

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 RKI EXPLORATION AND PRODUCTION, LLC FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO. CASE NO. 16480

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 15, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER  
KEITH W. HERRMANN, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner, and Keith W. Herrmann, Legal Examiner, on Thursday, November 15, 2018, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Third Floor Meeting Room, 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 RKI EXPLORATION AND PRODUCTION:

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FOR INTERESTED PARTY MARATHON OIL PERMIAN, LLC:

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EXHIBITS OFFERED AND ADMITTED

RKI Exploration and Production Exhibit Numbers 1 through 3	8
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REPORTER'S NOTE: These exhibits were not provided to the court reporter and are not attached to this record.

1 (9:21 a.m.)

2 EXAMINER McMILLAN: The next case I'm going  
3 to call is Case 16480, application of RKI Exploration &  
4 Production, LLC for compulsory pooling, Eddy County, New  
5 Mexico.

6 Call for appearances.

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

9 EXAMINER McMILLAN: Any other appearances?  
10 Please proceed.

11 MS. KESSLER: Thank you.

12 This case will be presented by affidavit,  
13 Mr. Examiner. I have before you the affidavit of Aaron  
14 Young, who works for RKI as a landman. RKI is in the  
15 process of changing its name to WPX Energy, which he  
16 notes in paragraph one.

17 He identifies in paragraph four the  
18 proposed spacing unit, and he seeks to pool uncommitted  
19 interest owners in the Wolfcamp Formation, the Purple  
20 Sage Gas Pool in the 320-acre spacing unit comprised of  
21 the south half of Section 32, Township 22 South, Range  
22 27 East. The spacing unit will be dedicated to the  
23 Boxer 32-22-27 Fee #41H [sic] well, and he seeks to pool  
24 an uncommitted interest owners therein.

25 Exhibit A is a C-102 for this well. You'll

1 notice that he also identifies in his exhibit that this  
2 well has -- the APD has not yet been approved for  
3 this -- for this well. It's governed by the Purple  
4 Sage -- special rules for the Purple Sage Gas Pool and  
5 will comply with setbacks for the Purple Sage Pool.

6 In paragraph six, Mr. Examiner, he  
7 identifies that there are no depth severances, and he  
8 requests 320-acre building blocks for the proposed  
9 spacing unit.

10 Exhibit 1B shows the tracts of land and the  
11 owners that he seeks to pool. There are two working  
12 interest owners, Marathon Oil and Novo Oil & Gas. And  
13 then he also reflects under the unit recap -- right  
14 above the unit recap some interest owners that are added  
15 for curative matters. I would call those unmarketable  
16 title, Mr. Examiner.

17 And he states in paragraph nine that these  
18 companies and individuals purport to own an interest in  
19 the proposed spacing unit, but they do not. However,  
20 whether they own that interest is in dispute. He seeks  
21 to pool these interest owners out of an abundance of  
22 caution in the event they do, in fact, own an interest.

23 He goes on to say in paragraph ten that he  
24 does not seek to pool any overriding royalty interest  
25 owners.

1                   Exhibit C is the well-proposal letter and  
2 AFE that was sent to all of the interest owners,  
3 including those with unmarketable title, so the well was  
4 proposed to all of those interest owners, including  
5 unmarketable title folks.

6                   In paragraph 13, he states that his costs  
7 are \$7,500 per month while drilling, 750 while  
8 producing. He outlines his effort to reach an agreement  
9 with the working interest owners and states that, with  
10 respect to the unmarketable title owners, RKI has been  
11 working diligently with the parties to verify whether  
12 they own an interest. And if RKI reaches an agreement  
13 with any of those parties, they will get let the  
14 Division know.

15                   Exhibit 12 is the geology affidavit from  
16 Ms. Kasmira Workman. She states in paragraph four that  
17 the target is the Wolfcamp Y in the Wolfcamp Formation.  
18 She has attached a structure map and a cross section  
19 showing the target interval and states in paragraph nine  
20 that each of the tracts in the 320-acre spacing unit  
21 will contribute more or less equally to production.

