

1 IN THE MATTER OF THE HEARING CALLED  
2 BY THE OIL CONSERVATION DIVISION FOR  
3 THE PURPOSE OF CONSIDERING:

RECEIVED OCD

3 APPLICATION OF OXY USA WTP LIMITED  
4 PARTNERSHIP FOR A NON-STANDARD SPACING CASE #15099  
5 AND PRORATION UNIT AND COMPULSORY  
6 POOLING, EDDY COUNTY, NEW MEXICO.

2014 MAR 14 P 1:51

ORIGINAL

7 REPORTER'S TRANSCRIPT OF PROCEEDINGS

8 March 6, 2014

9 Santa Fe, New Mexico

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BEFORE: PHILLIP GOETZE, CHIEF EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Phillip Goetze, Chief Examiner, on Thursday, March 6, 2013, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

REPORTED BY: Paul Baca, CCR, RPR  
New Mexico CCR #112  
Paul Baca Professional Court Reporters  
500 4th Street, NW - Suite 105  
Albuquerque, New Mexico 87102

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APPEARANCES

FOR APPLICANT OXY USA WTP LIMITED PARTNERSHIP:

MICHAEL H. FELDERWERT, ESQ.  
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Case Number 15099 Called

OXY USA WTP Limited Partners' Case-In-Chief: 3

Witnesses:

WESLEY ROBERTSON

Direct Examination by Mr. Felderwert 3

BRITTANY STEEL

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Cross-Examination by Examiner Goetze 16

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EXHIBITS OFFERED AND ADMITTED

OXY USA WTP Exhibits 1 - 4 8

OXY USA WTP Exhibits 5 - 7 16

1 (8:38 a.m.)

2 HEARING EXAMINER GOETZE: Next case to be  
3 heard is case 15099, Application of OXY USA WTP  
4 Limited Partnership for a non-standard spacing and  
5 proration unit and compulsory pooling, Eddy County,  
6 New Mexico.

7 Call for appearances.

8 MR. FELDERWERT: May it please the  
9 Examiner, Michael Felderwert with the Santa Fe  
10 office of Holland & Hart appearing on behalf of the  
11 applicant, and I have two witnesses here today.

12 HEARING EXAMINER GOETZE: Would the  
13 witnesses please stand and identify themselves and  
14 been sworn in, please.

15 MR. ROBERTSON: Wesley Robertson.

16 MS. STEEL: Brittany Steel.

17 WESLEY ROBERTSON,  
18 having been first duly sworn, testified as follows:

19 EXAMINATION

20 BY MR. FELDERWERT:

21 Q. Would you please state your name, identify  
22 by whom you are employed and in what capacity?

23 A. Wesley Robertson, OXY USA, Inc., is the  
24 land negotiator.

25 Q. How long have you been a land negotiator

1 with OXY?

2 A. Three and a half years.

3 Q. Have you had the opportunity to previously  
4 testify before this division?

5 A. Yes.

6 Q. And were you credentials as a petroleum  
7 landman accepted and made a public record at that  
8 time?

9 A. Yes.

10 Q. Mr. Robertson, have you -- are you  
11 familiar with this application?

12 A. Yes, I am.

13 Q. Have you conducted a study of the lands in  
14 the area?

15 A. Yes, I have.

16 MR. FELDERWERT: I would tender  
17 Mr. Robertson as an expert witness in petroleum land  
18 matters.

19 HEARING EXAMINER GOETZE: He is so  
20 qualified.

21 Q. (By Mr. Felderwert) Would you please turn  
22 to what has been marked as OXY Exhibit No. 1.

23 Is this a C-102 for your proposed well?

24 A. Yes, it is.

25 Q. What does the company seek under this

1 particular application?

2 A. We are seeking to create a non-standard  
3 160-acre spacing unit comprised of the east half,  
4 the west half of Section 17, Township 23 south, 28  
5 east, pooling all of the mineral interests in the  
6 Bone Spring formation.

7 Q. And does this particular C-102, then,  
8 provide the API number for your -- the well that's  
9 to be initially dedicated to this non-standard  
10 spacing unit?

11 A. Yes, it does.

12 Q. Does it also provide the pool code and the  
13 pool that's in there?

14 A. Yes, it does.

15 Q. Does this exhibit likewise reflect that  
16 the completed interval for this well will remain  
17 within the setbacks required by the division rules?

