole 4:4,24 5:14 6:4,16	location 6:20
e 2:1,1,10,15,15 3:21	fourth 1:23	hooper 6:11,11	look 5:3
echo 7:13	fresh 7:21	hopefully 3:15	lot 6:14
employed 9:8	further 8:4 9:8 9:12	i	m
energy 1:2	g	identify 6:6,13	mail 4:10,11
entry 3:6	g 3:25	ii 1:8 3:4	map 5:19
essentially 6:17 7:1,12,21	garcia 1:21 8:2,4	illinois 2:8	matter 1:5,20
examiner 1:17 1:21 3:1,3,6,8,10 3:13,14 4:17,19 5:4,7,9,10,18 6:3 6:5,15,21,23 7:3 7:12,17,19,21,24 8:2,4,5,8,10,13	gas 5:13 7:14	information 3:19 5:21 8:6	mcclure 3:14 4:18,19 5:7,10 5:18 6:3,15,21 6:23 7:3,12,17 7:19,21,24 8:5,8
exhibits 2:11,17 3:20 4:21 5:15 8:14,14,19	general 5:12	interest 9:10	mean 5:24
exhibitor 3:21,23 3:25 4:2,4,6,8,10	geologist 6:11	interested 3:11 8:11	mexico 1:1,11,18 1:20 9:1
expires 9:17	go 3:15	j	mid 6:20,21 7:8
f	going 5:11	j 4:6	middle 6:24
f 3:23	good 4:20,20 5:7 5:9,10,11,15,20 6:1 8:9 9:13	job 4:20,20	midland 2:8
fae 1:8 3:4	gravity 3:23 5:13	john 1:21	minerals 1:2
far 7:14,18	grayburg 1:10	k	n
fe 1:18 2:4 3:4	guess 4:23 5:1 5:11	k 4:8	n 2:1,10,15
final 9:10	guest 3:14	know 4:23 5:23 5:23	name 7:9
first 5:11	gun 7:13	l	natural 1:2
fluid 6:19,20 7:7 7:7,13	h	l 4:10	neal 5:2,17 6:10 6:10,19,22 7:2,5 7:16,23 8:17
foregoing 9:5,6	h 2:15 4:2	lea 1:11	need 3:16
formations 1:10	h2s 4:8 5:12	lehrbass 6:12,12 8:18	neither 9:8
formula 7:9	hardy 2:3 3:3,3 3:17,18 4:19 5:2 5:6	level 6:20,20 7:7 7:7	new 1:1,11,18,20 9:1
formula's 7:9	hearing 1:5,17 1:20,20 3:1,6,10 3:13,13,20 4:12 4:17 5:4,9 6:5 8:2,5,10,13,13	levels 7:5,13	nm 1:24 2:4
	help 6:14	license 9:17	nos 1:7
		liquid 7:18	note 4:11
		list 3:21,23 4:6,8	notices 4:11
		llc 1:8 3:5	numbers 4:13

[nw - tx]

nw 1:23	proceed 3:17 8:9	requests 8:6	summary 2:11
o	proceeding 9:12	resources 1:2	supplemental
office 3:4	proceedings 1:17 9:5,7	response 3:12 8:12	3:20 4:21 5:12
officer 1:20	production 1:9	right 8:11	swear 4:23 5:3
officially 6:1	professional 1:23	rittenhouse 2:7 3:8,9	sworn 5:5
oil 1:3,5,20 5:13	provided 3:20 4:12,14 5:15	rivers 1:10	t
okay 7:24 8:5	purpose 1:6	s	t 2:15
operating 1:8 2:6 3:5,7	q	santa 1:18 2:4 3:4	table 3:25 4:4
p	quality 9:13	secondary 4:6	take 6:24
p 2:1,1	queen 1:10	section 4:2 5:24	taken 2:12 8:15 8:20
p.o. 2:4	question 5:22 6:3	sets 5:20	talked 5:23
pages 9:6	questions 4:15 4:22,25 5:12 7:25 8:3,4	seven 1:10	technical 1:21 4:19 5:7,10,18 6:3,15,21,23 7:3 7:12,17,19,21,24 8:4,8
parties 9:9	r	shamor 2:3 3:4	thank 3:10,18 4:17 5:18 6:8 7:24 8:1,10,16 8:17,18
paul 1:23	r 2:1	shorthand 9:5	think 4:14 8:8,9
perf 6:20,21 7:8	receipts 4:11	shot 7:5,13	thursday 1:21
perfs 6:18,24	record 6:7 8:15	shows 4:11	time 8:1
permits 3:22	recovery 4:6	shut 7:6	times 7:10,10
persons 3:11 8:11	referring 6:24	sir 3:8	top 6:18,25
platform 1:21	regards 4:24	sort 5:23,24	tops 5:22
please 3:17	related 9:9	speak 6:6,14	tracking 4:13
plotted 5:19	remember 7:9	special 3:14	transcript 1:17 9:6
point 8:7	reported 1:23 9:4	standard 7:9,19	true 9:6
points 5:14,25	reporter 2:13 5:3 9:16	state 1:1 9:1	tvd 7:10
pools 3:25	reporter's 1:17 9:3	static 4:4 7:7	two 5:11
poor 9:13	reporters 1:23	stenographic 9:5	tx 2:8
pre 1:9	requested 3:19 4:13,15	steve 6:12	
preferring 5:19		street 1:23	
pressure 4:24 6:4		submit 3:18	
pressures 4:5 5:14 6:16		submitted 3:15	
previously 5:5		suite 1:23	
primary 4:25		summarized 3:21	
prior 4:12 5:16			

[unclear - zero]

u
unclear 7:10,13 7:20 unidentified 6:2 units 4:6 use 7:17
v
values 6:16 vanessa 6:10 virtual 1:17,20 9:5,12
w
w 2:8 want 4:23 5:25 water 7:20,22 we've 5:20 webex 1:21 wellbore 6:17 wells 3:23,25 4:2 4:9 7:6,6 wide 1:10 william 1:21 witnesses 4:16 4:23 5:5 6:5
x
x 2:10,15,15
y
yates 1:10
z
zero 7:15