

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:

Application of Case No.

County, New Mexico

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, APRIL 7, 2022

EXAMINER HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq. Hearing Examiners, John Garcia, Technical Examiner, on Thursday, April 7, 2022, via Webex Virtual Conferencing Platform hosted by the New Mexico Energy, Minerals and Natural Resources Department

Reported by: Mary Therese Macfarlane
 New Mexico CCR #122
 PAUL BACA COURT REPORTERS
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 Albuquerque, New Mexico 87102
 (505) 843-9241

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3 C O N T E N T S

4 CASE NO. PAGE.

5 CASE CALLED: 4

6 TAKEN UNDER ADVISEMENT:

7

8 I N D E X O F E X H I B I T S .

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EOG EXHIBITS ADMITTED.

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CASE NOS. 22537

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1 (Time noted 1:49 p.m.)

2 EXAMINER BRANCARD: All right. With that we
3 have Cases 22537, 22538, EOG Resources.

4 MR. PARROT: Good afternoon, this is Jamie
5 Parrot with Beatty & Wozniak, representing EOG Resources,
6 Inc.

7 EXAMINER BRANCARD: Ah-hah, a new attorney we
8 get to baptize.

9 MR. PARROT: Please be gentle.

10 EXAMINER BRANCARD: Are there any other
11 interested persons for Cases 22537 and 22538? (Note:
12 Pause.) Hearing none, Mr. Parrot you may proceed.

13 MR. PARROT: Thank you. Good afternoon,
14 Mr. Brancard, Mr. Garcia. Thank you very much for your
15 time today.

16 I'll start off with Case No. 22537. It's
17 an application to pool all committed interests in an
18 approximately 480-acre horizontal unit for the Bone Spring
19 oil, and approximately 480-acre horizontal unit for the
20 Wolfcamp oil, both units covering the southwest of Section
21 35 in Township 24 South, Range 34 East, and the west half
22 of Section 2 in Township 25, Section 34 East, Lea County.

23 The Bone Spring unit is committed to the
24 following wells: the Honey Buzzard 35 South State Com No.
25 201H, 302H, 303H, 401H, 402, 601H and 602H.

1 The Wolfcamp unit is committed to the
2 following wells: The Honey Buzzard 35 South, State Com
3 No. 701H, 702H, 703H and 704H.

4 Both units include proximity tracts. The
5 defining well for the Bone Spring is the Honey Buzzard 35
6 South State Com No. 302H, and for the Wolfcamp is the
7 Honey Buzzard 35 South State Com 702H.

8 We filed an application packet on Tuesday
9 with the Checklist, Application and Affidavit.

10 So Exhibit A is the Pooling Checklist, and
11 you'll see the typical information there.

12 Exhibit B is a copy of the application.

13 Exhibit C is the affidavit of EOG's land
14 witness Laci Stretcher. And Ms. Stretcher has previously
15 testified before the Division and been accepted as an
16 expert in petroleum land matters.

17 At Exhibit C-1 you will see a General
18 Location Map.

19 Exhibit C-2 contains the Form C-102s. Ms.
20 Stretcher notes in her affidavit that there are two
21 overlapping spacing units, and she has described the
22 notices that were sent to the extent they were required.

23 C-3 is a Tract and Ownership Map along with
24 the working interest breakout, and it shows the single
25 party being pooled as uncommitted, and that's OXY Y-1

1 Company.

2 C-4 contains a sample of the proposal that
3 was sent to all working interest owners along with an AFE
4 for all of the wells.

5 And C-5 provides the Chronology of Contacts
6 summarizing the attempts to obtain (inaudible) of the
7 uncommitted party.

8 Exhibit D is an affidavit of EOG's geology
9 witness, Terra George. Ms. George has previously
10 testified before the Division and been accepted as an
11 expert in petroleum geology.

12 D-1 is a Locator Map.

13 D-2 is a Structure Map off the top of the
14 Bone Spring showing the Bone Spring unit, the wells used
15 to construct the Cross-Section from A to A prime. Ms.
16 George states the wells are representative of the area's
17 geology and she observed no faulting, pinching or other
18 geologic hazards to developing a horizontal well.

19 D-3 is a Structure Map off the top of the
20 Wolfcamp showing Wolfcamp unit wells used to construct a
21 Cross-Section from A to A prime. Ms. George again states
22 that the wells are representative of the area's geology,
23 and no faulting, pinching or other geologic hazards to
24 developing a horizontal well.

25 D-4 is a Cross-Section of Upper Bone Spring

1 showing gamma ray resistivity logs. It identifies the
2 targeted interval as in the Bone Spring unit.

3 And D-5 is a Cross-Section of the Lower
4 Bone Spring/Upper Wolfcamp showing again gamma ray
5 resistivity logs which identifies the targeted intervals
6 in the Wolfcamp unit.

7 Exhibit E is the Notice Affidavit showing
8 the Notice letters mailed to OXY and Sharbro. They are
9 the working interest owner, and a Certified Mailing
10 receipt showing delivered to the uncommitted party.

