

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 NEWTEX PARTNERS, CASE NO. 15846
LLC FOR A NONSTANDARD OIL SPACING
AND PRORATION UNIT, CHAVES COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

October 12, 2017

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Phillip Goetze,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, October 12, 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
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APPEARANCES

FOR APPLICANT NEWTEX PARTNERS, LLC:

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1 (8:44 a.m.)

2 EXAMINER GOETZE: Call Case 15846,
3 application of NewTex Partners, LLC for a nonstandard
4 oil spacing and proration unit, Chaves County, New
5 Mexico.

6 Call for appearances.

7 MR. LARSON: Good morning, Mr. Examiner.
8 Gary Larson, Santa Fe office of Hinkle Shanor, for New
9 Tex Partners, LLC. I have one witness. I hope he's not
10 left the building. He's here.

11 EXAMINER GOETZE: Any other appearances?

12 Very good.

13 Mr. Larson.

14 MR. LARSON: I've got an affidavit to
15 present, to start with.

16 EXAMINER GOETZE: Okay.

17 MR. LARSON: Mr. Examiner, I first direct
18 your attention to a document marked as Exhibit Number 1,
19 which is the affidavit of Diana Millsap, who is a
20 landman for NewTex Partners, LLC, and I'll just hit the
21 highlights of the affidavit.

22 First, her afterward states that NewTex has
23 100 percent of the working interest in the proposed
24 project area. Second, the affidavit states that there
25 are no depth exceptions in the San Andres, which is the

1 target formation. And, finally, the affidavit states
2 that Ms. Millsap identified ten offset interests who
3 were entitled to receive notice of today's hearing, and
4 each of the offset interests returned green cards to the
5 hearing notice letter sent by NewTex's counsel.

6 There are also exhibits to the affidavit,
7 which are A, a list of the offset interests; B, my
8 hearing notice letter to those offset interests and all
9 of the returned green cards and -- I'm sorry. I misread
10 that. A is the list of offset interests. B is the
11 notice letter, and Exhibit C to the affidavit are the
12 copies of the returned green cards.

13 And unless there are any questions, I'd
14 move the admission of Exhibit 1.

15 EXAMINER BROOKS: No questions.

16 EXAMINER GOETZE: Okay. Exhibit 1 is so
17 entered into record.

18 (NewTex Partners, LLC Exhibit Number 1 is
19 offered and admitted into evidence.)

20 MR. LARSON: Before I start questioning
21 Mr. Maxey, I believe he needs to be sworn.

22 EXAMINER GOETZE: Also, I need to know who
23 he is, who your witness is.

24 MR. LARSON: John Maxey.

25 EXAMINER GOETZE: Thank you.

1 Would you please stand and be sworn in?

2 JOHN MAXEY,

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

5 DIRECT EXAMINATION

6 BY MR. LARSON:

7 **Q. Good morning, Mr. Maxey.**

8 A. Good morning.

9 **Q. We were hoping you hadn't left the building.**

10 Would you state your full name for the
11 **record?**

12 A. John Maxey.

13 **Q. And where do you reside?**

14 A. Roswell, New Mexico.

15 **Q. And what is the nature of your business?**

16 A. I'm a consulting petroleum engineer.

17 **Q. And what is your relationship with the**
18 **Applicant, NewTex Partners, LLC?**

19 A. I was retained by NewTex to evaluate the San
20 Andres on their acreage for the purposes of testifying
21 at this hearing.

22 **Q. And is NewTex affiliated with Back Nine**
23 **Properties?**

24 A. Yes, they are.

25 **Q. And is NewTex taking a similar approach to the**

1 one Back Nine has taken in developing San Andres
2 horizontal wells in eastern Chaves County?

3 A. Yes.

4 Q. And were you involved in developing Back Nine's
5 approach to drilling three north-south horizontal wells
6 within a half section?

7 A. Yes, I was.

8 Q. And are you familiar with the matters addressed
9 in NewTex's application in this case?

10 A. Yes.

11 Q. Have you previously testified at a Division
12 hearing?

13 A. Yes.

14 Q. And at each hearing, were you qualified as an
15 expert in petroleum engineering?

16 A. Yes, I was.

17 MR. LARSON: Mr. Examiner, I tender
18 Mr. Maxey as an expert in petroleum engineering.

19 EXAMINER GOETZE: He is so qualified.

20 Q. (BY MR. LARSON) Would you identify the exhibit
21 marked as Number 2?

22 A. Exhibit 2 is a Division Form C-102.

23 Q. Is Exhibit 2 a true and correct copy of the
24 C-102 for NewTex's Thunderbolt #5H well?

25 A. Yes, it is.

1 Q. Does the well have an API number yet?

2 A. No, it does not.

3 Q. And do you have any knowledge of the pool that
4 NewTex would be producing from?

5 A. Checking with the -- Ray Podany at the Artesia
6 Office, he believes it'll be wildcat.

7 Q. So there is no pool number yet?

8 A. No pool number, no pool name.

9 Q. And does NewTex intend to drill and operate the
10 Thunderbolt 5H well?

11 A. Yes, through their operator, Hadaway
12 Engineering.

13 Q. So is NewTex requesting that the Division
14 designate Hadaway as the operator of the well in the
15 proposed project area?

