

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 NOS: 21182

APPLICATION OF DEVON ENERGY PRODUCTION COMPANY LP  
FOR APPROVAL OF 1280-ACRE NON-STANDARD SPACING UNITS,  
IN THE BONE SPRING AND WOLFCAMP FORMATIONS  
COMPRISED OF ACREAGE SUBJECT TO PROPOSED COMMUNITIZATION  
AGREEMENTS, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 30, 2020

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, EXAMINERS FELICIA ORTH, LEONARD LOWE, KATHLEEN MURPHY, DYLAN COSS and SCOTT COX on Thursday, April 30, 2020 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: Irene Delgado, NMCCR 253  
PAUL BACA PROFESSIONAL COURT REPORTERS  
500 Fourth Street, NW, Suite 105  
Albuquerque, NM 87102  
505-843-9241

A P P E A R A N C E S

For the Applicant:

KAITLYN LUCK  
HOLLAND & HART  
110 North Guadalupe, Suite 1  
Santa Fe, NM 87501  
505-954-7286

I N D E X

CASE CALLED

SUMMARY OF CASE AND EXHIBITS	03
TAKEN UNDER ADVISEMENT	07
REPORTER CERTIFICATE	08

E X H I B I T I N D E X

Admitted

All Exhibits and Attachments	07
------------------------------	----

1                   HEARING EXAMINER ORTH: We will move then to  
2     matter 21182. This is also Devon Energy to the -- case.  
3     Mr. Feldewert, is this you again?

4                   MR. FELDEWERT: No. I think my colleague,  
5     Kaitlyn Luck, will be --

6                   HEARING EXAMINER ORTH: All right. Ms. Luck?

7                   MS. LUCK: Good morning, Madam Examiner, Kaitlyn  
8     Luck from the Santa Fe office of Holland & Hart for  
9     applicant Devon Energy Production Company LP. And in this  
10    case it's our understanding there are no other entries of  
11    appearance or opposition to this case proceeding by  
12    affidavit, and so we submitted the exhibits to the Division  
13    that are the affidavits on April 28. And so with that I  
14    would ask to present this case by affidavit.

15                  HEARING EXAMINER ORTH: All right. Let me take a  
16    moment and ask if there are any other appearances?

17                  (No response.)

18                  HEARING EXAMINER ORTH: Hearing none, please go  
19    ahead.

20                  MS. LUCK: Thank you. So in this case Devon  
21    Energy has applied for approval of two 1280-acre off-  
22    centered spacing units, that would be one in the Bone Spring  
23    and one in the Wolfcamp formation.

24                  And both of these spacing units are subject to  
25    the proposed -- BLM. The 1280-acre spacing unit in these

1 two cases are located in Sections 22 and 27, Township 23  
2 South, Range 29 East, in Eddy County, New Mexico.

3 In the exhibit packets that were provided to the  
4 Division on April 28, there is the affidavit of the landman  
5 in this case, Verl Brown. He provides a land plat of the  
6 non-standard unit. And then he also provides copies of the  
7 Bone Spring and Wolfcamp proposed unitization agreement.

8 He also provides exhibits, a plat of the Bone  
9 Spring development plan C-102 for each of the wells, and  
10 then he provides the Wolfcamp development plan with a C-102  
11 for each of those wells. He also provides the Bone Spring  
12 and Wolfcamp pools involved in this application. The Bone  
13 Spring pools are the -- Bone Spring Pool Code 96721, and  
14 Laguna Bone Spring Pool Code 96857, and in the Wolfcamp  
15 unit, it only involves the Purple Sage Wolfcamp Gas Pool  
16 Code 98220.

17 Finally, Mr. Brown provides a plat of the parties  
18 who were provided notice of this hearing, and his affidavit  
19 is attached to the back, and proper notice was provided as  
20 required by the rules.

21 As Exhibit B, Devon provides the exhibit, an  
22 affidavit of Miranda Childress who is the geologist in this  
23 case. She provides a structure map and cross section map  
24 for both the Bone Spring and Wolfcamp formations. And she  
25 also provides a diagram of the development in the Bone

1 Spring and Wolfcamp formations in these two sections.

2 Her affidavit provides that in her opinion the  
3 proposed stand-up orientation of these wells is appropriate  
4 for the development of the Bone Spring and Wolfcamp  
5 formations in this area.

