

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

IN THE MATTTTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

CASE NOS. 21242, 21243
21246, 21247

THE APPLICATION OF CHEVRON USA APPLICATION FOR
COMPULSORY POOLING IN LEA COUNTY
NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS

EXAMINER HEARING

THURSDAY, SEPTEMBER 10, 2020

SANTA FE, NEW MEXICO

This matter came on for hearing before the
New Mexico Oil Conservation Division, Felicia Orth,
Hearing Examiner, Scott Cox Technical Examiner, on
Thursday, September 10, 2020 via Webex Virtual Event
Platform.

Reported by: Mary Therese Macfarlane
New Mexico CCR NO. 122
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street NW, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

1 A P P E A R A N C E S.

2 For the Applicant Chevron USA

3 Candace Callahan, Esq.
 4 Beatty & Wozniak, PC
 5 500 Don Gaspar Avenue
 6 Santa Fe, NM 87505
 (505) 983-8545
 ccallahan@bwenenergy.com.

7 FOR EOG: Ernest L. Padilla, Esq.
 8 P.O. Box 2523.
 Santa Fe, NM 87104
 (505) 988-7577
 9 padillalaw@questoffice.net

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C O N T E N T S

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12 CASE Nos. 21242, 21243, 21246, 21247 PAGE

13 CALLED 3

14 APPLICANT WITNESSES BY AFFIDAVIT

15 HOLMES (Land Representative): 6

16 SARAH WRIGHT (Development Geologist): 7

17 GERARDO JIMINEZ (Petroleum Engineer): 8

18 TAKEN UNDER ADVISEMENT: 9

19 E X H I B I T I N D E X

20 APPLICANT EXHIBITS ADMITTED

21 L (With attachments L-1 to L-21) 9

22 G (With attachments G-1 to G-12) 9

23 E (With attachments E-1 to E-7) 9

24

25

1 (Time noted 9:32 a.m.)

2 HEARING EXAMINER ORTH: All right. Let's move
3 then to 21242. This is the Applicant is Chevron, USA,
4 it's a Compulsory Pooling Application; and also 21243,
5 chevron USA Compulsory Pooling Application. Both of these
6 applications relate to a well named Ogopogo.

7 I have a note to myself to call them in
8 connection with the next applications, as well, 21246 and
9 21247, still Chevron USA as the Applicant, still
10 Compulsory Pooling Applications. These two relate to a
11 well named Narwhal.

12 Who do we have from Beatty & Wozniak for
13 the Applicant?

14 MS. CALLAHAN: good morning, Madam Examiner.
15 Candace Callahan appearing on behalf of Chevron, USA.

16 HEARING EXAMINER ORTH: Hello, Ms. Callahan.

17 MS. CALLAHAN: Good morning.

18 HEARING EXAMINER ORTH: We have a number of
19 other parties.

20 EOG. Mr. Padilla, are you here for EOG?

21 (Note: No response.)

22 HEARING EXAMINER ORTH: Have I muted him? Let
23 me see here. Hold on.

24 MR. PADILLA: Can you hear me?

25 HEARING EXAMINER ORTH: Okay. I can hear you

1 now. Mr. Padilla?

2 MR. PADILLA: I'm appearing on behalf of EOG,
3 and we don't have an objection for this case to proceed by
4 affidavit, and ask that EOG and Chevron have settled their
5 trade.

6 HEARING EXAMINER ORTH: All right. Well, thank
7 you, Mr. Padilla.

8 Then I have Mr. Bruce for Antelope Energy.

9 MR. BRUCE: Uhm, Antelope is out of this case
10 anymore. They settled out with Chevron.

11 HEARING EXAMINER ORTH: All right. Thank you.

12 And Gallegos Law Firm for a number of
13 parties: The Stewarts, the Helms, JAFT and the Worrells.

14 We did see that that set of parties'
15 prehearing statement was withdrawn and objections were
16 withdrawn. Is there anyone here from the Gallegos firm
17 who would like to add anything to that? (Note: Pause.)

18 No.

19 And finally, let me ask if there are any
20 other appearances this morning. No.

21 All right, Ms. Callahan. I think you have
22 a clear path.

23 MS. CALLAHAN: Thank you.

24 In these four cases, Case Nos. 21242 and
25 21246 seek to pool the Bone Spring Formation and create

1 two separate stand up, two-mile horizontal spacing units
2 comprised of 640 acres each. In Case Nos. 21243 and
3 21247, those cases seek to pool the Wolfcamp Formation and
4 create two separate stand, up two-mile horizontal spacing
5 unit, also comprised of 640 acres each.

6 In Case 21246, which seeks to pool the Bone
7 Spring Formation and the west half of Sections 15 and 22,
8 the location of one of the wells proposed for the Third
9 Bone Spring is unorthodox being located 78 feet from the
10 eastern boundary of that unit.

11 All four of the proposed spacing units
12 include proximity tracts related to to the four proximity
13 defining wells identified in each of the respective
14 checklists included in the exhibit package.

