

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: 21499, 21500

APPLICATION OF CHEVRON USA INC.
FOR OVERLAPPING SPACING UNITS IN THE
BONE SPRING AND WOLFCAMP FORMATIONS,
AND COMPULSORY POOLING,
EDDY COUNTY NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS

EXAMINER HEARING

NOVEMBER 19, 2020

SANTA FE, NEW MEXICO

This matter came on for virtual hearing before
the New Mexico Oil Conservation Division, HEARING OFFICER
FELICIA ORTH and TECHNICAL EXAMINERS JOHN GARCIA and DYLAN
COSS on Thursday, November 19, 2020, via Webex Platform.

Reported by: Irene Delgado, NMCCR 253
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A P P E A R A N C E S

For the Applicant:

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For Mewbourne:

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I N D E X

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1 HEARING EXAMINER ORTH: Let's move to Cases 21499
2 and 21500. The applicant is Chevron. These are compulsory
3 pooling applications, and also have the EDD designation.
4 The well name is CB Tano. Who here is from Holland & Hart
5 representing the applicant?

6 MS. LUCK: Good morning again. Kaitlyn Luck with
7 the Santa Fe office of Holland & Hart on behalf of the
8 applicant in these two cases, Chevron USA Inc.

9 HEARING EXAMINER ORTH: Thank you. And then we
10 have an entry of appearance on behalf of Mewbourne by Mr.
11 Bruce. Mr. Bruce, are you with us.

12 MR. BRUCE: Yes, can you hear me?

13 HEARING EXAMINER ORTH: Yes, good morning.

14 MR. BRUCE: This is the first.

15 HEARING EXAMINER ORTH: All right. Let me pause
16 for a moment to see if there are any other appearances.

17 (No audible response.)

18 HEARING EXAMINER ORTH: No? All right. Do I
19 understand from the pleadings that Mewbourne has no
20 objection to the applicant proceeding by affidavit?

21 MR. BRUCE: That is correct.

22 HEARING EXAMINER ORTH: All right. Thank you
23 very much. Ms. Luck, if you would.

24 MS. LUCK: Thank you. These two cases were filed
25 originally for the November 5th docket, but they were

1 continued to this docket so that Mewbourne and Chevron could
2 have additional time to work through an agreement. And so
3 as the exhibits reflect, Chevron is not pooling Mewbourne in
4 these two cases at this time.

5 Before the Division, there should be a packet of
6 exhibits that we filed on Tuesday. In the packet of
7 exhibits there is all of the standard exhibits starting with
8 the pooling application checklist that -- one for each case
9 that provides information required by the Division.

10 Chevron also provided copies of the application
11 as Exhibit B.

12 And then as Exhibit C, that would be the
13 affidavit of Chris Cooper who is the land representative for
14 Chevron in these two cases. His affidavit explains that in
15 Case Number 21499, Chevron seeks an order approving a 640
16 acre overlapping spacing unit in the Bone Spring formation,
17 and pooling all of the uncommitted interests in the Third
18 Bone Spring Interval from a depth of 9227 feet to the base
19 of the Bone Spring formation, at a depth of 9541 feet.

20 And this is underlying the E/2 of Sections 26 and
21 35, in Township 23 South, Range 28 East in Eddy County, New
22 Mexico. He provides with his affidavit first as Exhibit C-1
23 the location map outlying the spacing unit in these two
24 cases.

25 So in the first case, like I mentioned, Chevron

1 is seeking an order pooling the Third Bone Spring Interval.
2 And in the second case, 21500, Chevron is seeking an order
3 pooling the same acreage, but the Wolfcamp formation.

4 And in this case Chevron is seeking to pool an
5 overlapping spacing unit in the Upper Wolfcamp Interval of
6 the Wolfcamp formation from a depth of 9541 to the base of
7 the Wolfcamp formation at a depth of 10541.

8 His affidavit outlines the wells to be dedicated
9 to each of the spacing units. There is one Bone Spring
10 well, and that's a proximity tract well pooling in the extra
11 320 acres to create the large E/2 spacing unit.

12 And his affidavit explains that starting with
13 21499 that the Bone Spring spacing unit is overlapping an
14 existing Mewbourne spacing unit, which is 160 acres approved
15 under Division Orders R-13750 and R-13733, and his affidavit
16 outlines the spacing unit in both of those cases and the
17 wells that they are dedicated to.

18 And that is the reason why in Case 21499
19 Mewbourne is seeking -- Chevron is only seeking to pool a
20 portion of the Bone Spring formation to avoid the existing
21 Mewbourne spacing unit.

