

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:

APPLICATION OF XTO ENERGY, INC. CASE NO. 15663  
FOR A NONSTANDARD SPACING AND  
PRORATION UNIT, AND COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

Consolidated with

APPLICATION OF XTO ENERGY, INC. CASE NO. 15664  
FOR A NONSTANDARD SPACING AND  
PRORATION UNIT, AND COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

March 30, 2017

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER  
WILLIAM V. JONES, TECHNICAL EXAMINER  
MICHAEL McMILLAN, TECHNICAL EXAMINER  
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Phillip Goetze, Chief Examiner, William V. Jones and Michael McMillan, Technical Examiners, and David K. Brooks, Legal Examiner, on Thursday, March 30, 2017, 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: Mary C. Hankins, CCR, RPR  
New Mexico CCR #20  
Paul Baca Professional Court Reporters  
500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102

## 1 APPEARANCES

2 FOR APPLICANT XTO ENERGY, INC.:

3 JORDAN L. KESSLER, ESQ.  
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7

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## 22 EXHIBITS OFFERED AND ADMITTED

23	XTO Energy, Inc. Exhibit Numbers 1 through 9	12
24	XTO Energy, Inc. Exhibit Numbers 10 through 12	18

25

1 (11:00 a.m.)

2 EXAMINER GOETZE: Case Number 15663,  
3 application of XTO Energy, Inc. for a nonstandard  
4 spacing and proration unit and compulsory pooling, Eddy  
5 County, New Mexico.

6 Call for appearances.

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

10 And I'd also asked that this case be  
11 consolidated with Case Number 15664.

12 EXAMINER GOETZE: Very good. We shall  
13 consolidate with Case Number 15664.

14 Are there any other appearances for these  
15 two cases?

16 MS. KESSLER: Two witnesses.

17 EXAMINER GOETZE: Would the two witnesses  
18 identify themselves to the court reporter, and she shall  
19 swear you in.

20 MS. REPKA: Angie Repka.

21 MR. HENTHORN: Brian Henthorn.

22 (Ms. Repka and Mr. Henthorn sworn.)

23 MS. KESSLER: I'll call my first witness,  
24 Mr. Examiner.

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ANGIE REPKA,

after having been first duly sworn under oath, was questioned and testified as follows:

DIRECT EXAMINATION

BY MS. KESSLER:

