

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 OXY USA, INC.
for Approval of a 1280-acre
Non-Standard Spacing Unit in
the Bone Spring and Wolfcamp
Formations, Comprised of Acreage
Subject to a Proposed Communitization
Agreement, Lea, County, New Mexico Case No. 21908

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, JUNE 17, 2021

This matter came on for hearing before the
New Mexico Oil Conservation Division, Legal
Examiner William Brancard, Technical Examiners
Leonard Lowe and John Garcia, on Thursday, June
17, 2021, via the Webex Virtual Conferencing
Platform.

Reported by: Mary Therese Macfarlane
New Mexico CCR No. 122
PAUL BACA COURT REPORTERS
500 Fourth Street NW, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

FOR OXY USA, INC.:

Kaitlyn A. Luck, Esq.
Holland & Hart.
110 North Guadalupe, Suite 1
Holland & Hart, New Mexico 87501
(505) 988-4421
kaluck@hollandandhart.com

FOR COG OPERATING, LLC:

Dana S. Hardy, Esq.
Hinkle, Shanor
215 Montezuma Avenue
Santa Fe, NM 87504
(505) 982-4544
dhardy@hinklelawfirm.com

C O N T E N T S

	PAGE
CASE No. 21964	
CASE CALLED:	3
INQUIRY BY EXAMINER BRANCARD:	9
INQUIRY BY EXAMINER LOWE:	7
INQUIRY BY EXAMINER GARCIA:	12
TAKEN UNDER ADVISEMENT:	14

	E X H I B I T I N D E X	
	OXY USA, INC. EXHIBITS:	PAGE
1		
2		
3	A Application and Proposed Order	14
4	B Landman Amber Delach's Affidavit	14
5	B-1 Locator Map	14
6	B-2 Proposed Communitization Agreements	14
7	B-3 C-102s	14
8	B-4 Notice Plat	14
9	C Geologist Michael Harty's Affidavit	14
10	C-1 Structure Map	14
11	C-2 Stratisgraphic Cross Section Map	14
12	C-3 Stratisgraphic Cross Section	14
13	D Notice Affidavit	14
14	E Affidavit of Publication	14
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 (Time noted 9:40 a.m.)

2 EXAMINER BRANCARD: Okay. We are back on the
3 record here, June 17, 2021, hearings of the Oil
4 Conservation Division.

5 Mr. Lowe, are you with us?

6 EXAMINER LOWE: Yes, I am.

7 EXAMINER BRANCARD: All right.

8 Mr. Garcia? Okay.

9 EXAMINER BRANCARD: So we've got four more
10 cases. Some of them could be exciting. We'll see.

11 Let's start with No. 15 on our agenda, Case
12 21908, OXY USA, Inc., Holland & Hart.

13 MS. LUCK: Hi, Mr. Examiner. Kaitlyn Luck with
14 the Santa Fe office of Holland & Hart for the Applicant in
15 this case, OXY USA, INC.

16 EXAMINER BRANCARD: Do we have an a entry of
17 appearance for COG Operating?

18 MS. HARDY: Yes, Mr. Examiner. Dana Hardy with
19 the Santa Fe office of Hinkle, Shanor on behalf of COG
20 Operating, LLC.

21 EXAMINER BRANCARD: All right. Does COG have any
22 objections to this case going forward?

23 MS. HARDY: No, we don't, Mr. Hearing Examiner.

24 EXAMINER BRANCARD: Are there any other parties
25 interested in Case 21908? (Note: Pause.) Hearing none,

1 Ms. Luck you may proceed.

2 MS. LUCK: Thank you.

3 This case was filed by OXY for approval of
4 1280-acre non-standard spacing Units in the Bone Spring
5 and Wolfcamp Formations.

6 On Tuesday OXY filed its exhibit packet,
7 which includes Exhibit A which is a copy of the
8 application, followed by Exhibit B, which is the affidavit
9 of Amber Delach. She is the landman for OXY on this case.
10 She explains that she is familiar with this acreage and
11 she's testified before the Division before. Her affidavit
12 goes on to say that in this case OXY seeks approval of
13 1280-acre non-standard spacing units to match a proposed
14 utilization agreement for the acreage underlying Sections
15 27 and 34, all in Township 22 South, Range 32 East, in Lea
16 County, New Mexico.

17 Her Exhibit B-1 is a land plat outlining
18 the units and identifying the tracts that include only
19 federal lands.

20 Her affidavit also goes on explain that the
21 BLM has requested a utilization agreement to match this
22 proposed non-standard spacing unit both in the Bone Spring
23 and the Wolfcamp Formations, and that would be their
24 preferred way of developing this federal acreage.

25 Her Exhibit B-2 are copies of the proposed

1 utilization agreement for both Formations.

2 She also goes on to explain that in the
3 Bone Spring OXY is targeting the Red Tank Bone Spring
4 Pool, and that is Pool Code 51683. She lists the Taco Cat
5 27_34 Fed Com wells that would be dedicated to the Bone
6 Spring acreage.

