

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 NO: 21576

APPLICATION OF SPC RESOURCES LLC  
TO AMEND ORDER NOS R-21100  
EDDY COUNTY, NEW MEXICO.

CASE NO: 21577

APPLICATION OF SPC RESOURCES LLC  
TO AMEND ORDER NOS R-21096  
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS

EXAMINER HEARING

JANUARY 21, 2021

SANTA FE, NEW MEXICO

This matter came on for virtual hearing before  
the New Mexico Oil Conservation Division, HEARING OFFICER  
BILL BRANCARD and TECHNICAL EXAMINER KATHLEEN MURPHY on  
Thursday, January 21, 2021, through the Webex Platform.

Reported by: Irene Delgado, NMCCR 253  
PAUL BACA PROFESSIONAL COURT REPORTERS  
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Albuquerque, NM 87102  
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1 A P P E A R A N C E S

2 For the Applicant:

3 KAITLYN LUCK  
 4 HOLLAND & HART  
 5 110 North Guadalupe, Suite 1  
 6 Santa Fe, NM 87501  
 7 505-954-7286

8 For Elaine Murphy:

9 GALLEGOS LAW FIRM  
 10 GENE GALLEGOS  
 11 460 St. Michael's Drive, Suite 300  
 12 Santa Fe, NM 87505

13 I N D E X

14 CASE CALLED

15 SUMMARY OF CASE AND EXHIBITS 03

16 TAKEN UNDER ADVISEMENT 12

17 REPORTER CERTIFICATE 13

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

20 Admitted

21 All Exhibits and Attachments 12

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1                   HEARING OFFICER BRANCARD: We will now move on to  
2 Case 21576. I don't know if you want to consolidate that  
3 with 21577. We will find out. Holland & Hart, please,  
4 thank you.

5                   MS. LUCK: Good morning, Mr. Examiner. This is  
6 Kaitlyn Luck with the Santa Fe office of Holland & Hart on  
7 behalf of the applicant, SPC Resources LLC. And these two  
8 cases generally follow the same format and same request as  
9 the prior two cases, so we can consolidate them for purposes  
10 of covering the materials and towards the end I will mention  
11 the different acreage in the second case.

12                  HEARING OFFICER BRANCARD: Thank you. Other  
13 appearances on this case?

14                  MR. GALLEGOS: This is Gene Gallegos appearing  
15 for Elaine D. Murphy.

16                  HEARING OFFICER BRANCARD: Thank you. Modrall  
17 firm?

18                  MS. BENNETT: Good morning. This is Deana  
19 Bennett on behalf of the City of Carlsbad. Thank you very  
20 much. And I should mention that the City of Carlsbad does  
21 not oppose these cases going by affidavit and does not have  
22 any objection to the exhibits. Thank you.

23                  HEARING OFFICER BRANCARD: Mr. Gallegos, do  
24 you --

25                  MR. GALLEGOS: We do not oppose the application

1 and have no objection to the admission of the exhibits.

2 HEARING OFFICER BRANCARD: Thank you. Any other  
3 appearances?

4 MR. TURNER: Robert Turner on behalf of Diana  
5 Johnson, an heir of Willy Fay Johnson.

6 HEARING OFFICER BRANCARD: Can you repeat your  
7 client name again, please?

8 MR. TURNER: Diane Johnson.

9 HEARING OFFICER BRANCARD: Okay.

10 MR. TURNER: And she is the heir of Willy Fay  
11 Johnson, and we do not object to the application or the  
12 affidavits.

13 HEARING OFFICER BRANCARD: Okay. And Mr. Turner,  
14 did I skip over you in the previous case? Were you  
15 interested in that one, too, or just these.

16 MR. TURNER: My understanding we were just  
17 involved in the 21577 case.

18 HEARING OFFICER BRANCARD: Okay, excellent.  
19 Thank you.

20 HEARING OFFICER BRANCARD: Okay. Ms. Luck, you  
21 may proceed.

22 MS. LUCK: Thank you again. In this case,  
23 starting off with 21576, Santo is seeking an order amending  
24 order R-21100. And SPC filed its exhibits in these cases on  
25 Tuesday. In that exhibit packet you will find before you

1 starting off the application of SPC Resources to amend that  
2 order. And then the next Exhibit is Exhibit B, which is the  
3 affidavit of Colleen Bradley who is the landman for SPC  
4 Resources.