**Q. Please state your name for the record and tell the Examiners by whom you're employed and in what capacity.**

A. Angie Repka, division landman of XTO Energy.

**Q. Have you previously testified before the Division?**

A. Yes.

**Q. And were your credentials as a petroleum landman accepted and made a matter of record?**

A. Yes.

**Q. Are you familiar with the applications filed in these consolidated case?**

A. Yes, I am.

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

A. Yes.

**Q. Ms. Repka, could you identify what XTO seeks in this consolidated hearing?**

A. XTO seeks to form two nonstandard proration units covering 320 acres each in the Bone Spring

1 Formation.

2 Q. And do you seek to pool the interests in each  
3 of those spacing units?

4 A. Yes.

5 Q. As to the Bone Spring Formation?

6 A. As to the Bone Spring, yes.

7 Q. Let's turn to Exhibit 1.

8 EXAMINER GOETZE: Before we get into  
9 technicalities, can you also qualify your witness?

10 MS. KESSLER: I would tender Ms. Repka as  
11 an expert in petroleum land matters.

12 EXAMINER GOETZE: She is so accepted.  
13 Please go into your exhibits.

14 Q. (BY MS. KESSLER) If you could please turn to  
15 Exhibit 1 and identify this exhibit for the Examiner.

16 A. Exhibit 1 is the C-102 filed for the Corral  
17 Canyon Federal 13H well.

18 Q. Does this create a 320-acre spacing unit in the  
19 west half-west half of Sections 8 and 17?

20 A. Yes, it does.

21 Q. Would that be Township 25 South, Range 29 East  
22 in Eddy County?

23 A. Yes.

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

25 A. 3001543493.

1 Q. And what is Exhibit 2?

2 A. Exhibit 2 is the C-102 for the Corral Canyon  
3 Federal 13H well.

4 Q. This is also for a 320-acre spacing unit?

5 A. Yes. It's in the east half of the west half of  
6 Sections 8 and 17.

7 Q. What's the API number for this well?

8 A. 3001543474.

9 Q. Has the Division identified a pool and pool  
10 code for both of these wells?

11 A. Yes, the Willow Lake-Bone Spring, Southeast,  
12 and the pool code is 96217.

13 Q. Is that pool governed by Division statewide  
14 rules for oil wells?

15 A. Yes.

16 Q. 40-acre spacing, 330-foot setbacks?

17 A. Yes.

18 Q. Will the completed intervals for each of these  
19 two wells comply with statewide setback requirements?

20 A. Yes, they will.

21 Q. Are these portions of Sections 8 and 17 federal  
22 lands?

23 A. Yes, they are.

24 Q. Is Exhibit 3 an ownership tabulation  
25 identifying XTO's interest and uncommitted interest

1 owners for the 13H well?

2 A. Yes, it is.

3 Q. Have you highlighted the interest that XTO  
4 seeks to pool here?

5 A. Yes, we have.

6 Q. What is Exhibit 4?

7 A. Exhibit 4 is the ownership tabulation for the  
8 Corral Canyon Federal 14H well.

9 Q. And, again, you've highlighted the interest  
10 owners whom you seek to pool?

11 A. Yes.

12 Q. Do the proposed spacing units overlap with  
13 project areas for existing Devon wells?

14 A. Yes, they do.

15 Q. Is Exhibit 5 a copy of four C-102s for the  
16 Devon Slider wells?

17 A. Yes, it is.

18 Q. And these show that the various Slider wells  
19 are dedicated to the south half of Section 8; is that  
20 correct?

21 A. That's correct.

22 Q. Are these Slider wells within the same pool as  
23 the current proposed wells?

24 A. Yes, they are.

25 Q. Do you know the regulatory history for these

1 slider wells?

2 A. I do not.

3 Q. Are they oil wells?

4 A. Yes.

5 Q. But they are permitted for -- the first three  
6 wells are permitted for 320 acres; is that correct?

7 A. Yes.

8 Q. But they only developed three 40-acre spacing  
9 units?

10 A. Correct.

11 Q. Who is the operator of these wells?

12 A. Devon Energy.

13 Q. Did Devon retain their interest in the  
14 formation to XTO?

15 A. Yes, covering the south half of Section 8.

16 Q. But did they retain ownership of these four  
17 wellbores?

18 A. Yes, they did.

19 Q. Were they provided notice of this hearing?

20 A. Yes, they were.

21 Q. And are they aware of the overlapping spacing  
22 units?

23 A. Yes, they are.

24 Q. Did they have any objection to those  
25 applications?

1 A. No.

2 Q. Do you understand that your allowable for the  
3 project area for each of your two wells will be  
4 curtailed by the production from the existing Devon  
5 wells?

6 A. Yes.

7 Q. To the extent that they overlap, correct?

8 A. Yes. Correct.

9 Q. Is Exhibit 6 a copy of an exemplar of a  
10 well-proposal letter you sent to the working interest  
11 owners for the 13H well?

12 A. Yes, it is.

13 Q. On what date was this letter sent?

14 A. January 24th of 2017.

15 Q. And did it include an AFE?

16 A. Yes, it did.

17 Q. Is Exhibit 7 a copy of the -- an example copy  
18 of the well-proposal letter sent for the 14H well?

19 A. Yes, it is.

20 Q. This was sent to all working interest owners?

21 A. Yes.

22 Q. And did it also include an AFE?

23 A. Yes, it did.

24 Q. Looking at the AFE, are the costs reflected on  
25 these two AFEs consistent with what XTO and other

1 operators charge in the area for similar Bone Spring  
2 wells?

