

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:

CASE NO: 20285

Application of Kaiser-Francis Oil  
Company for compulsory pooling in  
Eddy County, New Mexico.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, MARCH 7, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, Examiners Leonard Lowe and William Jones, and Legal Examiner David Brooks, on Thursday, March 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: Irene Delgado, NMCCR 253  
PAUL BACA PROFESSIONAL COURT REPORTERS  
500 Fourth Street, NW, Suite 105  
Albuquerque, NM 87102  
505-843-9241

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A P P E A R A N C E S

For the Applicant: James Bruce  
P.O. BOX 1056  
Santa Fe, NM 87504

I N D E X

Admitted

CASE NO. 20285 CALLED  
MICHAEL MAXEY (By Affidavit) 03  
LEE LINDMAN (By Affidavit) 04  
TAKEN UNDER ADVISEMENT:

E X H I B I T I N D E X

Admitted

Exhibit 1, Attachments A-E 05  
Exhibit 2, Attachment A 05  
Exhibit 3 05  
Exhibit 4, Attachments A-C 05

1                   HEARING EXAMINER: Right now we are going to  
2 start with Case Number 20285, Kaiser-Francis for compulsory  
3 pooling, Eddy County.

4                   MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe  
5 representing the applicant and submitting the case by  
6 affidavit, and I put the affidavits in front of your chairs.

7                   Exhibit 1 is the affidavit of Mike Maxey,  
8 Kaiser-Francis landman. And in this case they seek an order  
9 pooling the W/2 SW of 24 of 23 South, 28 East, and the W/2  
10 W/2 of Section 25 adjoining Section 25. Seeking to pool the  
11 Brushy -- actually the Delaware Formation. The well is  
12 Brantley LBC 2425 Number 1H which is a Lower Brushy Canyon  
13 test in the East Loving Brushy Canyon pool.

14                  And the affidavit's got the land plat. It's got  
15 the C-102 for the well, and Attachment B is the listing of  
16 the interest owners being pooled. There are seven of them,  
17 and Attachment B is the form proposal letter. Attachment E  
18 is the AFE for the wells. It's about a \$6.5 million well.

19                  Kaiser-Francis has been in touch with royalty  
20 interest owners and made a good-faith effort to obtain their  
21 voluntary joinder. And they are asking \$8000 a month for a  
22 drilling well and \$800 a month for a producing well. And  
23 they are seeking the maximum cost plus 200 percent risk  
24 charge for the well.

25                  Exhibit 2 is my affidavit of notice. I sent out

1 notice, a couple of -- one interest owner I did not get the  
2 green card back. It was Devon Energy Production Company --  
3 my life -- but I did publish notice as against all interest  
4 owners, including Devon Energy, so all of the parties did  
5 receive actual or constructive notice.

6 MR. BROOKS: And this morning the rule  
7 specifically says that you are only required to present  
8 proof of receipt of mail if available.

9 MR. BRUCE: Exhibit 4 is the affidavit of Lee  
10 Lindman, the geologist for Kaiser-Francis, and he's attached  
11 a structure map with a Lower Brushy Canyon, the construction  
12 dips gently to the east.

13 The gross isopach showing that there's pretty  
14 uniform thickness in the Lower Brushy Canyon. It cuts  
15 throughout the well bore, and then a cross-section which is  
16 representative of Delaware wells in this area and show the  
17 landing point in the Lower Brushy Canyon just above the  
18 First Water Spring line.

19 Mr. Lindman testifies via his affidavit that the  
20 horizontal spacing unit is justified from a geologic  
21 standpoint and that each 40-acres in the well unit will  
22 contribute more-or-less equally to production.

23 Kaiser-Francis sees no difference between  
24 stand-up wells or horizontal wells in this area. People  
25 haven't been drilling many of these wells, so there is very

1     little data on what, what is the proper orientation if there  
2     is one in the Delaware.

3                 Both witnesses assert that the granting of this  
4     application is in the best interest of conservation and the  
5     prevention of waste, and I would move the admission of  
6     Exhibits 1 through 4 and ask that this matter be taken under  
7     advisement.

8                 HEARING EXAMINER: Exhibits 1 through 4 are  
9     accepted.

10                MR. BRUCE: I think this is the second horizontal  
11     well that Kaiser-Francis is drilling in this area, and the  
12     prior one is forced pooling, and there is virtually no  
13     horizontal Delaware production immediately offsetting.

14                MR. JONES: They have a monster target.

15                MR. BRUCE: They think it's a good one, but they  
16     are still figuring that out.

17                HEARING EXAMINER: On your next three cases,  
18     would you want to do them at the same time as well?

19                MR. BRUCE: Yeah, they are a little different,  
20     but I think it's easier because the reality is pretty much  
21     the same.

22                (Adjourned.)

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Irene Delgado, NMCCR 253

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