15 Chevron is requesting additional time to
16 complete the initial wells in each of the four spacing
17 units. In case Nos. 21242, 21243 and 21246 Chevron is
18 requesting 18 months, and in Case No. 21247 Chevron is
19 requesting two years

20 The development plan being presented today
21 relates to the development plan which has been approved by
22 the Division in Sections 3 and 10 immediately (inaudible)
23 of Sections 15 and 22. This additional time is being
24 requested to allow for 30 wells which are planned in these
25 four sections to be drilled by batch -- being batch

1 drilled and completed.

2 As you look through the package we filed on
3 last Thursday you will see a cover sheet followed by a
4 Table of Contents. Behind the Table of Contents you'll
5 find Exhibit L, which is the affidavit of Shalyce Holmes,
6 who is the land representative, who has previously
7 testified and been qualified as an expert in petroleum
8 land matters before the Division.

9 Following Ms. Holmes' affidavit are the
10 exhibits referenced in her affidavit. Exhibits L-1
11 through L-5 pertain to all four cases. Exhibit L-2 is the
12 Notice affidavit for all four cases.

13 There were two working interest owners with
14 small interest and four overriding royalty interest owners
15 in each of the four spacing units whose notices were
16 returned.

17 All of the interest owners in the east half
18 of Sections 15 and 22 also have interests in the west half
19 of Sections 15 and 22, although the percentage interests
20 of the east half and west half owners vary slightly.

21 There's the same working interests and
22 overriding royalty interests are as in each of the spacing
23 units who were provided Notice by Publication.

24 Exhibit L-3 contains Certificates of
25 Publication published as to all general interest owners in

1 the respective spacing units.

2 As to the unorthodox location of the Third
3 Bone Spring well in case No. 21246, offset owners were
4 also given Notice as required by the Division rules.

5 Following Exhibit L-5 you will find the
6 checklist for each case.

7 Exhibits L-6 through L-21 comprise copies
8 of the applications, C-102s for each well proposed
9 application, horizontal spacing unit ownership, and AFEs
10 for each well proposed in the respective applications
11 which are also included in the proposal.

12 Ms. Holmes' testimony and exhibits
13 demonstrate that as she has made a good faith effort to
14 voluntarily pool the interest owners in the units,
15 provided all necessary well proposals and AFEs to interest
16 owners in the respective units; that the AFEs contain
17 clear and reasonable estimates of costs of the proposed
18 wells; and that Chevron complied with requirements of the
19 Division.

20 The affidavit of Sarah Wright, Chevron's
21 Development Geologist, is identified as Exhibit G. The
22 exhibits referenced in her affidavit as Exhibits G-1
23 through G-12 include the requisite cross sections and
24 structure maps, together with spacing unit and schematics.

25 Ms. Wright's exhibits and testimony

1 demonstrate that the respective horizontal spacing units
2 are justified from geologic standpoint, there are no
3 structural impediments or faulting near Chevron's proposed
4 development, and that each quarter/quarter section within
5 the proposed units will contribute more or less equally to
6 production from each well.

7 Ms. Wright has previously testified before
8 the Division and was qualified as an expert petroleum
9 geologist.

10 The affidavit from Gerardo Jiminez,
11 Chevron's Petroleum Engineer is defined as Exhibit E and
12 the exhibits related to his affidavit are Exhibit E-1
13 through E-7.

14 Mr. Jiminez' exhibits and testimony
15 demonstrate that the wells and proposed units will result
16 in efficient and effective development of the resource,
17 that co-development of the Third Bone Spring is necessary
18 to reduce (inaudible) and will result in greater recovery
19 from the formations.

20 And also that Chevron's planned centralized
21 facility will result in lower operating expenses for the
22 life of the project, greater reliability and greater
23 protection for the environment.

24 Mr. Jiminez previously testified before the
25 Division and was qualified as an Expert Petroleum

1 Engineer.

2 We ask that the affidavits tabbed as
3 Exhibits L, G and E, together with the exhibits referenced
4 in each of those exhibits, admitted into the record in
5 these consolidated cases.

6 That concludes my presentation. We ask
7 that these cases be taken under advisement.

8 HEARING EXAMINER ORTH: Thank you, Ms. Callahan.

9 Let me ask if there are any questions from
10 any of the other counsel in this matter.

11 MR. PADILLA: No questions from me.

12 HEARING EXAMINER ORTH: All right. Thank you,
13 Mr. Padilla.

14 Let me ask Mr. Cox, do you have any
15 questions of Ms. Callahan?

16 MR. COX: No, ma'am. It's a big packet. It's
17 all good. Thank you.

18 HEARING EXAMINER ORTH: Ms. Callahan, your
19 exhibits are admitted and the matters, all of them, all
20 four of them, will be taken under advisement.

21 MS. CALLAHAN: Thank you.

22 (Time noted 9:40 a.m.)
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1 STATE OF NEW MEXICO)
2 : SS
3 COUNTY OF TAOS)

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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday, September
8 10, 2020, the proceedings in the above-captioned matter
9 were taken before me; that I did report in stenographic
10 shorthand the proceedings set forth herein, and the
11 foregoing pages are a true and correct transcription to
12 the best of my ability and control.

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

18

 /s/ Mary Macfarlane

19

20 _____
21 MARY THERESE MACFARLANE, CCR
 NM Certified Court Reporter No. 122
 License Expires: 12/31/2020

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