18 A. Yes, it does.

19 Q. Is this particular Section 17, is it all  
20 fee land?

21 A. All fee.

22 Q. If I turn to what has been marked as OXY  
23 Exhibit No. 2, does this reflect the ownership,  
24 first by tract, and then by total ownership in the  
25 proposed spacing unit?

1 A. Yes, it does.

2 Q. If I turn to the second page at the  
3 bottom, is that where we see the break-out of the  
4 percentage interest in the spacing unit of the hole?

5 A. Yes.

6 Q. What interest do you seek to pool here  
7 today?

8 A. Bluestem Energy Assets, LLC.

9 Q. And if I turn to what has been marked as  
10 OXY Exhibit No. 3, is that the well proposal letter  
11 that was sent to Bluestem back in December?

12 A. Yes, it is.

13 Q. And it contains an AFE?

14 A. Yes, it does.

15 Q. And are the costs that are reflected on  
16 this AFE, are they consistent with what the company  
17 has incurred for drilling similar horizontal wells  
18 in the area?

19 A. Yes, they are.

20 Q. Now, in addition to sending this well  
21 proposal letter, what other efforts has the company  
22 undertaken to reach an agreement with Bluestem  
23 Energy?

24 A. We had originally proposed a joint  
25 operating agreement with the original proposal.

1 Following that, Bluestem notified OXY that they did  
2 not wish to participate in the well. So we  
3 attempted to negotiate a term assignment and a  
4 farm-out, to which they were not interested in.

5 Q. Now, is there -- has there been a JOA  
6 signed for this property with the other interest  
7 owners?

8 A. Yes, there has been.

9 Q. Okay. What are the overhead rates and  
10 administrative costs within that JOA?

11 A. \$7,500 drilling per month and \$750  
12 producing per month.

13 Q. And are those the costs that the company  
14 requests that the division likewise incorporate into  
15 any pooling order from this application?

16 A. Yes.

17 Q. Did the company also identify the mineral  
18 interest owners in the 40-acre tracts surrounding  
19 the proposed non-standard spacing unit?

20 A. Yes, we did.

21 Q. And were those known leased mineral  
22 interest owners notified of this hearing?

23 A. Yes, they were.

24 Q. If I turn to what has been marked as COG  
25 Exhibit No. 4, is that an affidavit prepared by my

1 office with attached letters providing notice of the  
2 hearing to these affected parties?

3 A. Yes, it is.

4 Q. Mr. Robertson, were exhibits 1 through 3  
5 prepared by you or compiled under your direction and  
6 supervision?

7 A. Yes, they were.

8 MR. FELDERWERT: At this point, then,  
9 Mr. Examiner, I would move the admission into  
10 evidence of OXY Exhibits 1 through 4, which includes  
11 my affidavit?

12 HEARING EXAMINER GOETZE: One through 4  
13 are accepted.

14 (OXY Exhibits 1 through 4 were offered and  
15 admitted into evidence.)

16 MR. FELDERWERT: And that concludes my  
17 examination of this witness.

18 HEARING EXAMINER GOETZE: And this is  
19 pretty straightforward. I don't have any questions  
20 for you. Thank you.

21 MR. FELDERWERT: I then call our second  
22 witness.

23 BRITTANY STEEL,  
24 having been previously sworn, testified as follows:

25 EXAMINATION

1 BY MR. FELDERWERT:

2 Q. Please state your name for the record.

3 A. My name is Brittany Steel.

4 Q. Ms. Steel, by whom are you employed and in  
5 what capacity?

6 A. OXY USA, Inc. I'm employed as a  
7 geologist.

8 Q. How long have you been a geologists with  
9 OXY?

10 A. I have been with OXY for approximately  
11 four and a half years.

12 Q. Throughout that period of time, have your  
13 responsibilities included the Permian Basin of New  
14 Mexico?

15 A. Yes, they have.

16 Q. Have your responsibilities been exclusive  
17 to the Permian Basin of New Mexico?

18 A. Yes.

19 Q. Have you previously testified before this  
20 division?

21 A. No, I haven't.

22 Q. Would you provide us with your educational  
23 background?

24 A. I went to the University of Tennessee for  
25 my Bachelor's in Science and Geology. And then I

1 pursued my master's at the University of Tennessee,  
2 as well, in science as a structural geologist.

