

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 DEVON ENERGY PRODUCTION CASE NOS. 20155,
COMPANY, L.P. FOR A STANDARD HORIZONTAL 20156
SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

January 10, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
KATHLEEN MURPHY, TECHNICAL EXAMINER
LEONARD LOWE, 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; Kathleen Murphy and Leonard Lowe, Technical Examiners; and David K. Brooks, Legal Examiner, on Thursday, January 10th, 2019, 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
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1 APPEARANCES

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7 FOR INTERESTED PARTY EOG RESOURCES:

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12 FOR INTERESTED PARTY JET STREAM OIL & GAS PARTNERS, LP:

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1 (11:46 a.m.)

2 EXAMINER JONES: Let's call Cases 20155
3 and 20156, application of Devon Energy Production
4 Company, L.P.

5 Call for appearances.

6 MR. McMILLAN: Seth McMillan, Montgomery &
7 Andrews, on behalf of Devon.

8 EXAMINER JONES: Other appearances?

9 MS. KESSLER: Jordan Kessler on behalf of
10 EOG Resources.

11 MR. BRUCE: Mr. Examiner, Jim Bruce
12 entering an appearance for Jet Stream Oil & Gas
13 Partners, LP.

14 EXAMINER JONES: Mr. McMillan, will you
15 quickly summarize at least the title of this case?

16 MR. McMILLAN: Yes. Why don't I give you
17 the title?

18 EXAMINER JONES: Since I'm too lazy to get
19 it done today.

20 MR. McMILLAN: Sure. Case 20155 is the
21 application of Devon Energy Production Company, L.P. for
22 a standard horizontal spacing and proration unit and
23 compulsory pooling, Lea County, New Mexico.

24 Case 20156 is also the application of Devon
25 Energy Production Company, L.P. for a standard

1 horizontal spacing and proration unit and compulsory
2 pooling, Lea County, New Mexico.

3 EXAMINER JONES: Okay. Thank you.

4 MR. McMILLAN: Okay. We're doing this one
5 by affidavit. I have in front of you, Mr. Examiner, a
6 pile of exhibits, one for each case.

7 Starting with 20155 -- they'll be very
8 similar. Starting with 20155, I've included the one and
9 only application that we filed in this matter. By this
10 application, Devon seeks an order creating a standard
11 320-acre, more or less, horizontal spacing and proration
12 unit comprised of the east half-east half of Section 6
13 and the east half-east half of Section 7, Township 26
14 South, Range 34 East, N.M.P.M., Lea County, New Mexico,
15 pooling all mineral interests in the Wolfcamp Formation.
16 This is the Bobcat Draw Upper Wolfcamp Pool, Pool Code
17 98094.

18 Devon proposes to dedicate this HSU to its
19 Jayhawk 7-6 Fed Fee Com 7H well. Also to be drilled is
20 the infill well, the Jayhawk 7-6 Fed Fee Com 6H well.
21 The locations and depths of these wells are set forth in
22 our materials. I won't read them into the record. Both
23 of these wells are orthodox. And that should do it for
24 the application.

25 Moving on to our Exhibit 2, this is the

1 affidavit of Melissa Miller. Melissa Miller is a land
2 professional with Devon. She has been accepted as an
3 expert witness in petroleum land matters in the past.
4 She nonetheless set forth her credentials there in
5 paragraph four.

6 She notes that in her work on this matter,
7 she had no reason to expect any opposition. That's why
8 we're here today doing this by affidavit. I expect, in
9 conversation with the parties that have entered
10 appearances, that they are not protesting or opposing
11 these applications. They may have comments for the
12 record.

13 Ms. Miller has attached as Exhibit A a plat
14 showing the location of the proposed wells.

15 Her Exhibit B lists the interest owners to
16 be pooled. She notes there are no depth severances in
17 the Wolfcamp Formation. The locations of the proposed
18 depths of the wells to be drilled are in paragraph 11.

19 Proposed C-102s for the wells are attached
20 as Exhibit C.

21 Exhibit D is Ms. Miller's sample proposal
22 letter and AFE. She testifies that the AFE is fair,
23 reasonable and comparable. Devon's overhead and
24 administrative rates here are \$6,000 a month for
25 drilling and 600 a month for producing. She testifies

1 that these rates are fair and comparable. Devon
2 requests maximum costs plus a 200 percent risk charge.
3 It requests that it be designated operator. And that
4 should do it for my summary of Melissa Miller's
5 affidavit.

