

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. 20291,
COMPANY FOR COMPULSORY POOLING, 20292, 20293
EDDY COUNTY, NEW MEXICO.

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
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APPEARANCES

FOR APPLICANT KAISER-FRANCIS OIL COMPANY:

JAMES G. BRUCE, ESQ.
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1 (9:37 a.m.)

2 EXAMINER LOWE: We will call Case Number
3 20291.

4 MR. BRUCE: Mr. Examiner, Jim Bruce of
5 Santa Fe representing the Applicant. I'm submitting
6 this case by affidavit. I would ask that it be combined
7 with the next two cases also.

8 EXAMINER LOWE: The next two cases meaning?

9 MR. BRUCE: 20292 and 20293.

10 EXAMINER LOWE: Okay.

11 Any other appearances?

12 MR. BRUCE: And, Mr. Examiner, I will --
13 let me start off -- I'll do the first one and then the
14 next one will be --

15 EXAMINER McMILLAN: Were these cases heard?

16 MR. BRUCE: No. These are -- these are the
17 first time these cases have been heard, Mr. Examiner.

18 EXAMINER McMILLAN: Okay.

19 MR. BRUCE: And I've just handed you the
20 land exhibits in this case.

21 In Case Number 20291, Exhibit 1 is the
22 affidavit of Mike Maxey, the landman for Kaiser-Francis.
23 In this case Kaiser-Francis seeks the pooling of the
24 north half-north half of Section 24 in 23 South, 28 East
25 and the north half-north half of adjoining Section 19 in

1 23 South, 29 East and seeks the pooling of all mineral
2 interests in the Bone Spring Formation. It's in the
3 Culebra -- South Culebra Bluff; Bone Spring Pool, pool
4 code 15011. The first well is the Mosaic 2419 3BS Well
5 #1H.

6 The land affidavit contains a land plat,
7 Midland Map Company plat, showing the location of the
8 well, the C-102 for the well.

9 Exhibit C is the parties being pooled.
10 There are two parties being pooled in each of these
11 three applications, and they have the same interest
12 ownership in each case. And those parties are Chevron
13 North America Exploration & Production Company and TLW
14 Investments, LLC. You'll notice that one of the
15 interest owners is -- and it gives their net acreage in
16 each -- in each well.

17 And MRC Permian LKE Company, LLC is listed,
18 but they are dismissed -- they are listed as dismissed
19 from the case.

20 It contains a proposal letter and an AFE
21 for the well, which is approximately a \$10 million well
22 due to its length. Again, there is no depth severance
23 in the Bone Spring Formation. There was one unlocatable
24 interest owner, and the affidavit describes the contacts
25 made with the parties. They are requesting 8,000 a

1 month for a drilling well, 800 a month for a producing
2 well and the maximum cost plus 200 percent risk charge.

3 Exhibit 2 is the Affidavit of Notice mailed
4 to the interest owners.

5 Exhibit 3 is an Affidavit of Publication,
6 which again pertains to all three cases that are being
7 presented.

8 And if you have questions, I'll be glad to
9 answer them, but I would move the admission of Exhibits
10 1 through 3 in Case 20291.

11 EXAMINER LOWE: I have a question. On
12 your -- on the MRC Permian --

13 MR. BRUCE: Yes.

14 EXAMINER LOWE: -- when you say dismissed,
15 did they dismiss themselves, or what do you mean by
16 that?

17 MR. BRUCE: Well, they were originally
18 notified for the -- for these cases, but we are not
19 seeking to force pool them at this time. They are
20 reaching a voluntary agreement.

21 EXAMINER LOWE: Okay. Okay.

22 Any questions, Michael?

23 EXAMINER McMILLAN: This is probably not
24 exactly a very good question. So the well is in
25 Section -- the surface location is in Section 24-23-28?

