

1 APPEARANCES

2 FOR APPLICANT OXY USA, INC.:

3 MICHAEL H. FELDEWERT, ESQ.
 4 HOLLAND & HART, LLP
 5 110 North Guadalupe, Suite 1
 6 Santa Fe, New Mexico 87501
 (505) 988-4421
 mfeldewert@hollandhart.com

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1 (10:36 a.m.)

2 EXAMINER McMILLAN: Now I'd like to call
3 Case Number 15798, application of OXY USA, Incorporated
4 for approval of the Mesa Verde Unit, contraction of the
5 Cotton Draw; Bone Spring, East Pool, and expansion of
6 the Mesa Verde; Bone Spring Pool, Lea and Eddy Counties,
7 New Mexico.

8 Call for appearances.

9 MR. FELDEWERT: May it please the Examiner,
10 Michael Feldewert, from the Santa Fe office of Holland &
11 Hart, appearing on behalf of the Applicant. I have two
12 witnesses here today, each of which has already been
13 sworn.

14 EXAMINER McMILLAN: Any other appearances?
15 Please proceed.

16 MR. FELDEWERT: I'll call our first
17 witness.

18 EXAMINER McMILLAN: Thank you.

19 STACY ROJAS,
20 after having been previously sworn under oath, was
21 questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. FELDEWERT:

24 Q. For the record, please state your name,
25 identify by whom you're employed and in what capacity.

1 A. Stacy Rojas. I work for Occidental Petroleum
2 Corporation, and I'm a land negotiator.

3 **Q. Ms. Rojas, have you testified before the**
4 **Division today and been accepted as an expert in**
5 **petroleum land matters?**

6 A. Yes.

7 **Q. With respect to this case, are you familiar**
8 **with this application?**

9 A. I am, yes.

10 **Q. Are you familiar with the status of the lands**
11 **in the subject area?**

12 A. Yes, sir.

13 **Q. Now, what does the company seek under this**
14 **application?**

15 A. For this one, we're seeking approval of our
16 Mesa Verde Resource Development Unit as to the Bone
17 Spring Formation.

18 **Q. Okay. So the Bone Spring Formation?**

19 A. Yes, sir.

20 **Q. Is that currently subject to two Bone Spring**
21 **pools?**

22 A. Yes, sir, it is.

23 **Q. And as a result, does the company, therefore,**
24 **seek contraction of one Bone Spring Pool in favor of the**
25 **expansion of the other?**

1 A. Yes, we do.

2 Q. And that would then allow the company to report
3 the production from the unit to a single Bone Spring
4 Pool?

5 A. Correct. Yes.

6 Q. If we turn to the unit agreement first, that is
7 marked as OXY Exhibit Number 1, correct?

8 A. Yes, sir.

9 Q. Does this agreement follow the BLM's form for a
10 resource development unit?

11 A. Yes, sir, it does.

12 Q. And if I look at page 16 of this exhibit, does
13 that provide the Exhibit A that identifies the outline
14 of this unit area in the Bone Spring Formation?

15 A. Yes, sir, it does.

16 Q. It identifies, again, that there are seven
17 leases?

18 A. Correct. Yes.

19 Q. And OXY owns 100 percent of the five of the
20 seven leases?

21 A. Correct. Yes.

22 Q. And the other two leases, there are how many
23 other interest owners?

24 A. There are three.

25 Q. Okay. If I look at the next page of this

1 Exhibit Number 1 -- that's Exhibit U to the agreement --
2 that provides ownership for the seven leases, correct?

3 A. Correct.

4 Q. And in the Bone Spring, are all seven of these
5 leases currently held by production?

6 A. Yes, sir, they are.

7 Q. And finally, does the last page of this Exhibit
8 Number 1 identify the interval that is being unitized?

9 A. Correct.

10 Q. And that is Exhibit C to the unit agreement?

11 A. Yes, sir.

12 Q. And I shouldn't say interval. I should say
13 formation. It's the Bone Spring Formation?

14 A. Correct.

15 Q. All right. Did the company discuss this
16 proposed unit and the development plan with the BLM's
17 Carlsbad field office?

18 A. Yes, sir, we did.

19 Q. If I turn to Exhibit Number 2, is this the
20 development plan discussed with the BLM?

21 A. Yes, sir, it is.

22 Q. If I look at Exhibit Number 3, is this the
23 BLM's letter approving this unit?

24 A. Yes, sir, it is.

25 Q. And if I look at the second page, the first

1 full paragraph, it identifies the location of the
2 obligation well?

