

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:

ORIGINAL

CASE 15299
Cont'd from
May 14, 2015

APPLICATION OF XTO ENERGY INC. FOR A
NON-STANDARD SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

JUNE 11, 2015

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

RECEIVED OGD
2015 JUN 30 P 2:28

This matter came on for hearing before the
New Mexico Oil Conservation Division, Phillip Goetze,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
June 11, 2015, 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: ELLEN H. ALLANIC
NEW MEXICO CCR 100
CALIFORNIA CSR 8670
PAUL BACA COURT REPORTERS
500 Fourth Street, NW
Suite 105
Albuquerque, New Mexico 87102

1 A P P E A R A N C E S

2 FOR THE APPLICANT XTO ENERGY INC.

3 JORDAN LEE KESSLER, ESQ.
 4 Holland & Hart
 5 110 North Guadalupe
 Suite 1
 6 Santa Fe, New Mexico 87501
 (505)988-4421
 jlkessler@hollandhart.com

7
 8 FOR NADEL AND GUSSMAN PERMIAN, LLC

9 JAMES G. BRUCE, ESQ.
 10 P.O. Box 1056
 Santa Fe, New Mexico 87504
 (505)982-2043
 jamesbruc@aol.com

11

12 I N D E X

13 CASE NUMBER 15299 -CALLED
 14 XTO ENERGY INC. CASE-IN-CHIEF

15 WITNESS ANGIE REPKA

| | | | | |
|----|--------------------|-------------|----------|---------|
| 16 | | Direct | Redirect | Further |
| | By Ms. Kessler | 5 | | |
| 17 | | Examination | | |
| 18 | By Examiner Goetze | 13 | | |

19

20

21 WITNESS BRIAN HENTHORN

| | | | | |
|----|--------------------|-------------|----------|---------|
| 22 | | Direct | Redirect | Further |
| | By Ms. Kessler | 14 | | |
| 23 | | Examination | | |
| 24 | By Examiner Goetze | 20 | | |

24

25 Reporter's Certificate

PAGE

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

Exhibits Offered and Admitted

| | | PAGE |
|----|----------------------------|------|
| 3 | XTO Energy Inc. Exhibit 1 | 13 |
| 4 | XTO Energy Inc. Exhibit 2 | 13 |
| 5 | XTO Energy Inc. Exhibit 3 | 13 |
| 6 | XTO Energy Inc. Exhibit 4 | 13 |
| 7 | XTO Energy Inc. Exhibit 5 | 13 |
| 8 | XTO Energy Inc. Exhibit 6 | 13 |
| 9 | XTO Energy Inc. Exhibit 7 | 13 |
| 10 | XTO Energy Inc. Exhibit 8 | 19 |
| 11 | XTO Energy Inc. Exhibit 9 | 19 |
| 12 | XTO Energy Inc. Exhibit 10 | 19 |

13
14
15
16
17
18
19
20
21
22
23
24
25

1 (time noted 11:14 a.m.)

2 EXAMINER GOETZE: And going for a
3 marathon -- should we press on or take a break? Well,
4 on notice from Counsel, we will go ahead and proceed.

5 Let's go ahead with case No. 15299,
6 Application of XTO Energy, Inc., for a non-standard
7 spacing and proration unit and compulsory pooling, Eddy
8 County, New Mexico.

9 Call for appearances.

10 MS. KESSLER: Mr. Examiner, Jordan Kessler
11 from Holland and Hart in Santa Fe for the Applicant.

12 MR. BRUCE: And, Mr. Examiner, Jim Bruce of
13 Santa Fe representing Nadel and Gussman Permian, LLC.

14 Just at beginning of the hearing, I will
15 have a 20-second statement, and that will be my
16 participation in the case.

17 EXAMINER GOETZE: Very good.

18 In that case your witnesses, stand and
19 identify yourselves and the court reporter will swear
20 you in.

21 (Whereupon, the presenting witnesses were
22 administered the oath.)

23 MR. BRUCE: Just very briefly, I think I've
24 spoken enough today, Mr. Examiner. And, as you know, I
25 filed a prehearing statement opposing this case. I did

1 ask for a continuance, denied. But I couldn't find my
2 witness yesterday and I checked just recently, the
3 witness couldn't make it.

4 My client opposes the formation of
5 a-one-and-a-half-mile long unit. They prefer mile
6 units. But I have no technical witness.

