

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

CASE 15236
(Re-opened)

APPLICATION OF CHEVRON MIDCONTINENT, L.P.
TO AMEND ORDER R-13949 TO APPROVE A 120-ACRE
NON-STANDARD SPACING UNIT AND NON-STANDARD
PROJECT AREA, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

JUNE 11, 2015

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, Phillip Goetze,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
June 11, 2015, 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: ELLEN H. ALLANIC
NEW MEXICO CCR 100
CALIFORNIA CSR 8670
PAUL BACA COURT REPORTERS
500 Fourth Street, NW
Suite 105
Albuquerque, New Mexico 87102

1 A P P E A R A N C E S
 2 FOR THE APPLICANT CHEVRON MIDCONTINENT, L.P.
 3 Jordan Lee Kessler, Esq.
 Holland & Hart
 4 110 North Guadalupe
 Suite 1
 5 Santa Fe, New Mexico 87501
 (505) 988-4421
 6 jlkessler@hollandhart.com

8 I N D E X

9 CASE NUMBER 15236 CALLED
 10 CHEVRON MIDCONTINENT, L.P. CASE-IN-CHIEF
 11 BY Affidavit

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14 Reporter's Certificate

PAGE
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16 E X H I B I T I N D E X

17 Exhibits Offered and Admitted

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20 CHEVRON MIDCONTINENT, L.P. EXHIBIT 9
 with attachments A and B

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1 (Time noted 8:31 a.m.)

2 EXAMINER GOETZE: Now case 15236, reopened,
3 Application of Chevron Midcontinent, L.P. to Amend Order
4 R-13949 to Approve a 120-Acre Non-Standard Spacing Unit
5 and Non-Standard Project Area, Lea County, New Mexico.

6 Call for appearances.

7 MS. KESSLER: Mr. Examiner, Jordan Kessler
8 from Holland and Hart in Santa Fe for the applicant.

9 EXAMINER GOETZE: Any other appearances?

10 (No response..)

11 EXAMINER GOETZE: Thank you. Do you have
12 witnesses?

13 MS. KESSLER: We are presenting this case by
14 an affidavit, Mr. Examiner.

15 This case was originally heard in October of
16 2014. It resulted in order R-13949 which created a
17 160-acre spacing and proration unit in the west half,
18 west half of section 11; township, 24 South; range, 34
19 East.

20 And at that time it pooled all of the
21 uncommitted mineral interest owners in the Bone Spring
22 formation underlying that unit.

23 The spacing unit was dedicated to the
24 Antelope Ridge, 11-24-34, at No. 3H well. Chevron began
25 drilling this well in February of 2015. And in doing so

1 encountered unanticipated drilling problems.

2 The precise nature of those problems are set
3 forth in Exhibit 9, which is an affidavit of Aaron
4 Rooney, who is a completions engineer for Chevron.

5 As you can see looking through this exhibit,
6 they began drilling the well during -- while drilling
7 the lateral section of the well, Chevron hit limestone
8 below the target sand, so while the lateral section was
9 originally planned to have a 93-degree inclination, as
10 they drilled further into the lateral section, it was
11 difficult to maintain the desired inclination and they
12 fell below the target line.

13 While they attempted to return to the target
14 line, again as you can see from this affidavit, Chevron
15 determined it was unlikely that they would be able to
16 achieve the newly desired inclination and made a
17 decision to stop drilling the lateral.

18 So they were unable to perforate the final
19 40-acre tract, which is comprised of the
20 southwest quarter -- excuse me -- the northwest quarter
21 of the 160-acre spacing unit.

22 Because they had encountered these drilling
23 problems, Chevron is now requesting a 120-acre project
24 area and 120-acre spacing unit in order to properly
25 dedicate, develop acreage in accordance with the C-102

1 form.

2 We have also, as you can see, attached as
3 Exhibits A and B to Exhibit 9 affidavits of notice which
4 were provided to both the interest owners, the mineral
5 interest owners in the 40-acre tract that was left out
6 of the project area in the northwest quarter, northwest
7 quarter of the spacing unit, as well as the 40-acre
8 tract surrounding the non-standard project area and
9 spacing unit.

10 Exhibit B to Exhibit 9 is notice of
11 publication to an offset owner who was unlocateable.

12 So with that, Mr. Examiner, I would request
13 that this case be taken under advisement and that
14 Exhibits 9, and 9A and 9B be admitted as part of the
15 record.

16 EXAMINER GOETZE: Exhibits 9 and A and B are
17 so entered.

18 (Chevron MidContinent, L.P., Exhibit 9 with
19 Attachments A and B offered and admitted.)

20 EXAMINER GOETZE: I am quite interested in
21 finding out why limestone is a drilling problem. It
22 seems to me that we would have a plan in place while
23 drilling to overcome a change in not necessarily
24 formation but certainly rock type.

25 And there is still a question about the

1 40-acre tract. We have here now a 40-acre tract that
2 I'm not familiar with and that may be isolated from
3 development. Have we created ourselves a situation here
4 where resources will be isolated as a result of this
5 activity?

6 MS. KESSLER: Mr. Examiner, there are not
7 currently plans to develop this 40-acre tract by
8 Chevron. But if we look at the original exhibits in the
9 record, I do not believe that it is stranded acreage.
10 And I would be happy to have an affidavit supplementing
11 this current affidavit with regard to the limestone
12 drilling issues if that would be helpful to you.

13 EXAMINER GOETZE: A little more
14 clarification would be helpful. Right now this is -- we
15 do require a little bit more engineering, and I would
16 like to have that and see that, plus a little more along
17 the lines maybe of some -- if we have no testimony from
18 an expert -- at least dailies or information to show us
19 why we have the situation as is.

20 Change in rock type does not really
21 represent an unusual circumstance. However, if there
22 were circumstances shown in the drilling operation to
23 cause problems, I would like to see that information.

24 In light of that, let's go ahead and
25 continue this. Would you provide us the opportunity to

1 be having this information, say, by the 25th?

2 MS. KESSLER: Yes.

3 EXAMINER GOETZE: Okay. In light of that,
4 we will accept the exhibits here and consider that I
5 would like a little more information on the engineering
6 side, the drilling history, and the particulars as to
7 why this 40-acres was excluded.

8 And with that, case 15236 will be continued
9 to June 25th. Thank you.

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11 (Time noted 8:36 a.m.)

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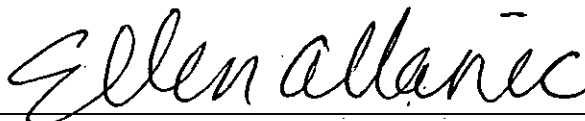
I hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15236
heard by me on June 11, 2015
Phillip C. Goetze, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO)
2) ss.
3 COUNTY OF BERNALILLO)
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5
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7 REPORTER'S CERTIFICATE

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9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR
10 No. 100, DO HEREBY CERTIFY that on Thursday, June 11,
11 2015, the proceedings in the above-captioned matter were
12 taken before me, that I did report in stenographic
13 shorthand the proceedings set forth herein, and the
14 foregoing pages are a true and correct transcription to
15 the best of my ability and control.

16
17 I FURTHER CERTIFY that I am neither employed by
18 nor related to nor contracted with (unless excepted by
19 the rules) any of the parties or attorneys in this case,
20 and that I have no interest whatsoever in the final
21 disposition of this case in any court.

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23
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ELLEN H. ALLANIC, CSR
NM Certified Court Reporter No. 100
License Expires: 12/31/15