7 Also in the Wolfcamp Formation OXY intends
8 to drill within an Upper Wolfcamp pool. It has a long
9 name so I'll just give you the Pool Code as 92286. And
10 again her affidavit provides the three Taco Hat Wolfcamp
11 wells that will be targeting that pool.

12 She also includes as Exhibit B-3, the
13 C-102s for each of the Bone Spring and Wolfcamp initial
14 wells that will target this acreage underlying the
15 proposed non-standard units.

16 Finally, Exhibit B-4 is a plat identifying
17 the operators and leases and the adjoining tracts that
18 were provided Notice of this hearing according to the
19 Division rules.

20 Next is OXY's Exhibit C, which includes
21 the affidavit of OXY's geologist. His geology affidavit
22 includes the standard exhibits for the Bone Spring and the
23 Wolfcamp Formation and I'm sorry, I didn't mention his
24 name. It's Michael J. Harty, and he has previously
25 testified before the Division. He provides, as I

1 mentioned, the basic Locator Map, Subsea Structure Map,
2 Cross Section Map and Stratigraphic Cross Section for
3 both the Bone Spring and Wolfcamp Formations. And his
4 affidavit explains that in his opinion these non-standard
5 units are the most efficient, effective way for developing
6 this acreage.

7 Finally OXY Exhibits D and E are the Notice
8 information for this hearing, reflecting that Notice was
9 provided, as required by Division rules for non-standard
10 spacing units, to the adjoining tracts. And notice Of
11 Publication was also provided in Lea County and directly
12 to each of the interest owners by name.

13 So with that I would stand for any
14 questions and I would move the admission of OXY Exhibits A
15 through D, I believe.

16 Is that right? I think it's A through E.

17 EXAMINER BRANCARD: Thank you.

18 Any questions or concerns, Ms. Hardy?

19 MS. HARDY: No, Mr. Examiner. Thank you.

20 EXAMINER BRANCARD: Mr. Lowe, you're the
21 examiner on this case, I believe. Any questions.

22 MR. LOWE: Yes. Hi. Good morning again.

23 I'm having a hard time with my Internet so
24 I was not able to view the exhibits here, but just to
25 reiterate what Ms. Luck indicated, this pool, or this

1 total acreage that's being sought for this case is 1280;
2 is that correct?

3 MS. LUCK: That's correct. And I just want to
4 confirm that OXY is not seeking any pooling because they
5 are the designated operator for this acreage, and so we
6 are simply seeking approval of the units.

7 EXAMINER LOWE: And the pool code is 98286?

8 MS. LUCK: So the Pool Code for the Wolfcamp is
9 98286 and the Pool Code for the Bone spring is 51683.

10 EXAMINER LOWE: 51683.

11 MS. LUCK: That's called the Red Tank Bone
12 Spring Pool.

13 EXAMINER LOWE: Okay. Thank you, Ms. Luck.
14 That's all I have.

15 EXAMINER BRANCARD: Thank you.

16 Are there any other parties interested in
17 Case 21908, OXY USA? (Note: Pause.) Hearing none, Ms.
18 Luck your application and your comments today indicate
19 that the BLM has requested State approval of this
20 non-standard spacing unit, but I didn't see anything in
21 the record where we have anything from the BLM requesting
22 that. It's not in the Communitization Agreement, as I can
23 tell.

24 MS. LUCK: That's right. And we don't have
25 anything in writing from the BLM making that request and

1 there are ongoing discussions related to OXY's operation
2 of this acreage, so at this point we haven't submitted a
3 supplemental exhibit that reflects anything in terms of a
4 written statement from the BLM.

5 EXAMINER BRANCARD: Is it your understanding,
6 we're getting into hearsay here, that the BLM's position
7 is that they won't approve the Communitization Agreement
8 unless the State approves this spacing unit.

9 MS. LUCK: That's correct.

10 EXAMINER BRANCARD: Okay. Interesting.

11 So it appears that you could, that OXY
12 could get approval for two parallel 640 standard
13 horizontal spacing units here. Do you agree?

14 MS. LUCK: I think there's different options in
15 terms of spacing, but due to where these wells are located
16 an OXY'S development plans, OXY would prefer the
17 non-standard approach.

18 EXAMINER BRANCARD: So you need to explain,
19 then. According to rules we can't do this unless it's
20 necessary to prevent waste or protect correlative rights.

21 So how is this non-standard unit, as
22 opposed to the standard units which are available,
23 protecting waste and protecting correlative rights?

24 MS. LUCK: Well, I think the most important
25 point from OXY's perspective is that in terms of

1 protecting correlative rights OXY's wells will be
2 developing each of the 40-acre tracts that are included in
3 these proposed non-standard spacing units, so all of the
4 acreage will be efficiently and effectively developed.
5 And by including this in a non-standard unit OXY would be
6 able to consolidate the surface facilities, which would be
7 more economic for these wells, there would be less cost
8 involved, and each of the interest owners would also
9 benefit from the fact that there would be consolidation of
10 the surface facilities and minimize surface disturbance by
11 (inaudible) and boring in a non-standard unit rather than
12 seeking separate, uhm -- essentially take better use for
13 each of the individual units.

