

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ORIGINAL

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
A NOMENCLATURE ORDER EXPANDING
THE NORTH PADUCA-DELAWARE POOL,
LEA COUNTY, NEW MEXICO.

CASE NO. 15196

APPLICATION OF DEVON ENERGY
PRODUCTION COMPANY, L.P. TO
RESCIND CERTAIN SPECIAL POOL
RULES PROMULGATED BY
ORDER NO. R-3437, LEA COUNTY,
NEW MEXICO.

CASE NO. 15197

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 18, 2014

Santa Fe, New Mexico

BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER

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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
New Mexico CCR #20
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

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APPEARANCES

FOR APPLICANT DEVON ENERGY PRODUCTION COMPANY, L.P.:

JAMES G. BRUCE, ESQ.
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

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1 (8:48 a.m.)

2 EXAMINER EZEANYIM: We are still on page 1
3 and call Case Number 15196.. This is the application of
4 Devon Energy Production Company, L.P. for a nomenclature
5 order expanding the North Paduca-Delaware Pool, Lea
6 County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of
9 Santa Fe representing the Applicant. I have two
10 witnesses, the same two who were sworn in for the prior
11 case.

12 And I would also ask that the next case be
13 consolidated with the current matter for purposes of
14 hearing, since they both concern the North
15 Paduca-Delaware Pool.

16 EXAMINER EZEANYIM: Okay.

17 Any other appearances?

18 Very good.

19 We have the same witnesses, right?

20 MR. BRUCE: Yes.

21 EXAMINER EZEANYIM: You are still under
22 oath.

23 You may proceed.

24 MR. BRUCE: Mr. Examiner, if the record
25 could reflect that the witness, Mr. Walker, has

1 previously been sworn and qualified?

2 EXAMINER EZEANYIM: Yeah. He was sworn.
3 You're still under oath.

4 MR. BRUCE: And, Mr. Examiner, as an
5 introductory matter, I think you may recall that in June
6 we had a case involving the North Paduca-Delaware to
7 amend the special pool rules, asking for an increase in
8 the allowable. And there are a couple of matters that
9 came up during the hearing, which is the well that
10 prompted -- if you look at Exhibit 1, Mr. Examiner, it's
11 simply a land plat of the area that Devon seeks to
12 expand the pool to cover. The well that prompted the
13 pool rules case is over in Section 6, and it's slightly
14 outside the one-mile limit of the existing pool.

15 And so we're seeking, in one case, to
16 expand the pool boundaries to include acreage that is
17 not included in any other Delaware pool out here, and
18 the witnesses will go into their development plans also
19 a little bit.

20 And then secondly, you pointed out at the
21 hearing that the original pool rules order in the North
22 Paduca-Delaware pool, which is R-3437, has a lot of odd
23 provisions in it. Since the pool is only an oil pool,
24 we're seeking to get rid of any provisions that have to
25 do with gas wells or otherwise have to do with

1 procedures that are probably covered by Division
2 statewide regulations, anyway.

3 EXAMINER EZEANYIM: That's the point from
4 the announcement that I made. If you were to do this,
5 all you're going to do is revise that rule. And then,
6 you know, you will revise that. That's what we're going
7 to do today on the North Paduca. That's one of the
8 rules in this booklet that we need to change.

9 If a main rule is oil and gas, I don't know
10 what you are talking about. It doesn't conform with
11 what I know today. So that's good.

12 If you -- if you come across this -- other
13 than -- [sic] send this rule, statewide rule, and tell
14 us why, or repeal this rule entirely because it doesn't
15 conform with industry practice or whatever you want to
16 do. That's really why I made the announcement. It's
17 very important that you mention to me this.

18 I see here the Cotton Draw Unit was
19 drilled, and there is no place to produce. That's why
20 you want to expand the unit -- I mean the pool
21 boundaries. Right?

