

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. 20222
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 7, 2019

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, 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, Scott Dawson, Chief Examiner; Kathleen Murphy and Terry Warnell, Technical Examiners; and David K. Brooks, Legal Examiner, on Thursday, February 7, 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
 500 4th Street, Northwest, Suite 105
 Albuquerque, New Mexico 87102
 (505) 843-9241

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APPEARANCES

FOR APPLICANT AMEREDEV OPERATING, LLC:

JULIA BROGGI, ESQ.
HOLLAND & HART, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
(505) 988-4421

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EXHIBITS OFFERED AND ADMITTED

Ameredev Operating, LLC Exhibit
Letters A through D (Attached)

1 (9:55 a.m.)

2 EXAMINER DAWSON: Okay. So at this point,
3 we'll go to Case Numbers 20222 and 20256, which are
4 applications of Ameredev Operating, LLC for compulsory
5 pooling, Lea County, New Mexico.

6 Please call for appearances.

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

10 EXAMINER DAWSON: Any witnesses?

11 MS. BROGGI: No, Mr. Examiner. We will be
12 presenting this case by affidavit.

13 EXAMINER DAWSON: Okay. And there are no
14 other parties appearing in this case, so you may
15 continue when you're ready, Ms. Broggi.

16 MS. BROGGI: Mr. Examiner, this format
17 follows the format in the prior case I presented.

18 The affidavit of the landman is attached as
19 Exhibit A. In this case Ameredev is seeking to pool all
20 uncommitted interests in the Wolfcamp Formation in the
21 640-acre spacing unit comprised of the west half-west
22 half of Sections 27 and 34 and the east half-east half
23 of Sections 28 and 33, Township 25 South, Range 36 East,
24 Lea County, New Mexico. And Ameredev is seeking to
25 dedicate that spacing unit to the proposed Juniper Fed

1 Com 25 36 34 #111H well.

2 And the C-102 for this proposed well is
3 attached as Exhibit A1 to the affidavit. You'll see
4 that Ameredev is incorporating proximity tracts and that
5 using those proximity tracts, the completed interval
6 complies with the Division setback requirements. There
7 are no depth severances in the Wolfcamp Formation.

8 Exhibit A2 is the land exhibit that was
9 prepared by Ameredev. Again, it shows the tracts and
10 the ownership interest and identifies the parties that
11 Ameredev is seeking to pool in this case. In this case
12 there are two working interest owners, and it's Sharbro
13 Energy, LLC and OXY Y-1 Company. There are no unleased
14 mineral interest owners and no overriding royalty
15 interest owners to be pooled either.

16 Ameredev sent a well-proposal letter to the
17 two working interest owners that it's seeking to pool.
18 That is attached as Exhibit A3 to the affidavit, and it
19 includes an AFE.

20 Ameredev has made an estimate of the
21 overhead and administrative costs, 7,000 a month while
22 drilling and 700 a month while producing, and Ameredev
23 requests that that be incorporated in any order issued
24 by the Division.

25 In this instance all parties were

1 locatable. Exhibit C is an affidavit from our law firm
2 showing that notice was provided to the parties that
3 Ameredev is seeking to pool.

4 And notwithstanding that all the parties
5 were locatable, out of an abundance of caution, you will
6 find a Notice of Publication attached as Exhibit D to
7 this package.

8 And Exhibit B is an affidavit by the
9 geologist. He testifies that Ameredev is targeting the
10 Wolfcamp Formation.

11 Exhibit B1 to that affidavit is a locator
12 map. It shows Ameredev's acreage, as well as the
13 proposed wellbore for the Juniper Fed Com 25 36 34 #111H
14 well.

15 Exhibit B2 to the geologist's affidavit is
16 a subsea structure map. It shows the Wolfcamp gently
17 dipping to the west-southwest. And the geologist
18 testifies that he observes no faulting, pinch-outs or
19 other geologic impediments to horizontal drilling.

20 Exhibit A3 [sic] to the geologist's
21 affidavit is a map that shows the three wells from A to
22 A prime that are used in the stratigraphic cross
23 section -- excuse me -- the stratigraphic cross section,
24 which is the next exhibit.

25 Exhibit B4 is that stratigraphic cross

1 section, which was prepared displaying the open-hole
2 logs run over the Wolfcamp for those three wells, A to A
3 prime. For each of the wells in the cross section, the
4 exhibit shows logs for gamma ray, resistivity and
5 porosity, and the geologist testifies -- oh, the target
6 interval is also marked on that A4 [sic]. And he
7 testifies that it's consistent in thickness across the
8 entire proposed spacing unit.

9 And ultimately he testifies that in his
10 opinion, the granting of Ameredev's application would be
11 in the best interest of conservation, the prevention of
12 waste and the protection of correlative rights.

13 We did file an amended application on
14 Tuesday to correct a mistake that was made identifying
15 the spacing unit, so we're going to need to continue the
16 case until March 7th to notice amended application.

17 EXAMINER DAWSON: So that request for
18 continuance to March 7th is on both cases?

19 MS. BROGGI: Just this case, just the
20 Juniper Fed Com case.

21 EXAMINER DAWSON: Okay. So your request is
22 March 7th?

23 EXAMINER MURPHY: But that's new cases,
24 right?

25 EXAMINER DAWSON: Yes. That's the new

1 cases date, so it would have to be -- your request would
2 have to be March 21st.

