

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 AMEREDEV OPERATING, LLC CASE NO. 16342
FOR A NONSTANDARD SPACING AND PRORATION
UNIT AND COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 6, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, September 6, 2018, 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
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APPEARANCES

FOR APPLICANT AMEREDEV OPERATING, LLC:

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FOR INTERESTED PARTIES TAP ROCK RESOURCES, LLC AND
BURLINGTON RESOURCES OIL & GAS COMPANY, LP:

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1 (1:46 p.m.)

2 EXAMINER McMILLAN: At this time I'd like
3 to call Case Number 16342, application of Ameredev
4 Operating, LLC for a nonstandard spacing and proration
5 unit and compulsory pooling, Lea County, New Mexico.

6 Call for appearances.

7 MS. BROGGI: Julia Broggi, with Holland &
8 Hart, on behalf of the Applicant, Ameredev Operating,
9 LLC.

10 MR. BRUCE: Mr. Examiner, Jim Bruce of
11 Santa Fe representing Tap Rock Resources, LLC and
12 Burlington Resources Oil & Gas Company, LP. I have no
13 witnesses, and I do not object to the case being
14 presented by affidavit.

15 EXAMINER McMILLAN: Are you representing
16 ConocoPhillips Company?

17 MR. BRUCE: Just Burlington. I thought
18 originally it was ConocoPhillips, but it's Burlington.

19 EXAMINER McMILLAN: Okay.

20 MS. BROGGI: We would ask to present Case
21 Number 16342 also by affidavit and in a similar format
22 to the prior case.

23 But Exhibit A is the affidavit from the
24 landman. Again, that's Brandon Forteza. In this case,
25 Ameredev is seeking to create a 233-acre spacing and

1 proration unit and to dedicate the horizontal spacing
2 unit to the Amen Corner State Com 26 36 27 #91H well and
3 to pool all uncommitted mineral interests in the WC-025
4 G-08 S263620C, which is the Lower Bone Spring.

5 EXAMINER McMILLAN: 98150?

6 MS. BROGGI: Yeah.

7 And attached as Exhibit A1 to the landman's
8 affidavit is the C-102.

9 Attached as Exhibit A2 is an exhibit
10 prepared by the landman, which identifies the tracts of
11 land on the first page. And on the second page, you'll
12 see the ownership interest both by tract and by unit.
13 And as the prior case, it's the parties with the
14 asterisk next to them that Ameredev is seeking to pool,
15 so it's Burlington Resources Oil & Gas Company and Tap
16 Rock Resources, LLC. The landman testifies that there
17 are working interest owners but that the -- overriding
18 royalty interest owners but that the instrument creating
19 the overrides allows for pooling. And there are no
20 unleased mineral interest owners in this case.

21 EXAMINER BROOKS: You said the overrides
22 are subject to a pooling clause?

23 MS. BROGGI: Yes. And that's included in
24 the affidavit.

25 EXAMINER BROOKS: Okay.

1 MS. BROGGI: And Exhibit A3 is a
2 well-proposal letter that was sent to the working
3 interest owners. It includes an AFE that is also part
4 of Exhibit A3. And Ameredev has made an estimate of
5 overhead and administrative costs for drilling and
6 producing this proposed well. And like the prior well,
7 it's 7,000 a month while drilling and 700 a month while
8 producing.

9 Exhibit B is the affidavit from the
10 geologist, Parker Foy.

11 Exhibit B1 is the locator map that shows
12 the Ameredev acreage, and you can see the proposed
13 wellbore for the Amen Corner State Com 26 36 27 #91H
14 well.

15 Exhibit 2 is the subsea structure map.
16 They're targeting the Bone Spring Formation in this
17 case. You'll see that is generally dipping to the
18 southwest. And Mr. Parker testified that he does not
19 observe any geologic impediments to horizontal drilling
20 in this area.

21 Exhibit B3 shows the three representative
22 wells that were used to create the stratigraphic cross
23 section. They're denoted on that Y [sic] from A to A
24 prime.

