

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: 21367

APPLICATION OF TAP ROCK RESOURCES LLC
FOR APPROVAL OF A UNIT AGREEMENT,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS

EXAMINER HEARING

AUGUST 6, 2020

SANTA FE, NEW MEXICO

This matter came on for virtual hearing before the New Mexico Oil Conservation Division, EXAMINERS FELICIA ORTH, DEAN McCLURE, JOHN GARCIA and KATHLEEN MURPHY on Thursday, August 6, 2020, hosted by the New Mexico Energy, Minerals, and Natural Resources Department, through Cisco Webex electronic platform.

Reported by: Irene Delgado, NMCCR 253
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A P P E A R A N C E S

For the Applicant:

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1 HEARING EXAMINER ORTH: We will move then to
2 21367, applicant Tap Rock Resources. This is a unit
3 agreement approval. Mr. Bruce, are you here for Tap Rock?

4 (No response.)

5 HEARING EXAMINER ORTH: Mr. Bruce?

6 (No response.)

7 HEARING EXAMINER ORTH: He muted. Let me see
8 here.

9 MR. BRUCE: Can you --

10 HEARING EXAMINER ORTH: Is that you, Mr. Bruce?

11 MR. BRUCE: I'm here.

12 HEARING EXAMINER ORTH: Okay, great. Thank you.
13 I have an itchy trigger finger on the muting, I'm sorry.

14 Who is here from Holland & Hart for MRC Permian.

15 MS. LUCK: Good morning, Madam Examiner. Kaitlyn
16 Luck with the Santa Fe office of Holland & Hart from MRC --
17 good morning. I'm here on behalf of MRC Permian company.

18 HEARING EXAMINER ORTH: Thank.

19 MS. LUCK: As well as another party that just
20 recently received a notice of this hearing, that it
21 Monticello Minerals LLC, and I'm entering on their behalf as
22 well.

23 HEARING EXAMINER ORTH: All right. Thank you.

24 And, let's see, who here is from Modrall Sperling on behalf
25 of Franklin Mountain Energy?

1 MS. BENNETT: Good morning, Madam Examiner. This
2 is Deana Bennett on behalf of Franklin Mountain Energy.

3 HEARING EXAMINER ORTH: Thank you. Let me pause
4 a moment to see if there are any other appearances this
5 morning.

6 (No response.)

7 HEARING EXAMINER ORTH: Hearing none, Mr. Bruce?

8 MR. BRUCE: Yes, Madam Examiner. I intend to
9 present this case by affidavit if there is no objection,
10 and --

11 HEARING EXAMINER ORTH: Let me ask. Ms. Luck,
12 does MRC Permian or Monticello Minerals have an objection?

13 MS. LUCK: Neither party has objection to this
14 case going forward. However, if we could have a copy of the
15 exhibits provided by e-mail, that would be great and then --

16 MR. BRUCE: I will. I will --

17 MS. LUCK: Thank you.

18 MR. BRUCE: -- e-mail them to you in just a
19 minute or so. Okay.

20 HEARING EXAMINER ORTH: And Ms. Bennett, any
21 objection to proceeding by affidavit?

22 MS. BENNETT: No. Franklin Mountain Energy does
23 not oppose Mr. Bruce proceeding by affidavit. It entered
24 its appearance in this case to preserve its rights in the
25 event of an appeal.

1 HEARING EXAMINER ORTH: Thank you. Mr. Bruce,
2 whenever you are ready.

3 MR. BRUCE: Yes. In this case Tap Rock seeks to
4 form a -- get approval from the Division for an exploratory
5 unit covering a little over 4000 acres of federal and fee
6 lands in Lea County as described in the application.

7 Since this is an exploratory unit, participation
8 is voluntary, although the exhibits show that the Bureau of
9 Land Management did grant preliminary approval of the unit
10 agreement which covers all depths in the lands within the
11 unit. Landman's affidavit describes as the unit agreement
12 in it and the tracts involved in ratifications, et cetera.

13 And then the geologist affidavit describes the
14 plans for drilling the two primary zones of interest, the
15 Wolfcamp and the Bone Spring. I did give notice of hearing
16 to all the interest owners in the unit. I have actually
17 never done this before because this is simply a voluntary
18 unit, but I didn't want to -- I didn't want any questions
19 from the Division on notice, and so an affidavit of notice
20 is included along with an affidavit of publication.

