

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 KAISER-FRANCIS OIL	CASE NOS. 20286,
COMPANY FOR COMPULSORY POOLING,	20287, 20288,
EDDY COUNTY, NEW MEXICO.	20289, 20290

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 27, 2019

Santa Fe, New Mexico

BEFORE: LEONARD LOWE, CHIEF EXAMINER
MICHAEL McMILLAN, TECHNICAL EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Leonard Lowe, Chief Examiner; Michael McMillan, Technical Examiner; and David K. Brooks, Legal Examiner, on Thursday, June 27, 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
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APPEARANCES

FOR APPLICANT KAISER-FRANCIS OIL COMPANY:

JAMES G. BRUCE, ESQ.
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INDEX

PAGE

Case Numbers 20286, 20287, 20288, 20289 and 20290 Called	3
Cases Presented by Affidavit	3
Proceedings Conclude	13
Certificate of Court Reporter	14

EXHIBITS OFFERED AND ADMITTED

Kaiser-Francis Oil Company Exhibit
Numbers 1, 2 and 3 in each case 6, 7, 8, 9, 11

1 (9:19 a.m.)

2 EXAMINER LOWE: We will call Case Numbers
3 20286, 20287, 20288, 20289 and 20290.

4 Call for appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of
6 Santa Fe representing the Applicant.

7 I am submitting these cases by affidavit.
8 There's a lot of commonality in these cases. I will
9 start off with the first case, and the rest of it will
10 be pretty similar.

11 EXAMINER LOWE: Are there any other
12 appearances?

13 Proceed.

14 MR. BRUCE: Mr. Examiner, just a short
15 introduction. These cases all involve pooling of the
16 Townsite of Loving, New Mexico or, as I called it last
17 year, beautiful downtown Loving, New Mexico. Actually,
18 I put cases on last year and orders were issued in Cases
19 16317 through 16141. The reason I'm bringing these
20 again is to pool some additional interest owners. As I
21 said, it's the Townsite of Lovington [sic]. It's all
22 fee land. There were -- I forget exactly how many but
23 well over 400 interest owners. Not all were pooled. A
24 lot of them were leased. But last year we force pooled
25 a number of interest owners, and some additional updated

1 title work found several additional interest owners.

2 They are all unleased mineral owners.

3 And the other thing I wanted to point out
4 is the acreage involved is kind of odd. It's the
5 southeast quarter of Section 20 and the southwest
6 quarter of Section 21. The reason for that is mainly
7 because prior to Kaiser-Francis coming in and force
8 pooling, Wolfcamp wells were drilled all around those
9 two quarter sections. And we did receive approval for
10 nonstandard units last year. We provided that. So I'm
11 going to be fairly summary in my explanation of what's
12 going on.

13 And I've handed you Exhibits 1 through 4 in
14 the first case, 20286. Exhibit 1 is the affidavit of
15 Mike Maxey, the landman. There are three zones being
16 force pooled: the Lower Brushy Canyon, the Bone Spring
17 and the Wolfcamp. This case involves the Bone Spring
18 Formation underlying a 160-acre unit comprised of the
19 north half-southeast of Section 20 and the north
20 half-southwest of Section 21. This is in the Culebra
21 Bluff; Bone Spring Pool, pool code 15011. And the
22 particular well is called the Loving Townsite 2021 3BS
23 Well #1H.

24 MR. BRUCE: Be quiet, Mr. Carr.

25 (Laughter.)

1 MR. BRUCE: Attached to the affidavit, you
2 can see a C-102 for the well showing the well unit.

3 Attachment B shows the additional parties
4 being pooled. You can see that these interests are
5 quite small. The rest of the acreage was tied up last
6 year. There is a sample proposal letter sent to the
7 interest owners and an AFE for the well. It's about
8 a -- about \$6.7 million well.

9 Exhibit 2 is the Affidavit of Notice for
10 this well. Actually, the subsequent case, 20288,
11 involved the same interest owners, so this particular
12 Affidavit of Notice covers 20286 and 20288.

13 A number of people were notified. A lot of
14 green cards didn't come back, so notice was published,
15 and that's marked Exhibit 3. Exhibit 3 is the Affidavit
16 of Publication in the Carlsbad newspaper. The notice
17 covers all of these applications. So even though I've
18 made copies of all the notice materials for each
19 particular case, a lot of them are repetitive, but I did
20 make copies so that each case file, when I email it
21 in to Ms. Murphy, will have its own set of exhibits.