3 Q. And when did you receive your master's?

4 A. In 2009, December of 2009.

5 Q. Is that, then, when you commenced  
6 employment with OXY?

7 A. I began employment with OXY February of  
8 2010.

9 Q. Okay. Are you a member of any  
10 professional organizations?

11 A. AAPG.

12 Q. And how long have you been a member of the  
13 AAPG?

14 A. Since 2009.

15 Q. Are you familiar with this application?

16 A. Yes, I am.

17 Q. Have you conducted a geological study of  
18 the lands that are the subject of this application?

19 A. Yes, I have.

20 MR. FELDERWERT: Mr. Examiner, I would  
21 tender Ms. Steel as an expert witness in petroleum  
22 geology.

23 HEARING EXAMINER GOETZE: This witness is  
24 so qualified.

25 Q. (By Mr. Felderwert) Ms. Steel, what is the

1 target of OXY's proposed well?

2 A. We are targeting the 3rd Bone Spring Sand.

3 Q. The lower portion of the 3rd Bone Spring  
4 Sand?

5 A. Yes.

6 Q. Is that just above the Wolfcamp?

7 A. It is just directly above the Wolfcamp.

8 Q. If I turn what has been marked as OXY  
9 Exhibit No. 5, would you please identify it and then  
10 explain to the examiner what it shows.

11 A. The map on the left-hand portion of the  
12 slide is a regional structure map of the Wolfcamp  
13 with contour interval of 50 feet. The red crosses on  
14 map represent all of the datapoints in the area.  
15 The horizontal well that is displayed in Section 17  
16 is our proposed Carter Farms A Fee Com Number 3H.

17 This particular well -- or this particular  
18 map is on a TVD sub C scaling, and our regional dip  
19 is to the east. This particular well, as you can  
20 see over on the typed log on the right-hand side of  
21 the slide, is targeting the 3rd Bone Spring Sand.  
22 The red star indicates the interval that we're going  
23 to be targeting, which is directly above the  
24 Wolfcamp. So it's a pretty thick interval of sand  
25 there. It is conformable to the 3rd Bone Spring

1 Sand.

2 Q. So that's why you hung your structure --  
3 or did your analysis of the Wolfcamp?

4 A. Yes.

5 Q. Okay. Do you see any faulting or  
6 pinch-outs or any other geologic impediments to  
7 developing this area using horizontal wells?

8 A. No.

9 Q. And then I -- this map contains a bunch of  
10 red numbers below the well symbols. Is that all  
11 your datapoints.

12 A. Those are all of our datapoints. We  
13 actually had pretty good data control in this area,  
14 considering it is an exploration log.

15 Q. Okay. If I then turn what to what has  
16 been marked as -- let me ask you first: Anything  
17 else about this map?

18 A. No, I think that's it.

19 Q. Okay. Why don't you turn to what has been  
20 marked, then, as OXY Exhibit No. 6 and first  
21 identify it and then explain to us what it shows.

22 A. Exhibit No. 6 is a structural  
23 cross-section that's proportionally spaced to  
24 cross-sections 18 and 17. So we're starting in  
25 Section 18 and then ending in Section 17. So it's A

1 to A prime.

2 Q. That's shown in the bottom left-hand  
3 corner of this exhibit?

4 A. Yes, it's shown in the bottom left-hand  
5 corner across that same structure map that we saw in  
6 the previous slide.

7 Our horizontal well is proposed in the --  
8 or best seen in the cross-section landing in our  
9 target interval, which is highlighted in blue.

10 If we look at the individual wells on  
11 the -- on the Carter Farms Type Log, the individual  
12 logs here, going from left to right, are gamma ray,  
13 then resistivity in the next tract, and then  
14 porosity in the last tract.

15 The gamma ray has a yellow infill. It's  
16 everything that's less than 80API, which is how we  
17 are indicating our sands in this particular  
18 interval. And then we have the resistivity, which  
19 is low, which you can see is pretty correlative  
20 across this particular interval. And then, on the  
21 far right, we have our density porosity, which is  
22 greater than 10 percent, which is what we're  
23 indicating as -- or our target reservoir.