14 EXAMINER BRANCARD: So it's your position that
15 if this was done as two or more standard spacing units you
16 would need to have increased amounts of surface
17 facilities?

18 MS. LUCK: Correct.

19 EXAMINER BRANCARD: And that's driven because?

20 MS. LUCK: Of the way that the units would be
21 set up. I believe they would need to have different take
22 batteries and facilities to hold production, or they would
23 have to seek separate commingling approval for the units.
24 So OXY would prefer to have consolidated surface
25 facilities for the unit.

1 EXAMINER BRANCARD: Okay. I'm just trying to
2 get the evidence here. You know, we can't approve this
3 unless we have some clear evidence supporting it.
4 Obviously we have a fairly broad standard horizontal
5 spacing unit definition for horizontal wells, and granting
6 non-standard leaves us in the position of that danger that
7 my predecessor Mr. Brooks always warned us about, that
8 unitization is not what we're authorized to do.

9 So I'm trying to get it on the record why
10 we really think this is, why you think you have evidence
11 that this is preventing waste and protecting correlative
12 rights.

13 MS. LUCK: I understand that this has been an
14 issue that has come up in several of these non-standard
15 unit cases that we have put on recently, but again I
16 believe that this is the preferential way that the BLM
17 would like to go in terms of developing this acreage most
18 efficiently and effectively, and I think that OXY's
19 exhibits that were submitted to the Division reflect that
20 there is both a need and it conforms with the rules in
21 terms of protecting correlative rights.

22 EXAMINER BRANCARD: Thank you. And while we
23 like to work well with the BLM we most certainly don't
24 work for the BLM, so I just want to make that clear.

25 Are there any other parties, any interested

1 comments on Case 21908? I don't know, Ms. Hardy, if you
2 had any comments.

3 MS. HARDY: I do not, Mr. Examiner. Thank you.

4 MR. GARCIA: Also, Bill, can I ask a question?

5 EXAMINER BRANCARD: Sure. Mr. Garcia.

6 MR. GARCIA: I came in late when you both were
7 putting this case on. I was looking at the exhibits. I
8 understand the facilities is cost effective. What would
9 be nice in the future, because it seems like we get these
10 more often now, is if we had exhibits that would reflect
11 the facilities.

12 MS. LUCK: Okay.

13 MR. GARCIA: I don't see anything in the
14 exhibits talking about facility cost savings. You know,
15 the locations of the facilities. I just think it would
16 help us understand what you're trying to say.

17 MS. LUCK: Absolutely. And OXY has a couple
18 more of these cases filed and pending before the Division
19 for the upcoming July docket, so I'll take that
20 inspiration while preparing those cases so the Division
21 can have a more clear picture of the work that OXY is
22 doing to develop these non-standard units.

23 MR. GARCIA: Because I see this exhibit appears
24 in the (inaudible), but that is about the extent of the
25 exhibits.

1 MS. LUCK: I understand.

2 EXAMINER BRANCARD: Mr. Garcia, would you prefer
3 that in this case OXY supplement the record with
4 something?

5 MR. GARCIA: It would definitely be nice if OXY
6 is claiming that, you know, they are protecting
7 correlative rights and preventing waste by saving money by
8 going to less facilities, to have something for us to
9 review later to back up our Order if an Order is issued,
10 something that we can reflect on: (inaudible) cost
11 savings, uhm, what would happen if we didn't get this
12 approved.

13 (Note: Reporter interruption.)

14 MR. GARCIA: Sorry. I can experiment. Is that
15 better?

16 Yes, it just would be better for the record
17 in the long run, I think.

18 MS. LUCK: Yeah, I understand. If there's a
19 supplemental exhibit that OXY can put together that shows
20 the consolidated surface facilities and explains the cost
21 savings, we will do that.

22 Is there a time frame? Like next week we
23 can get it to the Division.

24 MR. GARCIA: I would prefer that.

25 EXAMINER BRANCARD: Whatever works for you, Ms.

1 Luck. In the next week or so, that would be fine. We
2 have another one of these cases pending, too, so we need
3 to get the Orders out.

4 MS. LUCK: Okay. I will get that submitted to
5 the Division by a week from today, which is June 24.

6 EXAMINER BRANCARD: Great. That would be very
7 helpful. Thank you.

8 Is there anything further on Case 21908?

9 MS. LUCK: I think that's it. Thank you for
10 your time. I appreciate you asking these questions and
11 helping us get this considered by the Division.

12 EXAMINER BRANCARD: Thank you. So with that
13 Case 21908 is taken under advisement but the record is
14 left open for a week for OXY to provide additional
15 documentation on surface facilities.

16 MS. LUCK: That sounds great. Thank you.

17 EXAMINER BRANCARD: Thank you.

18 (Time noted 10:46 a.m.)

19

20

21

22

23

24

25

1 STATE OF NEW MEXICO)
2 : SS
3 COUNTY OF TAOS)

4
5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday, June 17,
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

22
23
24
25