5 Her affidavit reflects that Division Order  
6 R-21100 was entered in February of 2020, and it created a  
7 635.06 acre standard horizontal spacing unit underlying Lots  
8 1 through 4 in the S/2 of the N/2 of irregular Section 5,  
9 and Lots 1 through 5, the SE/4 NW/4 and N/2 equivalent of  
10 irregular Section 6, and this is all in Township 22 South,  
11 Range 27 East, and this is in Eddy County, New Mexico.

12 And at this point SPC is seeking to amend that  
13 order to pool the additional interest owners under the terms  
14 of that order. SPC is also seeking to allow for an  
15 extension of time to join the initial well under the order,  
16 to update the name and location of the proposed well, and to  
17 conform the order to the amended order template as stated in  
18 the Division Director's April 9, 2020 letter.

19 With Ms. Bradley's affidavit she includes a copy  
20 of the original order of Exhibit B-1. As Exhibit B-2 she  
21 provides a unit recap reflecting that SPC is seeking to pool  
22 the additional interest owners, and she also provides a map  
23 with that recap just reflecting that SPC is seeking to pool  
24 the interest in the Wolfcamp formation in this case.

25 Next up, her Exhibit B-3 she provides a C-102 for

1 the well dedicated to this unit which is now called  
2 (unclear) 402H well.

3 Last she provides the names and addresses of each  
4 of the interest owners who were pooled under the original  
5 order as well as the tracking information and the notice  
6 letters reflecting each of those interest owners received  
7 notice of this hearing regarding this amended application.

8 Finally, in the Exhibit packet as Exhibit C is  
9 the notice of publication reflecting that notice of this  
10 hearing was timely provided to each of the interest owners  
11 directed by name and the county where these wells are  
12 located.

13 And then just briefly turning to Case 21577, this  
14 case follows the same format as the previous format where  
15 SPC is again seeking to reopen an order to pool additional  
16 interest owners to allow for an extension of time for  
17 drilling the initial wells, to update the names and location  
18 of the proposed well, and to update the order to the amended  
19 order template as described in the April 9 letter of the  
20 Division Director.

21 I want to just mention briefly that Case 21577  
22 relates to Division Order R-21096. This order was also  
23 entered in February of 2020, but in this case Santo sought  
24 and obtained a 1267.10 acre standard horizontal spacing  
25 unit, and this is in the W/2 of the E/2 of Section 12,

1 township 22 South, Range 26 East, and the W/2 of the E/2 of  
2 irregular Section 7 in Township 22 South, Range 27 East in  
3 Eddy County, New Mexico.

4 This unit was treated in the Wolfcamp formation  
5 and dedicated the unit to the Caveman wells, which are now  
6 called the Caveman 402H and Caveman 442H well. Just like in  
7 the prior case, Ms. Bradley provides the order, the C-102,  
8 the tracking unit recap, as well as the notice reflecting  
9 that notice of this hearing was timely provided for this  
10 case as well.

11 So with that, I would ask that the Division take  
12 under advisement both of these cases, 21576 and 21577, and I  
13 would also move the admission of Exhibit A through C in both  
14 cases.

15 HEARING OFFICER BRANCARD: Thank you. I will  
16 first go to the parties if they have any questions.  
17 Mr. Gallegos, start with you.

18 MR. GALLEGOS: Thank you, yes. Ms. Luck, with  
19 reference to 21576, the Betty well case, so on your, on your  
20 Exhibit B-2, and the various colors, is it to be understood  
21 that the heavy black line indicates the limits of the City  
22 of Carlsbad, so essentially all the spacing unit is within  
23 the city. Is that -- is that --

24 MS. LUCK: That's correct. There's a small  
25 portion in the SE/4 of the spacing unit that's not included,

1 but that's noted (garbled audio).

2 MR. GALLEGOS: So if we take a look then at your  
3 C-102 for the Betty well, that's B-3, can you orient us on  
4 the, on B-2 as to, as to the surface hole location?

