

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 OXY USA, INC.
FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.

CASE NO. 20548

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 13, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, June 13, 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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APPEARANCES

FOR APPLICANT OXY USA, INC.:

KAITLYN A. LUCK, ESQ.
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EXHIBITS OFFERED AND ADMITTED

OXY USA, Inc. Exhibits A, B and C	6
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1 (3:47 p.m.)

2 EXAMINER JONES: Call Case Number 20548,
3 which is application of OXY USA, Incorporated for
4 compulsory pooling, Eddy County, New Mexico.

5 Call for appearances.

6 MS. LUCK: Kaitlyn Luck, with the Santa Fe
7 office of Holland & Hart.

8 And in front of you, I've placed all the
9 exhibits for all the cases I'll be presenting shortly.

10 EXAMINER JONES: The Refried Beans are
11 separate? You'll do them separate?

12 MS. LUCK: Yeah. They're two separate
13 spacing units, so we're presenting them separately.

14 In Case Number 20548, OXY is seeking an
15 order pooling all uncommitted interests in the Bone
16 Spring Formation underlying a standard 560-acre
17 horizontal spacing unit. This includes the Pierce
18 Crossing; Bone Spring, East Pool, pool code 96473. The
19 spacing unit is comprised of the south half of the north
20 half and the north half of the south half of Section 15
21 and the southeast quarter of the northeast quarter, the
22 south half of the northeast quarter, the northeast
23 quarter of the southwest quarter and the north half of
24 the southeast quarter of Section 16, Township 24 South,
25 Range 29 East, Eddy County, New Mexico.

1 In support of this case, OXY presents the
2 testimony of Jeremy Murphrey, who is a petroleum
3 landman. His credentials have been accepted and made a
4 matter of record as a petroleum landman. He's familiar
5 with this application.

6 Behind his affidavit is Exhibit 1, which is
7 a plat showing the tract of land comprising the proposed
8 horizontal spacing unit.

9 Exhibit A2 is the C-102 for the well that
10 has not yet been approved. It does show the bottom-hole
11 and surface-hole locations for this well -- and I
12 apologize -- for these wells. And the two wells are the
13 Refried Beans CC 15-16 State Com 12H well and the 13H
14 well. The 13H well will be a proximity tract well
15 pulling in the proximity tracts to create a standard
16 560-acre horizontal spacing unit that complies with the
17 statewide setbacks.

18 Exhibit A3 identifies the ownership in the
19 proposed spacing unit and the tracts of land. OXY is
20 only seeking to pool the highlighted record title
21 owners, and OXY has been able to locate an address for
22 each of these interest owners. A well-proposal letter
23 was provided, and the costs reflected in the AFE are
24 consistent with what OXY and other operators have
25 charged for similar wells. There are no depth

1 severances. And OXY has estimated its overhead and
2 administrative costs at 7,500 and \$750 per month.

3 And behind Exhibit B, OXY presents the
4 testimony of Tony J. Troutman, who is the petroleum
5 geologist for this case. He has also been accepted by
6 the Division as an expert in petroleum geology. These
7 wells are targeting the 1st Bone Spring Sand underlying
8 the proposed spacing unit.

9 Exhibit B1 is a structure map prepared for
10 the Bone Spring target interval, contour lines every 25
11 feet. The wellbore paths are noted in Sections 15 and
12 16.

13 B2 identifies the two sets of wells used to
14 construct stratigraphic cross sections. There are two
15 separate stratigraphic cross sections, one from the
16 northwest to the southeast and then one from the west to
17 the east. And you'll see those two shown on OXY Exhibit
18 B2. There's the two separate lines, A to A prime, in
19 pink or red, and B to B prime is in green.

20 The logs for that stratigraphic cross
21 section are behind Exhibit B3 and demonstrates that the
22 target interval is present and continuous across the
23 subject acreage. Mr. Troutman also testifies the
24 east-to-west orientation for the proposed wells in the
25 Bone Spring target intervals is consistent and will

1 appropriately and efficiently develop the target
2 interval. His geologic study has concluded that each
3 tract within the horizontal spacing unit will contribute
4 more or less equally and the granting of the application
5 is in the best interest of conservation, the prevention
6 of waste and the protection of correlative rights.

7 And then finally, Exhibit C is an affidavit
8 from our office stating that notice of the hearing was
9 provided to the record title owners that OXY seeks to
10 pool in these proceedings. And behind it are also the
11 delivery confirmations from the U.S. Postal Service.

12 So with that, OXY would request that
13 Exhibits A, B and C and the accompanying attachments be
14 admitted into the record in Case Number 20548.

15 EXAMINER JONES: Exhibits A, B and C and
16 their accompanying attachments are admitted in Case
17 20548.

18 (OXY USA, Inc. Exhibits A, B and C are
19 offered and admitted into evidence.)

20 MS. LUCK: Thank you.

21 EXAMINER JONES: Case 20548 is taken under
22 advisement.

23 MS. LUCK: Thank you.

24 (Case Number 20548 concludes, 3:53 p.m.)

25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO
3

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 30th day of June 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