3 A. Yes, they are.

4 Q. And does your proposal letter identify the  
5 overhead and administrative costs that XTO seeks for  
6 each of these two wells?

7 A. Yes. We seek 7,500 for drilling, 750 for  
8 producing.

9 Q. Are these rates also consistent with what  
10 operators in the area charge for similar wells?

11 A. Yes, they are.

12 Q. Do you ask that those administrative costs be  
13 incorporated into any order resulting from this hearing?

14 A. Yes.

15 Q. And do you ask that it be adjusted in  
16 accordance with the COPAS accounting procedures?

17 A. Yes.

18 Q. For any of the uncommitted interest owners, are  
19 you requesting that the Division impose a 200 percent  
20 risk penalty?

21 A. Yes.

22 Q. In addition to sending well-proposal letters,  
23 what other efforts did you undertake to reach an  
24 agreement with the parties that you are seeking to pool?

25 A. I've had numerous phone calls and emails and

1 even the physical meeting with some of the interest  
2 owners.

3 Q. Are you working on agreements with some of  
4 those operators?

5 A. Yes, we are.

6 Q. Did you publish notice of this hearing?

7 A. Yes.

8 Q. And is that because you did not receive a green  
9 card back for RLF [sic]?

10 A. Yes.

11 Q. But you did have conversations --

12 A. Yes, I have.

13 Q. And did XTO identify the offset operators or  
14 lessees of record and include them in notice of this  
15 hearing?

16 A. Yes, we did.

17 Q. Is Exhibit 9 an affidavit prepared by my office  
18 providing notice and a copy of the application to the  
19 parties that you seek to pool and also the offset  
20 operators or lessees of record?

21 A. Yes, it is.

22 Q. Were Exhibits 1 through 7 compiled under your  
23 direction and supervision?

24 A. Yes, they were.

25 MS. KESSLER: Mr. Examiner, I would move

1 admission of Exhibits 1 through 9, which includes my two  
2 affidavits.

3 EXAMINER GOETZE: Exhibits 1 through 9 so  
4 entered.

5 (XTO Energy Exhibit Numbers 1 through 9 are  
6 offered and admitted into evidence.)

7 MS. KESSLER: That concludes my  
8 examination.

9 EXAMINER GOETZE: Thank you.

10 CROSS-EXAMINATION

11 BY EXAMINER GOETZE:

12 Q. Good morning.

13 A. Good morning.

14 Q. First off, this is a Federal Com that we're --

15 A. Yes.

16 Q. And it's a portion of a much larger plan that  
17 you have with the BLM --

18 A. Yes.

19 Q. -- for development?

20 So how much general acreage are we looking  
21 at as far as in the area?

22 A. Roughly, 5- -- 5,000 acres, approximately.

23 Q. Okay. So this is not just one or two sections?

24 A. No, it's not.

25 Q. Okay. The discussion with Devon sharing the

1 same area as you folks, is your geologist --

2 EXAMINER GOETZE: I'll just question you  
3 (indicating). You're going to have a discussion on  
4 that?

5 MR. HENTHORN: Yes.

6 Q. (BY EXAMINER GOETZE) What I would like to have  
7 is a copy of your agreement with Devon as far as  
8 assignment.

9 A. Okay.

10 Q. And you can redact it to whatever, if you've  
11 got monies involved. We want to see that you do have an  
12 agreement with them in place and make it part of the  
13 record --

14 A. Okay.

15 Q. -- just for our comfort. That's all. So you  
16 can send that in.

17 MS. KESSLER: What agreement is that?

18 EXAMINER GOETZE: Well, the assignment  
19 of --

20 THE WITNESS: The assignment where they  
21 reserve the wellbores?

22 EXAMINER GOETZE: Yeah. Yeah. Just so we  
23 have it as record and we note in testimony that it's --  
24 that it's supported with an exhibit. So send it to us  
25 via e-mail.

1 MS. KESSLER: Okay.

2 EXAMINER GOETZE: That's my other request.

3 Q. (BY EXAMINER GOETZE) So our first and last take  
4 points are set so we're within the 330 setbacks, outside  
5 of it?

