

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. 20551
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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 (505) 843-9241

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APPEARANCES

FOR APPLICANT OXY USA, INCORPORATED:

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FOR INTERESTED PARTIES MRC PERMIAN COMPANY:

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EXHIBITS OFFERED AND ADMITTED

OXY USA, Inc. Exhibits A, B and C	6
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1 (4:06 p.m.)

2 EXAMINER JONES: Call Case 20551,
3 application of OXY USA, Incorporated for compulsory
4 pooling in Eddy County, New Mexico.

5 Call for appearances in that case.

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

8 EXAMINER JONES: Any other appearances?

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

11 EXAMINER JONES: Okay. They're being
12 pooled in these two cases, I believe.

13 MR. BRUCE: Uh-huh.

14 EXAMINER JONES: Okay. Please proceed.

15 MS. LUCK: Thank you, Mr. Examiner.

16 Mr. Examiner, in this case OXY is seeking
17 an order pooling all uncommitted interests in the Bone
18 Spring Formation. This is a 640-acre horizontal spacing
19 unit comprised of the east half of Sections 20 and 29,
20 Township 24 South, Range 29 East. The spacing unit will
21 be dedicated to the Salt Flat CC 20-29 Fed Com #35H
22 well, which will -- it's OXY's understanding that the
23 well will be placed in the Pierce Crossing; Bone Spring,
24 East Pool, pool code 96473.

25 In support of this application, OXY

1 presents the affidavit of Jeremy Murphrey. He is a
2 landman employed by OXY whose credentials have been
3 accepted by the Division and made a matter of record.
4 He's familiar with this application and the status of
5 the lands in the subject area. None of the mineral
6 interest owners to be pooled have expressed opposition,
7 and he does not expect any opposition at this hearing.

8 Again, Exhibit A1 is his plat showing the
9 tracts of land comprising the proposed spacing unit for
10 the proposed initial well. The subject land consists of
11 both federal and fee lands.

12 His Exhibit A2 is the C-102 for this well.
13 It has not yet been approved, but it shows the
14 surface-hole and bottom-hole locations for the well.

15 Exhibit A3 identifies the ownership
16 interest in this proposed spacing unit, and you'll see
17 again the working interest owners are the only parties
18 to be pooled, and they've been highlighted on this
19 exhibit. There are not any overrides that require
20 pooling, and all of these interests were locatable.

21 Exhibit A4 is OXY's well-proposal letter.
22 Mr. Murphrey indicated that the costs in the AFE are
23 consistent with what OXY and other operators have
24 incurred for drilling similar horizontal wells in this
25 formation. There are no depth severances in the

1 proposed spacing units, and there are no unleased
2 mineral interest owners. OXY has again estimated that
3 overhead and administrative costs would be \$7,500 a
4 month while drilling and \$750 per month while producing.

5 Turning to Exhibit B is the affidavit of
6 Tony Troutman. He is a geologist with OXY whose
7 credentials have also been accepted by the Division and
8 made a matter of record. In this case OXY is targeting
9 the 3rd Bone Spring Sand in the Bone Spring Formation
10 underlying the proposed spacing unit.

11 On his Exhibit B1, he has prepared a
12 structure map showing the wellbore path for the proposed
13 well in Sections 20 and 29. He does not observe any
14 faulting or pinch-outs or geologic impediments to
15 developing this target interval with a horizontal well.

16 On his Exhibit B2, he identifies the wells
17 that he used to construct the stratigraphic cross
18 section both from A to A prime and B to B prime.

19 Those wells are then -- the logs for those
20 wells are then shown on Exhibit B3. As you'll see, that
21 exhibit also shows the target interval and the landing
22 zone for the wells. And the cross section demonstrates
23 that the target interval is present and continuous
24 across the subject acreage. Mr. Troutman also indicates
25 the north-to-south orientation for the proposed wells is

1 appropriate to efficiently and effectively develop the
2 target interval. And in his opinion, the granting of
3 OXY's application will be in the best interest of
4 conservation, the prevention of waste and the protection
5 of correlative rights.

6 Exhibit C is an affidavit from our office
7 showing notice of this hearing was provided to the
8 parties to be pooled, and it also contains the report
9 from the postal service.

10 With that, OXY would move the admission of
11 Exhibits A through C and requests that the case be taken
12 under advisement.

13 MR. BRUCE: No objection.

14 EXAMINER JONES: Exhibits A, B and C are
15 admitted, and Case Number 20551 is taken under
16 advisement.

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

19 (Case Number 20551 concludes, 4:11 p.m.)
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25 STATE OF NEW MEXICO

1 COUNTY OF BERNALILLO

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3 CERTIFICATE OF COURT REPORTER

4 I, MARY C. HANKINS, Certified Court

5 Reporter, New Mexico Certified Court Reporter No. 20,

6 and Registered Professional Reporter, do hereby certify

7 that I reported the foregoing proceedings in

8 stenographic shorthand and that the foregoing pages are

9 a true and correct transcript of those proceedings that

10 were reduced to printed form by me to the best of my

11 ability.

12 I FURTHER CERTIFY that the Reporter's

13 Record of the proceedings truly and accurately reflects

14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither

16 employed by nor related to any of the parties or

17 attorneys in this case and that I have no interest in

18 the final disposition of this case.

19 DATED THIS 30th day of June 2019.

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22 MARY C. HANKINS, CCR, RPR

23 Certified Court Reporter

24 New Mexico CCR No. 20

25 Date of CCR Expiration: 12/31/2019

Paul Baca Professional Court Reporters

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