22                   Finally, Mr. Examiner, Exhibit 3 is an  
23 affidavit prepared by my office with letters providing  
24 notice to the parties that RKI seeks to pool. I'd like  
25 to point out to you that on the second page of this

1 exhibit is a waiver from Yates Industries. They did not  
2 receive notice of this hearing, and this letter  
3 specifically states that they're waiving notice of this  
4 hearing. So they've been informed that their interest  
5 will be pooled under this proceeding, and they do not  
6 object to the fact that they did not receive notice.

7           You'll see, as we go through this exhibit,  
8 that all of the working interest owners signed for their  
9 letters except for Marathon Oil Permian. It was sent to  
10 the address of record, and it says, "In transit." RKI,  
11 in their affidavit, does state that they had  
12 conversations with Marathon.

13           Finally, the last page of this exhibit --  
14 two last pages of this exhibit contains an Affidavit of  
15 Publication.

16           EXAMINER McMILLAN: So, in essence, there  
17 are locatable interests?

18           MS. KESSLER: I would say that they did not  
19 receive actual notice as verified by the tracking.  
20 However, RKI, as stated in the affidavit, has had  
21 conversations with Marathon.

22           EXAMINER McMILLAN: Okay. So is the  
23 unmarketable title, are they subject to the risk  
24 penalty?

25           MS. KESSLER: They are because they are

1 potential working interest owners.

2 EXAMINER McMILLAN: Do you have any  
3 questions?

4 MR. HERRMANN: Regarding the notice to  
5 Marathon, you stated there were conversations with them?

6 MS. KESSLER: That is my understanding.

7 MR. HERRMANN: Okay. But it's not anywhere  
8 in the affidavits.

9 MS. KESSLER: It should be. If it's not,  
10 then we would be happy to supplement with a paragraph  
11 stating that.

12 EXAMINER McMILLAN: But you've also listed  
13 them in the notice of the hearing -- the Affidavit of  
14 Publication states Marathon?

15 MS. KESSLER: That is correct,  
16 Mr. Examiner. If I have stated, though, that they have  
17 had conversations, I'd like to just provide the  
18 Division, with your permission, Mr. Examiner, the email  
19 from the landman stating that those conversations did  
20 take place.

21 EXAMINER McMILLAN: That's fine.

22 MS. KESSLER: So I believe that notice was  
23 correctly applied. I would just like to send an email.

24 EXAMINER McMILLAN: That's fine.

25 MS. KESSLER: I would ask that Exhibits 1

1 through 3 be accepted as part of the record,  
2 Mr. Examiner.

3 EXAMINER McMILLAN: Exhibits 1 through 3  
4 may now be accepted as part of the record.

5 (RKI Exploration & Production, LLC Exhibit  
6 Numbers 1 through 3 are offered and  
7 admitted into evidence.)

8 MS. KESSLER: And I would ask this case be  
9 taken under advisement.

10 EXAMINER McMILLAN: Case 16480 shall be  
11 taken under advisement.

12 (Case Number 16480 concludes, 9:31 a.m.)  
13 (9:42 a.m.)

14 EXAMINER McMILLAN: At this time I'd like  
15 to re-open Case 16480, which is application of RKI  
16 Exploration and Production for compulsory pooling, Eddy  
17 County, New Mexico.

18 Call for appearances.

19 MS. BRADFUTE: Mr. Examiner, Jennifer  
20 Bradfute on behalf of Marathon Oil Permian, LLC.

21 Marathon Oil Permian has been able to  
22 confirm that it did receive notice of RKI's application  
23 and has no objection to the application.

24 EXAMINER McMILLAN: Received notice and no  
25 objection.

1                   Okay. With that in mind, I would like to  
2 take Case Number 16480 under advisement.

3                   (Case Number 16480 concludes, 9:42 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 DATED THIS 18th day of December 2018.

21

22

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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