

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTTTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

Application of Devon Energy CASE NO. 21903
Production Company, LP, to
Vacate Order No. R-21517 and
to Pool a Standard 640-acre
Horizontal Spacing Unit,
Lea County, New Mexico

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, JUNE 3, 2021

This matter came on for hearing before the
New Mexico Oil Conservation Division, William
Brancard Hearing Examiner, Leonard Lowe,
Technical Examiner on June 3, 2021 via the Webex
Videoconferencing Platform

Reported by: Mary Therese Macfarlane
 New Mexico CCR No. 122
 PAUL BACA COURT REPORTERS
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A P P E A R A N C E S

For Devon Energy Production Company, LP:

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1 (Time noted 9:54 a.m.)

2 HEARING EXAMINER BRANCARD: Okay. I'd like to
3 call Case 21903, No. 39 on today's docket, Devon Energy
4 Production. Holland & Hart.

5 MR. RANKIN: Good morning, Mr. Examiner. Adam
6 Rankin appearing on behalf of the applicant in this case
7 of the law firm of Holland & Hart.

8 HEARING EXAMINER BRANCARD: Any other interested
9 parties in Case 21903 (Note: Pause.)

10 Hearing none, Mr. Rankin, you may proceed.

11 MR. RANKIN: Good morning, Mr. Brancard. Thank
12 you very much.

13 In this case Devon Energy Production
14 Company seeks to pool a standard 640-acre horizontal
15 spacing unit comprised of the east half of the west half
16 and the west half of the east half of Sections 30 and 31,
17 Township 22 South, Range 35 East, in Lea County, New
18 Mexico.

19 Before I proceed any further I just want to
20 give you a little background on this case, because it's a
21 little bit different than the standard run-of-the-mill
22 compulsory pooling case.

23 In this case Devon is seeking to vacate two
24 prior existing Pooling Orders and to repool the subject
25 acreage into a standard 640-acre horizontal spacing unit.

1 The reason its seeking to do that is because under the
2 prior order Devon proceeded to drill a well in one of the
3 existing spacing units and had issues drilling that well
4 and had to cut the well short; and so therefore they are
5 seeking to create a proximity tract under the new proposed
6 spacing unit and drill a subsequent well within that
7 proximity tract so that they will have a full-length well
8 within the spacing unit.

9 So by way of that background, Devon has
10 proposed to vacate the two prior existing spacing units
11 and the Pooling Orders and to repool the acreage under a
12 single spacing unit with a proximity tract comprised of
13 640 acres.

14 We filed -- there have been no objections
15 from any of the working interest owners in this case. In
16 fact, both of the working interest owners have agreed and
17 elected to participate; therefore in this case Devon as
18 seeking only to pool the overrides in the spacing unit.

19 In the exhibit packet there's Exhibits A
20 through F.

21 Exhibit A is a copy of the Compulsory
22 Pooling Application Checklist.

23 Exhibit B is the Application that was
24 filed.

25 Exhibit 3 is the affidavit by Devon's

1 landman Ryan Cloer, which includes a General Location Map
2 of the proposed spacing unit, the C-102s for the two wells
3 that are proposed to be designated to the spacing unit, as
4 well as an as-drilled plat for the well that would have to
5 be cut short.

6 Exhibit C-3 is a land map with ownership
7 breakdown.

8 Exhibit C-4 is a Sample Well Proposal
9 Letter and AFE sent to the working interest owners.

10 And C-4 is a Chronology of Contacts in
11 efforts to reach agreement.

12 In Exhibit D, Devon's geologist prepared
13 the Subsea Structure Map showing the structure of the
14 target interval here, which is in the Bone Spring
15 Formation, and the structure within the spacing unit.

16 D-2 is a cross section map showing the
17 location of the wells used to construct a cross section.

18 D-3 is a structural cross section showing
19 that the target interval continues across the entire
20 proposed spacing unit.

21 Exhibit E is a Notice Affidavit prepared by
22 our law firm providing Notice to all the parties subject
23 to pooling, the overrides.

24 Exhibit F is the Affidavit of Publication
25 where parties identified by name were given Notice by

1 Publication.

2 Unless there's any questions, Mr. Brancard,
3 I would move the admission of Exhibits A through F into
4 the record and ask that the case be taken under
5 advisement.

6 HEARING EXAMINER BRANCARD: Thank you.

7 Mr. Lowe, any questions.

8 EXAMINER LOWE: Yes, I have one questions.

9 Good morning, Mr. Rankin. Can you explain
10 again the spacing unit that was initially intended and
11 then the result that it is right now.