3 A. Yes, sir.

4 Q. When does the company plan to drill that
5 obligation well?

6 A. That's also on our drill schedule for February
7 2018 as well.

8 Q. Did the company, in addition to meeting with
9 the BLM, also meet with the State Land Office?

10 A. Correct. Yes.

11 Q. About this unit and development plan?

12 A. Yes, sir.

13 Q. And if I look at Exhibit Number 4, is that the
14 State Land Office's preliminary approval letter for this
15 Bone Spring unit?

16 A. Yes, it is.

17 Q. What's the status of the efforts to reach
18 agreement with the remaining working owners in this
19 voluntary unit?

20 A. They have a unit operating agreement that we're
21 negotiating with them, but they've indicated they will
22 join us.

23 Q. Will sign the unit agreement?

24 A. Yes, sir.

25 Q. Okay. Again, how do you intend to treat the

1 **overriding royalty interest owners in two of the leases**
2 **that are involved here?**

3 A. The same way. If they don't join -- provide
4 their joinder to the unit agreement, we'll pay them on a
5 lease basis as to a spacing unit for a particular well.
6 They won't be paid on a unit basis. That's correct.

7 Q. **And have you been able to contact all these**
8 **overriding royalty interest owners?**

9 A. Yes, we have.

10 Q. **Now, with respect to the existing pools within**
11 **this proposed unit, you're aware that there are two Bone**
12 **Spring oil pools covering this unit area?**

13 A. Yes, there are. Yes.

14 Q. **One of them being the Cotton Draw; Bone Spring,**
15 **East Pool?**

16 A. (Indicating.)

17 Q. **And the second being the Mesa Verde; Bone**
18 **Spring Pool?**

19 A. Yes. Correct.

20 Q. **And those pool codes are identified in our**
21 **pre-hearing statement?**

22 A. Yes, they are.

23 Q. **Are both of these oil pools subject to Division**
24 **statewide rules for oil wells?**

25 A. Yes, sir.

1 Q. And pursuant to the discussions with the
2 Division's district office, does the company request
3 that the Cotton Draw Pool be contracted and that the
4 Mesa Verde; Bone Spring Pool be expanded to offer the
5 entire unitized area?

6 A. Yes, sir.

7 Q. And will that, therefore, allow the company to
8 report to a single oil pool for unit production?

9 A. Correct.

10 Q. Okay. Did OXY provide notice of this change in
11 the pools and this hearing to the operators in both of
12 these affected pools?

13 A. Yes, sir, we did.

14 Q. And as well as within one mile of those pools
15 if they were not already in another Bone Spring Pool?

16 A. Yes, sir.

17 Q. And there are three sections within the unit
18 where some acreage is being excluded, correct?

19 A. Yes. Correct.

20 Q. Sections 7, 9 and 16?

21 A. Yes.

22 Q. And pursuant to the Division's request, did OXY
23 provide notice to the owners of the acreage within the
24 three sections excluded from the unit boundary?

25 A. Yes, we did.

1 Q. Notice of this hearing?

2 A. Yes.

3 Q. All right. And if I turn to what's been marked
4 as OXY Exhibit Number 5, is that an affidavit prepared
5 by my office with the attached letter providing notice
6 of this application and hearing to all of these parties
7 that we just discussed?

8 A. Yes, it is.

9 Q. And is OXY Exhibit Number 6 an Affidavit of
10 Publication by name to these affected parties in Lea
11 County and the second one in Eddy County?

12 A. Yes, sir.

13 Q. Were OXY Exhibits 1 through 4 prepared by you
14 or compiled under your direction and supervision?

15 A. Yes, sir, they were.

16 MR. FELDEWERT: Mr. Examiner, I'd move into
17 evidence OXY Exhibits 1 through 6, which include the
18 affidavits.

19 EXAMINER McMILLAN: Exhibits 1 through 6
20 may now be entered as part of the record.

21 (OXY USA, Inc. Exhibit Numbers 1 through 6
22 are offered and admitted into evidence.)

23 MR. FELDEWERT: That concludes my
24 examination of this witness.

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CROSS-EXAMINATION

BY EXAMINER McMILLAN:

Q. And this is a five-year development plan?

A. Again, yes, sir.

Q. And it'll contract back to the spacing units for the acreage that's not fully developed?

A. Yes, sir.

Q. And is it similar language to the previous, that existing vertical wells will stay within the designated pools and then all horizontal and future verticals will be dedicated to the expanded pool?

A. Yes, sir.

Q. And I just need clarification. You notified the working and royalty interests, correct?

A. Yes, sir.

Q. And you did not notify the overriding royalty interests?

A. Correct, sir.

EXAMINER McMILLAN: I don't have any -- go ahead.

EXAMINER DAWSON: I don't have any questions. Thank you.

EXAMINER BROOKS: Neither do I. No questions.