22 And the affidavit of the landman says there
23 are several unlocatable interest owners and describes
24 the steps taken to find them. Because the interests
25 being pooled are unleased mineral interests, there are

1 no overriding royalties to force pool. And
2 Kaiser-Francis requests \$8,000 a month for a drilling
3 well and \$800 a month for a producing well, which are
4 stated to be fair and reasonable rates. And
5 Kaiser-Francis Oil Company requests it be designated
6 operator of the well.

7 And with that, I would move the land
8 exhibits, Exhibits 1 through 3.

9 EXAMINER LOWE: Exhibits 1 through 3 are
10 accepted.

11 (Kaiser-Francis Oil Company Exhibit Numbers
12 1, 2 and 3 are offered and admitted into
13 evidence.)

14 MR. BRUCE: We are not presenting any
15 geology. We would just ask that the prior geology,
16 which was presented last year, be incorporated by
17 reference.

18 EXAMINER LOWE: Okay.

19 MR. BRUCE: I'm going to skip a case. That
20 is 20288. It's the same land, the north half -- north
21 half-southeast of Section 20 and the north
22 half-southwest of Section 21. All the land material is
23 similar. Again, this is a Delaware well. It's in the
24 East Loving; Brushy Canyon Pool, code 40350. And this
25 is for the Loving Townsite 2021 LBC Well #1H. The

1 affidavit is virtually identical to the one regarding
2 the Bone Spring well. The same lands are involved. The
3 same parties are involved.

4 And then Exhibit 2 is the Affidavit of
5 Notice, which is the same Affidavit of Notice as for the
6 prior case.

7 And Exhibit 3 is the same Affidavit of
8 Publication as for the prior case.

9 And with that, I'd move the admission of
10 Exhibits 1 through 3 in Case 20288.

11 EXAMINER LOWE: The exhibits are admitted
12 for the record.

13 (Kaiser-Francis Oil Company Exhibit Numbers
14 1, 2 and 3 are offered and admitted into
15 evidence.)

16 MR. BRUCE: The next case is Case 20287,
17 which is for a Bone Spring well, in the south
18 half-southeast quarter and the south half-southwest
19 quarter, same -- there are slightly -- there is slightly
20 different interest ownership. Again, the affidavit of
21 the landman contains the C-102 for the well.

22 Attachment B is the interest owners being
23 pooled. There is some slight difference from that from
24 the prior two cases that I just submitted. And, again,
25 you can see that the interests are extremely small. I

1 think the average lot size in Loving Township is
2 somewhere between .1 to .15 acres or something like
3 that. So they're all very small interests.

4 And then along with that is the Affidavit
5 of Notice for both cases, 20287 and 20289, and Exhibit
6 3, which is the Affidavit of Publication, which has
7 previously been submitted. Again, these are just
8 additional unleased mineral interest owners.

9 And I'd ask that Exhibits 1 through 3 in
10 Case 20287 be admitted to the record.

11 EXAMINER McMILLAN: Exhibits 1 through 3
12 for Case Number 20287 will be admitted.

13 (Kaiser-Francis Oil Company Exhibit Numbers
14 1, 2 and 3 are offered and admitted into
15 evidence.)

16 MR. BRUCE: In Case Number 20289, this is
17 for a Lower Brushy Canyon well, again in the south
18 half-southeast of Section 20 and the south half-
19 southwest quarter of Section 21. So the interest
20 ownership, et cetera, is identical to Case 20287. There
21 is a C-102 for the well, A listing of interest owners, a
22 proposal letter and an AFE for the well. Again, some
23 parties were unlocatable, and the affidavit talks about
24 the steps taken. All the costs set forth are stated to
25 be fair and reasonable, and for each one of these cases,

1 the same 8,000, \$800 a month overhead rates are
2 submitted.

3 Exhibit 2 is the Affidavit of Notice again
4 for Cases 20287 and 20289.

5 And Exhibit 3 is the Affidavit of
6 Publication, which is uniform for all of these cases.

7 And with that, I'd move the admission of
8 Exhibits 1 through 3 in Case 20289.

9 EXAMINER McMILLAN: Okay. Exhibits for
10 Case Number 20289 will be admitted for the case.

11 (Kaiser-Francis Oil Company Exhibit Numbers
12 1, 2 and 3 are offered and admitted into
13 evidence.)

