

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:

AMENDED APPLICATION OF OXY USA, INC.      CASE NOS. 16465,  
FOR COMPULSORY POOLING, EDDY COUNTY,      16466  
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 1, 2018

Santa Fe, New Mexico

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

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, Phillip Goetze, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, November 1, 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  
                      Paul Baca Professional Court Reporters  
                      500 4th Street, Northwest, Suite 105  
                      Albuquerque, New Mexico 87102  
                      (505) 843-9241

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APPEARANCES

FOR APPLICANT OXY USA, INC.:

JORDAN L. KESSLER, ESQ.  
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INDEX

PAGE

Case Numbers 16465 and 16466 Called	3
Case Presented by Affidavit	3
Proceedings Conclude	10
Certificate of Court Reporter	11

EXHIBITS OFFERED AND ADMITTED

OXY USA, Inc. Exhibit Numbers 1 through 4	6
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1 (10:32 a.m.)

2 EXAMINER JONES: Let's call Cases 16465 and  
3 16466. These were amended and re-advertised,  
4 application of OXY USA for compulsory pooling, Eddy  
5 County, New Mexico.

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

9 Mr. Examiners, these cases will be  
10 presented by affidavit -- consolidated and presented by  
11 affidavit.

12 I have a few affidavits in front of you.  
13 The first is from Matthew Cole, who is the landman  
14 familiar with this area. He indicates in Exhibit 1,  
15 paragraph five that in each of these two cases, OXY is  
16 seeking to compulsory pool an 800-acre, more or less,  
17 spacing unit comprised of, in Case Number 16465, the  
18 southwest quarter of Section 17, the west half of  
19 Section 20 and the west half of Section 29. And in Case  
20 16466, the east half of those two sections, 17 and 29,  
21 and then the southeast quarter of Section 17.

22 These are both within the Bone Spring, and  
23 again we're seeking to pool proximity tracts. Each of  
24 the spacing units will be dedicated to three  
25 2-and-a-half-mile wells, and those wells -- the names of

1 those wells are in paragraph five.

2 And included as Exhibit A are the C-102s  
3 for all six wells. They've been placed in the Engle  
4 [phonetic]; Bone Spring Pool, Pool Code 33740. And each  
5 of the completed intervals will comply with statewide  
6 setback requirements.

7 Exhibits B and C show ownership  
8 breakdown -- an ownership breakdown for each of the two  
9 spacing units. And OXY is seeking to pool both the  
10 working interest owners that are shown on the first page  
11 of the exhibit, and then very vibrantly highlighted on  
12 the second and third pages of this exhibit, the  
13 overriding royalty interest owners.

14 All of the working interest owners were  
15 locatable, and that is stated in paragraph 14. There  
16 were several overriding royalty interest owners whose  
17 mail was returned as undeliverable, and in paragraph 14,  
18 those folks are named and discussed, Notice of  
19 Publication as a future exhibit.

20 Mr. Cole is requesting that these initial  
21 wells -- that each of the three wells be designated  
22 initial wells. They will be batch drilled and batch  
23 completed. The order for drilling is cited in  
24 paragraphs 11 and 12.

25 Exhibit D includes all of the well-proposal

1 letters for the six wells and an AFE. In paragraph 17,  
2 OXY requests \$7,500 a month while drilling and \$750  
3 while producing. And, again, all of those working  
4 interest owners were locatable, and OXY is in  
5 negotiations with each of them.

6 Exhibit 2 includes an affidavit from Tyler  
7 Evans, a geologist. He states that the target for each  
8 of these six wells is the 2nd Bone Spring interval, and  
9 he's put together a structure map put together as  
10 Exhibit A and a cross section as Exhibit 2B. Contouring  
11 is drawn every 20 feet on that structure map. It shows  
12 the Pure Gold wells and that the 2nd Bone Spring Sand is  
13 gently dipping east-southeast.

14 Mr. Evans further states that the acreage  
15 is suitable for horizontal development and that each of  
16 the tracts will contribute more or less equally to  
17 production from the wells.

18 Exhibit 3 is an affidavit prepared by my  
19 office with letters providing notice of the hearing to  
20 the working interest owners and overriding royalty  
21 interest owners that we seek to pool. And as I  
22 mentioned, all of the working interest owners were  
23 locatable.

24 Exhibit 4 includes an Affidavit of  
25 Publication that includes those overriding royalty

1 interest owners, among other parties, who were  
2 unlocatable. And there are actually two Affidavits of  
3 Publication, one for each of the cases.

