

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION

4 IN THE MATTER OF THE HEARING CALLED  
5 BY THE OIL CONSERVATION DIVISION FOR  
6 THE PURPOSE OF CONSIDERING:

7 APPLICATION OF BC OPERATING, INC. CASE NO. 15538  
8 FOR COMPULSORY POOLING, EDDY COUNTY,  
9 NEW MEXICO.

10

11 REPORTER'S TRANSCRIPT OF PROCEEDINGS

12 EXAMINER HEARING

13 September 1, 2016

14 Santa Fe, New Mexico

15

16

17 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER  
18 DAVID K. BROOKS, LEGAL EXAMINER

19

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21 This matter came on for hearing before the  
22 New Mexico Oil Conservation Division, Richard Ezeanyim,  
23 Chief Examiner, and David K. Brooks, Legal Examiner, on  
24 Thursday, September 1, 2016, at the New Mexico Energy,  
25 Minerals and Natural Resources Department, Wendell Chino  
Building, 1220 South St. Francis Drive, Porter Hall,  
Room 102, Santa Fe, New Mexico.

26

27 REPORTED BY: Mary C. Hankins, CCR, RPR  
28 New Mexico CCR #20  
29 Paul Baca Professional Court Reporters  
30 500 4th Street, Northwest, Suite 105  
31 Albuquerque, New Mexico 87102  
32 (505) 843-9241

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APPEARANCES

FOR APPLICANT BC OPERATING, INC.:

JORDAN L. KESSLER, ESQ.  
HOLLAND & HART  
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Santa Fe, New Mexico 87501  
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1 (8:31 a.m.)

2 EXAMINER EZEANYIM: At this point I call  
3 Case Number 15538, and this is the application of BC  
4 Operating, Inc. for compulsory pooling, Eddy County, New  
5 Mexico.

6 Call for appearances.

7 MS. KESSLER: Mr. Examiners, Jordan  
8 Kessler, from the Santa Fe office of Holland & Hart, on  
9 behalf of the Applicant.

10 EXAMINER EZEANYIM: Any witnesses?

11 MS. KESSLER: No. This case will be  
12 presented by affidavit, Mr. Examiner.

13 EXAMINER EZEANYIM: What is your name,  
14 again?

15 MS. KESSLER: Jordan Kessler.

16 EXAMINER EZEANYIM: Okay. Counsel, you may  
17 proceed.

18 MS. KESSLER: Thank you.

19 Mr. Examiners, today we're requesting an  
20 order pooling certain interest owners in the east half  
21 of Section 34, in Township 24 South, Range 28 East, in  
22 Eddy County. We are only requesting to pool certain  
23 working interest owners who do not oppose this  
24 application. And I've placed in front of you Exhibit 1,  
25 which is an affidavit from Caleb Hopson, and he outlines

1 BC's efforts to reach voluntary agreement.

2           Attachment A to Exhibit 1, which is the  
3 fourth page of this exhibit, is a plat of the subject  
4 lands showing the well location. And this spacing unit  
5 will be dedicated to the Kyle 34 Federal #5H well. It's  
6 a 320-acre spacing unit for gas. The well will be  
7 drilled from the southeast quarter-southeast quarter of  
8 Unit P to a nonstandard bottom-hole location in the  
9 northeast quarter-northeast quarter, Unit A of Section  
10 34. The completed interval will be 330 feet from the  
11 outer boundaries of the spacing unit, which are  
12 unorthodox because we're in a gas pool which has a  
13 660-foot setback, which the Division previously approved  
14 BC's unorthodox NSL 7445.

15           Attachment B, which is the next page, lists  
16 the nature and percentage of the leasehold owners  
17 interest in this spacing unit. As you can see, the only  
18 leasehold to be pooled is Chevron.

19           Attachment C lists the nature and  
20 contractual ownership of the spacing unit. And here  
21 BC is seeking to pool Chevron U.S.A., Chevron  
22 MidContinent, Magnum Hunter, and Childress Royalty  
23 Company.

24           Exhibit D -- or Attachment D is the well  
25 proposal letter sent by Caleb Hopson on June 28th. This

1 does involve the working interest owners.

