

STATE OF NEW MEXICO
ENERGY, MINERAL AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

ORIGINAL

Case No. 15216

Application of RKI Exploration and Production for
compulsory pooling, Eddy County, New Mexico

October 16, 2014

8:50 a.m.

Wendell Chino Building
1220 South St. Francis Drive
Santa Fe, New Mexico

BEFORE: MICHAEL MCMILLAN, Technical Advisor
GABRIEL WADE, Legal Advisor

REPORTED BY: Jan Gibson, CCR, RPR, CRR
Paul Baca Court Reporters
500 Fourth Street, NW - Suite 105
Albuquerque, New Mexico 87102

For RKI:

HOLLAND & HART, LLP
MICHAEL H. FELDEWERT
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1 (Note: In session at 8:50.)

2 MR. MCMILLAN: I would like to call Case
3 No. 15216, Application of RKI Exploration and
4 Production for compulsory pooling, Eddy County, New
5 Mexico. Call for appearances.

6 MR. FELDEWERT: Michael Feldewert with the
7 Santa Fe office of Holland & Hart appearing on
8 behalf of the applicant and I have one witness.

9 MR. MCMILLAN: Any other appearances?

10 MR. FELDEWERT: We will ask the first
11 witness be sworn and called.

12 SAMUEL MCCURDY
13 after having been first duly sworn under oath,
14 was questioned and testified as follows:

15 EXAMINATION

16 BY MR. FELDEWERT

17 Q. Would you please state your full name for
18 the record.

19 A. Samuel Lawson McCurdy.

20 Q. By whom are you employed and in what
21 capacity?

22 A. RKI Exploration and Production as a
23 landman.

24 Q. How long have you been with RKI?

25 A. I've been with RKI since April 28, 2014.

1 Q. Have your responsibilities included the
2 Permian Basin?

3 A. Yes, that is my area of responsibility.

4 Q. Who did you work for prior to joining RKI?

5 A. I worked for Devon Energy Production
6 Company from 2010 until 2014.

7 Q. Again, did your responsibilities include
8 the Permian Basin?

9 A. Yes, they did.

10 Q. Mr. McCurdy, have you previously testified
11 before this division?

12 A. Yes, I have.

13 Q. Were your credentials as an expert in
14 petroleum land matters accepted and made a matter of
15 public record?

16 A. Yes, they were.

17 Q. Are you familiar with the application
18 filed in this case?

19 A. I am.

20 Q. Are you familiar with the status of the
21 lands in the subject area?

22 A. Yes, I am.

23 MR. FELDEWERT: I would once again
24 re-tender Mr. McCurdy as an expert in petroleum land
25 matters.

1 MR. MCMILLAN: So qualified.

2 Q. (By Mr. Feldewert) Would you turn to
3 what's been marked as RKI Exhibit No. 1. What is
4 this exhibit?

5 A. This is the C-102 form for the proposed
6 well.

7 Q. And does this identify the location of
8 your well?

9 A. Yes, it does.

10 Q. What does the company seek under this
11 particular application?

12 A. We seek to pool the west half project area
13 as to the Wolfcamp Formation.

14 Q. In what section?

15 A. In Section 35 and 25 south, 29 east, Eddy
16 County, New Mexico.

17 Q. So you seek to form a 320-acre spacing
18 unit?

19 A. Yes.

20 Q. Will the completed interval for the well
21 comply with the division setback requirements?

22 A. Yes, they will.

23 Q. What are the setbacks for the Wolfcamp
24 Formation?

25 A. 660 feet from the outer boundary of the

1 project area.

2 Q. Do the division records reflect that
3 there's a prior file APD for this well name?

4 A. Yes. They do. We filed a permit to the
5 Bone Spring Formation and have since filed a sundry
6 changing the target interval to the Wolfcamp.

7 Q. And the Wolfcamp is subject 320-acre
8 space?

9 A. Yes.

10 Q. If I turn to RKI Exhibit 2, is that the
11 sundry notice that you filed with the BLM that you
12 just spoke about?

13 A. Yes, it is.

14 Q. And this is reflected that you're moving
15 the target interval from the Bone Spring down to the
16 Wolfcamp?

17 A. Yes, it does.

18 Q. Does Exhibit 2 provide the examiner with
19 an API number for the well?

20 A. Yes, it does.

21 Q. You have not yet received a pool code for
22 the division for this well, have you?

23 A. We have not.

24 Q. Is it your understanding that this will be
25 a wildcat well in the Wolfcamp?

1 A. Yes, it is.

2 Q. If I then turn to -- let me ask you first,
3 you filed your sundry with the BLM. Is the west
4 half of Section 35 off federal lands?