24 And our proposed horizontal well is going  
25 to be landing in and staying in this zone throughout

1 its horizontal length. And we are drilling this  
2 well along the strike to mitigate any drilling risks  
3 as well.

4 Q. Do you see a continuity of the sand across  
5 your section here?

6 A. There is. And you can see that it is very  
7 easy to correlate this particular section. There's  
8 really no change in the log characteristics.

9 Q. Are there any other horizontal wells in  
10 this immediate area?

11 A. No, there are not.

12 Q. Why did you choose your stand-up?

13 A. I chose the stand-up well because,  
14 geologically, it stays within the porosity fairway.

15 Q. Okay. What conclusions, then, have you  
16 drawn from your study?

17 A. I have drawn the conclusion that there are  
18 no geological impediments or pinch-outs that the  
19 horizontal well will encounter along its length.  
20 This well -- this particular section will be best  
21 developed with horizontal wells. And I proposed the  
22 160-acre non-standard unit spacing as opposed to a  
23 traditional 40-acre for economic and efficiency.

24 Q. And in your opinion, will the 40-acre  
25 tracts that you have included within your

1 non-standard spacing unit contribute more or less  
2 equally to the well bore's production?

3 A. Yes.

4 Q. Okay. Is Exhibit No. 7 a -- OXY Exhibit  
5 No. 7 a directional survey for this well?

6 A. Yes.

7 Q. And does it demonstrate that your well  
8 will meet the setback requirements?

9 A. Yes, it does.

10 Q. Where will the completed interval for your  
11 well be with the respect to this particular exhibit?

12 A. It's going to be in the red highlighted  
13 section along the horizontal path.

14 Q. Okay. In your opinion, will the granting  
15 of this application be in the best interest of  
16 conservation and prevention of waste and protection  
17 of correlative rights?

18 A. Yes.

19 Q. Were OXY Exhibits 5 through 7 prepared by  
20 you or compiled under your direction or supervision?

21 A. Yes, they were.

22 MR. FELDERWERT: Mr. Examiner, I would  
23 move the admission into evidence of Exhibits 5  
24 through 7?

25 HEARING EXAMINER GOETZE: Exhibits 5

1 through 7 are so admitted.

2 (OXY Exhibits 5 through 7 were offered and  
3 admitted into evidence.)

4 MR. FELDERWERT: That concludes my  
5 examination of this witness.

6 HEARING EXAMINER GOETZE: Okay. Just a  
7 few more questions.

8 When we say, "porosity fairway," we're  
9 basically saying that we're taking the best  
10 orientation for drilling without having increased  
11 difficulty as a result of strike and dip.

12 THE WITNESS: That's true, yes.

13 HEARING EXAMINER GOETZE: Okay. And you  
14 said that we don't really have any other  
15 orientations in this area and so basically it's up  
16 to you, you made your choice based upon --

17 THE WITNESS: On the geology and based on  
18 stating the log strike, yes.

19 HEARING EXAMINER GOETZE: That should be  
20 it. Okay. No further questions for this witness. we  
21 will take case 15099 under advisement, and that so  
22 ends the hearing.

23 MR. FELDERWERT: Thank you, Mr. Examiner.

24 (Proceedings concluded at 8:52 a.m.)

25

I do hereby certify that the foregoing is  
a complete and correct transcript of the proceedings in  
the Examiner's Case No. 15099  
heard by me on March 6, 2014

PAUL BACA PROFESSIONAL COURT REPORTERS

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, PAUL BACA, New Mexico Certified Court  
6 Reporter No. 112, and Registered Professional  
7 Reporter, do hereby certify that I reported the  
8 foregoing proceedings in stenographic shorthand and  
9 that the foregoing pages are a true and correct  
10 transcript of those proceedings that were reduced to  
11 printed form by me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's  
13 Record of the proceedings truly and accurately  
14 reflects the exhibits, if any, offered by the  
15 respective parties.

16 I FURTHER CERTIFY that I am neither  
17 employed by or related to any of the parties or  
18 attorneys in this case and that I have no interest  
19 in the final disposition of this case.

20

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PAUL BACA, RPR, CCR  
Certified Court Reporter #112  
License Expires: 12-31-14

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