

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 XTO ENERGY, INC. CASE NOS. 20635,
FOR COMPULSORY POOLING, EDDY COUNTY, 20636
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 11, 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, July 11, 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 XTO ENERGY, INC.:

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1 (3:34 p.m.)

2 EXAMINER JONES: Okay. So Remuda. This is
3 XTO. So we're going to call Cases 20635 and 20636,
4 applications of XTO Energy, Incorporated for compulsory
5 pooling, Eddy County, New Mexico.

6 Call for appearances.

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

9 And we are presenting this case by
10 affidavit. Turning to Exhibit A, is the affidavit of
11 Carlos de la Garza in support of both cases. In his
12 affidavit, Carlos de la Garza describes his work for XTO
13 Energy as a senior landman. He has not previously
14 testified before the Division. He graduated from the
15 University of Oklahoma with a BBA in energy management
16 in 2011. And since 2012, he's worked with XTO, and he
17 seeks to have his credentials accepted as an expert
18 petroleum landman. He's familiar with the applications
19 in these cases, and he does not expect any opposition to
20 these pooling cases.

21 In Case Number 20635, XTO seeks an order
22 pooling all interests in the Wolfcamp Formation
23 underlying a standard 240-acre spacing unit comprised of
24 the west half-west half equivalent of irregular Section
25 19 and the west half-northwest quarter equivalent of

1 Section 30, Township 23 South, Range 30 East in Eddy
2 County, which will be dedicated to the Remuda North 30
3 State #111, 112, 121 and 122 wells. Each of these
4 wells' completed intervals will comply with the standard
5 setbacks except for the 112H well, and XTO intends to
6 seek administrative approval of that nonstandard
7 location.

8 The C-102s are contained in Exhibit A1, and
9 they reflect the footages for each of the wells. The
10 pool code for these wells, XTO has been advised, will be
11 98241, which is a wildcat Wolfcamp.

12 EXAMINER ONES: Wolfcamp oil, yeah.

13 MS. LUCK: Yes.

14 And there are no depth severances in the
15 Wolfcamp in this area.

16 His Exhibit A2 identifies the tracts of
17 lands for the spacing unit. It also indicates that XTO
18 is seeking to pool only the working interest owners
19 highlighted on the exhibit, and the spacing unit
20 includes only state lands.

21 All the interest owners are locatable, and
22 XTO has attempted to contact each of the working
23 interest owners, as reflected on Exhibit A3, which is a
24 sample well-proposal letter, along with an AFE that was
25 provided to the working interest owners. The cost

1 reflected on the AFE are consistent with what other
2 operators are charging in this area. XTO, in both of
3 these cases, is seeking \$7,500 per month while drilling
4 and \$750 per month while producing.

5 And then in Case Number 20636, XTO is
6 seeking an order pooling all uncommitted interests in
7 the Wolfcamp for a standard 400-acre spacing unit
8 comprised of the east half of the west half of Sections
9 19 and 30 and the east half of the northwest quarter of
10 Section 31, which will be dedicated to the Remuda North
11 31 State 113, 123, 124 and 164H wells. Each of the
12 completed intervals will comply with standard setbacks.

13 Exhibit A4 has the C-102s for the proposed
14 wells, and these wells are placed in the same pool as in
15 the previous case, 98241. There are no depth severances
16 in this area in the Wolfcamp Formation.

17 Exhibit A5 is again a tract map showing the
18 proposed spacing unit and identifying the ownership
19 interests by tract and by spacing unit. XTO has
20 highlighted on the exhibit the working interest owners
21 that it is seeking to pool, and each of the interest
22 owners were locatable.

23 On Exhibit A6, XTO has provided a copy of
24 the well-proposal letters, along about the AFE that was
25 sent to the working interest owners that it seeks to

1 pool in these cases.

2 In his opinion, XTO has made good-faith
3 efforts to reach an agreement with the parties XTO seeks
4 to pool and will let the Division know if it reaches
5 agreement with anyone. There are no depth severances in
6 this acreage, and there is no unleased mineral interests
7 in this acreage.