2 On the following pages, we have  
3 Attachment E, which is the AFE. This was prepared on  
4 June 27th and was sent to all of the working interest  
5 owners, along with the well proposal letter.

6 The following page is a Notice of  
7 Affidavit. This is Attachment F. This is a Notice of  
8 Affidavit prepared by my office sending notice to all of  
9 the working interest owners that BC Operating seeks to  
10 pool under this application.

11 And finally, the very last page is  
12 Attachment G, which is a Notice of Publication for the  
13 proposed well. All interests -- all working interests  
14 were locatable, and none of them oppose this  
15 application.

16 As is outlined in Mr. Hopson's affidavit,  
17 BC Operating is requesting overhead charges of \$7,000 a  
18 month while drilling and 700 while producing, and BC is  
19 requesting that the interests be pooled and that they be  
20 designated the operator of this well, requesting a 200  
21 percent risk charge for working interest owners who do  
22 not participate.

23 Mr. Hopson testifies in his affidavit that  
24 approval of this application will avoid the drilling of  
25 unnecessary wells, will prevent waste, will protect

1 correlative rights, and will allow BC Operating and  
2 other interest owners in the east half of Section 34 an  
3 opportunity to obtain their just and fair share of the  
4 oil and gas underlying the subject lands.

5 Mr. Examiner, I'd move admission of Exhibit  
6 1, including Attachments A through G.

7 EXAMINER EZEANYIM: Exhibit 1, with  
8 Attachments A through G, will be admitted.

9 (BC Operating, Inc. Exhibit Number 1 is  
10 offered and admitted into evidence.)

11 MS. KESSLER: And unless the Examiners have  
12 any questions, I would ask that this case be taken under  
13 advisement.

14 EXAMINER EZEANYIM: Thank you, Counselor.  
15 Mr. Brooks?

16 EXAMINER BROOKS: Nothing.

17 EXAMINER EZEANYIM: Do you know the depth  
18 of this well?

19 MS. KESSLER: I do not know the depth of  
20 this well, but I believe it would be stated on the well  
21 proposal letter.

22 EXAMINER EZEANYIM: I'm trying to find the  
23 depth because I need to look at your overhead rate and  
24 COPAS.

25 MS. KESSLER: Mr. Examiner, if look at

1 Attachment D.

2 EXAMINER EZEANYIM: Attachment what?

3 MS. KESSLER: D.

4 EXAMINER EZEANYIM: D. Okay.

5 MS. KESSLER: It states that the TVD is  
6 10,575 feet and that the measured depth will be 15,100  
7 feet.

8 EXAMINER EZEANYIM: It's a one-mile  
9 horizontal, right?

10 MS. KESSLER: Correct.

11 EXAMINER EZEANYIM: 15,000 feet?

12 MS. KESSLER: Yes.

13 EXAMINER EZEANYIM: I'm looking. Do you  
14 have an API number here? Oh, yeah. It does have the  
15 API number.

16 MS. KESSLER: Yes. It's on Attachment A,  
17 Mr. Examiner.

18 EXAMINER EZEANYIM: And this is fee,  
19 federal or state?

20 MS. KESSLER: All federal acreage. There  
21 are four federal leases, and those lease numbers are  
22 included on Attachment B.

23 EXAMINER EZEANYIM: Okay. Attachment B.

24 MS. KESSLER: Yes. If you look at  
25 Attachment B, it says "Leasehold Ownership" and then

1 "Tract 1 Leasehold Ownership (80 Acres)" --

2 EXAMINER EZEANYIM: Oh, yeah.

3 MS. KESSLER: -- right under that for each  
4 of the four different leases.

5 EXAMINER EZEANYIM: Thank you.

6 Nothing further. Thank you.

7 At this time Case Number 15538 will be  
8 taken under advisement.

9 (Case Number 15538 concludes, 8:38 a.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

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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

21

22 MARY C. HANKINS, CCR, RPR  
23 Certified Court Reporter  
24 New Mexico CCR No. 20  
25 Date of CCR Expiration: 12/31/2016  
Paul Baca Professional Court Reporters

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