11 And, Mr. Brancard, I have noted your
12 comments about affidavits and we will certainly comply
13 with those for all of our future packets.

14 So with that I would ask that the exhibits
15 be admitted into the record and the matter be taken under
16 advisement unless you have any questions.

17 EXAMINER BRANCARD: Thank you.

18 Mr. Garcia, questions?

19 EXAMINER GARCIA: For these cases, for instance
20 Case 22538, you're pooling the Bone Spring and the
21 Wolfcamp; is that correct?

22 MR. PARROT: Yes, sir, that is correct.

23 And I didn't actually go through the
24 exhibit packet for -538 but I'm happy to do that right now
25 if you would like me to. It's pretty much exactly the

1 same for -537, just different wells.

2 EXAMINER GARCIA; No, that's all right. I tend
3 to review cases in bulk. I'll go back.

4 Same question for Case 22537, though. Is
5 that Wolfcamp and (inaudible) case I guess?

6 MR. PARROT: Yes, that is correct.

7 EXAMINER GARCIA; Okay. Sorry. I'm trying to
8 think if we've done that before with one case.

9 MR. PARROT: I know it's not conventional, it's
10 not the typical approach. You know, we, at my firm, are
11 still trying to find the best path to agreeing here, may
12 have strayed a little off the fairway in this case, and I
13 apologize for that. It's just a function of us trying to
14 kind of feel our way through the process a little bit.

15 I think the statutes and the regs
16 specifically allow for pooling of multiple pools in the
17 same application, so I don't think that's prohibited, I
18 think there are some precedents for it, but, you know, the
19 unconventional nature, we know that. We won't be doing
20 that as a typical practice. I think if we felt like there
21 was some compelling reason, we would give you a call ahead
22 of time and talk about it with you and see if that would
23 make sense for some reason.

24 EXAMINER GARCIA; Yeah, that type discussions I
25 would have to take back to my lawyers, because -- that's

1 Bill Brancard.

2 I guess my biggest question would be there
3 is no depth severance between these formations. I know
4 your checklist has no, I just want to confirm.

5 MR. PARROT: That's correct. Working interest
6 is -- well, all ownership is common between the
7 formations.

8 EXAMINER GARCIA; I believe that's all my
9 questions.

10 EXAMINER BRANCARD: Well, Mr. Garcia, I was
11 going to ask you if you had ever seen this combined.

12 EXAMINER GARCIA; Not from memory. I know we've
13 done one-offs here and there. I'm trying to think if I
14 have any issues with it.

15 I think the biggest question is depth
16 severance, like we've seen in other cases today. There's
17 a slight depth severance sometimes, but...

18 EXAMINER BRANCARD: There's often differences in
19 ownership?

20 EXAMINER GARCIA: Yeah.

21 EXAMINER BRANCARD: I look at Exhibit C-3, then.
22 That's the Summary of Ownership here.

23 So essentially EOG has a 91 percent total
24 ownership working interest; is that correct.

25 MR. PARROT: Give me just one second to get to

1 that and refresh my memory.

2 So which docket are you looking at
3 specifically? Is that -537?

4 EXAMINER BRANCARD: We're on -537, Exhibit C-3.
5 Just trying to get a sense of the ownership here, that's
6 all.

7 MR. PARROT: Sorry. I'm just scrolling through.
8 I don't want to give you a wrong answer.

9 So, uhm, -537 EOG's working interest is --
10 yeah, we are a little shy of 92 percent.

11 EXAMINER BRANCARD: So it looks like if I'm
12 looking at the formula to the right EOG has 100 percent
13 interest in two of the three tracts, and like 75 percent
14 interest in the third tract. Is that right?

15 MR. PARROT: No, I probably want to defer to
16 EOG's landman on that question, and I believe she may be
17 on the line. Or, you know, we could certainly confirm
18 that after the hearing if you would like an answer at a
19 later time.

20 MR. BRANCARD: Because it looks like the only
21 shared interest is in Tract 3.

22 MR. PARROT: Would you like me to have Ms.
23 Stretcher answer that question for you, Mr. Brancard?

24 EXAMINER BRANCARD: I think I'm just kind of
25 talking to myself here. I think I can figure it out.

1 MR. PARROT: Okay.

2 EXAMINER BRANCARD: And so in the -- did you
3 reference an overlapping spacing unit at all?

4 MR. PARROT: I did. In fact there were two for
5 each of the applications. And they are discussed in Ms.
6 Stretcher's affidavit.

7 One is 100 percent owned by EOG, the other
8 has ownership by OXY and Sharbro, and Notice was sent to
9 OXY and Sharbro for that overlapping unit. It's paragraph
10 9A and -B of Ms. Stretcher's affidavit at the bottom of
11 page 3 and top of page 4.