5 A. Yes.

6 Q. How many leases are involved from in the
7 west half of Section 35?

8 A. Two federal leases.

9 Q. If I turn to what's marked as RKI Exhibit
10 3, is this a lease tract map that identifies a
11 working interest owners to the two federal leases
12 that are involved?

13 A. Yes.

14 Q. What's the breakout?

15 A. The breakout is that RKI Exploration &
16 Production owns the leasehold in the east half west
17 half, which is marked as Tract 2, and they own that
18 100 percent. XTO Energy, Incorporated owns the west
19 half west half, which is a separate lease marked
20 Tract 1.

21 Q. Is XTO Energy the only party that you seek
22 approval?

23 A. Yes.

24 Q. If I turn to what's marked as RKI Exhibit
25 4, is this a copy of the well proposal letter for

1 your proposed Wolfcamp well that was sent to XTO?

2 A. Yes.

3 Q. And does it contain an AFE?

4 A. Yes, it does.

5 Q. Are the costs reflected on the AFE
6 consistent with what operators in the area have
7 incurred for drilling similar horizontal wells in
8 the Wolfcamp Formation?

9 A. Yes.

10 Q. Now, have you sent a joint operating
11 agreement to XTO?

12 A. A proposed joint operating agreement is
13 included with our well proposal.

14 Q. Have you had discussions with XTO since
15 submitting your well proposal about entering into a
16 voluntary agreement?

17 A. Yes, we have, and no progress was made
18 towards advancing negotiations on an operating
19 agreement, so we had to file our pooling
20 application.

21 Q. Have you had some recent discussions with
22 XTO?

23 A. Yes, and they confirmed that no progress
24 had been made.

25 Q. Now, in the event that you are able to

1 reach a joint operating agreement with XTO, will
2 they be released from this pooling order once it's
3 entered?

4 A. Yes.

5 Q. Has the company made an estimate of the
6 overhead and the administrative costs while drilling
7 the well and also producing if you are successful?

8 A. Yes, they have.

9 Q. What are the figures?

10 A. \$7500 while drilling and \$750 while
11 producing.

12 Q. Are these overhead rates consistent with
13 what other operators are charging for horizontal
14 wells in this area?

15 A. Yes, they are.

16 Q. Have you seen these rates for horizontal
17 wells in shallower formations?

18 A. Shallower than Wolfcamp, yes.

19 Q. For example?

20 A. The Bunswick.

21 Q. Finally, then, is RKI Exhibit No. 5 an
22 affidavit prepared by my office with the attached
23 letter providing notice of this hearing to XTO?

24 A. Yes.

25 Q. And were Exhibits 1 through 4 prepared by

1 or compiled under your direction and supervision?

2 A. Yes, they were.

3 MR. FELDEWERT: Mr. Examiner, I move for
4 the admission into evidence of RKI Exhibits 1
5 through 5 which includes my notice update.

6 MR. MCMILLAN: Exhibits 1 through 5 are
7 now made part of the record.

8 (Note: Exhibits 1 through 5 admitted.)

9 MR. FELDEWERT: That concludes my
10 examination of the witness.

11 MR. MCMILLAN: Once again, there's no
12 unlocated interest, right?

13 THE WITNESS: Correct.

14 MR. MCMILLAN: I want to make sure RKI is
15 going to be the operator?

16 THE WITNESS: Yes.

17 MR. MCMILLAN: I have no further questions
18 at this time.

19 MR. FELDEWERT: That concludes our
20 presentation in this case.

21 MR. MCMILLAN: Thank you. 15216 will be
22 taken under advisement. Thank you very much.

23 (Note: The hearing was concluded.)

24 I do hereby certify that the foregoing is
25 a complete record of the proceedings in
the Examiner hearing of Case No. 15216,
heard by me on _____

1 REPORTER'S CERTIFICATE

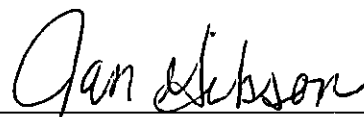
2 I, JAN GIBSON, Certified Court Reporter for the
3 State of New Mexico, do hereby certify that I
4 reported the foregoing proceedings in stenographic
5 shorthand and that the foregoing pages are a true
6 and correct transcript of those proceedings and was
7 reduced to printed form under my direct supervision.

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

12

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14



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JAN GIBSON, CCR-RPR-CRR
New Mexico CCR No. 194
License Expires: 12/31/14

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