6 And then finally as Exhibit B is the affidavit of  
7 the Lauren Sykes who is the engineer in this case. She has  
8 not previously testified before the Division, so she  
9 provides her experience, education, and her credentials, and  
10 we request to be admitted as an expert petroleum engineer in  
11 this case.

12 And her affidavit goes on to explain that the  
13 surface facilities that should be implemented by approval of  
14 the two -- rather than this development going forward as  
15 standard horizontal spacing units. Her affidavit explains  
16 that with the proposed non-standard units, there only has to  
17 be one surface facility for the Bone Spring unit and one for  
18 the Wolf Camp spacing unit. And that would be six acres per  
19 -- she finally provides the net that explains the cost of  
20 the horizontal from seven facilities as required by the --  
21 unit.

22 One actual point that I wanted to mention, with  
23 respect to these units is that they were previously approved  
24 for pooling in order numbers R-20957, R-20958, R-20959,  
25 R-20960 and R-20961. And in those cases they had applied

1 for a standard pooling unit, but by this application Devon  
2 is withdrawing those pooling orders and requests for  
3 these two non-standard units to be approved, which is a --  
4 requested, but the spacing unit will line up with the  
5 proposed unitization unit.

6 And then finally as Exhibit E and F are the  
7 notice of -- sorry -- D and E are the notice letters and the  
8 notice affidavit along with the publication reflecting that  
9 the hearing was timely provided to the parties as required  
10 by the Division's rules. And Devon also provides a copy of  
11 the application with that. So I would move the admission of  
12 Exhibits A through F in this case.

13 And if there are any questions --

14 HEARING EXAMINER ORTH: Thank you, Ms. Luck.  
15 Exhibit A through F are accepted. Ms. Murphy, do you have  
16 any questions of Ms. Luck?

17 EXAMINER MURPHY: I don't. Thank you.

18 HEARING EXAMINER ORTH: Mr. Coss, do you have  
19 questions?

20 EXAMINER COSS: Good morning, Ms. Luck. How are  
21 you today? So -- and thanks for the presentation. The  
22 question I have as a matter of clarification, you are at the  
23 end that these non-standard spacing units are going to be in  
24 place of compulsory pooling requirements, or what might --  
25 maybe I didn't -- go ahead.

1 MS. LUCK: Devon had previously applied for  
2 pooling for the same acreage, and those are the orders I had  
3 listed off which are 20955 through 20961. And by filing  
4 this application Devon is withdrawing or requests in those  
5 cases for standard spacing units and instead is seeking  
6 these two non-standard spacing units rather than those  
7 standard units that were approved --

8 EXAMINER COSS: Okay, thank you. And just for my  
9 edification, what was the cause of them going to a  
10 non-standard from standard?

11 MS. LUCK: Yes. That exhibit, Exhibit A, so the  
12 BLM only approved the unitization agreement that line up  
13 with the spacing requirements, and so in this case, in order  
14 for the BLM to approve the unitization agreement for the  
15 Bone Spring and the Wolfcamp comprising of these two entire  
16 sections, then Devon has to get a non-standard unit approval  
17 that matches those.

18 EXAMINER COSS: Okay. Well, thank you for that  
19 clarification, Kaitlyn, and withdraw the question.

20 HEARING EXAMINER ORTH: Thank you, Mr. Coss. Ms.  
21 Luck, the packet is admitted and the case will be taken  
22 under advisement. I see someone else wanting to join us?

23 (Exhibits admitted.)

24 (Taken under advisement.)

25

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

4 REPORTER'S CERTIFICATE

5

6 I, IRENE DELGADO, New Mexico Certified Court  
7 Reporter, CCR 253, do hereby certify that I reported the  
8 foregoing proceedings in stenographic shorthand and that the  
9 foregoing pages are a true and correct transcript of those  
10 proceedings that were reduced to printed form by me to the  
11 best of my ability.

12 I FURTHER CERTIFY that the Reporter's Record of  
13 the proceedings truly and accurately reflects the exhibits,  
14 if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither employed by  
16 nor related to any of the parties or attorneys in this case  
17 and that I have no interest in the final disposition of this  
18 case.

19 Dated this 30th day of April 2020.

20

/s/ Irene Delgado

21

Irene Delgado, NMCCR 253  
License Expires: 12-31-20

22

23

24

25