6 To the extent I can, are there any
7 questions or concerns I can address with respect to
8 that?

9 EXAMINER JONES: None.

10 MR. McMILLAN: Moving on to our Exhibit 3,
11 this is the affidavit of J. Russell Goodin. He's a
12 geologist with Devon. His credentials have previously
13 been accepted and made a matter of record. They are
14 nonetheless set forth in paragraph four.

15 Mr. Goodin's Exhibit A is a Wolfcamp
16 structure map.

17 His Exhibit B is a stratigraphic cross
18 section hung on the top of the Wolfcamp.

19 And his Exhibit C is a gross isochore of
20 the Upper Wolfcamp. He calls out the target interval
21 throughout.

22 His conclusions based on Exhibits A through
23 C are that the horizontal spacing and proration unit is
24 justified from a geological standpoint, that there are
25 no structural impediments or faulting that will

1 interfere, and that each quarter-quarter section will
2 contribute more or less equally to production. He also
3 notes that the preferred well orientation in the area is
4 consistent with the well orientations here. That
5 concludes my summary of Mr. Goodin's affidavit.

6 Finally is my affidavit of notice. I've
7 attached as Exhibit A the list and my green cards. And,
8 again, for any party for whom we did not receive
9 confirmation, if they received the actual letter, they
10 were published legal notice timely in the "Hobbs
11 News-Sun."

12 That concludes my presentation on 20155.

13 EXAMINER JONES: The two attorneys that
14 made appearances, your clients, what are their positions
15 on these cases?

16 MR. BRUCE: I was just told to enter an
17 appearance.

18 EXAMINER JONES: Thank you.

19 MS. KESSLER: EOG intends to participate as
20 a pooled party under the pooling order.

21 I do have a quick comment based on
22 conversations with Mr. McMillan. I may as well say it
23 now. EOG and Devon -- individuals have been in touch
24 regarding providing certain information from drilling
25 the wells, so certain well data will be provided to EOG,

1 and EOG's purpose in appearing at this hearing is to
2 confirm that that data will be provided.

3 MR. McMILLAN: So confirmed, assuming that
4 EOG is participating either under a JOA or on the back
5 end under the pooling order.

6 EXAMINER JONES: Will they get the data
7 after they sign or before they sign?

8 MS. KESSLER: When they participate.

9 MR. McMILLAN: When we know that they are
10 participating, they can have the data. So --

11 EXAMINER JONES: Mr. Bruce?

12 MR. BRUCE: (Indicating.)

13 EXAMINER JONES: Okay. Is that it?

14 MR. McMILLAN: That's it for 20155. I will
15 breeze through 20156.

16 EXAMINER JONES: Take 20155 under
17 advisement.

18 MR. McMILLAN: I would also tender --
19 Thank you, Jordan.

20 Before we take it under advisement, I'd
21 tender Exhibits 1 through 4.

22 EXAMINER JONES: Exhibits 1 through 4 in
23 Case 20155 are admitted.

24 (Devon Energy Production Company, L.P.

25 Exhibit Numbers 1 through 4 are offered and

1 admitted into evidence.)

2 MR. McMILLAN: Thank you.

3 Moving to 20156, under Tab 1 is the
4 application. Here, we're looking for a 320-acre
5 horizontal spacing unit comprised of the west half-east
6 half of Section 6 and the west half-east half of Section
7 7, Township 26 South, Range 34 East, Lea County. And
8 we're pooling all mineral interests in the Wolfcamp
9 Formation. That's the Bobcat Draw; Upper Wolfcamp Pool,
10 Pool Code 98094, underlying the standard unit. We're
11 proposing two wells. The defining well here -- the well
12 that defines the unit, rather, is the Jayhawk 7-6 Fed
13 Fee Com 16H well. The infill well is the Jayhawk 7-6
14 Fed Fee Com 8H well. These are both orthodox wells.
15 The completed intervals, first and last take points, are
16 within setbacks. That's enough for Exhibit 1.

17 Exhibit 2 is Melissa Miller's affidavit.
18 She submits her credentials, attaches a plat outlining
19 the unit to be pooled as Exhibit A showing the location
20 of the proposed wells.

21 Her Exhibit B is a list of the parties to
22 be pooled and information regarding them. She notes
23 there are no depth severances in the Wolfcamp Formation
24 here, and her paragraph 11 lays out the locations and
25 the proposed depths of the wells to be drilled. She

1 explains her efforts to obtain voluntary joinder.