1 MR. BRUCE: Yes.

2 EXAMINER McMILLAN: And the bottom hole is
3 in 19?

4 MR. BRUCE: That is correct.

5 EXAMINER McMILLAN: Oh, okay.

6 MR. BRUCE: Yeah, just to the east.

7 EXAMINER McMILLAN: Yeah. Okay.

8 MR. BRUCE: Crossing the township line.

9 EXAMINER McMILLAN: Well, yeah. Okay.

10 MR. BRUCE: And these wells, none of them
11 have been drilled yet, the Mosaic wells in these three
12 cases.

13 EXAMINER McMILLAN: Do they have an API
14 number or anything?

15 MR. BRUCE: No. I checked late yesterday
16 afternoon. There is no API number for these wells.

17 EXAMINER McMILLAN: Okay. I don't have any
18 questions.

19 EXAMINER LOWE: Okay. Exhibits 1 through 3
20 will be admitted in this case.

21 (Kaiser-Francis Oil Company Exhibit Numbers
22 1, 2 and 3 are offered and admitted into
23 evidence.)

24 MR. BRUCE: I'm handing you the land
25 exhibits for Case Number 20292 and again for the Bone

1 Spring well, same pool, same pool code. This is for the
2 south half-north half of Section 24 of 23-28 and the
3 south half-north half of Section 19 of 23-29, the
4 acreage involved, and the well name, which is the Mosaic
5 Federal 2419 3BS Well #2H. The name contained in the
6 affidavit is pretty much the same. There is a land plat
7 showing the -- a Midland Map Company plat showing the
8 lands involved, a C-102 for the well.

9 Attachment C shows the same two parties are
10 being force pooled. The -- I should state what -- they
11 listed acres owned. Really that's -- that is their
12 total interest in -- if you turn back to the land plat,
13 you can see that the north half of Section 19 is all one
14 fee tract, and that's the net acres they own in that 320
15 acres. So you'd have to reduce it down to get their
16 interest in the well unit.

17 And, again, the AFE is attached.
18 Everything else is the same, same overhead rates, et
19 cetera.

20 Exhibit 2 is the same Affidavit of Notice.

21 And Exhibit 3 is the same Affidavit of
22 Publication. The same parties are all involved.

23 With that, I'd move the admission of
24 Exhibit 1 through 3 in Case 20292.

25 EXAMINER LOWE: Exhibits 1 through 3 are

1 accepted for Case Number 20292.

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

5 MR. BRUCE: Since both of those cases
6 involve the Bone Spring, marked as Exhibit 4 in each of
7 those two cases is the affidavit of Lee Lindman, who is
8 the geologist for Kaiser-Francis.

9 Exhibit A is a structure map on top of the
10 Wolfcamp showing the locations of the two Bone Spring
11 wells.

12 Mr. Examiner -- Mr. McMillan, I'm afraid my
13 client didn't -- but at least he didn't use the same
14 blue or yellow color. He just left it white.

15 EXAMINER McMILLAN: (Laughter.)

16 MR. BRUCE: An isopach of the Bone Spring
17 and a cross section of the Bone Spring showing the
18 landing interval at the bottom of the 3rd Bone Spring
19 zone.

20 Mr. Lindman concludes that horizontal
21 drilling is justified from a geologic standpoint and
22 each quarter-quarter section in each well unit will
23 contribute more or less equally to production. And
24 there is no other geologic impediment which would
25 adversely affect the drilling of the wells.

1 Furthermore, when you look at the plats,
2 there are both the -- in this area there are a lot of
3 stand-ups units. There are also lay-down units. And he
4 states there is no geologic difference for stand-up or
5 lay-down wells in this area.

6 And with that, I'd move the admission of
7 Exhibit 4, which is the same exhibit in Cases 20291 and
8 20292.

9 EXAMINER McMILLAN: Exhibit 4 is accepted
10 in both cases, 20291 and 20292.

11 (Kaiser-Francis Oil Company Exhibit Number
12 4 is offered and admitted into evidence.)

13 EXAMINER McMILLAN: Just for clarity
14 purposes, the measured depth is approximately 9,600,
15 right?

16 MR. BRUCE: Correct. Yeah. And I -- but
17 I'll have him email me that so I can get it to where you
18 can blow it up on the --

19 EXAMINER McMILLAN: Yeah, because that's
20 something we put in writing, TVD.

21 MR. BRUCE: I'll get those.

22 And if I didn't do it, I would move the
23 admission of Exhibit 4 and any other exhibits I didn't
24 move into admission.

25 Mr. Examiner, I hand you the land and

1 geologic exhibits in Case 20293, and this case involves
2 proposed Wolfcamp wells. There are five proposed wells.

