

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 Devon Energy Production
Company, L.P., for compulsory pooling,
Eddy County, New Mexico

Case No. 22743

TRANSCRIPT OF PROCEEDINGS

May 5, 2022

EXAMINER HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq., Hearing Examiner, Dean McClure, Technical Examiner, on May 5th, 2022, via Webex Virtual Conferencing Platform hosted by the New Mexico Energy, Minerals and Natural Resources Department

REPORTED BY: SHANON R. MYERS, CCR, RPR, CRR, RMR, CRC
CCR No. 275
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A P P E A R A N C E S

For Devon Energy Production Company, L.P.:

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BY: ADAM RANKIN

I N D E X

Case called	3:1
Summary of case and exhibits	3:15
Taken under advisement	9:7
Court Reporter's Certificate	10:1

1 (Time noted as 10:06 a.m.)

2 EXAMINER BRANCARD: With that, I will call Case
3 22749, Devon Energy Production.

4 MR. RANKIN: Good morning, Mr. Examiner. Do you
5 want to do the first case first, -743?

6 EXAMINER BRANCARD: Oh, yes, you're right. Thank
7 you. Case 22743, Devon Energy Production.

8 MR. RANKIN: Good morning, Mr. Examiner. May it
9 please the Division? Adam Rankin with the office of
10 Holland & Hart, here in Santa Fe, appearing on behalf of the
11 applicant in this case.

12 EXAMINER BRANCARD: Thank you. Are there any
13 other interested persons for Case 22743?

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

15 MR. RANKIN: Thank you very much, Mr. Examiner.
16 In this case, Devon seeks an order pooling all committed
17 interest owners in the Wolfcamp formation underlying a
18 standard 640-acre, approximately, horizontal spacing unit
19 that is comprised of the W/2 of Sections 2 and 11, in
20 Township 23 South, Range 31 East, in Eddy County. The
21 spacing unit will be dedicated to the Belloq 11-2 Fed State
22 wells; there are five of them. The -- Devon is coming back
23 to force pool the Wolfcamp zone. They have previously
24 pooled the Bone Spring and prior -- in a prior case.

25 Filed on Tuesday is the set of exhibits that go along

1 with this case. Exhibit A is the compulsory pooling
2 checklist which identifies the elements of the forced
3 pooling spacing unit, the pool that the wells will be
4 dedicated to in the Wolfcamp, the acreage building blocks as
5 well as the wells that will be dedicated. The Belloq 812H,
6 812 will be a proximity well, which will pull in the
7 adjacent tracts into the spacing unit. Exhibit B is the
8 copy of the application that was filed in this case
9 identifying the wells and spacing unit.

10 Exhibit C is a copy of the affidavit of Katie Adams,
11 who is a landman with Devon, who's previously testified and
12 has been accepted as an expert in petroleum land matters.
13 Her affidavit reviews the proposed spacing unit, the wells
14 that will be dedicated to it, and the -- attached to her
15 exhibit is a C- -- or the C-102s as Exhibit C1, which
16 identify the locations for each of the wells, first and last
17 take points, and the dedication to the pool. Exhibit C2 is
18 a plat that she created identifying the tracts of land that
19 comprise the spacing unit, along with the various interests
20 that are committed -- that make up each of the tracts, as
21 well as on a spacing-unit basis. That exhibit also
22 identifies the pooled parties that Devon is seeking to pool,
23 which include a mix of working interest owners, overrides,
24 and then a bare title record owner as well. Exhibit C3 is a
25 sample of the well proposal letters and AFEs that Devon sent

1 to all the owners with a working interest.

2 The costs are consistent with what Devon and other
3 operators have incurred for drilling similar wells. They're
4 asking for \$8,000 a month while drilling and \$800 a month
5 while producing as overhead and administrative costs. These
6 are also consistent with what other operators have been
7 charging. They're asking for a 200 percent risk charge and
8 they have conducted a diligent search of the County public
9 records, reviewed telephone directories, and conducted
10 computer searches to locate contact information for the
11 parties that it is seeking to pool.

12 And it has attempted good faith negotiations to reach
13 agreement. C4 is a copy of the chronology of contacts with
14 each of the uncommitted owners that Devon is seeking to pool
15 in this case. Exhibit D is the affidavit of Mr. O'Brien;
16 he's a geologist. He has not previously testified. He
17 reviews his background and geology. He's got a BS in
18 geology and then a PhD as well from Iowa State University.
19 He has worked as a geologist with Devon since 2017. He's
20 attached his resume as Exhibit D1. And based on that, his
21 experience, Mr. Examiner, I would ask that Mr. O'Brien be
22 recognized as an expert in petroleum geology.

23 EXAMINER BRANCARD: Dr. O'Brien will be recognized
24 as an expert in geology.

25 MR. RANKIN: That is an accurate statement. Thank

1 you, Mr. Examiner.