7 And with that, I am going to exit the
8 neighborhood.

9 EXAMINER GOETZE: Okay. Mr. Bruce, thank
10 you for your input.

11 Ms. Kessler.

12 MS. KESSLER: May I proceed?

13 EXAMINER GOETZE: Yes, ma'am.

14 ANGIE REPKA

15 having been first duly sworn, was examined and testified
16 as follows:

17 DIRECT EXAMINATION

18 BY MS. KESSLER:

19 Q. Ms. Repka, could you please state your name for
20 the record and tell the examiner by whom you are
21 employed and in what capacity.

22 A. My name is Angie Repka and I work for XTO Energy
23 as a division landman.

24 Q. And have you previously testified before the
25 Division?

1 A. I have not.

2 Q. Could you please review your educational
3 background.

4 A. I graduated from the University of Texas in 1992
5 with a bachelor's degree.

6 Q. And could you outline your work history?

7 A. I have been with XTO Energy for the past eleven
8 years in the land department. The last four as a
9 division landman. Prior to that, I worked for a
10 privately-owned company in Dallas.

11 Q. And do your responsibilities include working in
12 the Permian Basin?

13 A. Yes, they do.

14 Q. Are you a member of any professional
15 affiliations?

16 A. Yes. I'm a member of AAPL, New Mexico Landman's
17 Association, Permian Basin Landman's Association, and
18 the Fort Worth Association.

19 Q. And do you have any professional certifications?

20 A. Yes. I have a certified professional landman's
21 certificate.

22 Q. When did you receive that?

23 A. In 2008.

24 Q. Are you familiar with the application filed in
25 this case?

1 A. Yes.

2 Q. And are you familiar with the status of the lands
3 in the subject area?

4 A. Yes.

5 MS. KESSLER: Mr. Examiner, I would tender
6 Mr. Repka as an expert in Petroleum Land Matters.

7 EXAMINER GOETZE: She is so qualified.

8 Q. Please turn to what I have marked as XTO Exhibit
9 No. 1, and identify this exhibit for the Examiner.

10 A. Exhibit 1 is the C-102 filed by XTO Energy for
11 the Goldenchild 6 State 1H well.

12 Q. What does XTO seek under this application?

13 A. We seek to form a 239.47 acre proration unit.

14 Q. And is that comprised of the east half, east half
15 of section 6 and the east half, southeast quarter of
16 section 31?

17 A. Yes, it is.

18 Q. And that's township 24 South, Range 29 East, in
19 Eddy County, correct?

20 A. And 25 south, 29 east of section 6.

21 Q. Okay. And you seek to pool the uncommitted
22 mineral interest owners underlying this spacing unit?

23 A. Yes, we do.

24 Q. In the Wolfcamp formation?

25 A. In the upper Wolfcamp, yes.

1 Q. What is the API number for this well?

2 A. 30-015-43003.

3 Q. Has the Division identified a pool and a pool
4 code for this well?

5 A. Yes. It is the Upper Wolfcamp. And the pool
6 code is 98126.

7 Q. Is this pool governed by the Division's statewide
8 oil rules?

9 A. Yes.

10 Q. So that would be 40-acre spacing and 330-foot
11 setbacks, correct?

12 A. That's correct.

13 Q. And will the completed interval for this well
14 comply with the setback requirements?

15 A. Yes, it will.

16 Q. Are section 6 and 31 state lands?

17 A. Yes, they are.

18 Q. Turning to XTO Exhibit No. 2, could you please
19 identify XTO's interest and the uncommitted interest
20 owners in the proposed spacing unit?

21 A. Yes. XTO Energy, we are also an agent for Exxon
22 Mobile, and our other committed partner, Oxy U.S.A make
23 a total of 53 percent that have elected to participate.

24 The ones highlighted in yellow are those that we
25 still have not received an election from. With the

1 exception of Cody Land and Minerals, I have an executed
2 well proposal and AFE, but I do not have an executed
3 JOA.