25 And Exhibit B4 to the geologist's exhibit

1 is the stratigraphic cross section. And he testifies
2 that the logs in the cross section demonstrate that the
3 target interval within the Bone Spring is consistent in
4 thickness across the entire proposed spacing unit. And
5 then renders his opinion that each quarter-quarter
6 section will be productive and contribute more or less
7 equally to the 40-acre unit comprising the proposed
8 spacing and proration unit and that granting Ameredev's
9 application in this case will be in the best interest of
10 conservation, the prevention of waste and the protection
11 of correlative rights.

12 Exhibit C is an affidavit from myself
13 showing that notice was provided to the pooled parties.

14 And although all the interests were
15 locatable, we did, out of an abundance of caution,
16 provide notice by publication, and the Affidavit of
17 Notice by Publication is attached as Exhibit D.

18 So Ameredev would ask that Exhibits A
19 through D be admitted into evidence.

20 EXAMINER McMILLAN: Okay. Exhibits A
21 through D --

22 Actually, any objections?

23 MR. BRUCE: No objection.

24 EXAMINER McMILLAN: Exhibits A through D
25 may be accepted as part of the record.

1 (Ameredev Operating, LLC Exhibit Letters A
2 through D are offered and admitted into
3 evidence.)

4 EXAMINER McMILLAN: Are there any depth
5 severances?

6 MS. BROGGI: No, no depth severances. And
7 that is included in the affidavit in paragraph nine.

8 EXAMINER McMILLAN: So there was no
9 unlocatable, correct?

10 MS. BROGGI: Yes, that's correct.

11 EXAMINER McMILLAN: Go ahead.

12 EXAMINER BROOKS: Okay. Let me see here.
13 A1 is the C-102 for the 91H, which is Wolfcamp?

14 MS. BROGGI: No. It's Bone Spring.

15 EXAMINER BROOKS: Oh, okay. Oh, WC and the
16 pool designation stands for wildcat (laughter). There
17 could be some ambiguity there. I don't know.

18 Where is the C-102 for the Bone Spring --
19 for the Wolfcamp well?

20 MS. BROGGI: So I think you're confusing --
21 so there are two -- there are four Ameredev cases that
22 we are going to be presenting, two consolidated cases
23 each, one that I just put on. And you're right, in that
24 case, the one that I just put on, there is a Bone Spring
25 and a Wolfcamp. In the next Ameredev case I'm going to

1 present, it's the same thing. But in this case --

2 EXAMINER BROOKS: There is only one well?

3 MS. BROGGI: One well. And it's --

4 EXAMINER BROOKS: I thought you indicated
5 two wells.

6 MS. BROGGI: If I did, that was a mistake.

7 EXAMINER BROOKS: So this is just a
8 one-and-a-half-mile horizontal in the Bone Spring?

9 MS. BROGGI: Yes.

10 EXAMINER BROOKS: And that's just one well?

11 MS. BROGGI: Just one well.

12 EXAMINER BROOKS: Okay. And you're
13 requesting the 200 percent risk penalty?

14 MS. BROGGI: Yes, sir.

15 EXAMINER BROOKS: Did you say what your
16 overhead is? 7,000 and 700 again?

17 MS. BROGGI: Yeah, 7,000, 700.

18 EXAMINER BROOKS: Okay. And I guess that's
19 really all I need to ask you because you said there were
20 no unlocatable parties.

21 MS. BROGGI: That's correct.

22 EXAMINER BROOKS: Thank you.

23 MS. BROGGI: If there are no further
24 questions, I would ask that Case 16342 be taken under
25 advisement.

1 EXAMINER McMILLAN: Jim?

2 MR. BRUCE: No objection.

3 EXAMINER McMILLAN: Case Number 16342 shall
4 be taken under advisement.

5 (Case Number 16342 concludes, 1:54 p.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 DATED THIS 28th day of September 2018.
21

22
23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
25 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
Paul Baca Professional Court Reporters