

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:

CASE NOS: 21022, 21023, 21024

APPLICATION OF SEP PERMIAN LLC TO AMEND
ORDER R-20396 TO ADD ADDITIONAL WELLS TO
THE APPROVED HORIZONTAL WELL SPACING UNIT,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

FEBRUARY 6, 2020

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, EXAMINERS FELICIA ORTH , KATHLEEN MURPHY, PHILLIP GOETZE, DYLAN COSS, DEAN McCLURE and ERIC AMES, on Thursday, February 6, 2020, 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: Irene Delgado, NMCCR 253
PAUL BACA PROFESSIONAL COURT REPORTERS
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1 A P P E A R A N C E S

2 For the Applicant:

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4 HOLLAND & HART
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7 505-954-7286

6 I N D E X

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1 HEARING EXAMINER ORTH: Call for appearances in
2 21022. This is SEP Permian, Holland & Hart.

3 MR. FELDEWERT: May it please the Examiner,
4 Michael Feldewert from the Santa Fe office of Holland & Hart
5 appearing on behalf of the applicant, and if you like, you
6 can call the next two case as well.

7 HEARING EXAMINER ORTH: I will do that 21023 and
8 21024. All relate to the Lakewood Well?

9 MR. FELDEWERT: Yes. Yes, ma'am.

10 HEARING EXAMINER ORTH: All right. Thank you.

11 MR. FELDEWERT: I have placed in front of you the
12 packages for each of these cases. They contain the required
13 cover sheet and the checklist. This case is a little bit
14 unique because we're actually adding wells to an existing
15 pooling order and addressing some other issues.

16 So, briefly, the way each of these cases are
17 organized, we have our checklist under Tab A, and then the
18 affidavit of the landman under Tab B -- I'm sorry, actually
19 the application under Tab B, and then the affidavit of the
20 landman under Tab C. And there is no geology affidavit
21 because the spacing units have already been approved; we are
22 simply adding additional wells.

23 So it does contain what's necessary for you to
24 approve the application as we have submitted it to you, but
25 I just wanted to make you aware and ask for a couple of

1 clarifications, because the initial pooling orders in these
2 cases, which in each packet are under attachment C 1, I
3 believe, they were obtained by a different company,
4 Percussion Petroleum, and they were obtained and issued in
5 February of last year.

6 Mr. Mitchell, the affiant in this case, testifies
7 and that Spur Energy is successor to Percussion. And Spur
8 Energy, in the process of acquiring the properties from
9 Percussion, examining the geology in the development in the
10 area determined it was prudent to add additional wells to
11 each of the three pooled horizontal spacing units under the
12 existing orders. And he identified then in his affidavit
13 the additional wells that will be added -- that we asked to
14 be added to the order to allow batch drilling, otherwise you
15 wouldn't be able to drill them all at the same time.

16 So it's necessary to add the order so then they
17 can go out and do batch drilling or sequential drilling,
18 whatever you want to call it. None of the wells initially
19 approved have been drilled. And so none of the pooled
20 working interest owners have been asked to pay their share
21 of the well costs yet.

22 And in Mr. Mitchell's letter to the working
23 interest owners, which is Exhibit 5, C-5 under these
24 packages explains that to the working interest owners, notes
25 the need to add the additional wells so they can batch

1 drill, and then each of those letters reflect that the
2 pooled working interest owners will receive an opportunity
3 once these amended orders are issued to participate.

4 Now, I have not seen yet the format of the order
5 from the Division that adds wells to an existing order. So
6 there is a couple of things that I would need to make sure
7 or want to clarify that we would want in the order and I
8 assume will be in the order.

9 And that is that the amended order will contain a
10 provision or contain the provision that essentially resets
11 the clock for drilling and completion now that these
12 wells -- now that we are adding wells and they are going to
13 be batch drilled because each of those pooling orders on
14 their own terms expire at the end of this month.

15 So I'm assuming that the new order that will come
16 out will reset that clock since we are adding these
17 additional wells, and then at the same time, that these new
18 amended orders will likewise reset the election period for
19 all the pooled working interest owners.

20 So the reason I ask for that is I want to make
21 sure and clarify that we don't have to file a separate
22 letter with the Division director asking for an extension of
23 these orders if we don't have a pooling order at the end of
24 the month.

25 My understanding is that the amended pooling

1 order will contain general provisions, it will reset the
2 clock for drilling and reset the clock for the elections and
3 all of that stuff. But I haven't seen one yet, so that's
4 why I'm asking for some clarification. But I don't expect
5 it right now, but if my assumptions are correct, then we
6 don't need to worry about it.

7 But otherwise, we do have the fact that the
8 pooling orders are going to expire at the end of this month,
9 so if we don't have the amended orders by the end of the
10 month, then I have some concern about whether I have time to
11 file a letter with the director asking for an extension, but
12 I didn't want to do any unnecessary administrative work if
13 the orders issued for these cases is going to reset those
14 clocks, which I believe they will, but I haven't seen one
15 yet.

16 HEARING EXAMINER ORTH: Do you have questions?

17 EXAMINER COSS: I just thank you for pointing
18 that out, and I guess ask that you send me an e-mail with
19 these statements.

20 MR. FELDEWERT: Certainly.

21 EXAMINER COSS: I will run it up and down the
22 flagpole and ask for clarification, but I imagine before the
23 end of the month we will have an answer for you.

24 MR. FELDEWERT: That would be great. I
25 appreciate that. So with that said, I would move the

1 admission of the exhibit packet in each of these three cases
2 and ask that the matter be taken under advisement.

3 HEARING EXAMINER ORTH: And the notice was
4 timely?

5 MR. FELDEWERT: Yes, ma'am.

6 HEARING EXAMINER ORTH: All right. So Exhibits A
7 through D in matters 21022, 21023, 21024 are accepted and
8 the matters will be taken under advisement. Thank you, Mr.
9 Feldewert.

10 MR. FELDEWERT: Thank you.

11 (Exhibits A through D admitted.)

12 (Cases taken under advisement.)

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1 STATE OF NEW MEXICO)
)SS
2 COUNTY OF SANTA FE)

3 I, IRENE DELGADO, certify that I reported the
4 proceedings in the above-transcribed pages, that pages
5 numbered 1 through 7 are a true and correct transcript of my
6 stenographic notes and were reduced to typewritten
7 transcript through Computer-Aided Transcription, and that on
8 the date I reported these proceedings I was a New Mexico
9 Certified Court Reporter.

10 Dated at Santa Fe, New Mexico, this 6th day of
11 February 2020.

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Irene Delgado, NMCCR 253
Expires: 12-31-20

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