3 Again, Exhibit 1 is the affidavit of
4 Michael Maxey, the landman. They are seeking to force
5 pool the Wolfcamp. There is no depth severance in the
6 Wolfcamp. The well unit is the north half of 24 and the
7 north half of 19, and this is in the Purple Sage;
8 Wolfcamp Gas Pool. And the five wells that
9 Kaiser-Francis seeks to drill are identified on pages 1
10 and 2 of the affidavit.

11 Again, the interest -- there is a Midland
12 Map Company plat, and then there are C-102s for each of
13 the wells giving their locations.

14 Attachment C to the landman's affidavit is
15 the listing of interest owners. Again, it's the same
16 two parties being pooled, and they have the identical
17 interests in these wells as they did in the Bone Spring
18 wells. The well proposals are contained together with
19 AFEs for the wells, and these are somewhat over
20 \$11 million wells, which are stated to be fair and
21 reasonable costs. And, again, they seek 8,000 a month
22 for a drilling well, 800 a month for a producing well
23 and a 200 percent risk charge.

24 Also attached at the back -- they got
25 stapled together -- is Exhibit 2, which is my Affidavit

1 of Notice, and Exhibit 3, which is the common Affidavit
2 of Publication from the Carlsbad newspaper.

3 Exhibit 4 is again the verified statement
4 of Lee Lindman, the geologist. He attaches a structure
5 map, a gross isopach and a cross section, the same as
6 previously. The cross section shows the approximate
7 landing points for these wells.

8 And I will again get the cross sections
9 emailed to me so you can expand upon those and get a
10 better idea of the depth, et cetera.

11 And, again, horizontal drilling is
12 justified from a geologic standpoint, and each quarter
13 section in the well unit will contribute more or less
14 equally to production.

15 And with that, I'd move the admission of
16 Exhibits 1 through 4 in Case 20293.

17 EXAMINER LOWE: Exhibits 1 through 4 will
18 be accepted in Case Number 20293.

19 (Kaiser-Francis Oil Company Exhibit Numbers
20 1 through 4 are offered and admitted into
21 evidence.)

22 MR. BRUCE: And that's all I have. I would
23 ask --

24 EXAMINER McMILLAN: Hold on. I'm not done.

25 MR. BRUCE: Okay.

1 EXAMINER McMILLAN: What are the building
2 blocks? Are they going to use 320s or quarter sections?

3 MR. BRUCE: 320s.

4 EXAMINER McMILLAN: Okay.

5 MR. BRUCE: Two half sections of land.

6 EXAMINER McMILLAN: Okay. Well, that's one
7 of the questions that's in the template.

8 And then you'll clarify what true vertical
9 depth is --

10 MR. BRUCE: Yes.

11 EXAMINER McMILLAN: -- and have that in
12 writing for the four wells?

13 MR. BRUCE: Yes.

14 EXAMINER McMILLAN: Okay. And all of the
15 wells are proposed, correct?

16 MR. BRUCE: These are all proposed wells.
17 The BLM has not yet issued the permits on them.

18 EXAMINER McMILLAN: Okay.

19 MR. BRUCE: But I would ask that the first
20 two cases, 20291 and 20292, be taken under advisement.

21 As to Case 20293, there was an error in the
22 advertisement I originally submitted to the Division,
23 which Mr. Brooks brought to my attention a few weeks
24 ago, so this case was readvertised. I sent that in, and
25 the Division readvertised it for the July 11th hearing.

1 So I'd request that the case be continued to July 11th
2 but only to satisfy the Division's publication
3 requirements.

4 EXAMINER McMILLAN: If it's put on that
5 one.

6 MR. BRUCE: Yeah. No additional testimony
7 will need to be submitted.

8 EXAMINER LOWE: Case Numbers 20291 and
9 20292 will be taken under advisement.

10 And Case 20293 will be continued for notice
11 purposes to July 11th.

12 We'll take a ten-minute break. We'll
13 reconvene about 10:10.

14 (Case Numbers 20291, 20292 and 20293
15 conclude, 9:56 a.m.)

16 (Recess, 9:56 a.m. to 10:10 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
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters

25