16 A. Yes, they are.

17 Q. And referring to Exhibit 2, where will the
18 Thunderbolt be located in relation to the centerline of
19 the west half of Section 16?

20 A. In previous hearings, there was some concern by
21 the Division about exactly where the surface and
22 bottom-hole locations would be with relation to units,
23 the 40-acre units. And in this particular case, the
24 Thunderbolt 5H, if you notice the box I drew on the plat
25 and using the X coordinates, the surface location is at

1 1,320. The centerline -- 1,320 feet from the west line.
2 The centerline of the 320 is at 1,323.9 or basically
3 1,324. So this particular well, the surface location
4 will be 4 feet into Unit D, and on the bottom-hole
5 location, similar calculation on the X coordinates, is
6 1,322.2 feet, putting the bottom-hole location in Unit
7 M.

8 Q. And will the completed lateral for the
9 Thunderbolt 5H comply with the Division setback
10 requirements?

11 A. Yes, it will.

12 Q. Would you next identify the document marked as
13 Exhibit 3?

14 A. Exhibit 3 is a map -- nine-section map of the
15 area, Section 16 being the center section. And this is
16 a depiction of the well we're speaking of, the 5H, in
17 the center of the west half, north-south location. And
18 then the two laterals on each side are a depiction of
19 the offsets in the proration unit -- in the proposed
20 proration unit.

21 Q. So the center well, which is the Thunderbolt
22 5H, will be the first well to be drilled?

23 A. Yes.

24 Q. And did you prepare the map that is Exhibit 3?

25 A. Yes.

1 **Q. And what are you illustrating with this**
2 **exhibit?**

3 A. Basically, this illustrates the 5H being a very
4 typical lateral, approximately 2,200 -- approximately
5 2,600 feet TVD, with a 10 degree per 100 radius. The
6 two outside wells -- we are going to try to reduce the
7 footprint, so they'll be -- the surface locations will
8 be approximately 50 feet apart or so. This exhibit
9 depicts not exactly to scale but how the east offset and
10 the west offset will be drilled from those surface
11 locations.

12 **Q. And is north to south the preferable direction**
13 **in this area?**

14 A. Yes, it is.

15 **Q. And is this three-well pattern depicted on**
16 **Exhibit 3 indicative of NewTex's overall plans for its**
17 **San Andres development in eastern Chaves County?**

18 A. Yes.

19 **Q. And do you believe that it's an efficient and**
20 **economical way to develop the San Andres on the acreage**
21 **in the proposed project area?**

22 A. Yes.

23 **Q. And have you consulted with NewTex's geologist**
24 **about the target interval?**

25 A. Yes, I have.

1 **Q. And did you discuss whether there are any**
2 **geological impediments in the target interval?**

3 A. Yes. We discussed that, and there are none.

4 **Q. Would you next identify the next document**
5 **marked as Exhibit 4?**

6 A. Exhibit 4 is basically a type log. This is
7 actually the well in Section 15, which would be about a
8 mile -- just under a mile and a half to the southeast --
9 east-southeast.

10 **Q. And did you prepare this exhibit?**

11 A. Yes, I did.

12 **Q. And what did you intend to depict with this**
13 **exhibit?**

14 A. I just wanted to give an idea -- in discussions
15 with the NewTex geologist, illustrate a typical section
16 in the area, top of the Yates at 840, and the top of the
17 San Andres, with the San Andres porosity target being
18 approximately 600 foot into the San Andres.

19 **Q. And would you identify the final exhibit, which**
20 **is marked as Exhibit 5?**

21 A. Exhibit 5 is a side-by-side depiction of the
22 section, each of those squares being a one-mile section,
23 to discuss a little further the way the wells will be
24 completed.

25 **Q. And did you prepare this document?**

1 A. Yes, I did.

2 **Q. Would you go into some detail on what you were**
3 **intending to depict with this?**

4 A. Okay. The west half -- or excuse me. The
5 square or section that I have on the left-hand side of
6 the page is a typical setup where you're going to have
7 one horizontal lateral in a 160-acre project area, which
8 would be four in a section, about 1,320 feet --
9 approximately 1,320 feet between horizontals. And I
10 depicted this with an average of 15 stages per well.
11 That's what those horizontal lines are, just indicating
12 equal-distance stages in a typical type setup.