4 Q. So the highlighted names are the interest owners
5 whom you seek to pool?

6 A. That is correct.

7 Q. Is XTO Exhibit 3 a copy of the well proposal that
8 was sent to the parties that you seek to pool?

9 A. Yes, it is.

10 Q. On what date was that letter sent?

11 A. March 13th, 2015.

12 Q. And did you include an AFE with this well
13 proposal letter?

14 A. Yes, I did.

15 Q. Did you subsequently become aware that another
16 party had an interest in the proposed unit?

17 A. Yes, I did.

18 Q. And did you send them a well proposal that is
19 included as Exhibit 4?

20 A. Yes, I did.

21 Q. And that was to TYL Oil and Gas Company, correct?

22 A. Correct.

23 Q. Did you also become aware that Nadel and Gussman
24 had acquired an interest?

25 A. Yes, I did.

1 Q. And did you send Nadel and Gussman a well
2 proposal letter and AFE as soon as you found out about
3 that interest?

4 A. Yes, I did.

5 Q. And is that included as Exhibit 5?

6 A. Yes, it is.

7 Q. Could you please summarize your communications
8 with Nadel and Gussman regarding this well?

9 A. Yes. I was first contacted by Nadel and Gussman
10 on May 7th, advising me that they were in the process of
11 purchasing an interest in this unit.

12 I had asked for a copy of a recorded assignment
13 and they had none to offer. They did advise that they
14 had the well proposal AFE and JOA from the previous
15 interest owner. So I had made follow-up phone calls,
16 e-mails requesting copies of the same.

17 He did provide a copy of an unrecorded assignment
18 from TYL. And at that point, I went back in and
19 modified my exhibits to the JOA and sent those out to
20 Nadel and Gussman.

21 The only communication I've really had in
22 discussions with this was Tuesday evening, when they
23 called and wanted to propose that we try to work out
24 some sort of an agreement with them.

25 Q. And the first time you became aware that they

1 objected to the proposed spacing unit was when they
2 filed their prehearing statements; is that correct?

3 A. That is correct.

4 Q. Now you mentioned that the well proposal letters
5 that you sent included a copy of the AFE, correct?

6 A. That is correct.

7 Q. Are the costs reflected on this AFE consistent
8 with what XTO and other operators have incurred for
9 drilling similar horizontal wells in this area?

10 A. Yes, they are.

11 Q. And have you identified the overhead and
12 administrative costs for drilling this well and also
13 while producing it should it be successful?

14 A. Yes.

15 Q. What are those costs?

16 A. We ask for a \$7,500 drilling rate and a \$750
17 producing rate.

18 Q. Are those costs consistent with what other
19 operators are charging for similar wells in this area?

20 A. Yes, they are.

21 Q. And do you ask that these administrative and
22 overhead costs be incorporated into any order resulting
23 from this hearing?

24 A. Yes; we do.

25 Q. Do you ask that it be adjusted in accordance with

1 appropriate accounting procedures?

2 A. Yes, we do.

3 Q. With respect to the uncommitted interest owners,
4 do you request that the Division impose a 200 percent
5 risk penalty?

6 A. Yes, we do.

7 Q. In addition to sending these well proposal
8 letters, what efforts did XTO undertake to reach
9 voluntary agreement with the parties whom you seek to
10 pool?

11 A. I made follow up phone calls, and most of the
12 parties I was able to discuss this with them over the
13 phone. A couple of them, I left multiple voice mails
14 with them.

15 Q. Were there any unlocatable parties?

16 A. Yes, there were.

17 Q. Did XTO publish notice directed to that party?

18 A. Yes, we did.

19 Q. And is this included as XTO Exhibit 6?

20 A. Yes, it is.

21 Q. Did XTO also identify the lease and mineral
22 interests in the 40-acre tracts surrounding the proposed
23 non-standard spacing unit?

24 A. Yes, we did.

25 Q. And were they included in notice of this hearing

1 that was sent out by Holland and Hart?

2 A. Yes, they were.

3 Q. Is an affidavit to that effect included as
4 Exhibit 7?

5 A. Yes, it is.

6 Q. And were Exhibits 1 through 5 prepared by you or
7 compiled under your direction or supervision?

8 A. Yes, they were.

9 MS. KESSLER: Mr. Examiner, I move the
10 admission of XTO Exhibits 1 through 7, which includes
11 two affidavits.

12 EXAMINER GOETZE: Exhibits 1 through 7 are
13 so entered.

14 (XTO Energy, Inc., Exhibits 1 through 7 were
15 offered and admitted.)

16 MS. KESSLER: And that concludes my
17 examination of Ms. Repka.

18 EXAMINER GOETZE: Very good. Any questions,
19 Counselor?

20 EXAMINER WADE: No questions.

21 EXAMINATION BY EXAMINER GOETZE

22 EXAMINER GOETZE: So we only have one
23 unlocatable party from your abstract broker?

24 THE WITNESS: That is correct.

25 EXAMINER GOETZE: And the rest of the folks

1 were able to receive notice and an AFE?