22 MR. BRUCE: Correct.

23 EXAMINER EZEANYIM: Okay. You may proceed.

24 SAMUEL WALKER,

25 after having been previously sworn under oath, was

1 questioned and testified as follows:

2 DIRECT EXAMINATION

3 BY MR. BRUCE:

4 Q. Mr. Walker, are you familiar with the land
5 matters in this case?

6 A. Yes.

7 Q. What is shown on Exhibit 1? What do the colors
8 reflect?

9 A. Exhibit 1, if you look at the right, that
10 boundary, it's in green. It's the current boundary of
11 the North Paduca-Delaware pool, and we are seeking to
12 expand that pool to include Sections 6 and 5, among
13 other sections, that outer boundary in red that is
14 larger. We're seeking to expand it.

15 Q. And, again, the well that caused the
16 application for the allowable increase is over in
17 Section 6?

18 A. Yes, the Trionyx 6 Fed 4H.

19 Q. And does Devon have other drilling plans within
20 the proposed pool expansion boundaries?

21 A. Yes, we do.

22 Q. Okay.

23 CROSS-EXAMINATION

24 BY EXAMINER EZEANYIM:

25 Q. In this expansion outline, it cut off

1 something.

2 What's your name again? What's your name?

3 A. Samuel.

4 MR. BRUCE: Walker.

5 THE WITNESS: Walker.

6 Q. (BY EXAMINER EZEANYIM) Mr. Walker, if I look at
7 that expansion you outlined, why didn't we include
8 Section 31 and Section 32? Why? I mean, we could
9 include it. What I'm saying is that next time now you
10 drill a well and come back to expand it further. Is
11 there any reason why we shouldn't include Section 31 and
12 Section 32 at this point?

13 MR. BRUCE: One thing, Mr. Examiner, I
14 looked at, there was some -- I will double check that
15 for you, Mr. Examiner. One thing is there are some
16 other Delaware pools out here, the Double X Delaware
17 pool and the Paduca-Delaware pool, and I believe some of
18 this acreage was originally allocated to one of those
19 pools. But I will double check, and if we need to
20 further expand, we can.

21 EXAMINER EZEANYIM: Sure. So you don't
22 expand --

23 MR. BRUCE: Correct.

24 EXAMINER EZEANYIM: Okay.

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CONTINUED DIRECT EXAMINATION

BY MR. BRUCE:

Q. And, Mr. Walker, does Devon request that the pool be expanded to include all the acreage highlighted in red --

A. Yes.

Q. -- on this application?

And looking at Exhibit 2, which is the Affidavit of Notice regarding the pool expansion, if you'll look at Exhibit A to the letter, does that list all operators in the pool, other than the Paduca- Delaware pool or within one mile thereof, whose wells are not allocated to another pool?

A. Yes, it does.

Q. And so COG Operating, Yates Petroleum and Sahara Operating are the only persons?

A. Uh-huh.

MR. BRUCE: And, Mr. Examiner, they did all receive actual notice.

Q. (BY MR. BRUCE) And Exhibit 3, Mr. Walker, again, the same three operators are the only ones notified of the recision of pool rules, correct?

A. Uh-huh. Yes.

Q. And, again, they all received actual notice?

1 A. Yes, they did.

2 Q. And that's shown on both Exhibits 2 and 3?

3 A. . . (No response.)

4 Q. Were Exhibits 1 through 3 prepared by you or
5 compiled from company business records?

6 A. Yes.

7 MR. BRUCE: Mr. Examiner, I'd move the
8 admission of Exhibits 1 through 3.

9 EXAMINER EZEANYIM: Exhibits 1 through 3
10 will be admitted.

11 (Devon Energy Production Company, L.P.
12 Exhibit Numbers 1 through 3 were offered
13 and admitted into evidence.)

14 MR. BRUCE: And I have no further questions
15 of the witness, Mr. Examiner.

16 EXAMINER EZEANYIM: I have no questions for
17 you.

18 STEVE BURNS,
19 after having been previously sworn under oath, was
20 questioned and testified as follows:

21 MR. BRUCE: Could the record reflect
22 that Mr. Burns was previously sworn and qualified?

23 EXAMINER EZEANYIM: That's correct.

24 DIRECT EXAMINATION

25 BY MR. BRUCE:

1 Q. And, Mr. Burns, are you familiar with the
2 Delaware geology related to this application?

3 A. Yes.

4 Q. Mr. Burns, in looking at Exhibit 4, before we
5 get started on this -- first of all, is the current pool
6 boundary shown in crosshatch?

