

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. FOR CASE NOs. 20687,  
COMPULSORY POOLING, EDDY COUNTY, 20695  
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 8, 2019

Santa Fe, New Mexico

BEFORE: LEONARD LOWE, CHIEF EXAMINER  
MICHAEL McMILLAN, TECHNICAL EXAMINER  
DANA Z. DAVID, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Leonard Lowe, Chief Examiner; Michael McMillan, Technical Examiner; and Dana Z. David, Legal Examiner, on Thursday, August 8, 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 (2:41 p.m.)

2 EXAMINER LOWE: Okay. We are back on the  
3 record.

4 Call Case Number 20687, application of XTO  
5 Energy for compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. FELDEWERT: May it please the examiner,  
8 Michael Feldewert, with the Santa Fe office of Holland &  
9 Hart, appearing on behalf of the Applicant.

10 We'd ask that this case be consolidated  
11 with Case 20695, which appears on page 11 of your  
12 docket. It's the same acreages involved.

13 EXAMINER LOWE: Okay.

14 Any other appearances?

15 MR. FELDEWERT: So perhaps you could call  
16 Case --

17 EXAMINER LOWE: And Case 20695 is  
18 consolidated with 20687.

19 MR. FELDEWERT: Mr. Examiner, there is no  
20 opposition to these -- either of these pooling  
21 applications. We'll be presenting the case by  
22 affidavit, which I have a set of affidavits. In front  
23 of you, there are four exhibits -- fundamental exhibits,  
24 Exhibit A, which is the affidavit of the landman, and  
25 Exhibit B, which is the affidavit of the geologist, and

1 then Exhibit C, which is the Affidavit of Notice, and  
2 then Exhibit D, which is the Affidavit of Publication in  
3 the local newspaper.

4           If you turn to Tab A, Exhibit A, it's the  
5 affidavit of Mr. Greg Davis. He's the senior land  
6 advisor for the company. He has previously testified  
7 before this Division as an expert in petroleum land  
8 matters. And he notes in his affidavit that in Case  
9 20687, the first one you called here today, involves the  
10 Bone Spring Formation. And under that case, they seek  
11 to pool a 640-acre standard horizontal spacing unit  
12 comprised of the south half of Sections 13 and 14 in 20  
13 South, 31 East and dedicated to four initial wells,  
14 which are -- the C-102s of which comprise Exhibit A1.

15           If you look at those, Exhibit A1, and the  
16 four C-102s, you'll see that this is in a pool, and the  
17 pool code is identified. Neither of these well  
18 applications have been filed yet, so we do not have an  
19 API number. And those are the four wells that will be  
20 dedicated to the Bone Spring spacing unit, what you  
21 would call the proximity tract well, which allows the  
22 north half of the south half of the south half of the  
23 south half to be brought together. That would be the  
24 Anakin 203H well, which is the first well, the first  
25 C-102 on Exhibit A1. And you'll see that it's at a

1 location that allows that well to be -- bring in the  
2 proximity tracts.

3 He then goes on to testify that in Case  
4 20695, they seek to pool the same acreage in the  
5 Wolfcamp Formation, and the C-102 application for that  
6 particular case is under Exhibit A2, the C-102 plat.  
7 What you'll notice is that yes, this is in Eddy County,  
8 but it is not in the Purple Sage; Wolfcamp Gas Pool.  
9 It's outside the boundaries of that pool, so we  
10 understand it's going to be placed in a wildcat Wolfcamp  
11 pool.

12 The Jedi well that you see in Exhibit A2 is  
13 the initial well for this proposed spacing unit, and it  
14 is at a location which allows the proximity tracts to be  
15 brought in to combine the acreage for a south-half  
16 spacing unit.

17 Exhibit A3 contains the tracts of land that  
18 are involved whether you look at this in the Bone Spring  
19 or the Wolfcamp. So it's the same tracts, same owners  
20 whether you're in the Bone Spring or the Wolfcamp. He  
21 testifies to that. And the second page of this exhibit  
22 identifies the interests that are involved and more  
23 importantly identifies the two parties that they seek to  
24 pool, Xplor Resources, which is a working interest, and  
25 then a mineral interest of Leslie H. Bates III.

1                   Exhibit A4, he testifies, is an example of  
2 the well-proposal letters that were sent for each of  
3 these proposed wells in the spacing units with the Bone  
4 Spring well proposal comprising A4 and the Wolfcamp well  
5 proposal comprising A5. He testifies that in addition  
6 to sending these letters, that the company had  
7 discussions with the pool parties and undertook efforts  
8 to reach agreements with the parties they seek to pool.

9                   The last page, page 4, of his affidavit,  
10 identifies the overhead rates that are sought for both  
11 of these spacing units, and that would be 7,500 per  
12 month and 750 per month while drilling. Mr. Davis  
13 testifies that there are no depth severances within  
14 either of these two formations and that he has provided  
15 the last known address of with these pool parties to our  
16 law firm for notice purposes.

17                   If we then turn to Exhibit B, it is the  
18 geologist's affidavit, Michael Williams. Mr. Williams  
19 has not previously testified before this Division, and  
20 he provides his extensive qualifications in paragraph  
21 two of his affidavit and asks that the Division accept  
22 them and accept him as an expert in petroleum geology.

