

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:

CASE NO. 20793, 20794

Application of Devon Energy Production
Company L.P. for a Horizontal Spacing
and Proration Unit and Compulsory Pooling,
Lea County, New Mexico

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING
8:23 A.M.
THURSDAY, OCTOBER 31st, 2019
SANTA FE, NEW MEXICO

This matter came on for hearing before the
New Mexico Oil Conservation Division, Kathleen Murphy,
Examiner, Phillip Goetze, Examiner, Eric Ames, Legal
Examiner Leonard Lowe, Engineer, on Thursday, October
31, 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: Robin E. Johnson
New Mexico CCR 105, RPR, CA CSR
PAUL BACA COURT REPORTERS
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Albuquerque, New Mexico 87102
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A P P E A R A N C E S

FOR THE APPLICANT:

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I N D E X

APPLICANT WITNESSES:

PAGE

Andy Bennett - Qualified as an Expert
 (By Affidavit)
 Thomas Peryam
 (By Affidavit)

4

CASES TAKEN UNDER ADVISEMENT

10

E X H I B I T S

ACCEPTED

PAGE

Exhibits I-1, I-1A, I-1B, I-1C, I-2, I-2A,
 I-2B, I-2C, I-2DI-3, I-3A, I-3B,
 I-3C

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Exhibits II-1, II-1A, II-1B, II-1C, II-1D,
 II-2, II-2A, II-2B, II-2C, II-3,
 II-3A, II-3B, II-3C

10

1 EXAMINER MURPHY: 20793 and, I believe,
2 20794. They are combined.

3 Is that true?

4 MR. RODRIGUEZ: Consolidated.

5 EXAMINER MURPHY: And that is the
6 application of Devon Energy Production Company, L.P.
7 for a horizontal spacing and proration unit and
8 compulsory pooling, Lea County, New Mexico.

9 Appearances?

10 MR. RODRIGUEZ: Good morning.
11 Michael Rodriguez with COG Operating, LLC.

12 MR. SAVAGE: Darin Savage, Abadie and
13 Schill for applicant.

14 Good morning, Ms. Examiner,
15 Mr. Examiners.

16 Darin Savage with Abadie and Schill for
17 Devon Energy Production Company with regard to its
18 consolidated applications in Case No.s 20793 and
19 20794, which are consolidated because they cover the
20 same lands, the W/2 of Section 24, Township 23 South,
21 Range 32 East.

22 If you look at the exhibits, they are
23 organized Roman numeral I for 20793, and Roman numeral
24 II for 20794.

25 If you turn to Page 13, the affidavit

1 of supervising landman Andy Bennett, he has previously
2 testified, and his qualifications are of record.

3 I tender Mr. Bennett as an expert
4 witness.

5 EXAMINER MURPHY: He has testified
6 before, so he is so qualified.

7 MR. SAVAGE: According to the affidavit,
8 Devon is seeking an order for a standard 320 horizontal
9 spacing proration unit comprising the W/2 of Section
10 24, Township 23 South, Range 32 East, Lea County,
11 New Mexico, and pooling all uncommitted interest owners
12 in the Bone Spring formation of pool codes 17644.

13 The only main working interest party is
14 COG, who has made an appearance. COG and Devon have
15 made the first steps towards a trade agreement by
16 entering a preliminary letter agreement, and we
17 believe that that will go to fruition, but if it does
18 not, then COG agrees to be subject to the pooling and
19 spacing orders.

20 We want to pool all interest owners,
21 including the overriding royalty interest owners. The
22 unit will be dedicated to the Sneaky Snake 24 Fed Com,
23 11H Well. It's an oil well. And there are three
24 in-fill wells, all oil wells, the 12H, the 13H and the
25 14H.

1 Mr. Bennett has made a good faith
2 effort to join all parties.

3 Exhibit I-3 shows the notice, notice
4 letters and the affidavit of notice. Exhibit I-3A
5 shows the mailing certifications. And in abundance of
6 caution, we published in the Hobbs News-Sun, a
7 newspaper of general circulation in Lea County.

8 Exhibit I-1B and I-1A shows the plat
9 map. That is Page 18. All the pages are numbered
10 with the two tracts and the service oil locations and
11 the bottom fill locations.

12 Exhibit I-1B, Page 19, provides the
13 ownership report with the working interest owner and
14 the six overriding royalty interest owners.

15 Exhibit I-1C has the C-102's of the
16 four wells.

17 Since the two cases cover the same
18 lands and they have two different pools, Devon
19 requests the approval of Devon commingling pursuant to
20 the position of Wells 19, 15, 16 and 11 as stated in
21 the affidavit on Page 16.

22 Devon requests recovery of costs at the
23 rate of 7500 per month for drilling and 750 per month
24 for producing, which are fair and reasonable and
25 comparable to other wells.

1 A maximum cost of -- Devon requests the
2 maximum cost, plus a 200-percent risk charge against
3 royalty interest owners.

4 They request to be the operator as
5 well, and there is no objection to that.

6 At this point, I would ask that
7 Exhibits I-1, I-1A, I-1B, I-1C, the landman
8 affidavits, be accepted by the examiners into the
9 record. And then the notice, Exhibits I-3, I-3A, I-3B
10 and I-3C be accepted as well.

11 EXAMINER MURPHY: Mr. Rodriguez?

12 MR. RODRIGUEZ: No objection.

13 MR. SAVAGE: If I may direct you to
14 Exhibit I-2. That is the Roman numeral I-2, the
15 affidavit of John Green, drilling geologist. He has
16 testified prior, previously with the division, and he
17 has been accepted, so I'll ask that the division accept
18 him as an expert witness.