14 MR. BRUCE: And finally I will give you the
15 exhibits for Case 20290, and this is the case where
16 force pooling is sought for four Wolfcamp wells. Again,
17 Exhibit 1 is the affidavit of Mike Maxey.

18 And I should note that in all of these
19 applications, whether it's the Delaware or the Bone
20 Spring or the Wolfcamp, there are no depth severances in
21 any of these formations.

22 And the affidavit identifies the four
23 Wolfcamp wells for which pooling is sought. There are
24 C-102s for each of the wells.

25 Attachment B to the landman's affidavit

1 contains a laundry list of interest owners because it's
2 merging the interest ownership with both the north wells
3 and the south-half wells, the Bone Spring and Brushy
4 Canyon wells. And, again, it contains proposal letters,
5 and AFEs for the wells are included. And these wells
6 are about a million dollars more expensive than the
7 Lower Brushy Canyon or the Bone Spring wells.

8 EXAMINER BROOKS: Just a little bit more
9 expensive.

10 MR. BRUCE: What's that?

11 EXAMINER BROOKS: I say it sounds like
12 they're just a little bit more expensive.

13 MR. BRUCE: Not too much more (laughter).

14 EXAMINER BROOKS: A paltry million dollars.

15 MR. BRUCE: A million here, a million
16 there. Next thing you know, you're talking real money.

17 Again, 8,000, 800 a month is requested.

18 Exhibit 2 is the Affidavit of Notice of
19 mailings sent to all the Wolfcamp interest owners. And,
20 again, there were unlocatable people, so notice was
21 published against all of these people.

22 And Exhibit 3 is the affidavit -- the
23 common Affidavit of Publication for all of these wells.

24 And with that, I would move the admission
25 of Exhibits 1 through 3 in Case Number 20290.

1 EXAMINER LOWE: Exhibits 1 through 3 for
2 Case 20290 will be accepted.

3 (Kaiser-Francis Oil Company Exhibit Numbers
4 1, 2 and 3 are offered and admitted into
5 evidence.)

6 MR. BRUCE: With that, I'd ask that these
7 cases be taken under advisement.

8 EXAMINER LOWE: Any questions, Michael?

9 EXAMINER McMILLAN: Okay. My question is:
10 Were those the same overhead rates for the previous
11 cases?

12 MR. BRUCE: I meant to look that up,
13 Mr. Examiner. I knew you would ask. If they are not,
14 we will accept the rates in the original order. I think
15 they are, but I don't remember.

16 EXAMINER McMILLAN: Okay. Yeah. I have to
17 ask that.

18 So I'm trying to -- you just simply have
19 additional interests that you're pooling, right? And
20 the original ones you're pooling and subject to that
21 case are essentially an add-on?

22 MR. BRUCE: Yes. Yes. I think in the
23 original case -- I forget how many people were force
24 pooled, 100 or something like that, and they have leased
25 up -- whether Kaiser-Francis or other companies have

1 leased up several hundred other interest owners, and
2 these just kind of popped up.

3 EXAMINER McMILLAN: Okay.

4 EXAMINER LOWE: I've got one question here.
5 You indicated, for Case Number 20286, the initial one
6 you presented, that you wanted to use the geology from
7 the previous case.

8 MR. BRUCE: Yeah. For all of these, I
9 would ask that the geology be.

10 EXAMINER LOWE: For all?

11 MR. BRUCE: Yeah. Those cases -- as I
12 mentioned, we did present geology on each of the
13 Delaware, Bone Spring and Wolfcamp in those cases, 16137
14 through 16141.

15 EXAMINER LOWE: Okay.

16 EXAMINER McMILLAN: What are the status of
17 the wells?

18 MR. BRUCE: The Wolfcamp wells have been
19 drilled. I think one of them might still be drilled. I
20 think the others have not been drilled. I will find
21 out.

22 EXAMINER McMILLAN: Yeah. So send an email
23 to clarify the status of all the wells.

24 EXAMINER LOWE: Case Numbers 20286, 20287,
25 20288, 20289 and 20290 will be taken under advisement.

1 (Case Numbers 20286, 20287, 20288, 20289
2 and 20290 conclude, 9:37 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 15th day of July 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