2 Dr. O'Brien reviews in his affidavit the basis for
3 their proposed spacing unit. His Exhibits D1 through D4
4 reflect that he -- in his opinion, he has identified no
5 impediments, pinch outs, faulting, or other issues that
6 would prevent the development of these -- this acreage with
7 horizontal wells, and also testifies that he believes the
8 acreage will contribute most equally to production from the
9 wells. Exhibit E is a copy of our affidavit reflecting that
10 we have provided notice by certified mail on the dates shown
11 in the letters, and that we also caused a notice of
12 publication to be published in the newspaper within the
13 county.

14 The postal service report is included, and it was
15 updated and generated on April 27th, 2022, showing the
16 current status, as of that date, of the parties who were
17 given notice. Exhibit F is the copy of the affidavit of
18 notice that -- affidavit of publication that was provided to
19 us by the Carlsbad Current-Argus.

20 With that, Mr. Examiner, I would move the admission of
21 Exhibits A through F into the record and ask that the case
22 be taken under advisement.

23 EXAMINER BRANCARD: Thank you.

24 Mr. McClure, questions?

25 TECHNICAL EXAMINER McCLURE: Yeah. Mr. Rankin,

1 I'm not sure, maybe I missed it, do you mention what the
2 defining well here was? Is that the 812H to be able to
3 bring both the E/2 and W/2 of the W/2 together here?

4 MR. RANKIN: Yeah, the 812H well will be the well
5 that is within 330 offsetting quarter-quarter sections.

6 TECHNICAL EXAMINER McCLURE: Okay. Very good. I
7 was sitting there looking. I just -- I'm not sure if I
8 missed you saying it or not, but that's what it kind of
9 looked like just back of the neck in math, I guess, on my
10 end. Thank you. That was -- I'm sorry; what was that?

11 MR. RANKIN: I'm sorry; I probably neglected to
12 specify which well would be the one, but that is the one.

13 TECHNICAL EXAMINER McCLURE: Very good, very good.
14 Thank you, Mr. Rankin.

15 Mr. Brancard, I have no other questions for this case.

16 EXAMINER BRANCARD: Thank you.

17 Okay. So I just want to be clear, then, on your
18 exhibits -- let me find C3 maybe. Or is it C2? The one
19 with the interest owners.

20 MR. RANKIN: Yeah, that's C2, yeah.

21 EXAMINER BRANCARD: Okay. So the five highlighted
22 names are the working interest owners receiving a pool, but
23 then you have unhighlighted record title owners and
24 overriding interest owners that you're also -- part of this
25 pooling.

1 MR. RANKIN: That's correct.

2 EXAMINER BRANCARD: And those are all the names
3 that are on your list of people who received notice? I
4 didn't add them up to find out if that's correct, but --

5 MR. RANKIN: Those are the parties that we
6 received and addresses we received to give those to, so
7 that's -- yeah.

8 EXAMINER BRANCARD: And everyone else has signed
9 on as interest owners --

10 MR. RANKIN: Correct.

11 EXAMINER BRANCARD: -- including the Allman
12 Brothers to the Allman Sisters.

13 MR. RANKIN: I missed that.

14 EXAMINER BRANCARD: Okay. Thank you. And I had a
15 question about your C-102s, but I have looked at them
16 closely now and have found in amongst all the numbers that
17 you've -- your folks put on there, that my questions are
18 answered.

19 MR. RANKIN: There are a lot of numbers.

20 EXAMINER BRANCARD: It took me a while to find the
21 last take point, but I found it.

22 MR. RANKIN: Yeah, it's there. I can understand
23 why you would have to take a while to find it, but it is
24 there.

25 EXAMINER BRANCARD: I appreciate it, actually.

1 And so, yes, just so everyone's aware, at some point we will
2 come out with a revised C-102 for horizontal wells, instead
3 of using this old one for vertical wells.

4 Mr. McClure, are we done?

5 TECHNICAL EXAMINER McCLURE: Yeah. Sorry, I
6 didn't have any other questions.

7 EXAMINER BRANCARD: Thank you. All right. Are
8 there any other questions, then, or comments on Case 22743?

9 Hearing none, the exhibits will be admitted into the
10 record and Case 22743 will be taken under advisement.

11 (Proceeding concluded at 10:16 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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REPORTER'S CERTIFICATE

I, SHANON R. MYERS, New Mexico Certified Court Reporter, CCR #275, do hereby certify that I reported the foregoing virtual proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings to the best of my ability.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this case.

I FURTHER CERTIFY that the virtual proceeding was of extremely poor to good quality.

Dated this 2nd day of June 2022.

/s/ Shanon R. Myers

SHANON R. MYERS, CCR, RPR, CRR, RMR, CRC
License Expires: 12/31/22