19 Page 44, Exhibit I-2A, shows the Bone
20 Spring structure map.

21 Section Exhibit I-2B, Page 45, is the
22 Bone Spring stratigraphic cross-section.

23 Exhibit I-2C, Page 46, is a gross
24 isochore of the lower target formation, which is part
25 of the Bone Spring.

1 And Exhibit I-2D is a gross isochore
2 second Bone Spring sandstone.

3 At this point, I would ask the
4 examiners to accept into the record geology
5 Exhibits I-2, I-2A, I-2B and I-2C and I-2D.

6 EXAMINER MURPHY: Mr. Rodriguez?

7 MR. RODRIGUEZ: No objection.

8 EXAMINER MURPHY: I'll admit the
9 exhibits for 20793 and 20794 into the record.

10 MR. SAVAGE: Thank you, Ms. Examiner.

11 Exhibit II-1 is the affidavit of Andy
12 Bennett for Case No. 20794. This is a -- Devon seeks
13 an order for a 320-acre spacing and proration unit in
14 the same lands and pooling all uncommitted interest
15 owners in, this time, the Wolfcamp formation, 17645.

16 The unit will be dedicated to the
17 Sneaky Snake Fed Com 3H Well, the defining oil well
18 for the unit. And the three other wells, 1-H, 2-H and
19 4-H are infill oil wells.

20 Again, a good faith effort to join the
21 working interest owners. Exhibit II-3, Page 87, is
22 the Affidavit of Notice confirming that all the
23 interest owners provided a notice letter. We have
24 examples of the notice letter. And Exhibit II-3B at
25 Page 89, Exhibit II-3A, Page 88, is certificate of

1 mailing. Exhibit II-1A, Page 58, is the plat map.
2 Exhibit II-1B, Page 59, is the ownership report
3 showing the working interest owners and the override
4 owners. II-1C are the C-102's for the well.
5 Exhibit II-1D is a sample proposal letter.

6 Again, we ask for downhill commingling,
7 approval of that, and the recovery of costs at the
8 rate of 7500 per month for drilling and 750 per month
9 for producing, which are fair and comparable; maximum
10 cost, plus a 200-percent risk charge assessed to
11 royalty interest owners. Devon requests to be the
12 operator.

13 And then if I can direct your attention
14 to Exhibit II-2, Page 81. This is the of affidavit of
15 Thomas Peryam, a petroleum geologist for Devon.

16 Mr. Peryam has not testified before the
17 division and I request that he seeks to be qualified
18 as an expert witness. He holds a Bachelor's degree in
19 Geology from the University of Oregon, and a Master's
20 from New Mexico State University, and a Doctorate in
21 Geology from the University of Oregon, completing his
22 education in 2012. And he has worked for Devon since
23 2012.

24 EXAMINER MURPHY: We'll take his --
25 we'll look at his qualifications and make a

1 determination.

2 MR. SAVAGE: Thank you, Ms. Examiner.

3 In his geology affidavit, he describes
4 Exhibit II-2A, Page 84, as the Wolfcamp structure map.

5 Exhibit II-2B is a Wolfcamp
6 stratigraphic cross-section.

7 Exhibit II-2C is a gross isochore of
8 the Wolfcamp. He concludes that geologically the
9 wells are appropriate for this particular unit.

10 And that concludes the cases 20793 and
11 207294, and I ask the examiners to take these matters
12 under advisement.

13 EXAMINER MURPHY: Do you have any
14 questions, Mr. Rodriguez?

15 MR. RODRIGUEZ: No questions.

16 EXAMINER MURPHY: First of all, for the
17 exhibits, a lot of the graphs reference color, and they
18 are black and white, and so I'll request that those,
19 when I review this, that color exhibits are given to
20 us.

21 MR. SAVAGE: Ms. Examiner, I can give
22 you the original, which is colored.

23 EXAMINER MURPHY: And you'll make sure
24 that the PDF that is sent is colored also?

25 MR. SAVAGE: Yes. When the copies were

1 made, I guess we didn't get the color feature on the
2 copier when we made those.

3 EXAMINER MURPHY: And I'm sorry, I was a
4 little confused. I had a difficult time following
5 through this, but we took 20793 exhibits into the
6 record and then we took 20794.

7 MR. SAVAGE: You did both. You did say
8 that both were taken into the record.

9 EXAMINER MURPHY: Okay. I was confused.
10 I had a hard time following the case starting with I
11 didn't know who you were, and you referenced
12 Mr. Rodriguez, so I was confused.

13 MR. SAVAGE: So, I ask that all exhibits
14 of the consolidated case be taken into the record,
15 please.

16 EXAMINER MURPHY: The exhibits will be
17 taken into the record, and the case will be taken under
18 advisement.

19 MR. SAVAGE: Okay. Thank you.

20 (The hearing concluded at 8:47 a.m.)

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REPORTER'S CERTIFICATE

I, ROBIN E. JOHNSON, RPR; CA CSR; New Mexico
Certified Shorthand Reporter, certify:

That the foregoing proceedings were taken
before me at the time and place therein set forth;

That the questions propounded and all
objections and statements made at the time of the
hearing were recorded stenographically by me and were
thereafter transcribed;

That the foregoing is a true and correct
transcript of my shorthand notes so taken.

I further certify that I am not a relative or
employee of any of the parties, nor financially
interested in the action.

I declare under penalty of perjury, under the
laws of New Mexico, that the foregoing is true and
correct, dated this 14th day of November 2019.

ROBIN E. JOHNSON, RPR, CA CSR
New Mexico CCR No. 105