12 EXAMINER BRANCARD: Okay.

13 MR. PARROT: And I can pretty much just repeat
14 myself for -538. I won't do that. It's the same
15 situation.

16 EXAMINER BRANCARD: We will just go through -537
17 here first, so...

18 MR. PARROT: Okay.

19 EXAMINER BRANCARD: All right. I don't have any
20 further questions. Are there any other interested persons
21 in Case 22537?

22 Hearing none, Case 22537 will be taken
23 under advisement.

24

25

1 So Case 22538.

2 MR. PARROT: James Parrot with Beatty & Wozniak
3 representing EOG Resources, Inc.

4 Mr. Brancard, I'm not sure if you called
5 any other interested parties for both matters. Do you
6 want me to wait for you to call interested parties for
7 -538?

8 EXAMINER BRANCARD: No, I think I called for
9 both parties -- for both cases, so please proceed.

10 MR. PARROT: Okay. Great.

11 So Case No. 22538 is an application to pool
12 an approximately 480-acre horizontal unit for the Bone
13 Spring oil and approximately a 480-acre horizontal unit
14 for the Wolfcamp oil, both covering the same lands, being
15 the west half of Section 26 and the northwest of Section
16 35, Township 24 South, Range 34 East, Lea County.

17 The following wells are committed to the
18 Bone Spring Unit: The Harrier 35 North Fed Com No. 301H,
19 302H, 401H 402H, 601H, 602H.

20 And the following wells are committed to
21 the Wolfcamp unit: The Harrier 35 North Fed Com No. 701H,
22 702H, 703H and 704H.

23 The units also include proximity tracts.
24 The defining well for the Bone Spring is the Harrier 35
25 North Fed Com 301H and for the Wolfcamp is the 702H.

1 Exhibit A is the Pooling Checklist.

2 And B is a copy of the application.

3 Exhibit C is the affidavit Of EOG's land
4 witness, Ms. Stretcher, and as I previously stated she has
5 been accepted as an expert in petroleum land matters.

6 C-1 is a General Location Map.

7 C-2 contains the Form C-102s. Same
8 situation as the prior matter with two overlapping spacing
9 units spacing units and no descent, as required.

10 C-3 is the Track and Ownership Map along
11 with the working interest breakout showing the single
12 party being pooled. Again that's OXY Y-1 company.

13 C-4 contains a sample of the Proposal that
14 was sent to all the working interest owners in the unit
15 along with AFEs for each of the wells.

16 And C-5 is the Chronology of Contacts.

17 Exhibit D is the affidavit of EOG's
18 geologist witness Terra George, who again has been
19 accepted as an expert in petroleum geology previously.

20 D-1 is the Locator Map.

21 D-2 is a Structure Map off the top of the
22 Bone Spring showing the Bone Spring unit and the wells
23 used to construct a cross section from A to A prime. Ms.
24 George states the wells are representative of the area's
25 geology and she observed no faulting, pinching or other

1 geologic hazards for horizontal development.

2 D-3 is a Structure Map off the top of the
3 Wolfcamp showing the Wolfcamp unit and the wells used to
4 construct a Cross-Section from A to A prime. Again, Ms.
5 George states that the wells are representative of the
6 area's geology and there are no geologic hazards to
7 developing a horizontal well.

8 D-4 is a Cross-Section of the Upper Bone
9 Spring showing gamma ray and resistivity logs, and
10 identifies the targeted interval in the Bone Spring.

11 Likewise, D-5 is a similar exhibit for the
12 Wolfcamp.

13 Exhibit E is the Notice Affidavit and shows
14 a copy of the Certified Mailing receipt for the delivery
15 to the uncommitted party.

16 So I'd ask that the exhibits be admitted
17 into the record and the matter taken under advisement,
18 unless there are any questions.

19 EXAMINER GARCIA: I have no questions.

20 EXAMINER BRANCARD: Thank you. I don't think I
21 have questions either.

22 So are there any other interested persons
23 for Case 22538 (Note: Pause.) Hearing none, uh...

24 So the interest ownership is basically
25 identical to what the other case is?

1 MR. PARROT: Uh, let's see. Yep.

2 EXAMINER BRANCARD: Thank you.

3 MR. PARROT: Yes.

4 EXAMINER BRANCARD: With that Case 22538 will be
5 taken under advisement. Thank you.

6 MR. PARROT: All right. Thank you very much for
7 your time. Have a good afternoon.

8 EXAMINER BRANCARD: Thank you.

9 (Time noted 2:08 p.m.)

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1 STATE OF NEW MEXICO)

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3 COUNTY OF TAOS)

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REPORTER'S CERTIFICATE

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I, MARY THERESE MACFARLANE, New Mexico Reporter

7

CCR No. 122, DO HEREBY CERTIFY that on Thursday, April 7,

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2022, the proceedings in the above-captioned matter were

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taken before me; that I did report in stenographic

10

shorthand the proceedings set forth herein, and the

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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

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that I have no interest whatsoever in the final

17

disposition of this case in any court.

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19

/S/CCR/Mary Therese Macfarlane

20

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