6 A. Yes. Yes.

7 Q. Now, at this point -- this is very thorough --  
8 I have no more questions for you.

9 A. Okay.

10 MS. KESSLER: Call our next witness.

11 EXAMINER GOETZE: Very good. Thank you.

12 THE WITNESS: Thank you.

13 BRIAN HENTHORN,

14 after having been previously sworn under oath, was  
15 questioned and testified as follows:

16 DIRECT EXAMINATION

17 BY MS. KESSLER:

18 Q. Please state your name for the record and tell  
19 the Examiners by whom you're employed and in what  
20 capacity.

21 A. Brian Henthorn. I'm employed by XTO Energy as  
22 a regional geologist.

23 Q. Have you previously testified before the  
24 Division?

25 A. I have.

1           **Q.    Were your credentials as a petroleum geologist**  
2 **accepted and made a matter of record?**

3           A.    Yes.

4           **Q.    Are you familiar with the two applications**  
5 **filed in these consolidated cases?**

6           A.    Yes, I am.

7           **Q.    And have you conducted a geologic study of the**  
8 **lands that are the subject of this application?**

9           A.    Yes.

10                           MS. KESSLER:  Mr. Examiner, I'd tender  
11 Mr. Henthorn as an expert in petroleum geology

12                           EXAMINER GOETZE:  So qualified.

13           **Q.    (BY MS. KESSLER) Mr. Henthorn, please turn to**  
14 **Exhibit 10.  Is this an area locator map of the subject**  
15 **area?**

16           A.    Yes.  This is an area map posting Willow  
17 Lake-Bone Spring, Southeast pool producers.  They've  
18 been color-coded by target interval.  The red  
19 bottom-hole location symbols represent 2nd Bone Spring  
20 Sandstone producers, and the blue represent Avalon Shale  
21 producers.  The two subject wells are identified by the  
22 callouts, the Corral Canyon Federal 13H and 14H located  
23 in the west half of Section 18 -- or Sections 8 and 17.

24           **Q.    And if we look at Section 8, does that show the**  
25 **four Devon Slider wells?**

1           A.    Yes.

2           Q.    Those are the wells with which we are sharing  
3 an allowable; is that correct?

4           A.    Yes.

5           Q.    Does this map show that the four Devon wells  
6 are Avalon producers, and our two subject wells will be  
7 Bone Spring -- 2nd Bone Spring producers?

8           A.    2nd Bone Spring producers, yes.

9           Q.    Is Exhibit 11 a structure map of the subject  
10 acreage?

11          A.    Yes.

12          Q.    What does this map show us?

13          A.    It's a structure map on the base of the 2nd  
14 Bone Spring Sandstone, subsea TVDs, with a 40-foot  
15 contour interval. The dip of this formation is a little  
16 less than 1 degree down to the east. Also shown here is  
17 a north-south cross section A to A prime.

18          Q.    And what is the target interval for this well?

19          A.    The 2nd Bone Spring Sandstone.

20          Q.    Have you identified the structure in this  
21 section as posing any geologic hazards for drilling  
22 horizontal wells?

23          A.    The structure shouldn't pose any hazards.  
24 We're drilling them on strike.

25          Q.    Okay. What is Exhibit 12?

1           A.     Exhibit 12 is that north-south A to A prime  
2     three-well cross section covering the area of the  
3     subject wells.  It's over the 2nd Bone Spring.  The top  
4     of the 2nd Bone Spring is labeled by the upper green  
5     line, and the base of the 2nd Bone Spring Sandstone is  
6     labeled by the bottom blue line.  Our target interval at  
7     TVD of approximately 8,600 feet is labeled with the red  
8     arrow.

9           **Q.     That would be the target for both wells?**

10          A.     That's correct.

11          **Q.     I'm sorry.  Go ahead.**

12          A.     We're showing triple combo logs across the  
13     area, modern log suites, and within the target interval,  
14     the porosities are very consistent across this area.