2 THE WITNESS: Yes.

3 EXAMINER GOETZE: I have no further
4 questions for this witness.. Please move on to your next
5 witness.

6 BRIAN HENTHORN

7 having been first duly sworn, was examined and testified
8 as follows:

9 DIRECT EXAMINATION

10 BY MS. KESSLER:

11 Q. Would you please state your name for the record
12 and tell the examiner by whom you are employed and in
13 what capacity?

14 A. Brian Henthorn. I'm a geologist with XTO Energy.

15 Q. Have you previously testified before the
16 Division?

17 A. I have not.

18 Q. Could you please outline your educational
19 background?

20 A. Yes. I have a bachelor of science in geology
21 from West Virginia University, 2007, and a master of
22 science in geology from West Virginia University in
23 2007.

24 Q. And could you also review your work history?

25 A. Yes. After completing graduate school, I was

1 hired as a geologist with Dominion Exploration and
2 Production Company in Houston, Texas.

3 A few months later, Dominion sold their E&P
4 Division and XTO Energy acquired portions of Dominion
5 E&P. And I transferred to XTO as a result of that
6 acquisition in August of 2007.

7 And I have been a geologist at XTO ever since for
8 just under eight years.

9 Q. And do your responsibilities include development
10 in the Permian Basin?

11 A. Yes.

12 Q. Are you a member of any professional
13 affiliations?

14 A. Yes. I am a member of the American Association
15 of Petroleum Geologists, Fort Worth Geological Society,
16 and the West Texas Geological Society.

17 Q. Are you familiar with the applications that have
18 been filed in this case?

19 A. Yes.

20 Q. And have you conducted a geologic study of the
21 lands that are the subject of this hearing?

22 A. Yes.

23 MS. KESSLER: Mr. Examiner, I would tender
24 Mr. Henthorn as an expert in petroleum geology.

25 EXAMINER GOETZE: He is so qualified.

1 Q. Mr. Henthorn, have you prepared an area location
2 map of the lease and surrounding acreage for the
3 Examiners?

4 A. Yes, I have.

5 Q. If you could please turn to Exhibit 8 and
6 identify this exhibit.

7 A. Thank you. Yes, this is an area location map
8 showing all wells in the area surrounding the subject
9 well. The yellow -- XTO's Wolfcamp acreage is
10 highlighted in yellow.

11 The subject well, the Goldenchild 6 State No. 1H,
12 is highlighted by the green dashed line. And the north
13 to south A to A Prime cross section is indicated by the
14 blue line.

15 Q. What is a targeted interval for this well?

16 A. The upper Wolfcamp.

17 Q. And are there any other wells in this area
18 producing from the target interval?

19 A. No.

20 Q. Have you also prepared a structure map and cross
21 section for the examiners?

22 A. Yes.

23 Q. Would you please turn to Exhibit 9 and identify
24 this exhibit.

25 A. Yes. This is the structure on the top of the

1 Wolfcamp. The contours are 100 foot, the contour
2 interval is 100 foot. And the structure in this area of
3 the Wolfcamp is that of a uniform gentle dip to the
4 east.

5 Q. And you expect this well to produce oil, correct?

6 A. Correct.

7 Q. With respect to this structure in these two
8 sections, section 6 and 31, have you identified any
9 geologic impediments to drilling?

10 A. No.

11 Q. In your opinion, is the structure in these two
12 sections consistent?

13 A. Yes.

14 Q. And you mentioned -- or has XTO developed any
15 acreage in the Wolfcamp by mile-and-a-half laterals?

16 A. Not into Wolfcamp. We have a couple of recently
17 drilled Second Bone Spring horizontals in section 5 and
18 32 just east of this location.

19 Q. And XTO has also drilled two-mile laterals; is
20 that correct?

21 A. Yes. We have drilled two-mile laterals in the
22 Nash Unit in the Brushy Canyon.

23 Q. If you could turn to Exhibit 10. Is this a cross
24 section that was previously depicted as A to A Prime on
25 Exhibit 8?

1 A. Yes, it is. This is the north to south cross
2 section covering the wellbore path area of the Wolfcamp
3 formation, stratographically flattened on the top of the
4 Wolfcamp.