3 EXAMINER MURPHY: Or first available
4 docket.

5 EXAMINER DAWSON: Or first available docket
6 if it's full.

7 MS. BROGGI: Mr. Examiner, if -- since it's
8 an amended application, would that be considered a new
9 case, and that could get us onto that March 7th docket?

10 EXAMINER MURPHY: You should ask
11 Mr. Warnell.

12 EXAMINER WARNELL: No, I don't think so,
13 because my idea of a continuance is if you're on one
14 docket and you go to another docket, it's a continuance
15 regardless of what it's for.

16 MS. BROGGI: Even though it's an amended
17 application?

18 That's fine. So that second docket in
19 March is what you're saying?

20 EXAMINER DAWSON: Yes, March 21st. We'll
21 pencil it down as your request for March 21st, but if
22 that's not available, March 21st, if the docket's too
23 large at that point, it'll be -- it will be continued
24 until April -- do you know that date in April?

25 EXAMINER WARNELL: No, I don't.

1 EXAMINER DAWSON: The second docket in
2 April.

3 EXAMINER BROOKS: I'm reluctant to speak to
4 this issue because the director has established certain
5 policies, but I believe that if you do not continue it
6 to a certain date -- well, you're going to be renoticing
7 everybody anyway, right?

8 MS. BROGGI: Yes, sir.

9 EXAMINER BROOKS: Everybody that was
10 noticed for the original proceeding will receive a new
11 notice for the amended application?

12 MS. BROGGI: Yes.

13 EXAMINER BROOKS: Okay. Then I don't have
14 a problem with it. I don't have a problem with what you
15 said.

16 As a general matter, I think it's
17 necessary -- I think, under the rules, a continuance by
18 the examiner, to be sure that it's valid, you need to
19 make it to a specific date. But if you are going to
20 renotice anyway, that doesn't come into play, because
21 the reason it's -- in order for it to be a valid
22 continuance by the examiner, the effect of that is that
23 then you don't have to renotice. But you have to
24 renotice anyway, since you're changing the boundaries of
25 the -- specified boundaries of the spacing unit, right?

1 MS. BROGGI: Yes.

2 EXAMINER BROOKS: Okay. Sorry for the long
3 explanation.

4 MS. BROGGI: So we will ask that Case
5 Number 20222 be continued until that March 21st docket.

6 EXAMINER DAWSON: Okay.

7 MS. BROGGI: Thank you.

8 EXAMINER DAWSON: And your other request is
9 for Case Number 20256 to be taken under advisement,
10 correct?

11 MS. BROGGI: Is that Magnolia?

12 EXAMINER DAWSON: Yes.

13 MS. BROGGI: Yeah. I haven't presented
14 that yet, but that will be -- at the conclusion of that,
15 I will ask that it be taken under advisement.

16 Mr. McMillan has the next --

17 EXAMINER DAWSON: Hang on a second. We may
18 have some questions.

19 David, do you have a question?

20 EXAMINER BROOKS: I do have a question.
21 We're talking about the case involving the Juniper Fed
22 Com 25 36 34 #111H?

23 EXAMINER DAWSON: Correct.

24 EXAMINER BROOKS: Okay. And the spacing
25 unit for that well depicted on Exhibit A1 is the west

1 half-west half of Sections 27 and 34 and the east
2 half-east half of Sections 28 and 33? Is that the
3 correct --

4 MS. BROGGI: Yes. It's Sections 28 and 33.
5 And that's what --

6 EXAMINER BROOKS: 28 and 33. It's the west
7 half-west half of 27 and 34 and the east half-east half
8 of 28 and 33, right?

9 MS. BROGGI: So it's correct in the C-102
10 attached as Exhibit A1.

11 EXAMINER BROOKS: Okay. And what is the --
12 what was it in the original application?

13 MS. BROGGI: Off top of my head -- there
14 was that second one, the east half-east half of Section
15 33, but we didn't write 28. We wrote something else.
16 So we're amending the application to be consistent.

17 EXAMINER BROOKS: I just want to make clear
18 that Exhibit A1 is correct.

19 MS. BROGGI: Exhibit A1 is correct, and the
20 testimony in the affidavit by the landman is also
21 correct.

22 EXAMINER BROOKS: Thank you.

23 MS. BROGGI: Yes.

24 EXAMINER DAWSON: Do you have any
25 questions, Mr. Warnell?

1 EXAMINER WARNELL: No questions.

2 EXAMINER DAWSON: Ms. Murphy?

3 EXAMINER MURPHY: No questions.

4 EXAMINER DAWSON: I have one request of the
5 geologist. On the stratigraphic cross section, being
6 Exhibit Number B4, can he put a line in the target
7 interval as to where within that Wolfcamp that the
8 landing zone will be --

9 MS. BROGGI: Yes.

10 EXAMINER DAWSON: -- and send that to us so
11 we can have a better -- a more clear picture of where
12 that landing area is within the Wolfcamp?

13 MS. BROGGI: Yes.

14 EXAMINER MURPHY: Can he include the
15 thickness?

16 MS. BROGGI: Yes.

17 EXAMINER DAWSON: The total thickness of
18 the zone or the thickness of the landing area?

19 EXAMINER MURPHY: Of the landing zone.

20 EXAMINER DAWSON: So ask him also to
21 include the thickness of the landing zone within the
22 Wolfcamp.

23 MS. BROGGI: Okay. I will do that and
24 provide that.

25 EXAMINER DAWSON: Okay. So at this time,

1 Case Number 20222 will be continued to March 21st.

2 Thank you very much.

3 (Case Number 20222 concludes, 10:07 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 7th day of March 2019.

21

22

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

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