

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:

Applications of XTO Energy, Inc.  
for Compulsory Pooling,  
Eddy County, New Mexico                      Case Nos. 22609, 22610

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  
                      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 XTO ENERGY: Michael Feldewert, Esq.  
Holland & Hart  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501  
(505) 988-4421  
mfeldewert@hollandhart.com.

C O N T E N T S

CASE NOS.	22609 22610	PAGE
CASE CALLED:		3
CASE 22609 DISMISSED:		3
CASE 22610 TAKEN UNDER ADVISEMENT:		9
(Held open for one week for submission of updated Exhibit A-3)		

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

XTO ENERGY EXHIBITS	PAGE
A Affidavit of Carlos R. Salinas (Landman)	9
A-1 C-102	9
A-2 General Location Map	9
A-3 Ownership Breakdown	9
A-4 Sample Well Proposal Letter and AFE	9
A-5 Chronology of Contact	9
B Affidavit of Arturo Ayala (Geologist)	9
B-1 Structure Map	9
B-2 Stratigraphic Cross Section	9
C Notice Affidavit	9
D Affidavit of Publication	9

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

2 EXAMINER BRANCARD: All right. So with that, I  
3 will call Cases 22609 and 22610, XTO Energy.

4 MR. FELDEWERT: Good morning, Mr. Examiner and  
5 Mr. Garcia. Michael Feldewert with the Santa Fe office of  
6 Holland & Hart appearing on behalf of the applicant XTO  
7 Energy.

8 EXAMINER BRANCARD: Are there any other persons  
9 here for Cases 22609, 22610? (Note: Pause.)

10 Hearing none, you may proceed, Mr.  
11 Feldewert.

12 MR. FELDEWERT: Mr. Examiner, first off we can  
13 dismiss Case 22609. I have been informed that all the  
14 parties that were subject to that case, the mineral owners  
15 for that particular matter, the company has reached a  
16 voluntary agreement with them, so that Case 22609, which  
17 involved the Remuda North 30 State 707H well can be  
18 dismissed.

19 With respect to the remaining case, which  
20 is Case 22610, XTO in this matter seeks to form a standard  
21 400-acre horizontal spacing unit in the Bone Spring  
22 Formation underlying the east half of the west half of  
23 Sections 19 and 30 and the east half of the northwest  
24 quarter of Section 31, Township 23 South, 30 East, in Eddy  
25 County, and it would be for the proposed Remuda North 30

1 State 708 well.

2 Again they seek to pool a group of unleased  
3 mineral owners in the northeast quarter of the northwest  
4 quarter of Section 19. The remaining mineral owners they  
5 have reached an agreement with prior to the hiring.

6 You will see that when we filed these  
7 exhibits, I put them together earlier this week, it  
8 related to both cases, but, like I said, Case 22609 can be  
9 dismissed, so we are only looking now at Case 22610 for  
10 the 708H well.

11 We have as Exhibit A the affidavit of  
12 Mr. Salinas. He has provided the C-102 for the proposed  
13 well as Exhibit A-1.

14 His Exhibit A-2 is a General Location Map.

15 Exhibit A-3 provides the Ownership  
16 Breakdown, which, based on a prior discussion, we will not  
17 need to update. Well, I guess we may need to update in  
18 order to identify the remaining parties in Tract A that  
19 are subject to pooling.

20 He's also provided a sample of the Well  
21 Proposal Letter and the AFE that went out to these parties  
22 that they seek to pool.

23 And Exhibit A-5 is his Chronology of  
24 Contacts with the parties that they seek to pool.

25 Exhibit B, as in boy, is the affidavit of

1 Arturo Ayala, who is a geologist who has previously  
2 testified before the Division. He provides as Exhibit B-1  
3 a Structure Map of the Second Bone Spring Interval, which  
4 is the target zone for these wells, and he's then also  
5 provided as Exhibit B-1 a Cross-Section A to A prime, and  
6 then utilized the well logs that's shown on Exhibit B-1 to  
7 create the stratigraphic Cross-Section which is marked as  
8 Exhibit B-2, and he shows the target interval and location  
9 for the 708H well, which is the initial well for this  
10 spacing unit.

11 XTO Exhibit C is the affidavit from our  
12 office providing the Notice Letter that went out to the  
13 parties that remain to be pooled, along with the status  
14 report from the UPS for these remaining parties.

15 And then finally Exhibit D, as in David, is  
16 the Affidavit of Publication naming the parties that were  
17 to be pooled at that time directly.

18 So with that we would move the admission of  
19 Exhibits A, B, C and D, and we ask that this case be taken  
20 under advisement, knowing that we will supplement Exhibit  
21 A-3 to highlight the remaining parties that need to be  
22 pooled.