5 The target interval, the upper Wolfcamp A is
6 indicated, top and base, with the bold green lines. And
7 our target interval -- target landing point is indicated
8 by the upper red arrow at a TVD of 10,050 feet.

9 Q. Do you consider the wells used on this cross
10 section representative of wells in the area?

11 A. Yes. The Goldenchild 6 State SWD is only a few
12 hundred feet from the surface hole of the subject well.

13 Q. And do you believe that there is a continuity
14 across the non-standard unit?

15 A. Yes. The target formation is consistent in terms
16 of thickness and continuous across the area:

17 Q. Have you identified any geologic impediments to
18 developing this area using one-and-a-half mile
19 horizontal wells?

20 A. No.

21 Q. And do you believe that the area can be
22 efficiently and economically drained by horizontal
23 wells?

24 A. Yes.

25 Q. In your opinion, will the non-standard unit on

1 average contribute more or less equally to the
2 production from the well?

3 A. Yes.

4 Q. Will the completed interval for this well comply
5 with the Division's setback requirements?

6 A. Yes.

7 Q. And is this shown on the C-102 which is included
8 as Exhibit 1?

9 A. Yes. Our first and last perforated -- our first
10 and last take points are indicated on the plat inside
11 the 330 setbacks.

12 Q. And in your opinion, is the granting of XTO's
13 application in the best interest of conservation for the
14 prevention of waste and the protection of correlative
15 rights?

16 A. Yes:

17 MS. KESSLER: Mr. Examiner, I would move
18 into evidence Exhibits 8 through 10.

19 EXAMINER GOETZE: Exhibits 8 through 10 are
20 so entered.

21 (XTO Energy, Inc., Exhibits 8 through 10
22 were offered and admitted.)

23 MS. KESSLER: That concludes my examination
24 of this witness.

25 EXAMINER GOETZE: Very good.

1 EXAMINER WADE: No questions.

2 EXAMINER GOETZE: No questions from counsel.

3 Okay. Just a few on my behalf.

4 THE WITNESS: Okay.

5 EXAMINATION BY EXAMINER GOETZE

6 EXAMINER GOETZE: So this will be XTO's
7 first true experience in drilling a mile and a half in
8 Wolfcamp.

9 THE WITNESS: In New Mexico.

10 EXAMINER GOETZE: So you have done that in
11 Texas?

12 THE WITNESS: We have done like twenty-seven
13 1-1/2 mile laterals and twenty 2-mile laterals in the
14 Wolfcamp in Texas.

15 EXAMINER GOETZE: Okay. And so we are going
16 to frac this to give us the best reservoir
17 characteristics; we are not going to be using anything
18 natural, so this is going to be fracked heavily?

19 THE WITNESS: Yes, it will be.

20 EXAMINER GOETZE: I also notice on
21 Exhibit 10 we have lower Wolfcamp target; are we
22 considering this as part of this or is this something in
23 the future or is this just a...

24 THE WITNESS: At this time, we have no
25 development plans for the lower Wolfcamp target. I put

1 this on here to differentiate it, our upper wildcat
2 target oil pool from the lower Wolfcamp gas pools of the
3 area.

4 EXAMINER GOETZE: Okay. I have no further
5 questions of this witness. Thank you.

6 MS. KESSLER: Thank you.

7 EXAMINER GOETZE: On that note, we will go
8 ahead and take case 15299 under advisement.

9 And that ends today's docket. Thank you
10 ladies and gentlemen for coming.

11 THE WITNESS: Thank you.

12

13

14 (Time noted 11:35 a.m.)

15

16

17

18

19

20

21

22

23

24

25

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me or _____.

_____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO)
2) ss.
3 COUNTY OF BERNALILLO)
4
5
6

7 REPORTER'S CERTIFICATE

8
9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR
10 No. 100, DO HEREBY CERTIFY that on Thursday, June 11,
11 2015, the proceedings in the above-captioned matter were
12 taken before me, that I did report in stenographic
13 shorthand the proceedings set forth herein, and the
14 foregoing pages are a true and correct transcription to
15 the best of my ability and control.
16

17
18 I FURTHER CERTIFY that I am neither employed by
19 nor related to nor contracted with (unless excepted by
20 the rules) any of the parties or attorneys in this case,
21 and that I have no interest whatsoever in the final
22 disposition of this case in any court.
23
24
25



ELLEN H. ALLANIC, CSR
NM Certified Court Reporter No. 100
License Expires: 12/31/15