2 And Exhibit D is a sample proposal letter
3 and AFE. She testifies that the AFE is fair, reasonable
4 and comparable.

5 Her Exhibit C are the proposed C-102s for
6 the wells. She notes that they will be developing the
7 Wolfcamp in this particular well -- in this particular
8 pool, which is an oil and gas pool. Ms. Miller sets
9 forth that Devon requests overhead and administrative
10 fees of \$6,000 a month for drilling and \$600 a month a
11 month for producing. She testifies that these rates are
12 fair and comparable. Devon requests the maximum cost,
13 the 200 percent risk charge, and that it be designated
14 operator of the wells.

15 Exhibit 3 is J. Russell Goodin's affidavit.
16 He's a Devon geologist. He sets forth his credentials
17 in Exhibit 4 -- in paragraph four, rather.

18 His Exhibit A is a Wolfcamp structure map.

19 His Exhibit B is a Wolfcamp cross section
20 hung on the top of the Wolfcamp.

21 And his Exhibit C is a gross isochore of
22 the Upper Wolfcamp.

23 Based on these exhibits, his conclusions
24 are that the HSU is justified from a geologic
25 standpoint, that there are no structural impediments or

1 faulting and that each quarter-quarter section of the
2 unit will contribute more or less equally to production.
3 Finally, he notes that we are consistent with the
4 preferred well orientation here.

5 Finally, Exhibit 4 is my Affidavit of
6 Notice in which I list the parties who received notice
7 or who were sent notice letters by my office. I've
8 attached all green cards and an Affidavit of Publication
9 showing that all parties who did not return a green card
10 were also published with notice.

11 And that concludes my presentation in
12 20156. I'd ask that Exhibits 1 through 4 be admitted.

13 EXAMINER JONES: Any objections?

14 MR. BRUCE: No.

15 MS. KESSLER: (Indicating.)

16 EXAMINER JONES: Exhibits 1 through 4 are
17 admitted.

18 (Devon Energy Production Company, L.P.
19 Exhibit Numbers 1 through 4 are offered and
20 admitted into evidence.)

21 EXAMINER JONES: Can you please -- the
22 depths that you're pooling in the Upper Wolfcamp, I
23 guess those are -- those are -- like all of our pools,
24 they're just dependent on the geologist's definition of
25 the Upper Wolfcamp. But as far as the landman,

1 testimony of no depth severances in the Upper Wolfcamp,
2 the geologist moves it around a little bit on the lower
3 end. Would that influence your -- in other words, if
4 there are no depth severances in the entire Wolfcamp, we
5 don't have a problem.

6 MR. McMILLAN: Okay. Is it a qualifier
7 Upper Wolfcamp is problematic?

8 EXAMINER JONES: Yes.

9 MR. McMILLAN: Okay.

10 EXAMINER JONES: Well, it's just that it
11 leaves a question in my mind as to where is the Upper
12 Wolfcamp. At least it's not -- and the geologist -- our
13 district geologist figures this stuff out and works with
14 people. But when you go to talking about people's
15 ownership, you know, it should be kind of clarified a
16 little bit or at least pointed out somewhere. And I
17 think it might be on this log, but I think I'm becoming
18 dyslexic, and I look at this log and I think it's turned
19 upside down in some cases. It's just that I don't have
20 a very big scale version of the log that he submitted in
21 Exhibit 3. Maybe Kathleen can correct me on this.

22 Do you see a bottom on the Lower -- Upper
23 Wolfcamp?

24 EXAMINER MURPHY: I can't see.

25 MR. McMILLAN: It's hard to read.

1 EXAMINER JONES: Maybe they can send us a
2 bigger exhibit.

3 MR. McMILLAN: Why don't we start there?

4 EXAMINER JONES: That sounds good.

5 As far as your clients go in this case --

6 MS. KESSLER: I'll incorporate my past
7 comment in the record for this case, too. That's all
8 I've got.

9 MR. McMILLAN: And I will incorporate my
10 response to that comment.

11 EXAMINER JONES: Case 20156 is taken under
12 advisement.

13 MR. McMILLAN: Very good. Thank you.

14 EXAMINER JONES: Thank you very much.

15 (Case Numbers 20155 and 20156 conclude,
16 12:00 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 31st day of January 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
25 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters