

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:

APPLICATION OF IMPETRO OIL & GAS, CASE NOS. 20666,
LLC FOR COMPULSORY POOLING, LEA 20667
COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 22, 2019

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
 KATHLEEN MURPHY, TECHNICAL EXAMINER
 DYLAN ROSE-COSS, TECHNICAL EXAMINER
 SUSAN SITA, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner; Kathleen Murphy and Dylan Rose-Coss, Technical Examiners; and Susan Sita, Legal Examiner, on Thursday, August 22, 2019, 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
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APPEARANCES

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(Case Number 20667 only):

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(2:46 p.m.)

EXAMINER McMILLAN: The next case we're going to hear is Case Number 20666.

MR. MOELLENBERG: May it please the hearing examiners, Dalva Moellenberg for Impetro.

EXAMINER McMILLAN: Let me read it. It's application of the Impetro Oil & Gas, LLC for compulsory pooling, Lea County, New Mexico.

MR. MOELLENBERG: Yes. Dalva Moellenberg for Impetro.

MR. LARSON: Gary Larson for Advance Energy Partners.

No objection to Mr. Moellenberg presenting this case by affidavit.

MR. MOELLENBERG: That's our plan, to present this case by affidavit. The only other appearance was Mr. Larson for Advance Energy. Advance Energy and Impetro have reached agreement, and Lilis, with that, now 99-percent-plus interest in the unit.

EXAMINER McMILLAN: And will this case be combined with 20667?

MR. MOELLENBERG: I can. I'm prepared to present that by affidavit as well. That has a different -- Mr. Feldewert has an appearance in there, but we are in the same, more or less, situation.

1 EXAMINER McMILLAN: Do you have any
2 objection?

3 MR. FELDEWERT: I don't have any objection.

4 EXAMINER McMILLAN: Okay. Well, then Cases
5 20666 and 20667 shall be combined with the noted
6 appearances.

7 MR. FELDEWERT: In Case 20667, Michael
8 Feldewert, with the Santa Fe office of Holland & Hart,
9 appearing on behalf of ConocoPhillips Company.

10 MR. MOELLENBERG: So if I may hand out the
11 affidavits.

12 So as I said, for 20666, with the agreement
13 with Advance Energy, Lilis holds a little over 99
14 percent of the interest in the unit. These two units
15 are proposed units, are in Sections 18 and 19 of
16 Township 25 South, Range 36 East. They're side by side.

17 And with regard to Case 20667, again, same
18 two sections, just the other side. Again a couple of
19 things of note here. There's an interest held by
20 Conoco. Impetro is not asking to have that interest
21 force pooled. Impetro and Conoco are close to an
22 agreement. It's likely to be concluded shortly. If
23 it's not, Impetro, of course, would have to come back
24 and re-open the case of compulsory pooling of Conoco
25 only.

1 Chevron has an interest that we're asking
2 to force pool in 20667. Chevron has not appeared. My
3 understanding, though, is that Impetro and Chevron are
4 also going to enter into an agreement. They're very
5 close. And while we're asking for forced pooling for
6 Chevron, they're likely to reach agreement anyway.

7 And with those two agreements, once again,
8 Impetro would have close to or a little over 99 percent
9 interest in that unit.

10 A couple of other things of note about the
11 affidavits, just so you know. The two witnesses have
12 not testified before the Commission before. I've
13 included CVs for both with their credentials. They are
14 available by phone if you'd like to ask them any
15 questions. But we'd ask that they be qualified on the
16 basis of their CVs.

17 EXAMINER McMILLAN: Just go through real
18 briefly their education and experience, and that way it
19 will give the affected parties the opportunity.

20 MR. MOELLENBERG: Certainly. So for both
21 cases, they're the same witnesses. The first witness is
22 Tracy O. Gibbs, a landman. He's employed by J. Mark
23 Smith & Associate and has been since December 2009.
24 He's a member of the American Association of Petroleum
25 Landmen and is a registered professional landman,

1 credential ID number 80232. And there's a summary of
2 his experience on his CV.

3 MR. LARSON: No objection.

4 EXAMINER McMILLAN: Mike?

5 MR. FELDEWERT: No objection.

6 EXAMINER McMILLAN: So qualified in both
7 cases.

8 MR. MOELLENBERG: And the second, the
9 geologist is Nathan Guidorzi, G-U-I-D-O-R-Z-I. He's an
10 employee of Lilis Energy. Lilis Energy is the parent of
11 Impetro. Mr. Guidorzi has seven years of oil and gas
12 exploration and development experience. He put this on
13 the back. He has a Bachelor of Science in Geology from
14 the University of Texas, San Antonio. And his
15 professional courses and membership in professional
16 organizations is set forth on page 2 of his exhibit,
17 which is Exhibit B-1.

18 MR. LARSON: No objection.

19 MR. FELDEWERT: No objection.

20 EXAMINER McMILLAN: Okay. So he's
21 qualified.

22 MR. MOELLENBERG: The only other thing I
23 would point out of particular or possible interest in
24 the affidavits, we have an AFE included. It's an AFE
25 for the first Wolfcamp well proposed in each unit. We

1 don't have an AFE yet for a Bone Spring well. So if
2 you'd like to do that, once that's prepared, we can
3 supplement with that.

4 EXAMINER McMILLAN: Okay. But aren't
5 both -- both of these Wolfcamp tests?

6 MR. MOELLENBERG: Wolfcamp and Bone Spring.
7 The unit would be a Wolfcamp and Bone Spring.

8 EXAMINER McMILLAN: Well, that's -- you're
9 messing with trouble because you're compulsory pooling
10 dedicated acreage that is dedicated to a pool.

11 MR. MOELLENBERG: Uh-huh.

12 EXAMINER McMILLAN: So if you -- what
13 happens if you complete in the Wolfcamp but not the Bone
14 Spring? What really happens? Because like I say,
15 you're compulsory pooling the acreage and the associated
16 pool --

17 MR. MOELLENBERG: Uh-huh.

18 EXAMINER McMILLAN: -- and the
19 corresponding formation. So how are you going to handle
20 that issue?

21 MR. MOELLENBERG: I'd have to consult with
22 the client on that. Again, they -- they have agreements
23 for virtually all of the acreage, so --

24 EXAMINER McMILLAN: Well -- because when I
25 look through my notes, it said -- oh, okay. Well, I

1 guess I -- okay. So we're going to get 20666, which is
2 the east half of 18 and 19. You have the Black Marlin
3 Federal Com 1H, Fed Com 2H, 3H and 4H?

4 MR. MOELLENBERG: Four wells, yes.

5 EXAMINER McMILLAN: And they're two and?
6 Two.

7 MR. MOELLENBERG: I'm pretty sure they're
8 two and two.

9 Actually, I'm just looking back at the
10 applications and you may be right. It may be just
11 Wolfcamp.

12 EXAMINER McMILLAN: The C-102s show two and
13 two.

14 MR. MOELLENBERG: Yes. Yes.

15 EXAMINER McMILLAN: We're going to
16 double-check notice. This issue has to be resolved
17 before we get any further.

18 MR. MOELLENBERG: Okay.

19 EXAMINER McMILLAN: So what does the letter
20 to the affected parties say? Let's go there.

21 MR. MOELLENBERG: So the letter to the
22 affected parties included the application.

23 EXAMINER McMILLAN: What does the
24 application --

25 EXAMINER MURPHY: Where is the letter in

1 this?

2 MR. MOELLENBERG: It's with the --

3 EXAMINER MURPHY: In Section 4?

4 MR. MOELLENBERG: -- Affidavit of Notice.

5 Yeah. Yeah, Section 4.

6 EXAMINER McMILLAN: See I'm concerned about
7 Tracy Gibbs' affidavit number 3, Case 20666, "order
8 pooling all uncommitted interests in the Wolfcamp...."

9 MR. MOELLENBERG: I think you're actually
10 correct. The notices do overnotice the Wolfcamp and not
11 the Bone Spring.

12 EXAMINER McMILLAN: And you're up here
13 discussing both.

14 MR. MOELLENBERG: Understood. We have the
15 C-102s for the two Bone Spring wells. So I may need to
16 consult with my client for a moment. I guess I may want
17 to just proceed on the Wolfcamp now or --

18 EXAMINER McMILLAN: Well, here's -- are you
19 hitting different benches in the Wolfcamp?

20 MR. MOELLENBERG: I don't think so. Well,
21 eventually there may be.

22 EXAMINER McMILLAN: Do any of those wells
23 encompass different benches within the Wolfcamp?

24 MR. MOELLENBERG: In terms of the different
25 benches --

1 EXAMINER McMILLAN: Uh-huh.

2 MR. MOELLENBERG: -- I actually couldn't
3 answer that question. I don't think so. I think
4 they're side by side.

5 EXAMINER McMILLAN: Well, okay. This
6 appears -- based on what I can tell, these applications
7 have got huge problems. The affidavit from the landman
8 clearly states Wolfcamp. You're presenting Wolfcamp
9 only. You're only presenting one AFE when it makes
10 logical sense that you're going to hit the different
11 benches. So I think in order for the protection of
12 correlative rights, these cases should be dismissed, and
13 the Applicant should just start over and renotify the
14 affected parties.

15 MR. MOELLENBERG: You know, let me check
16 with my client and see if they want to do a voluntary
17 dismissal and --

18 EXAMINER McMILLAN: Well, but we have the
19 right at hearing to dismiss.

20 MR. MOELLENBERG: Understood.

21 EXAMINER McMILLAN: So that's the plan,
22 because there are too many questions for me to be able
23 to recommend signature by the director.

24 Therefore, Case Number 20666 shall be
25 dismissed, and Case Number 20667 shall be dismissed.

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MR. MOELLENBERG: Thank you.
(Case Numbers 20666 and 20667 conclude,
3:03 p.m.)

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
6 Reporter, New Mexico Certified Court Reporter No. 20,
7 and Registered Professional Reporter, do hereby certify
8 that I reported the foregoing proceedings in
9 stenographic shorthand and that the foregoing pages are
10 a true and correct transcript of those proceedings that
11 were reduced to printed form by me to the best of my
12 ability.

13 I FURTHER CERTIFY that the Reporter's
14 Record of the proceedings truly and accurately reflects
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither
17 employed by nor related to any of the parties or
18 attorneys in this case and that I have no interest in
19 the final disposition of this case.

20 DATED THIS 13th day of September 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters

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