

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, INCORPORATED CASE NO. 20550
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

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, INCORPORATED:

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1 (4:00 p.m.)

2 EXAMINER JONES: Call Case 20550,
3 application of OXY USA, Incorporated for compulsory
4 pooling, Eddy County, New Mexico.

5 Call for appearances.

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

8 MR. BRUCE: Mr. Examiner, Jim Bruce
9 representing MRC Permian Company.

10 EXAMINER JONES: No other appearances?
11 Please proceed.

12 MS. LUCK: Thank you.

13 EXAMINER BROOKS: This is 20528?

14 EXAMINER JONES: 550.

15 EXAMINER BROOKS: 550.

16 MS. LUCK: In this case OXY seeks an order
17 pooling the uncommitted interests in the Wolfcamp
18 Formation underlying a standard 640-acre horizontal
19 spacing unit comprised of the east half of Sections 20
20 and 29, Township 24 South, Range 29 East, Eddy County,
21 New Mexico. In support of this application, OXY
22 presents the affidavit of the Jeremy Murphrey. He is a
23 petroleum landman whose credentials have been accepted
24 and made a matter of record. He's familiar with the
25 application filed by OXY and the status of these lands.

1 Exhibit A1 is a plat showing these three
2 wells containing this application, the proposed initial
3 wells and the subject acreage that consists only of
4 federal and fee land.

5 Exhibit A2 is the C-102 for all three
6 wells, the Salt Flat CC 20-29 Fed Com 34H, 36H and 38H.
7 And while these C-102s are not yet approved, OXY has
8 been advised that these wells have been place in Purple
9 Sage; Wolfcamp Pool, pool code 98220. The completed
10 interval for these wells will comply with the special
11 rules for the Purple Sage; Wolfcamp Pool.

12 Exhibit A3 identifies the ownership in the
13 proposed spacing unit and the tracts of land. You'll
14 see that OXY seeks to pool only a few uncommitted
15 working interest owners who OXY has been able to locate.
16 OXY is continuing to negotiate with these parties and
17 will advise the Division if they are able to reach an
18 agreement with anyone. Those parties to be pooled are
19 highlighted in yellow on Exhibit A3.

20 Exhibit A4 are sample well-proposal
21 letters, along with the AFE that were sent to the
22 working interest owners to be pooled in these
23 proceedings. The cost reflected in the AFE are
24 consistent with what OXY and other operators have
25 incurred for drilling and completing similar horizontal

1 wells in the formation. And there are no depth
2 severances or unleased mineral interests in the subject
3 acreage. OXY has estimated overhead and administrative
4 costs of \$7,500 per month while drilling and 750 per
5 month while producing.

6 Behind Exhibit B OXY presents the testimony
7 of Tony Troutman. He's a geologist who -- he's a
8 geologist with OXY who has also been accepted as an
9 expert witness in petroleum geology. He has conducted a
10 study of the Wolfcamp Formation underlying this acreage.
11 These three wells intend to target the upper Wolfcamp
12 interval of the Wolfcamp Formation.

13 His Exhibit B1 is a structure map showing
14 the three wells with contour lines every 25 feet, the
15 wellbore paths and injections at 20 and 29 on the map,
16 and he does not observe any faulting, pinch-outs or
17 geologic impediments to developing the targeted interval
18 with the horizontal wells.

19 Exhibit B2 are his -- the sets of wells he
20 used to construct the stratigraphic cross section, again
21 from A to A prime and B to B prime.

22 These wells are then shown on his OXY
23 Exhibit B3, which show the upper Wolfcamp target is
24 present throughout the proposed wellbore -- throughout
25 the target interval and continuous across the subject

1 acreage. He also opines that the north-to-south
2 orientation for the proposed wells is appropriate. In
3 his opinion, the granting of OXY's application will be
4 in the best interest of conservation and the prevention
5 of waste and the protection of correlative rights.

6 Behind Exhibit C, you'll find an affidavit
7 by me from my office showing that the notice letters and
8 the applications were provided to the interest owners
9 that OXY seeks to pool.

10 With that, OXY would ask -- I would move to
11 admit Exhibits A, B and C and then ask that the case be
12 taken under advisement.

13 EXAMINER JONES: Any objection, Mr. Bruce?

14 MR. BRUCE: No objection.

15 EXAMINER JONES: Okay. The well -- the
16 landman says it's going to be standard, but the well
17 location plat shows nonstandard. Can you just clarify
18 that discrepancy and just email me on that?

19 It shows 100-foot setbacks from the first
20 and last take points, Purple Sage, unless Mr. Brooks
21 would have changed the rules for the Purple Sage in the
22 Horizontal Well Rule, we would have that.

23 EXAMINER BROOKS: There was a lady here --

24 EXAMINER JONES: It's all his fault.

25 EXAMINER BROOKS: There was a lady here

1 that was here one afternoon who was vehemently opposed
2 to that.

3 MS. LUCK: Who was that?

4 EXAMINER BROOKS: Jennifer Bradfute.

5 MS. LUCK: Oh. You're blaming it on her?

6 EXAMINER JONES: He passes the buck.

7 EXAMINER BROOKS: The Horizontal Well Rule
8 Committee somewhat operated on the "who he makes the
9 loudest growl gets the most oil."

10 EXAMINER JONES: There is a lot of growling
11 since then about this Purple Sage.

12 Well, just sent me an email if you don't
13 mind.

14 MS. LUCK: I will do that, and I will get
15 back to you on this case.

16 EXAMINER JONES: And we'll go ahead and
17 admit Exhibits A, B and C with their attachments in Case
18 20550 and take the case taken under advisement.

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

21 MS. LUCK: Thank you.

22 (Case Number 20550 concludes, 4:06 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 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