8 XTO provided our office with the names and
9 addresses to be provided notice of this hearing, and the
10 notice information will be provided on Exhibit C.

11 Turning to Exhibit B, that's the affidavit
12 of Mr. Arturo Ayala in support of both cases. He also
13 works for XTO Energy but as a geologist. He has not
14 previously testified before the Division, and he seeks
15 to have his credentials accepted as an expert petroleum
16 geologist. He states his experience and his education
17 in his affidavit. He's familiar with the applications
18 filed by XTO in these cases, and he's conducted a
19 geologic study of the target intervals.

20 So the way that we've laid out these
21 exhibits is there are wells from both cases that are
22 targeting the Wolfcamp Y and then the Wolfcamp A and
23 then the Wolfcamp E. So we've laid out the geology
24 exhibits where the first -- B1 and B2 are the wells that
25 are targeting the Wolfcamp Y. So there are wells from

1 both cases. And then B3 and B4, then, are the exhibits
2 that reflect the wells that are targeting the
3 Wolfcamp A.

4 EXAMINER JONES: Okay.

5 MS. LUCK: And then finally, B5 and B6 show
6 the wells that are targeting the Wolfcamp E structure.
7 And actually that's just the one well.

8 So it can be a little bit confusing because
9 the wells -- you know, there are wells in both cases
10 that target different intervals.

11 EXAMINER JONES: Yeah. But the one case
12 has the mile-and-a-half, and the other one is two miles
13 and a half, I guess, two-and-a-half miles. So it's an
14 extra mile for one of the cases.

15 MS. LUCK: Right. And so, for example, on
16 our Exhibit B1, you can see that we've laid out the path
17 of the proposed wellbores for the Remuda North 30 111
18 and also the 112, but then for the second case, the
19 Remuda North 31 113, you can see that the wellbore on
20 the 113 is longer than the 111 and the 112.

21 And if you'd like, I can go into more
22 detail of each of these exhibits, but in Mr. Ayala's
23 opinion, each of these three target intervals -- the
24 Wolfcamp Y, the Wolfcamp A and the Wolfcamp E -- are
25 consistent in thickness throughout these proposed

1 horizontal spacing units. He does not observe any
2 faulting, pinch-outs or other geologic impediments to
3 developing these targeted intervals with the horizontal
4 wells. And in his opinion, horizontal development is in
5 the interest of conservation, the prevention of waste
6 and the protection of correlative rights.

7 And then turning to the Exhibit Number C --
8 or Letter C is an affidavit showing that notice was
9 provided to the working interest owners to be pooled in
10 both cases. And because we received confirmation that
11 each of the letters were delivered and received by the
12 working interest owners, we did not include a Notice of
13 Publication with our exhibit package.

14 EXAMINER JONES: Okay.

15 MS. LUCK: So with that, we would ask that
16 Exhibits A, B and C be admitted into the record.

17 EXAMINER JONES: Exhibits A, B, C, along
18 with the attachments, in both cases are admitted.

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

21 EXAMINER JONES: Okay. Thank you.

22 I guess we've got to make sure it's not
23 within the boundaries of the Purple Sage. But I guess
24 it's not because the district geologist assigned it a
25 pool, and he knows the rules, that if it's within the

1 boundaries, it's got to be in the Purple Sage.

2 MS. LUCK: And it's my understanding that
3 we're not in the Purple Sage here because we've been
4 placed in the wildcat Wolfcamp pool.

5 EXAMINER JONES: Okay. Not in the areal
6 boundaries of the Purple Sage.

7 MS. LUCK: (Indicating.)

8 With that, we'd ask that the case be taken
9 under advisement.

10 EXAMINER JONES: Okay. Cases 20635 and
11 20636 are taken under advisement.

12 MS. LUCK: Thank you.

13 (Case Numbers 20635 and 20636 conclude,
14 3:43 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 26th day of July 2019.

21

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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

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