

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:

ORIGINAL

APPLICATION OF CHEVRON U.S.A.,  
INC. FOR APPROVAL OF SURFACE  
LEASE COMMINGLING, LEA COUNTY,  
NEW MEXICO.

CASE NO. 15204

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 18, 2014

Santa Fe, New Mexico

BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Richard Ezeanyim,  
Chief Examiner, on Thursday, September 18, 2014, at the  
New Mexico Energy, Minerals and Natural Resources  
Department, Wendell Chino Building, 1220 South St.  
Francis Drive, Porter Hall, Room 102, Santa Fe,  
New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR  
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## 1 APPEARANCES

2 FOR APPLICANT CHEVRON U.S.A., INC.:

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1 (2:52 p.m.)

2 EXAMINER EZEANYIM: Case Number 15204,  
3 application of Chevron U.S.A., Inc. for approval of  
4 surface lease mingling, Lea County.

5 Call for appearances.

6 MR. FELDEWERT: May it please the Examiner,  
7 Michael Feldewert, with the Santa Fe office of Holland &  
8 Hart, appearing on behalf of the Applicant in this  
9 matter. I have two witnesses. No. I'm sorry. I have  
10 one witness.

11 EXAMINER EZEANYIM: Any other appearances?  
12 Okay. May the witness stand up, state your  
13 name and be sworn.

14 MR. COLE: Cody Cole.

15 EXAMINER EZEANYIM: If you are sworn, you  
16 are still under oath.

17 Mr. Feldewert, you may proceed.

18 DIRECT EXAMINATION

19 BY MR. FELDEWERT:

20 Q. For the record, would you please state full  
21 name, identify again by whom you're employed and in what  
22 capacity?

23 A. My name is Cody Cole. I'm employed by Chevron  
24 as a land representative.

25 Q. Mr. Cole, you have actually previously

1 testified before the Division; is that correct?

2 A. That is correct.

3 Q. And in other matters before the Division, you  
4 had your credentials as an expert in petroleum land  
5 matters accepted and made a matter of public record?

6 A. That is correct.

7 Q. Are you familiar with the commingling  
8 application that resulted in the setting of this case  
9 we're hearing?

10 A. Yes, I am.

11 Q. And are you familiar with the status of the  
12 lands in the subject area?

13 A. Yes, I am.

14 MR. FELDEWERT: I would once again tender  
15 Mr. Cole as an expert witness in petroleum land matters.

16 EXAMINER EZEANYIM: Mr. Cole is so  
17 qualified.

18 But can you tell me the difference between  
19 a landman, land representative and a land negotiator?  
20 Are they the same thing?

21 THE WITNESS: They're all the same thing.  
22 Each corporation has their own take on it.

23 EXAMINER EZEANYIM: But you're a landman?

24 THE WITNESS: I'm a landman. As your  
25 question earlier in a different case you asked: Why is

1 she not a land woman, we're a land representative.

2 EXAMINER EZEANYIM: Okay. Thank you.

3 Q. (BY MR. FELDEWERT) Mr. Cole, turn to what's  
4 been marked as Chevron Exhibit Number 1. Is that a copy  
5 of the surface commingling application that was filed  
6 with the Division back in July?

7 A. Yes, that is correct.

8 Q. And this involved an area that had diverse  
9 ownership?

10 A. Yes.

11 Q. And this particular exhibit has numbers at the  
12 bottom of each page. It looks like some of them are cut  
13 off, but can you describe the numbers?

14 A. Yes, that's correct.

15 Q. If you turn to the second page of this exhibit,  
16 that's the C-107B that was filed with the administrative  
17 application?

18 A. Yes.

19 Q. And if I then turn to pages 7 and 8 of this  
20 Exhibit Number 1 --

21 A. Yes.

22 Q. So I'm looking at the middle of these pages  
23 down at the bottom of pages 7 and 8 of Exhibit Number 1.  
24 Do these two pages identify the wells in the spacing  
25 units that are at issue?

1           A.    Yes, they do.

2           Q.    Would you just inform the Examiner as to what's  
3 involved here?

4           A.    Here on page 7 is a plat showing the Gramma  
5 Ridge 1H. The Gramma Ridge 1H production is going to be  
6 surfaced commingled with the production in the central  
7 tank battery of the Gramma Ridge 2H that is shown on  
8 page number 8.

9           Q.    So do we have two separate spacing units  
10 involved here?

11          A.    Yes, we do.

12          Q.    What are those?

13          A.    The Gramma Ridge 1H is located in the west  
14 half-east half, and the Gramma Ridge 2H is located on  
15 the west half-west half of Section 14.

16          Q.    And this is in Township 24 South, 34 East?

17          A.    That's correct.

18          Q.    Is the same pool involved for both of these  
19 wells?

20          A.    Yes, it is.

21          Q.    And this area -- is this area fee lands?

22          A.    Yes, all fee.

23          Q.    If I continue on to page 14 of this exhibit,  
24 does this depict a diagram of the existing, as well as  
25 future or planned facilities for this Section 14?