22 And then in Case 21500, Chevron is dedicating
23 this spacing unit to three Wolfcamp wells, and again this
24 will overlap an existing 320 acre horizontal spacing unit in
25 the Purple Sage Wolfcamp Pool, approved under Division Order

1 R-13872. And his affidavit explains the well that spacing
2 unit is dedicated to, and also notes that Chevron is seeking
3 to pool only a portion of the Upper Wolfcamp formation to
4 avoid the existing spacing unit that's operated by
5 Mewbourne.

6 So Mr. Cooper's affidavit also provides the
7 standard land exhibit, including the tract and unit recap, a
8 list of the parties that Chevron seeks to pool and their
9 participant interest in these two spacing units. And he
10 also provides the required chronology of contact for working
11 interest owners that have not yet voluntarily committed
12 their interest to this spacing unit and that Chevron is
13 seeking to pool.

14 Chevron also provided notice of these two
15 applications to the affected persons in the existing and the
16 proposed overlapping spacing unit as required by the rules,
17 and Chevron's Exhibit E and F reflect that notice of this
18 hearing were provided timely to the parties to be pooled.
19 And also Chevron published not to be sure that each of the
20 parties in fact received notice.

21 Moving on to Chevron's Exhibit D, that's the
22 affidavit of Jeremiah Moody. He is the geologist in this
23 case. He testifies about Chevron's development in both the
24 Bone Spring and the Wolfcamp formation in these two cases.

25 Starting with Case 21499, Chevron is parting the

1 Bone Spring formation and his affidavit provides that
2 Chevron would be able to efficiently and effectively
3 co-develop the Wolfcamp A and the Third Bone Spring
4 formation for these proposed spacing units, and Chevron
5 would also be able to avoid the existing Mewbourne
6 development in the Bone Spring and the Wolfcamp formation.

7 So he provides the stratigraphic cross section
8 for the Bone Spring for Case 21499 reflecting the targeted
9 interval of the Bone Spring wells. He also provides a
10 structure map showing the well within the spacing unit.

11 And then for Case 21500 he provides the same
12 geology exhibits reflecting the path of the proposed
13 wellbores for the Wolfcamp wells and then also the target
14 interval in the Upper Wolfcamp of these three Wolfcamp
15 wells.

16 And like I mentioned, Chevron submitted Exhibit E
17 and F with the notice information required by the Division.

18 So with that I would move the admission of
19 Chevron Exhibits A through F and request that these cases be
20 taken under advisement, and I can answer any questions the
21 examiners might have about these cases.

22 HEARING EXAMINER ORTH: Thank you, Ms. Luck. Ms.
23 Hardy, do you have any questions -- I'm sorry, Mr. Bruce, do
24 you have any questions of Ms. Luck?

25 MR. BRUCE: (Inaudible) admission of the

1 exhibits.

2 HEARING EXAMINER ORTH: I'm sorry, Mr. Bruce.
3 There was a noise coming from your line earlier, so I muted
4 you. Would you just repeat your statement.

5 MR. BRUCE: I have no objection and no questions.

6 HEARING EXAMINER ORTH: All right. Thank you
7 very much. Mr. Garcia, do you have any questions of Ms.
8 Luck.

9 TECHNICAL EXAMINER GARCIA: I have a few. So in
10 both cases there is no depth severance, so you are seeking
11 to pool a specific range, one Bone Spring, one top half of
12 the Wolfcamp because of existing wells; is that correct?

13 MS. LUCK: That's correct. So there are no
14 contractual depth severances, but Chevron's geologist,
15 Jeremiah Moody, he testifies that the most efficient and
16 effective way to develop these benches is by co-development
17 of the Third Bone Spring and Wolfcamp and that's why Chevron
18 has proposed these overlapping spacing units to be able to
19 avoid Mewbourne's spacing unit.

20 TECHNICAL EXAMINER GARCIA: I haven't looked at
21 all your exhibits yet, I looked at some of them. Did the
22 notice -- I know you mentioned in discussing it, did the
23 notice talk about these overlapping with existing spacing
24 units?

25 MS. LUCK: So the notice provided a copy of the

1 application which explains that these are overlapping
2 spacing units and provided all the information about the
3 depth limited request.

4 TECHNICAL EXAMINER GARCIA: Okay. Thank you.
5 That's all the questions I have.

6 HEARING EXAMINER ORTH: All right. Thank you
7 Mr. Garcia, and thank you, Ms. Luck. Exhibits A through F
8 are admitted and the matters will be taken under advisement.

9 MS. LUCK: Thank you.

10 (Exhibits admitted.)

11 (Taken under advisement.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico Certified Court Reporter, CCR 253, do hereby certify that I reported the foregoing virtual proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings to the best of my ability.

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

I FURTHER CERTIFY that the Virtual Proceeding was of poor to good quality.

Dated this 19th day of November 2020.

/s/ Irene Delgado

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