15          **Q.     Do you believe that this area can be**  
16     **efficiently and economically developed by two-mile**  
17     **wells?**

18          A.     Yes.

19          **Q.     And in your opinion, will each of the**  
20     **nonstandard units, on average, contribute more or less**  
21     **equally to production from the well?**

22          A.     Yes.

23          **Q.     And the completed interval for each of these**  
24     **two wells will comply with the statewide setbacks; is**  
25     **that correct?**

1           A.    That's correct.

2           **Q.    What's the timing for each of these two wells?**

3           A.    We anticipate spudding the first of these two  
4    in May.

5           **Q.    Will you submit to the Division a proposed**  
6   **order for each of these two pooling hearings?**

7           A.    Yes.

8                         MS. KESSLER:  If the Division so requires.

9                         EXAMINER GOETZE:  Hmm.

10          **Q.    (BY MS. KESSLER) And in your opinion, is the**  
11 **granting of XTO's application in the best interest of**  
12 **conservation, for the prevention of waste and for the**  
13 **protection of correlative rights?**

14          A.    Yes.

15          **Q.    Were XTO Exhibits 10 through 12 compiled by you**  
16 **or under your direction and supervision?**

17          A.    Yes.

18                         MS. KESSLER:  Mr. Examiner, I'd move  
19 admission of Exhibits 10 through 12.

20                         EXAMINER GOETZE:  Exhibits 10 through 12  
21 are so entered.

22                                 (XTO Energy Exhibit Numbers 10 through 12  
23 are offered and admitted into evidence.)

24                         EXAMINER GOETZE:  So to drift back to your  
25 comment, a pooling order, are we talking about as in our

1 pools?

2 MS. KESSLER: Forced pooling, Mr. Examiner.

3 EXAMINER GOETZE: Oh. Just wondered,  
4 because I see here an issue with regards to Avalon  
5 versus Bone Spring, and that's something we also have to  
6 consider internally.

7 CROSS-EXAMINATION

8 BY EXAMINER GOETZE:

9 Q. First of all, the yellow on your maps, that's  
10 your acreage, or is that the --

11 A. That's our acreage.

12 Q. Okay. And are you anticipating further  
13 development of 2nd Bone when Bone Spring is part of this  
14 obligation? So what I'm saying is we're establishing a  
15 pattern based upon these two wells and will probably  
16 carry them on through using the same type of geometry --

17 A. That's correct.

18 Q. -- that north-south is going to be your  
19 preferential orientation?

20 A. Yeah. Yeah. We plan more north-south 2nd Bone  
21 Spring horizontals in this area.

22 Q. And these are two-milers for completion. What  
23 kind of staging? Are you just doubling the number, or  
24 have we got a new design planned?

25 A. There will be plug and perms, and I'm not

1 aware -- I don't know the exact stage numbers, but it'll  
2 be double what a one-section lateral will do. So I'm  
3 not -- I don't know how many stages we're going to have.

4 **Q. Okay. That's fine. But you plan to complete**  
5 **it all in one --**

6 A. We're going to complete it all in one. It'll  
7 be, you know, somewhere over 1,500 pounds per foot type  
8 of completion.

9 **Q. But you're not going to do one mile and then do**  
10 **another one?**

11 A. No. We're going to do it all at once. We'll  
12 likely frac both of them at the same time.

13 **Q. Both wells?**

14 A. Yeah. Or in succession.

15 **Q. Yeah, I understand.**

16 **Based upon the number of acres involved,**  
17 **does XTO plan to come back and get a change of**  
18 **allocation? Is that something you foresee?**

19 MS. KESSLER: That's something that we've  
20 potentially discussed.

21 REDIRECT EXAMINATION

22 BY MS. KESSLER:

23 **Q. Mr. Henthorn, to follow up on those Slider**  
24 **wells, are you aware of the production, approximately,**  
25 **that those four wells are producing?**



1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

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

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25

MARY C. HANKINS, CCR, RPR  
Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2017  
Paul Baca Professional Court Reporters