EXAMINER McMILLAN: Thank you very much.

1 MR. FELDEWERT: Call our next witness.

2 EXAMINER McMILLAN: Please proceed.

3 AMANDA J. ULINCY,

4 after having been previously sworn under oath, was
5 questioned and testified as follows:

6 DIRECT EXAMINATION

7 BY MR. FELDEWERT:

8 Q. Would you please state your name, identify by
9 whom you're employed and in what capacity?

10 A. Yes. I'm Amanda Ulinicy. I'm a petroleum
11 geologist for OXY Petroleum Corporation.

12 Q. Ms. Ulinicy, you previously testified today
13 before the Division as an expert witness in petroleum
14 geology, correct?

15 A. Yes. Correct.

16 Q. Are you familiar with the application filed in
17 this case?

18 A. I am.

19 Q. And have you conducted a geologic study of the
20 lands in the Bone Spring Formation that's the subject of
21 this application?

22 A. Yes.

23 MR. FELDEWERT: Once again, I would tender
24 Ms. Ulinicy as an expert witness in petroleum geology.

25 EXAMINER McMILLAN: So qualified.

1 Q. (BY MR. FELDEWERT) Would you turn to what's
2 been -- well, let's go to Exhibit 1. Go to the last
3 page, which is the Exhibit C to the unit agreement and
4 is labeled "A Type Log for the Bone Spring Formation,"
5 correct?

6 A. Yes. That's correct.

7 Q. And does this accurately reflect the interval
8 that's been unitized into this application?

9 A. Yes.

10 Q. And in your expert opinion, does this
11 formation -- I keep saying interval. Does this Bone
12 Spring Formation extend across the acreage that OXY
13 seeks to include within the --

14 A. Yes.

15 Q. Have you created exhibits to support this
16 conclusion?

17 A. Yes.

18 Q. If you'll turn to what's been marked as OXY
19 Exhibit Number 7, is this a structure map that you put
20 together for the Examiner?

21 A. Yes.

22 Q. And, once again, does it identify the unitized
23 area in red?

24 A. Yes, it does.

25 Q. And I see a star down there to the left of the

1 exhibit?

2 A. Yes, which indicates the type log and the cross
3 section.

4 Q. Which would actually be Exhibit C, right --

5 A. Yes.

6 Q. -- for the unit agreement?

7 A. Yes.

8 Q. I think your --

9 A. I believe so.

10 Q. I think you labeled the type log as Exhibit D
11 to the unit agreement, but it is Exhibit C?

12 A. It is Exhibit C. Correct.

13 Q. Okay. In addition to this type log, I see
14 three data points?

15 A. Yes. That's correct.

16 Q. How did you choose these other data points?

17 A. The other data points were chosen based on log
18 coverage available and logs that were available for
19 sufficient modeling over the Bone Spring interval in
20 this area.

21 Q. And in your expert opinion, are these logs
22 representative of the geology in the area?

23 A. Yes, they are.

24 Q. What do you observe about the structure of the
25 Bone Spring Formation as you move across the unit area?

1 A. The structure of the Bone Spring and over the
2 unit area dips very slightly to the east into the Basin.

3 Q. So is it primarily flat?

4 A. It's primarily flat. Yes.

5 Q. Do you see any faults or pinch-outs or any
6 geologic impediments that would prevent this unitized
7 area from being developed under a single plan of
8 development?

9 A. I do not.

10 Q. Did you utilize these data points to create a
11 cross section?

12 A. Yes.

13 Q. Let's turn to what's been marked as OXY Exhibit
14 Number 8. Is that a cross section that goes down to the
15 east -- the west to the east of the data points in
16 Exhibit Number 7?

17 A. Yes.

18 Q. First off, have you identified on this exhibit
19 the top of the unitized interval and the bottom of the
20 unitized interval?

21 A. Yes.

22 Q. And those are done with red lines?

23 A. Those are indicated with red lines and the
24 labeling on the left side of the cross section.

25 Q. Okay. And what do you observe about this

1 **Unitized Formation as we move across the unit there?**

2 A. That it is present and consistent across the
3 unit interval.

4 **Q. Is the Bone Spring Formation the same reservoir**
5 **as you move across this unit area?**

6 A. Yes.

7 **Q. So even though it's currently in two different**
8 **pools, it's the same basic reservoir?**

9 A. Yes. That's correct.

10 **Q. And in your opinion, it's an oil reservoir?**

11 A. Yes.

12 **Q. With no real discernable differences --**

13 A. That's correct.

14 **Q. -- in the area that's involved here?**

15 A. Yes.

16 **Q. So do you concur with the contraction of one**
17 **pool and the expansion of the other, as identified in**
18 **the application?**

19 A. Yes.

20 **Q. And in your expert opinion, can the unitized**
21 **interval be efficiently and effectively developed under**
22 **a common development plan?**

23 A. Yes.

24 **Q. And in your expert opinion, will approval of**
25 **this application be in the best interest of**

1 conservation, for the prevention of waste and the
2 protection of correlative rights?