12 MR. RANKIN: Sure. If you look at Exhibit A --
13 I'm sorry, Exhibit B, which is the application, you would
14 see, Mr. Lowe, that we've laid out exactly what happened
15 with the prior existing spacing units.

16 So initially there was an east half/west
17 half of Sections 30 and 31 spacing unit, and that was a
18 320-acre spacing unit from the Bone Spring. Next to it,
19 west half/east half of Section 30 and 31 was another
20 spacing unit.

21 So in the east half/west half of Sections
22 30 and 31 Devon proceeded to drill the Red Bull 30/31 Fed
23 State Com 3 well, and encountered problems while drilling
24 shortly after about a mile. At that point they had to cut
25 the well short, and that's when they decided the best path

1 forward would be to redesignate the spacing unit as an
2 expanded 640-acre spacing unit, and to use the tracts as
3 proximity tracts and to propose to redrill a well that
4 gets the full lateral across the spacing.

5 EXAMINER LOWE: Okay.

6 The C-102s that you submitted for your
7 exhibits here, they pertain to what your intention was
8 initially?

9 MR. RANKIN: So looking at the initial C-102s,
10 uhm (Note: Pause.) I'll have to double check that with
11 the 2H. The 3H was what was initially intended, I
12 believe, in the -- uh, as a drilled plat that reflects how
13 it was drilled, as-drilled.

14 EXAMINER LOWE: Okay. So basically -- oh, go
15 ahead.

16 MR. RANKIN: That's it.

17 EXAMINER LOWE: Let me just make sure I
18 understand clearly. What happened here is you have a well
19 that you intended to go two-mile that was located in the
20 west half of the east half of Section 30, and the section
21 below it, you can't see here, I think it's 31. That was
22 the original intent, but what happened now is you only put
23 to the west half of the east half of Section 30. So what
24 you intend to do is drill another well located in the west
25 half of the east half of Section 31.

1 Is that correct?

2 MR. RANKIN: Almost.

3 So the well, the 3H well that was intended
4 to go the full length of the west half of the east half of
5 30 and 31 went only partially into Section 31. So now
6 what they're proposing to do is put a well within the
7 330-foot setback of the west half of the east half and the
8 east half of the west half to enable them to form
9 proximity tracts so they can drill a full two-mile
10 lateral, allowing them to create a 640-acre spacing unit.

11 EXAMINER LOWE: Okay. I was having a hard
12 time -- I'm just trying to read the exhibits on my
13 computer, but it's pretty slow this morning.

14 Okay. All the wells here indicated in
15 your -- which was the defining well?

16 MR. RANKIN: The defining well would be the 2H
17 well, which is within that proximity tract off to the
18 (inaudible) feet distance of the adjacent (inaudible)
19 tracts.

20 EXAMINER LOWE: Thank you. I think I can -- I'm
21 still reading through your exhibits, and I can continue
22 that later on.

23 That's all I have. Thank you.

24 HEARING EXAMINER BRANCARD: Thank you.

25 Are there any other parties interested in

1 Case 21903? (Note: Pause.)

2 Hearing none.

3 Thank you, Mr. Rankin. You know, we had a
4 case similar to this last month where somebody tried to do
5 something similar to you where they changed the spacing
6 and changed the well location. We treated it as an
7 amendment, which was awkward, so it may be better the way
8 you're doing it, which is to vacate the previous Orders
9 and just come in with a whole new Compulsory Pooling
10 Order, as you proposed it.

11 MR. RANKIN: Thank you very much.

12 THE HEARING OFFICER: So with that, Case 21903,
13 the exhibits are admitted and the case is taken under
14 advisement.

15 Thank you.

16 (Time noted 9:52 a.m.)

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1 STATE OF NEW MEXICO).
2 : SS
3 COUNTY OF TAOS)
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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday, June 3,
8 2021, the proceedings in the above-captioned matter were
9 taken before me; that I did report in stenographic
10 shorthand the proceedings set forth herein, and the
11 foregoing pages are a true and correct transcription to
12 the best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by
14 nor related to nor contracted with (unless excepted by the
15 rules) any of the parties or attorneys in this case, and
16 that I have no interest whatsoever in the final
17 disposition of this case in any court.

18 /s/ Mary Macfarlane
19 _____

20 MARY THERESE MACFARLANE, CCR
21 NM Certified Court Reporter No. 122
License Expires: 12/31/2021

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