23                   Noting the targets that are involved with  
24 each of these wells in both the Bone Spring and the  
25 Wolfcamp, he first provides in Exhibit B1 a structure

1 map that is based off the 3rd Bone Spring Lime  
2 structure, which is representative of the targeted  
3 intervals for these wells within the Bone Spring  
4 Formation. I believe they meet the requirements of the  
5 Division in terms of the contouring, as well as  
6 providing the data points that he utilized, which you  
7 will observe in these exhibits, because there is not a  
8 whole lot of data points when you get into this acreage.  
9 That's why this is somewhat of a wildcat area,  
10 particularly in the Wolfcamp. But he does testify,  
11 based on the information that they have, that he does  
12 not observe any faulting, pinch-outs or other geologic  
13 impediments that would prevent the development of this  
14 Bone Spring Formation.

15 Exhibit B2 is a similar structure map for  
16 the Wolfcamp. Not a whole lot of difference, he  
17 testifies in his affidavit. And, again, he sees no  
18 faulting or pinch-outs that would prevent the  
19 development of horizontal wells.

20 His Exhibit B3 is the locator map for the  
21 wells that he utilized in his cross section. He  
22 testifies, just to orient you, that the red line that  
23 you see in the south half of 14 and 13 is just a  
24 depiction of approximately where the wells are going to  
25 be, and you'll see that he was able to utilize a

1 saltwater disposal well right in Section 14 as one of  
2 his three cross-section wells. You'll see again there  
3 are not a whole lot of data points out there for him to  
4 utilize.

5 Exhibit B4 is then the stratigraphic cross  
6 section utilizing the three wells that he identifies on  
7 Exhibit B3. And he identifies the target zone for the  
8 four Bone Spring wells and then the single Jedi Wolfcamp  
9 well, the Jedi being in the Wolfcamp, approximately, X-Y  
10 or A zone down there at the bottom of this exhibit, B4.

11 He testifies that the targeted intervals  
12 for this that they have proposed here extends across the  
13 area that they seek to utilize as their spacing units.  
14 Now, because of the nature of the information and what's  
15 available, he took the extra step of not only providing  
16 the stratigraphic cross section, but then using that  
17 well all the way to the right-hand side, that SWD well,  
18 beginning on Exhibit B5, he shows the target zone in  
19 more detail for each well utilizing that SWD well.

20 So Exhibit B5 deals with the Anakin well.  
21 B6 deals with the Bone Spring Qui-Gon well. B7 shows  
22 the type log for that well, for the Rey 102H well in the  
23 target zone. B8 shows that final 3rd Bone Spring target  
24 zone for the Obi-Wan 102H well.

25 And then with respect to the Wolfcamp

1 Formation, Exhibit B9 shows the Jedi well and its  
2 location in the Wolfcamp X-Y target zone. So it  
3 provides a little more detail for you.

4 He testifies that he expects each of the  
5 quarter sections in these spacing units to contribute  
6 more or less equally to production from the wellbores,  
7 and he testifies, on the last page, that the orientation  
8 of the proposed wells is appropriate for this area.

9 Exhibit C, then, is our Affidavit of  
10 Publication to the two parties -- I'm sorry -- the  
11 Affidavit of Notice to the two parties we seek to pool  
12 here today. The notice letter to Leslie H. Bates III  
13 reflects that it's still in transit. I'm not sure what  
14 that means.

15 But as a result, Exhibit D is an Affidavit  
16 of Publication in the local newspaper both for the Bone  
17 Spring spacing unit -- that's the first case, Case  
18 20687 -- and then separately for the Wolfcamp spacing  
19 unit, 20695. And you'll see that in each case, the  
20 Notices of Publication is directed to Leslie H. Bates  
21 III devisees and heirs.

22 So with that, we would ask that Exhibits A  
23 through D be accepted into the record.

24 EXAMINER LOWE: Exhibits A through D will  
25 be accepted for the record.

1 (XTO Energy, Inc. Exhibits A through D are  
2 offered and admitted into evidence.)

3 MR. FELDEWERT: And I'd ask this case be  
4 taken under advisement.

5 EXAMINER McMILLAN: Okay. First, the  
6 Wolfcamp is a wildcat pool, correct?

7 MR. FELDEWERT: That's what they've been  
8 told.

9 EXAMINER McMILLAN: Okay. So it's going to  
10 be a wildcat gas pool, right?

11 MR. FELDEWERT: They've been told it's  
12 going to be a wildcat oil pool, which is why they're on  
13 40 building blocks. They understand this is going to be  
14 a wildcat pool.

15 EXAMINER McMILLAN: Let's see. The Jedi --

16 MR. FELDEWERT: That's for the Jedi.  
17 You'll see the pool says --

18 EXAMINER McMILLAN: Well -- Okay. I see  
19 what you're doing. Okay, this is a wildcat oil, but  
20 then it's on the quarter-quarter boundary.

21 MR. FELDEWERT: Yes. It brings in the  
22 proximity bounds, yes.

23 EXAMINER McMILLAN: All right. And you  
24 stated that every quarter-quarter section will  
25 contribute equally?

1 MR. FELDEWERT: Yes.

2 EXAMINER McMILLAN: Okay. Go ahead.

3 EXAMINER LOWE: Any questions, sir?

4 EXAMINER DAVID: I have no questions.

5 EXAMINER LOWE: I have no questions at this  
6 time.

7 Case Number 20687 and Case Number 20695  
8 will be taken under advisement.

9 MR. FELDEWERT: Thank you.

10 (Case Numbers 20687 and 20695 conclude,  
11 2:53 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 19th day of August 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

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