1 A. Yes, it does.

2 Q. So I'm on page 14 of Exhibit Number 1. It's a  
3 green plat. And Section 14 is on the right-hand side of  
4 this exhibit?

5 A. Yes.

6 Q. Where would I find -- now, this is existing  
7 wells and plant facilities?

8 A. That's correct.

9 Q. Where would I find the two existing wells at  
10 issue here, the 1H and the 2H?

11 A. As you see, the 2H is located on the northwest  
12 quarter -- corner -- excuse me -- of Section 14, and  
13 then if you count four facilities from the right, there  
14 is the Gramma Ridge 1H.

15 Q. And is there a line coming out of the Gramma  
16 Ridge 1H over to the 2H area?

17 A. That's correct.

18 Q. And is that where you seek to commingle  
19 production into a common tank battery?

20 A. Yes, that's correct.

21 Q. Is that physically located in the northwest  
22 quarter of the northwest quarter of the west half of the  
23 west half of Section 14?

24 A. Yes.

25 Q. Did your land department undertake efforts to

1 identify the mineral owners in the two spacing units at  
2 issue?

3 A. We have.

4 Q. And did that include the royalty owners and the  
5 overriding royalty owners?

6 A. Yes, that's correct.

7 Q. If I look at the last three pages of Exhibit  
8 Number 1, pages 15 -- actually, the last four pages, 15,  
9 16, 17 and 18, does this provide a list of the mineral  
10 owners of each of these spacing units?

11 A. Yes, it does.

12 Q. And most of these owners -- for most of these  
13 owners, you were able to locate an address, correct?

14 A. That is correct.

15 Q. And to those owners with an address, were you  
16 able to provide notification by certified mail?

17 A. Yes, we have.

18 Q. In preparation for this hearing here today, in  
19 looking at the records, are there a couple of owners for  
20 which you did not have an address, and, therefore, they  
21 did not receive notification?

22 A. That is correct.

23 Q. And do we intend to cure that?

24 A. Yes, we do. It was an administrative error  
25 that we intend to cure right away.



1 Q. Okay. And putting that aside for a minute,  
2 let's turn to page 3 of this Exhibit Number 1. That is  
3 the cover letter to the Division. And in that cover  
4 letter, what allocation method did the company propose?

5 A. We originally proposed to measure the  
6 production based off of the monthly well tests.

7 Q. And did this monthly well test proposal draw an  
8 objection?

9 A. Yes, it did.

10 Q. If I turn to what's been marked as Chevron  
11 Exhibit Number 2, is that the objection letter to the  
12 Division from a company called BC Operating, Inc.?

13 A. Yes.

14 Q. Are they an interest owner in one of these  
15 spacing units?

16 A. BC not exactly, but they are -- they're  
17 representative of two other companies that did object,  
18 as you can see in the letter, Crown Oil Partners, LLC,  
19 along with Crump Energy Partners, LLC.

20 Q. And they're identified in the second paragraph  
21 of this letter comprising Exhibit Number 2?

22 A. That's correct.

23 Q. And where is their interest located?

24 A. Their interest is located in the Gramma Ridge  
25 2H location. They're in the west half-west half of

1 Section 14.

2 Q. Did this objection letter result in being set  
3 for hearing?

4 A. Yes, it did.

5 Q. Did Chevron then have subsequent discussions  
6 with BC Operating in advance of this hearing?

7 A. We have.

8 Q. And has the company modified its proposed  
9 allocation method as a result of these discussions with  
10 the objecting parties?

11 A. Yes, we have.

12 Q. And has the company now agreed to separately  
13 meter production for each well prior to commingling?

14 A. Yes, that is correct.

15 Q. And if I turn to what's been marked as Chevron  
16 Exhibit Number 3, is this a rough diagram of the revised  
17 allocation method based on separate well testing?

18 A. That is correct.

19 Q. And if I look at this particular exhibit, it  
20 identifies the 1H spacing unit above the dashed line?

21 A. Yes.

22 Q. And the Gramma Ridge 2H spacing unit below the  
23 dashed line?

24 A. Yes.

25 Q. And does it reflect that the production from

1 each of these wells, that you're going to separately  
2 meter the oil, the water and the gas before it is  
3 commingled?

4 A. Yes.

5 Q. All right. And does this exhibit, then, also  
6 identify the type of meters that are going to be used?

7 A. Yes, it does.

8 Q. Is it your understanding, with this change,  
9 that BC Operating no longer objects to the commingling  
10 using this metering method?

11 A. Yes.

12 Q. As a result, do you request that the Division  
13 issue an order approving the surface commingling under  
14 the metering method that is reflected in Exhibit Number  
15 3?

