

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 KAISER-FRANCIS OIL CASE NO. 20052
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

January 24, 2019

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
 KATHLEEN MURPHY, TECHNICAL EXAMINER
 TERRY WARNELL, TECHNICAL EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

 This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner; Kathleen Murphy and Terry Warnell,
Technical Examiners; and David K. Brooks, Legal
Examiner, on Thursday, January 24, 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
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APPEARANCES

FOR APPLICANT KAISER-FRANCIS OIL COMPANY:

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FOR INTERESTED PARTY EOG RESOURCES, INC.:

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INDEX

PAGE

Case Number 20052 Called	3
Case Presented by Affidavit	3
Proceedings Conclude	7
Certificate of Court Reporter	8

EXHIBITS OFFERED AND ADMITTED

Kaiser-Francis Oil Company Exhibit Numbers 1 through 3	5
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1 (9:13 a.m.)

2 EXAMINER McMILLAN: Okay. Next case we're
3 going to hear is Case 20052.

4 Call for appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of
6 Santa Fe representing the Applicant. I'm submitting
7 this case by affidavit.

8 EXAMINER McMILLAN: Any other appearances?

9 MS. KESSLER: Mr. Examiner, Jordan Kessler,
10 from the Holland & Hart law firm, on behalf of EOG
11 Resources, Inc.

12 EXAMINER McMILLAN: Give a brief summary.

13 MR. BRUCE: Mr. Examiner, in this case
14 Kaiser-Francis seeks the forced pooling of the southeast
15 quarter of Section 6 and the east half of Section 7 in
16 24 South, 34 East. This is within the Bell Lake Unit.
17 They seek to force pool the Bone Spring Formation.

18 Submitted as Exhibit 1 is the affidavit of
19 the landman containing the usual information.

20 Kaiser-Francis has been in touch with EOG Resources,
21 which owns a little bit more than 4 percent of the
22 working interest, and title information has been
23 provided to EOG Resources. The affidavit contains the
24 usual information on overhead rates, et cetera.

25 Exhibit 3 is the affidavit of the

1 geologist. The well is a 1st Bone Spring test, and the
2 affidavit contains the structure map, isopach and a
3 cross section showing the 1st Bone Spring. And it
4 contains the usual information that the well is
5 justified from geology. Each quarter section in the
6 well unit will contribute more or less equally to
7 production.

8 The reason for the stand-up units and for
9 the hearings on this -- extensive hearings on this about
10 a year ago is, in the Bell Lake Unit, Kaiser-Francis is
11 developing all of the Bone Spring and all of the
12 Wolfcamp on one-and-one-half-mile -- the unit is
13 comprised of two nine-section blocks, and they're
14 drilling one-and-a-half-mile laterals south-north and
15 north-south. So it's a matter of convenience and
16 economics.

17 Finally, Exhibit 2 is my Affidavit of
18 Notice. Three parties were notified: Mobil Producing,
19 EOG and Burlington Resources. EOG obviously got the
20 notice, although I have no green card. Mobil got the
21 notice. I'm still waiting for a green card back from
22 Burlington Resources, which, of course, is owned by
23 ConocoPhillips. I have published notice. And I know
24 the constraints about the next available docket, but I
25 did publish notice in the newspaper for the February

1 21st hearing, and, therefore, I would like that. It
2 will only take a minute to submit that notice affidavit.

3 EXAMINER McMILLAN: First available docket.

4 MR. BRUCE: And when will I find that out,
5 because I need a definite notice date?

6 EXAMINER WARNELL: End of business day.
7 I'll let you know today later on.

8 MR. BRUCE: Okay.

9 But I would move the admission of Exhibits
10 1 through 3 and ask that it be continued to the first
11 available docket.

12 MS. KESSLER: No objection.

13 (Kaiser-Francis Oil Company Exhibit Numbers
14 1 through 3 are offered into evidence.)

15 EXAMINER McMILLAN: Okay. The first
16 question I've got is what pool is this?

17 MR. BRUCE: It is -- I will get you that.
18 It was the -- I think it's called the South Bell Lake;
19 Bone Spring Pool.

20 EXAMINER McMILLAN: Is it on 160s?

21 MR. BRUCE: No. It's on 480s.

22 EXAMINER McMILLAN: So then how are you
23 getting the -- how are you getting the southeast quarter
24 of 6 and the east half of 7?

25 MR. BRUCE: 6 and 7 (demonstrating),

1 southeast quarter of 6 and the east half of Section 7
2 below that.

3 EXAMINER McMILLAN: I understand that, but
4 you didn't answer my question. So you're trying to
5 get -- what's the total dedicated acreage you want for
6 the well?

7 MR. BRUCE: 480 acres.

8 EXAMINER McMILLAN: How are you getting the
9 480?

10 MR. BRUCE: Under the pool rules for the
11 South Bell Lake Unit. They're on 480s.

12 EXAMINER McMILLAN: They're on what?

13 MR. BRUCE: They're on 480s, because in
14 this unit, everything is being developed on a
15 480-acre-well-unit basis. I will get you the pool name.

16 EXAMINER McMILLAN: Yeah. It doesn't make
17 sense because --

18 MR. BRUCE: There were hearings -- there is
19 a Bell Lake south block, a Bell Lake north block.
20 They're both nine --

21 EXAMINER McMILLAN: Nine sections.

22 MR. BRUCE: -- sections, and they're
23 drilling everything -- and there is special spacing in
24 there and special locations, and they are all being
25 drilled on one-and-a-half-mile laterals.

1 EXAMINER McMILLAN: So one and a half miles
2 even though it doesn't follow the proximity tracts,
3 you're claiming you're going to be able -- yeah, you'll
4 send me all that information.

5 MR. BRUCE: I will send you that.

6 EXAMINER McMILLAN: Okay. And then here's
7 the other thing. I'm looking at Exhibit C.

8 MR. BRUCE: Yes, sir.

9 EXAMINER McMILLAN: I want you to resend
10 that so we know exactly where the target interval is.

11 MR. BRUCE: I will.

12 EXAMINER McMILLAN: Do you have any
13 questions?

14 EXAMINER BROOKS: No questions.

15 EXAMINER WARNELL: No questions.

16 EXAMINER McMILLAN: Okay. So Case Number
17 20052 shall be continued. And end of business day, you
18 will have a definitive date.

19 MR. BRUCE: Okay. Thank you.

20 (Case Number 20052 concludes, 9:19 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 8th day of February 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