7 A. It is.

8 Q. And then the exterior boundary is what you seek
9 to expand it to?

10 A. That is correct.

11 Q. There are various tracts out here, the CDU,
12 Cotton Draw Unit --

13 A. Those are listed on the map in blue.

14 Q. And maybe I should have asked Mr. Walker this,
15 but the Cotton Draw Unit is not one continuous unit at
16 this point?

17 A. It is not.

18 Q. And it's a fairly old unit that was contracted
19 [sic] over the years?

20 A. It is. You know, I don't know what the actual
21 date was, but there are a lot of -- there are, I
22 believe, three separate portions of that unit, and you
23 can see portions of the outlines of each of those on the
24 map.

25 Q. And the color coding on your plat, what does

1 that indicate?

2 A. The green areas, Mr. Examiner --

3 EXAMINER EZEANYIM: I see them.

4 THE WITNESS: The green areas are Devon's
5 partial working interest. The yellow areas are Devon's
6 100 percent interest. The outline here (indicating) is
7 the requested outline, and the hashed outline over on
8 the right side of your page is the current field. And
9 those unit boundaries, which -- can you find those on
10 your map?

11 EXAMINER EZEANYIM: Yeah, I do.

12 THE WITNESS: Okay. So one of them's here
13 (indicating), one of them's here (indicating), and the
14 third one is over in this area (indicating).

15 EXAMINER EZEANYIM: Okay.

16 Q. (BY MR. BRUCE) With that, what does Exhibit 4
17 show us?

18 A. Exhibit 4 is a structure map on top of the
19 lower Brushy Canyon interval, and then it shows -- it is
20 on a 25-foot contour interval and shows that the lower
21 Brushy Canyon structure dips from the west to the east.

22 Q. On this plat, there are a number of wells shown
23 on here. What zones -- without specifying which wells,
24 what zones are they completed in?

25 A. There are a lot of wells on the map, and it

1 confuses things considerably. But in general what we've
2 done out here is the 2nd Bone Spring interval and the
3 Delaware.

4 Q. But those two zones are not -- the wells aren't
5 identified as two zones?

6 A. They are not. That's the confusing part.

7 Q. And what is the -- is there a line of cross
8 section on this plat, A to A prime?

9 A. There is, yes. And the line of that cross
10 section represents Exhibit Number 4A, and it simply
11 shows -- the lower portion of the Delaware section shows
12 the top of the lower Brushy Canyon structural marker
13 that we used, and then the D and B sands, which have
14 been our primary targets up until this point in the
15 Delaware section.

16 Q. And looking at your plats, is the Delaware --
17 the Delaware zone you are testing continuous across the
18 proposed expansion area and, as we're looking at it,
19 also Sections 31 and 32 to the immediate north?

20 A. Yes.

21 MR. BRUCE: And as to the recision of the
22 pool rules, Mr. Examiner, Exhibit 5 is a copy of
23 Order R-3437.

24 Q. (BY MR. BRUCE) And, Mr. Burns, when you get to
25 page 3 and you're looking at the pool rules, there is

1 highlighted in green only three rules. Do those rules
2 highlighted in green really reflect the only thing you
3 need for the North Paduca-Delaware other than an
4 allowable increase?

5 A. That is correct, Rule 1 and Rule 2B on page 3
6 and then Rule 6 on page 4.

7 EXAMINER EZEANYIM: Excuse me. Stop right
8 here. We need to get the transcript correct. I know
9 you mentioned you wanted to consolidate. I thought you
10 wanted to consolidate with these here. You want to
11 consolidate 15196 with 15197?

12 MR. BRUCE: Yes.

13 EXAMINER EZEANYIM: Okay. Then I'm going
14 to read into the record 15197. I haven't done that. I
15 thought -- because it needs to be on the record that we
16 heard the case.