21 Everyone received actual or constructive notice,
22 and again, this is totally voluntary, although, I believe
23 that Tap Rock has obtained, as per the BLM standards, 85
24 plus percent of voluntary participation from the working
25 interest owners, and separately, over 85 percent of

1 participation from the royalty plus overriding royalty
2 owners. And thus final approval should be forthcoming from
3 the BLM after the OCD enters its order.

4 And with that, I would move the admission of
5 Exhibits A through E and ask that the case be taken under
6 advisement.

7 HEARING EXAMINER ORTH: All right. Thank you.
8 Ms. Murphy, do you have questions of Mr. Bruce?

9 EXAMINER MURPHY: Good morning, Mr. Bruce, and
10 thank you, Madam Examiner. I just have a couple of
11 questions. I only got to read the exhibits quickly
12 yesterday. So it's Seinfeld unit and just wondered if you
13 knew, of the 4000 acres, how much of that is fee, half or --

14 MR. BRUCE: I can tell you that here in a --

15 EXAMINER MURPHY: I just couldn't find it.

16 MR. BRUCE: I think there is one -- I think there
17 is one fee tract in the unit. Let me -- the -- what is
18 numbered Tract Number 6 in the unit which covers the S/2 SE
19 and SE SW of Section 35, 24 South, 35 East, so that would be
20 120 acres out of the 4000 plus acres IS fee land. The rest
21 is federal.

22 EXAMINER MURPHY: Really, because on my -- my
23 GIS it looks like there is a lot more, but I will look
24 again. Another question --

25 MR. BRUCE: Yeah, and Exhibit B to the unit

1 agreement lists all of the tracts and who the lessors are.

2 EXAMINER MURPHY: It seemed to me there was a lot
3 more fee in there.

4 MR. BRUCE: No. This is what the BLM approved,
5 and it is just 120 acres of fee land.

6 EXAMINER MURPHY: Another question I had, and
7 only because I don't necessarily know, so you have -- it's
8 about like 10 or 12 wells that are in that exploratory unit
9 already, the (unclear) the Cosmos, (unclear), and so my
10 question is, some of them are already bled but they are
11 not producing. Is there any requirement from the BLM to
12 start producing those as soon as you get the unit
13 agreement --

14 MR. BRUCE: I think they would probably complete
15 them quickly. I have been informed, I don't know the exact
16 time frame, but they would complete them quickly after the
17 BLM's final approval.

18 EXAMINER MURPHY: Okay. And the state land
19 adjacent, you notified the state land office of the --

20 MR. BRUCE: No, we did not notify the State Land
21 Office.

22 EXAMINER MURPHY: Okay. And just one request,
23 Attachment 15 and 22, can you have someone submit those in
24 color? The geology Exhibits 15 and 22.

25 MR. BRUCE: Oh, I will get those to you in color,

1 yeah. The reason why is they got those to me late in the
2 day, and I wasn't able to get over to the Fed Ex office and
3 print them up in color. I will get those to you.

4 EXAMINER MURPHY: Thank you so much. I look
5 forward to writing that order, and I don't have any more
6 questions.

7 HEARING EXAMINER ORTH: All right. Thank you,
8 Ms. Murphy. Let me pause just a moment in the event anyone
9 else has a question for Mr. Bruce.

10 (No response.)

11 HEARING EXAMINER ORTH: No? All right. Well,
12 thank you very much, Mr. Bruce. The exhibits are accepted
13 with the caveat that you will be submitting those two in
14 color, and the matter will be taken under advisement.

15 MR. BRUCE: Thank you.

16 (Exhibits A through E admitted.)

17 (Taken under advisement.)

18 (Adjourned.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 REPORTER'S CERTIFICATE

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6 I, IRENE DELGADO, New Mexico Certified Court
7 Reporter, do hereby certify that I reported the foregoing
8 proceedings in stenographic shorthand and that the foregoing
9 pages are a true and correct transcript of those proceedings
10 that were reduced to printed form by me to the best of my
11 ability.

12 I FURTHER CERTIFY that I am neither employed by
13 nor related to any of the parties or attorneys in this case
14 and that I have no interest in the final disposition of this
15 case.

16 I FURTHER CERTIFY that the Virtual Proceeding was
17 of fair quality.

18 Dated this 6th day of August 2020.

19

/s/ Irene Delgado

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

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