13 On the right-hand side, I'm showing six
14 wells in a section. Basically, we're here to try to get
15 approval to put three in a half section. And there is
16 approximately 880 feet between laterals in that kind of
17 arrangement. If we were to use similar frac fluid -- or
18 frac size that's used on the left-hand-side section,
19 compared to the six wells, basically it's about a
20 one-third decrease in the amount of stimulation fluids
21 needed, and we can gain a little better control over
22 what we're doing. The bigger the frac job, the less you
23 know about exactly what you do to the formation in a
24 stimulation job. So basically we're looking at pairing
25 down the frac jobs, increasing the spacing.

1 And one of the things that I depicted on
2 the section to the right is a zipper frac, where what
3 we'd like to do is stagger perforations from well to
4 well and increase our stimulator reservoir volume in
5 that well.

6 Q. And in order to proceed with the three-well
7 drilling pattern depicted in Exhibit 3, is it necessary
8 for Back Nine to drill the center well near the
9 centerline of the proposed project area?

10 A. Yes, it is.

11 Q. And in your opinion, will the Thunderbolt 5H
12 affect, develop and drain portions of the lands in each
13 and every one of the quarter-quarter sections in the
14 proposed project area?

15 A. Yes, it will. That's another thing that I've
16 attempted to depict, is fracture half-length on the
17 section to the right. And drilling very close to the
18 centerline, we'll have approximately -- I have 15 stages
19 per well. We'll have approximately three stages per
20 40-acre unit.

21 Q. And in your opinion, will production from the
22 Thunderbolt 5H be reasonably uniform across the entire
23 length of the lateral?

24 A. Yes.

25 Q. And do you anticipate that production from the

1 two infill wells, identified in Exhibit 3, will also be
2 reasonably uniform across the entire length of the
3 laterals?

4 A. Yes.

5 Q. And in your opinion, will the granting of
6 NewTex's application avoid the drilling of unnecessary
7 wells, protect correlative rights and serve the interest
8 of conservation and the prevention of waste?

9 A. Yes.

10 MR. LARSON: Mr. Examiner, I move the
11 admission of Exhibits 2 through 5.

12 EXAMINER GOETZE: Exhibits 2 through 5 are
13 so entered.

14 MR. LARSON: And I pass the witness.
15 (NewTex Partners, LLC Exhibit Numbers 2
16 through 5 are offered and admitted into
17 evidence.)

18 EXAMINER GOETZE: Mr. Brooks?

19 MR. BROOKS: No questions.

20 CROSS-EXAMINATION

21 BY EXAMINER GOETZE:

22 Q. First of all, some clarity on your well. The
23 bottom hole is set back 330. I assume that the first
24 take point will be past 330?

25 A. Yes.

1 Q. Okay. And so the district geologist hasn't
2 given you any fancy code name or anything like that for
3 a wildcat assignment at this time?

4 A. No, he did not. He just told me it looked like
5 it would be wildcat.

6 Q. Have you filed -- or when do you anticipate
7 filing an APD on it?

8 A. Probably if or when we receive an order, then
9 I'll file the APD.

10 Q. Okay. You're going to make us work first.
11 Okay?

12 A. (Laughter.)

13 Q. In that scope, the two additional wells that
14 you're planning to do, what kind of time spacing are we
15 looking at? The infills?

16 A. Right now, in discussions with my client, there
17 are several -- they've got a pretty big acreage
18 position, so they're looking at drilling several
19 wells -- center wells, and they want to gauge
20 performance on those. Based on the performance of those
21 center wells, there could be an adjustment in
22 stimulation. There could be adjustment in TVD on where
23 the laterals are placed. So with that in mind, in
24 drilling three wells back-to-back, you would be looking
25 at probably a minimum of three months, four months to

1 drill a second well next to the initial center 320 well.

2 **Q. So this is a model being developed for a**
3 **greater play --**

4 A. Yes.

5 **Q. -- in this area?**

6 A. Yeah. They've got a large acreage position.
7 This whole development across the northwestern show has
8 been occurring further to the east at about 4,500 TVD.
9 So this is definitely the furthest west and shallowest.
10 So I think wildcat is a good name to put on it.

11 **Q. District geologists get to decide that.**

12 EXAMINER GOETZE: I have no more questions
13 for this witness.

14 Thank you, Mr. Maxey.

15 MR. LARSON: I have nothing further,
16 Mr. Examiner.

17 EXAMINER GOETZE: Very good.

18 Then Case Number 15846 is taken under
19 advisement.

20 (Case Number 15846 concludes, 9:01 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

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