17 MR. BRUCE: Okay.

18 EXAMINER EZEANYIM: If I don't read them
19 in, we didn't hear them.

20 Okay. I'm going to correct the record. We
21 are going to consolidate Case Number 15196 -- I've read
22 the topic of that -- and then Case Number 15197, and
23 this is the application of Devon Energy Production
24 Company, L.P. to rescind certain special pool rules
25 promulgated by Order Number R-3437, Lea County,

1 New Mexico. And we have read it into the record, so we
2 are consolidating 15196, 15197 for purposes of
3 testimony. However, maybe two orders will be written to
4 reflect those. So I want the record to make sure we
5 capture those.

6 Now, go back to where we started. You
7 know, we were talking about the cross section, A, A
8 prime.

9 MR. BRUCE: Yes, sir.

10 EXAMINER EZEANYIM: Go ahead.

11 MR. BRUCE: Actually, Mr. Examiner, I
12 think --

13 Q. (BY MR. BRUCE) Unless you have any other
14 comments on the cross section, Mr. Burns?

15 A. No, I don't.

16 Q. So, Mr. Burns, if this application is granted,
17 really the only special pool rules left in the North
18 Paduca-Delaware would be the increased allowable
19 previously requested?

20 A. Yes.

21 Q. And then a 3,000 to 1 GOR?

22 A. Yes.

23 Q. And all other rules would be statewide rules?

24 A. That's correct.

25 Q. And there have been wells -- older wells

1 completed in the North Paduca-Delaware. Are all of the
2 wells that were completed and that are currently
3 completed in the pool oil wells? ...

4 A. They are oil wells.

5 Q. So you see no use for rules pertaining to gas
6 wells?

7 A. That's correct.

8 Q. Were Exhibits 4 and 4A compiled by you or
9 compiled from company business records?

10 A. Yes.

11 MR. BRUCE: Mr. Examiner, I'd move the
12 admission of Exhibits 4, 4A and 5.

13 EXAMINER EZEANYIM: Exhibits 4, 4A and 5
14 will be admitted.

15 (Devon Energy Production Company, L.P.
16 Exhibit Numbers 4, 4A and 5 were offered
17 and admitted into evidence.)

18 Q. (BY MR. BRUCE) In your opinion, is the granting
19 of this application in the interest of conservation and
20 the prevention of waste?

21 A. Yes.

22 MR. BRUCE: Mr. Examiner, I have no further
23 questions of the witness.

24 EXAMINER EZEANYIM: Thank you, Counselor.

25

1 CROSS EXAMINATION

2 BY EXAMINER EZEANYIM:

3 Q. Going back to Exhibit Number 4, that Cotton
4 Draw Unit, who operates that, the Cotton Draw Unit?

5 A. We do. Well, we operate the one on the west
6 side of the map, and then the ones on the east side of
7 the map are operated by a small operator. And I'm
8 sorry, I can't recall who that operator is.

9 MR. BRUCE: I believe it's Sahara
10 Operating, Mr. Examiner.

11 EXAMINER EZEANYIM: I'm wondering how did
12 the units get so disjointed.

13 MR. BRUCE: Well, it was quite a large
14 unit. I forget the exact size. It was formed, I think,
15 in the early 1960s, about 40 years ago, and then it had
16 the automatic contraction provision if acreage wasn't
17 developed.

18 EXAMINER EZEANYIM: A good question comes
19 up now. It looks like -- right time.

20 So what do you expect to do with that Order
21 Number R-3437? Is what -- let me finish the question.
22 Is what you are doing the correct thing to do or to
23 repeal it or expand it? Because if we repeal that,
24 expanding the pool, I mean, it's null and void. So what
25 do you think? I know you don't have an engineer here.

1 Did you study it, whether you want to keep that order
2 number in there that was issued -- I don't know -- in
3 the 1960s or '50s? So is what we're doing the correct
4 thing to do, to try to rescind some of those provisions
5 and expand the rule? Is that the correct thing to do?