3 A. Yes.

4 Q. Were OXY Exhibits 7 and 8 prepared by you or
5 compiled under your direction and supervision?

6 A. Yes, they were.

7 MR. FELDEWERT: Mr. Examiner, I move
8 admission into evidence OXY Exhibits 7 and 8.

9 EXAMINER McMILLAN: Exhibits 7 and 8 shall
10 be part of the record.

11 (OXY USA, Inc. Exhibit Numbers 7 and 8 are
12 offered and admitted into evidence.)

13 MR. FELDEWERT: And that concludes my
14 examination of this witness.

15 CROSS-EXAMINATION

16 BY EXAMINER McMILLAN:

17 Q. It's the same question I asked. Exhibit 8,
18 where is the prime -- where is the land -- what is the
19 target interval, the primary?

20 A. And you're looking at the cross section?

21 Q. Yes.

22 A. If you look at any one of the logs -- look at
23 the Double X Deep, which is the one farthest on the
24 right side, the primary target interval of interest
25 would be 10,800 feet.

1 Q. What is that?

2 A. That's the 2nd Bone Spring Sand.

3 Q. And then there is crudely a target at 11,8. Is
4 that also prospective?

5 A. Yes.

6 Q. Is there anything in the 1st, or does that look
7 kind of tight. Looks like --

8 A. The 1st Bone Spring, yes, it's lower reservoir
9 quality.

10 Q. Okay.

11 EXAMINER McMILLAN: I don't have any
12 questions.

13 Go ahead.

14 CROSS-EXAMINATION

15 BY EXAMINER DAWSON:

16 Q. Would you consider that zone down there at
17 11,8, that you said you may anticipate perforating that
18 zone, is that the 3rd Bone Spring?

19 A. That is the 3rd Bone Spring Sand.

20 Q. 2nd and 3rd?

21 A. Yes.

22 Q. And they will be commingled?

23 A. Yes.

24 MR. FELDEWERT: Mr. Examiner --

25 EXAMINER McMILLAN: Yeah. We understand

1 the question. Let's move on.

2 Q. (BY EXAMINER DAWSON) Are any of the other wells
3 within your cross section producing from the 2nd or 3rd
4 Bone Spring; do you know?

5 A. They are not.

6 Q. That's all the questions I have. Thank you.

7 EXAMINER BROOKS: No questions.

8 EXAMINER McMILLAN: Okay. You know, I
9 apologize. I've got one more real quick line of
10 questions.

11 MR. FELDEWERT: Okay. We'll recall
12 Ms. Rojas.

13 EXAMINER McMILLAN: Yeah, that's fine.
14 Real quick question. I apologize.

15 STACY ROJAS,
16 after having been previously sworn under oath, was
17 recalled, questioned and testified as follows:

18 CROSS-EXAMINATION

19 BY EXAMINER McMILLAN:

20 Q. Both of the applications, there are no depth
21 severances in the leases, are there?

22 A. No, sir.

23 Q. Okay. So it's totally within -- so it's -- the
24 leases are from the top of the Bone Spring to the bottom
25 of the Wolfcamp, right?

1 A. Yes, sir.

2 Q. Both of them?

3 A. Okay. That was my question. Thank you.

4 EXAMINER DAWSON: I have one question.

5 EXAMINER BROOKS: No questions.

6 CROSS-EXAMINATION

7 BY EXAMINER DAWSON:

8 Q. Again, the overriding royalty interest owners,
9 will they be on a lease basis, or will they be --

10 A. Well, the ones that sign the unit agreement
11 will be on a unit basis, and the ones that don't will be
12 on a lease basis. And it will be my responsibility to
13 work with our Division Orders group when we set up the
14 pay decks for these individual wells to make sure
15 they're paid differently. So that'll be my
16 responsibility.

17 Q. And that was talked about with the Land Office
18 and the BLM --

19 A. Yes, sir.

20 Q. -- and they were okay with that?

21 A. Yes, sir.

22 Q. That's all the questions I have. Thank you.

23 EXAMINER McMILLAN: Thank you very much.

24 With that in mind, Case Number 15798 shall
25 be taken under advisement.

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Let's take about a five-minute break.
(Case Number 15798 concludes, 10:54 a.m.)
(Recess, 10:54 a.m. to 11:06 a.m.)

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.

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