4 With that, Mr. Examiners, I'd ask that  
5 Exhibits 1 through 4 be accepted as part of the record.

6 EXAMINER JONES: Exhibits 1 through 4 are  
7 admitted in Cases 16465 and 16466.

8 (OXY USA, Inc. Exhibit Numbers 1 through 4  
9 are offered and admitted into evidence.)

10 MS. KESSLER: And I'd ask these cases be  
11 taken under advisement.

12 EXAMINER JONES: You guys have any  
13 concerns?

14 Mr. Brooks?

15 EXAMINER BROOKS: How many wells are you  
16 drilling total here?

17 MS. KESSLER: Six, three per spacing unit.

18 EXAMINER BROOKS: Are they all Bone Spring?

19 MS. KESSLER: Yes.

20 EXAMINER BROOKS: And you're drilling six,  
21 and they're all in the same -- okay. No. They're not  
22 in the same -- some of them are in the east half of  
23 Sections 20 and 29, and some of them are in the west  
24 half, right?

25 MS. KESSLER: That's right, Mr. Examiner.

1 We're asking for the formation of two horizontal spacing  
2 units, each of those spacing units to be dedicated to  
3 three wells.

4 EXAMINER BROOKS: And these are  
5 2-and-a-half-mile wells?

6 MS. KESSLER: That's right.

7 EXAMINER BROOKS: They're getting longer  
8 and longer.

9 MS. KESSLER: That's right.

10 EXAMINER BROOKS: I don't know what we're  
11 going to do with that.

12 EXAMINER JONES: We'll have to join the  
13 Russians. They've been drilling long ones for a long  
14 time, Sakhalin Island.

15 EXAMINER BROOKS: These are federal?

16 MS. KESSLER: Federal.

17 EXAMINER BROOKS: All federal?

18 MS. KESSLER: That's correct. Let me  
19 verify that.

20 Mr. Cole states all federal lands.

21 EXAMINER BROOKS: Okay. Any overrides?

22 MS. KESSLER: There were overriding royalty  
23 interest owners, and they were provided notice of this  
24 hearing.

25 EXAMINER BROOKS: They were all noticed --

1 MS. KESSLER: No.

2 EXAMINER BROOKS: -- with actual notice?

3 MS. KESSLER: No. As I mentioned earlier,  
4 in paragraph 14 of the affidavit, there were several  
5 overriding royalty interest owners to whom we were not  
6 able to provide notice.

7 EXAMINER BROOKS: And you published for  
8 those?

9 MS. KESSLER: We did.

10 EXAMINER BROOKS: More than ten days  
11 before -- more than ten business days before today?

12 MS. KESSLER: Yes.

13 EXAMINER BROOKS: Okay. And they made a  
14 diligent -- the affidavit states that they made a  
15 diligent search?

16 MS. KESSLER: They did.

17 EXAMINER BROOKS: Okay. Very good. Pass  
18 the witness.

19 EXAMINER JONES: Phil, you got anything?

20 EXAMINER GOETZE: Just in regards to  
21 Section 17. We're drilling only a half-mile in. What's  
22 ownership of that northern half of 17? Why are we  
23 stopping halfway up?

24 MS. KESSLER: I don't know that,  
25 Mr. Examiner. I'd be happy to have OXY send an answer

1 in. I don't know the answer.

2 EXAMINER BROOKS: You've got to stop  
3 somewhere.

4 EXAMINER GOETZE: Well, I know you've got  
5 to stop somewhere, but typically we put, you know, some  
6 sort of information on the diagram showing other  
7 existing wells or -- or some comment in the affidavit  
8 that we have no ownership. Just out of the concern that  
9 we're not leaving that half section to sit alone by  
10 itself, could we get something as far as the disposition  
11 as to why 17 is only used half of it?

12 MS. KESSLER: Certainly.

13 EXAMINER GOETZE: Send it to Mr. Will  
14 Jones.

15 EXAMINER JONES: That's a good question.  
16 I'll be happy to receive it from Mr. --

17 MS. KESSLER: Cole.

18 EXAMINER GOETZE: It's in honor of Richard  
19 Ezeanyim in worry of stranded acreage.

20 EXAMINER JONES: I will be happy to.

21 EXAMINER GOETZE: Section 17.

22 EXAMINER JONES: Thank you very much.  
23 We'll take Cases 16465 and 16466 under  
24 advisement.

25 (Case Numbers 16465 and 16466 conclude,

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10:42 a.m.)

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 11th day of November 2018.

21

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

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