6 MR. BRUCE: Well, we believe it is. I
7 think -- I think the first thing would probably be to
8 rescind the certain pool rules and then expand the pool.
9 And then with Case 15147, the previous rule, that will
10 increase the allowable. And if you like, I could do an
11 order regarding rescision of the pool rules.

12 EXAMINER EZEANYIM: Yeah. And this is tied
13 to 15147?

14 MR. BRUCE: Correct.

15 EXAMINER EZEANYIM: Okay. And that's
16 the -- are you asking 690? Okay.

17 MR. BRUCE: No.

18 EXAMINER EZEANYIM: You are asking 350.
19 Okay.

20 MR. BRUCE: Correct.

21 EXAMINER EZEANYIM: But here you're
22 asking -- what are you asking me? Oh, no. Okay.
23 You're going to get 350 approved.

24 MR. BRUCE: That is -- yeah, 350 barrels a
25 day.

1 EXAMINER EZEANYIM: Yeah. I think I
2 remember, you know, something about that.

3 So what you are doing is the right thing to
4 do, before I start my questioning. Right? Let's say --
5 I don't know because I don't know what's going to
6 happen. When I say something, it doesn't mean it's a
7 go, you know. We might say, I don't to -- I might say
8 it today, but I will still have 3437. You know I
9 wouldn't do that. But let's say we did. If what we did
10 now is correct so that the pool can operate without
11 coming back either to revise it or to rescind
12 provisions, I can see the gas provision is really
13 annoying.

14 MR. BRUCE: (Indicating.)

15 EXAMINER EZEANYIM: Okay. So what we're
16 doing today, is that going to release the operator?

17 MR. BRUCE: It's going to -- well, it'll --
18 like Mr. Burns said, the only results -- the only pool
19 rules left, if you grant the allowable increase, would
20 be the 3,000 to 1 GOR and the allowable increase, and
21 everything else will be on statewide rules.

22 EXAMINER EZEANYIM: Everything will --
23 okay. Okay. So if we do that, everything will come
24 back to statewide rules.

25 MR. BRUCE: Yes.

1 EXAMINER EZEANYIM: I think I'm comfortable
2 with the statewide rules. Okay. Return them to
3 statewide rules. Okay.

4 Where is Pedro Mora? He's not testifying
5 today?

6 MR. BRUCE: He's testifying in the next
7 case, which is a Bone Spring case.

8 EXAMINER EZEANYIM: Oh, okay. Okay.
9 Because, I mean, I have to deal with you when we get to
10 that.

11 So in Case Number 15147, you are asking to
12 increase the allowables to 350.

13 I have no further questions.

14 MR. BRUCE: Thank you, Mr. Examiner.

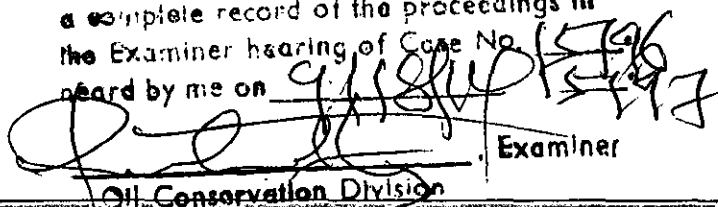
15 EXAMINER EZEANYIM: You may step down.
16 Anything further?

17 MR. BRUCE: Nothing further in this matter.

18 EXAMINER EZEANYIM: Well, at this point
19 Case Number 15196 and Case Number 15197 will be taken
20 under advisement.

21 (Case Numbers 15196 and 15197 conclude,
22 9:07 a.m.)

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
25 the Examiner hearing of Case No. 15196
heard by me on 9/15/97


Examiner
Oil Conservation Division

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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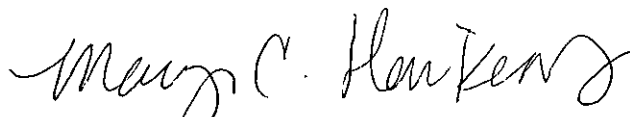
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