16 A. Yes.

17 Q. Finally, then, if I turn to what's been marked  
18 as Chevron Exhibit Number 4, is this an affidavit  
19 prepared by my office with an attached letter providing  
20 notice of this hearing to the objecting party, BC  
21 Operating?

22 A. Yes, it is.

23 Q. And was it sent to the address for BC Operating  
24 that is reflected in the objection letter marked as  
25 Exhibit Number 2?

1           A.    Yes, it is.

2           Q.    Were Exhibits 1 through 3 prepared by you or  
3   compiled under your direction or supervision?

4           A.    Yes, they were.

5                   MR. FELDEWERT:  Mr. Examiner, I would move  
6   the admission of evidence of Chevron Exhibits 1 through  
7   4, which includes my Notice of Affidavit.

8                   EXAMINER EZEANYIM:  Chevron Exhibits 1  
9   through 4 will be admitted.

10                   (Chevron U.S.A., Inc. Exhibit Numbers 1  
11                   through 4 were offered and admitted into  
12                   evidence.)

13                   MR. FELDEWERT:  That concludes my  
14   examination of this witness.

15                   EXAMINER EZEANYIM:  Thank you very much.

16                               CROSS-EXAMINATION

17   BY EXAMINER EZEANYIM:

18           Q.    So after you changed your allocation method,  
19   the person objected and agreed to the commingling,  
20   right?

21           A.    Yes, they have.

22           Q.    Okay.  Since you are going to continuously  
23   meter the production, I have no further questions for  
24   you.

25                   MR. FELDEWERT:  So, Mr. Examiner, in light

1 of the fact that there were, I think, four mineral  
2 owners for which the company could not find an address  
3 and, therefore, did not receive notice of this  
4 commingling application, we think it's prudent to  
5 continue this matter for a month to allow notice by  
6 publication to occur to these unlocatable interests.

7 We would ask that the Division proceed to,  
8 you know, prepare this matter for issuance of an order  
9 because I anticipate coming back within a month and  
10 being able to demonstrate that all the notice was  
11 accomplished. And I know that the company is  
12 anticipating production from these wells by December  
13 1st, so if we can get an order before that, it would be  
14 much appreciated.

15 EXAMINER EZEANYIM: By December 1st?

16 MR. FELDEWERT: So I think we're going to  
17 be fine. We'll come back in a month, and I'll submit  
18 another exhibit providing notice by publication to these  
19 four interest owners, and then the case will be ripe for  
20 the issuance of an order.

21 EXAMINER EZEANYIM: Okay. Now, you want to  
22 continue it to October 30th?

23 MR. FELDEWERT: Whatever that is.

24 EXAMINER EZEANYIM: October 16th will be a  
25 month.

1                   MR. FELDEWERT: That will be fine, because  
2     that will give us time to provide notice of publication  
3     in advance of that October 16th hearing.

4                   EXAMINER EZEANYIM: And after the hearing  
5     of October 16th, Chevron would like an order in this  
6     case?

7                   MR. FELDEWERT: And that way you'll be in a  
8     position where you can issue an order.

9                   EXAMINER EZEANYIM: The reason being that  
10    the wells are producing, right?

11                  MR. FELDEWERT: Not yet, but we anticipate  
12    production by December 1st. And obviously we'd like to  
13    have the order before the production occurs.

14                  EXAMINER EZEANYIM: Okay.

15                             Anything further?

16                  MR. FELDEWERT: That concludes our  
17    presentation in this matter.

18                  EXAMINER EZEANYIM: Very good. So on  
19    October 16th, simply you are going to have to provide us  
20    with information saying you have published in the paper,  
21    right?

22                  MR. FELDEWERT: Yes, sir.

23                  EXAMINER EZEANYIM: Good. So in that case,  
24    I will take the case under advisement, and when you  
25    produce it, we can go ahead and write the order.

1 MR. FELDEWERT: That would be great.

2 EXAMINER EZEANYIM: The record will reflect  
3 that Case Number 15204 will be continued to October  
4 16th. However, I'm going to take this case under  
5 advisement today, until the publication information is  
6 submitted. Case Number 15204 is taken under advisement,  
7 and that concludes the hearings today.

8 (Case Number 15204 concludes, 3:05 p.m.)  
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17

18 I do hereby certify that the foregoing is  
19 a true and correct record of the proceedings  
20 the Examiner hearing of Case No. 15204  
21 heard by me on 9/18/14  
22 [Signature] Examiner  
23 Oil Conservation Division  
24  
25

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified  
6 Court Reporter No. 20, and Registered Professional  
7 Reporter, do hereby certify that I reported the  
8 foregoing proceedings in stenographic shorthand and that  
9 the foregoing pages are a true and correct transcript of  
10 those proceedings that were reduced to printed form by  
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's  
13 Record of the proceedings truly and accurately reflects  
14 the exhibits, if any, offered by the respective parties.

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

19

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