23 EXAMINER BRANCARD: Thank you.

24 Mr. Garcia, questions?

25 EXAMINER GARCIA: Yes.

1                   I'm just looking at the tract, and it looks  
2 like your tracts slightly vary in ownership, and they're  
3 labeled different than the last case we discussed, but  
4 your Tract E on the current Case 22610 shows three  
5 companies, and then Tract C, which is equal in the last  
6 case, has two companies. So I guess maybe some review is  
7 needed on that.

8                   MR. FELDEWERT: Well, Mr. Salinas I think is  
9 available. My guess would be that the previous case  
10 involved the Wolfcamp and this involves the Bone Spring.

11                   (Note: Carlos Salinas, previously sworn,  
12 responded as follows.)

13                   MR. SALINAS: Yes, sir, you're correct. There's  
14 a depth severance in the Bone Spring Chevron does own a  
15 small interest in. The Wolfcamp, they did not.

16                   (Note: Sound lost.)

17                   MR. SALINAS: Can you hear me?

18                   EXAMINER BRANCARD: Now we can, yes.

19                   MR. SALINAS: I'm sorry.

20                   But yes, Mr. Feldewert was correct. In the  
21 Wolfcamp Chevron does not own a working in Bone Spring,  
22 they own a small working interest.

23                   EXAMINER GARCIA: Thank you. That's all my  
24 questions.

25                   EXAMINER BRANCARD: Thank you for clearing that

1 up.

2 So we have a drilling island here? Is that  
3 the problem, Mr. Feldewert. Is that why you're drilling a  
4 well in Section 30 and then you're sending that well  
5 south/southeast about a mile into Section 31, and then  
6 completing the well north from Section 31 through 30 and  
7 19?

8 MR. FELDEWERT: That's a difficult question for  
9 me to answer. Mr. Brancard. I'm sure there's good  
10 reasons that XTO is incurring the additional cost of doing  
11 that giration, so to speak. I think Mr. Salinas may be  
12 able to answer that question.

13 MR. SALINAS: Yes, sir. That's the case. We  
14 had service constraints in Section 31 going down south  
15 that prohibited us from accessing the acreage from that  
16 particular location. In order to develop the acreage in  
17 Tract H it was necessary to kick out from the pad in  
18 Section 30. We have spoken with our drilling department.  
19 They're quite confident they will be able to access that  
20 acreage from that drilling location.

21 EXAMINER BRANCARD: Okay. Is this federal  
22 drilling islands? Is that what we are drilling with here?

23 MR. SALINAS: No, this is a state. It's going  
24 to be a state pad, state island.

25 EXAMINER BRANCARD: Okay.

1                   Okay. So again I guess the same issue;  
2   that is, Exhibit A-3 will need to be updated, Mr.  
3   Feldewert?

4                   MR. FELDEWERT: Yes, sir.

5                   EXAMINER BRANCARD: It does appear from your  
6   mailing report that a number of more people were given  
7   notice, but there again that could be because of the depth  
8   issues, the Formation issues.

9                   Anyway, if you could just verify that the  
10   people who needed to get Notice got Notice.

11                  MR. FELDEWERT: Certainly.

12                  EXAMINER BRANCARD: All right. Anything else,  
13   Mr. Garcia?

14                  EXAMINER GARCIA: I have no more questions.

15                  EXAMINER BRANCARD: So for the record, then,  
16   Case 22609 will be dismissed, is that correct, Mr.  
17   Feldewert?

18                  MR. FELDEWERT: Yes, sir.

19                  EXAMINER BRANCARD: So Case 22610 will be taken  
20   under advisement with again leaving the record open for a  
21   week here for updating Exhibit, I believe it's A-3, to  
22   clarify which interest owners are being pooled under this  
23   Order.

24                  MR. FELDEWERT: Yes, sir.

25                  EXAMINER BRANCARD: And to verify that they were

1 receiving Notice, did receive Notice. Thank you.

2 Any other interested persons, then, on  
3 Cases 22610 or 22609? (Note: Pause.)

4 Hearing none, we can move on to our next  
5 item.

6 (Time noted 10:03 a.m.)

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

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

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

REPORTER'S CERTIFICATE

I, MARY THERESE MACFARLANE, New Mexico Reporter  
CCR No. 122, DO HEREBY CERTIFY that on Thursday, April 7,  
2022, the proceedings in the above-captioned matter were  
taken before me; that I did report in stenographic  
shorthand the proceedings set forth herein, and the  
foregoing pages are a true and correct transcription to  
the best of my ability and control.

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

/S/CCR/Mary Therese Macfarlane  
MARY THERESE MACFARLANE, CCR  
NM Certified Court Reporter No. 122  
License Expires: 12/31/2022