

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 OXY USA, INC.  
for an Order acknowledging  
the DR PI (Deep) Fed Unit,  
Lea County, New Mexico

Case No. 22637

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 and Philip Goetze, Technical Examiners, 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  
500 Fourth Street NW, Suite 105  
Albuquerque, New Mexico 87102  
(505) 843-9241

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A P P E A R A N C E S

FOR OXY USA, INC.: Adam G. Rankin, Esq.  
Holland & Hart  
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C O N T E N T S

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

OXY USA, INC. EXHIBITS	ADMITTED
A Application	8
B Affidavit of Amber Delach	8
B-1 BLM Approval	8
B-2 Unit Obligation Well C-102	8
C Affidavit of Daniel Burnett	8
C-1 Locator Map	8
C-2 Type Log	8
C-3 Subsea Structure Map and Cross-Section Map	8
C-4 Cross-Section	8

1 (Time noted 2:39 p.m.)

2 EXAMINER BRANCARD: All right. With that I will  
3 call Case 22637, OXY USA, Inc.

4 MR. RANKIN: Mr. Examiner, Adam Rankin with  
5 Holland and Hart, Santa Fe office, appearing in this case  
6 on behalf of the applicant OXY USA.

7 EXAMINER BRANCARD: Thank you. Are there any  
8 other interested persons for Case 22637, the DR PI unit?

9 You would think we would draw a crowd with  
10 that, but no.

11 Mr. Rankin, please proceed.

12 MR. RANKIN: Mr. Examiner, this was an  
13 application filed by OXY for acknowledgement, recognition  
14 of 100 percent Fed Exploratory unit. The unit will be  
15 located in Township 22 South, Range 32 East within Lea  
16 County and it will comprise Sections 7, 8, 17 and 18.

17 OXY -- that will, uh -- total acreage is  
18 approximately 2,595 acres, more or less. OXY in this case  
19 is the designated operator under the unit agreement which  
20 has already been approved and certified by the BLM.

21 OXY is 100 percent working interest owner,  
22 the lands dedicated to the unit and committed to the unit  
23 are 100 percent federal lands.

24 The unitized interval will comprise all  
25 formations below the base of the Delaware Formation from

1 approximately 8,647 feet to the base of the Delaware down,  
2 and OXY not only is the 100 percent working interest but  
3 is the sole record title owner.

4 And in the exhibit packet that we filed on  
5 Tuesday, Exhibit A is a copy of the application that was  
6 filed identifying the acreage, the unitized interval, and  
7 the status of the BLM's approval of the unit and unit  
8 agreement.

9 Exhibit B is a copy of the affidavit  
10 prepared by OXY'S landman, Amber Delach. She reviews the  
11 acreage and the unitized interval for the proposed unit  
12 and confirms that OXY is 100 percent working interest  
13 owner, sole title owner, and has already received approved  
14 from the BLM.

15 B-1 is a copy of the Approval Letter from  
16 BLM reflecting that they have approved and authorized OXY  
17 to the unit operator and have approved the unit agreement.

18 B-2 is a copy of unit designation well  
19 C-102 that was filed with the Division reflecting the  
20 proposed initial dedication well for the acreage.

21 Exhibit C is a copy of the affidavit  
22 prepared by Daniel Burnett. He has previously testified  
23 before the Division. He reviews the geology of the  
24 proposed formations within the unitized area, identifies  
25 the primary and secondary target intervals, has prepared a

1 Structure Map and a Cross Section reflecting the location  
2 of the target intervals, as well as the top of the  
3 unitized interval, and again the primary and secondary  
4 targets for each of the -- developed within the acreage.

5 Now, Mr. Examiner, because OXY is 100  
6 percent working interest and it's a voluntary unit we do  
7 not provide any Notice to any parties, including the BLM,  
8 because the BLM has already approved it, so there was no  
9 Notice provided of this case.

10 OXY is going to be seeking a voluntary  
11 joinder of the overrides, and in Exhibit A to the  
12 application you will see a form of letter seeking the  
13 approval authorization for overrides, uhm, not of interest  
14 in this acreage.

15 If OXY is unable to reach an agreement with  
16 the overrides to include or ratify the agreement OXY will  
17 pay those override royalty interest owners on a lease  
18 basis.

19 With that, Mr. Examiner, we ask that  
20 Exhibits A through C-4 be admitted into the record, along  
21 with all attachments, and we ask that this case be taken  
22 under advisement.

23 EXAMINER BRANCARD: Thank you.

24 Mr. Garcia or anyone else in the Division?

25 EXAMINER GARCIA: I have no questions on this.

1 The case confuses me because you're seeking OCD's blessing  
2 on something BLM has already approved?

3 MR. RANKIN: Mr. Examiner, I understand from the  
4 Division that in this situation where the BLM has approved  
5 this unit that it comprises 100 percent federal lands is  
6 that the Division has asked us to bring these cases to the  
7 Division so that the Division has a way of recognizing or  
8 acknowledging the existence of the unit in their system.  
9 So that is what we have done.

10 EXAMINER GARCIA: Yeah. I don't typically  
11 review unit (inaudible), but you see we have another  
12 person here, so I will defer questions. But thank you for  
13 background for my knowledge on this.

14 EXAMINER BRANCARD: Do we have anyone else from  
15 the Division.

16 MR. GOETZE: Mr. Brancard, Philip Goetze.

17 EXAMINER BRANCARD: Mr. Goetze, guest examiner.

18 EXAMINER GOETZE: Guest examiner. You made me  
19 dress up.

20 Just one question: With regard to the  
21 seeking of the overriding royalty interest approvals, how  
22 far have you gotten on that?

23 MR. RANKIN: I'm not sure. I don't know the  
24 answer to that question, so I can't represent to you one  
25 way or the other what the status is. I'm looking to see

1 if there are any on the exhibits that have already been --  
2 that were in the computer.

3 EXAMINER GOETZE: It's not very clear.

4 And the other thing is that the landman  
5 does state that the method of compensation will be paid on  
6 a spacing unit basis upon development of land subject to  
7 their interest.

8 Is this something that the BLM has also  
9 approved?

10 MR. RANKIN: Yes, it is. It's taken from the  
11 attachments to the unit agreement.

12 EXAMINER GOETZE: So it is in the agreement, the  
13 enormous agreement file.

14 MR. RANKIN: Yes.

15 EXAMINER GOETZ: That's the only questions I  
16 have.

17 EXAMINER BRANCARD: Thank you.

18 So I was just curious, Mr. Rankin, since I  
19 know a little bit about geology since my freshman geology  
20 case 47 seven years ago.

21 It says this unit goes from the bottom of  
22 the Delaware Mountain Group and then keeps going,  
23 presumably to the center of the earth.

24 MR. RANKIN: I think that's right, Mr. Examiner.

25 EXAMINER BRANCARD: All right.

1           MR. RANKIN: I don't think they'll drill that  
2 far.

3           EXAMINER BRANCARD: But, you know, got some real  
4 possibilities in the future, possibly.

5                     All right. Thank you. Appreciate that.

6                     Are there any other interested persons for  
7 Case 22637, the DR PI unit?

8                     Hearing none, this case will be taken under  
9 advisement and all the exhibits will be admitted into the  
10 record. Thank you.

11                    (Time noted 2:48 p.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, April 7,  
8 2022, 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

19 /S/CCR/Mary Therese Macfarlane

20 MARY THERESE MACFARLANE, CCR  
21 NM Certified Court Reporter No. 122  
License Expires: 12/31/2022

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