5 MS. LUCK: And I think it looks like (garbled  
6 audio) --

7 REPORTER: I'm sorry, Ms. Luck, Ms. Luck, I need  
8 for Mr. Gallegos to mute himself --

9 MS. LUCK: (Garbled audio.)

10 REPORTER: Ms. Luck, I did not hear what you said  
11 because there was echo. Mr. Gallegos, you need to mute  
12 yourself when you are not speaking, please. Ms. Luck can  
13 you repeat what you just said?

14 MS. LUCK: Yes. The C-102 is included with the  
15 packet as Exhibit B-3 and indicates on Page 19 of the PDF  
16 packet that the surface hole location is located in the Unit  
17 H of Section 5.

18 MR. GALLEGOS: Ms. Luck, I see that, but that  
19 wasn't quite the question. I maybe did not make it clear.  
20 If we look at B-2, can you orient us as to where that  
21 surface hole location is shown on that, on that plat?

22 MS. LUCK: Yeah, I'm sorry. The surface hole  
23 location isn't shown on that plat. That's not something we  
24 had included on this general unit recap map. This is more  
25 for purposes of showing the significant number of interests



1     within the unit.   So the C-102 doesn't show the surface hole  
2     location.

3                 MR. GALLEGOS:   I realize it's not shown.   I was  
4     just asking if you were able to, to indicate that location.  
5     If you're not, then we understand that to be the case.

6                 MS. LUCK:   Well, certainly.   I mean, it would be  
7     located in the SE/4 of the NE/4, I believe, and so it would  
8     certainly be above where that city limit line is -- sorry,  
9     it would be below where the city limit line is.

10                MR. GALLEGOS:   It would be below.   In other  
11    words, that small area that is not within the city, that  
12    lower SE/4, if we can use that term, that's where you are  
13    saying the Betty well location would be?

14                MS. LUCK:   Yeah, that's my understanding,  
15    correct.

16                MR. GALLEGOS:   Then to B-3, which is the C-102,  
17    you see the surface hole location and we see the first line,  
18    and the line across what would presumably be the lateral is  
19    a red dotted line.   What is the -- what is that meant to be?

20                MS. LUCK:   The red dotted line indicates the  
21    directional drilling that occurs between the surface hole  
22    location and completed interval as well, so the horizontal  
23    portion of the well, I guess you could say the completed  
24    interval -- the surface location, sorry.

25                MR. GALLEGOS:   So it just struck me, because none

1 of the other C-102s indicate the lateral in a solid line,  
2 and I was just wondering if there is some significance to  
3 this being a red dotted line to indicate uncertainty or  
4 what. Why does that differ from your other C-102s?

5 MS. LUCK: I'm not sure there is anything  
6 significant on that. I think it's just more a surveyor  
7 preference. And if you like, I can confirm, but I don't  
8 think there is anything significant to that red dot.

9 MR. GALLEGOS: Thank you. That concludes my  
10 question. Thanks.

11 HEARING OFFICER BRANCARD: Thank you,  
12 Mr. Gallegos. Ms. Bennett, any questions?

13 MS. BENNETT: No questions. Thank you.

14 HEARING OFFICER BRANCARD: Thank you.  
15 Mr. Turner?

16 MR. TURNER: No questions, thank you.

17 HEARING OFFICER BRANCARD: Thank you. And with  
18 that, we will admit the exhibits that have been submitted,  
19 and we will take cases 21576 -- I'm sorry, Ms. Murphy, I  
20 forgot to ask. Do you have questions?

21 UNIDENTIFIED SPEAKER: Yes, I'm speaking on  
22 behalf of Mrs. Murphy. I just want to point out that the  
23 hearing for the SPC Resources wells that were just discussed  
24 were not sufficiently publicly announced as far as I know  
25 because the Carlsbad Current Argus dated the hearing as

1 January, as taking place on January 7, 2021.

2 Then extensive searching on the OCD website did  
3 not reveal a revised date or a revised link to this meeting,  
4 and so consequently the public was not sufficiently  
5 informed, in my opinion, and that's what I'm disputing.

6 HEARING OFFICER BRANCARD: Who is this speaking  
7 on behalf of Ms. Murphy?

8 UNIDENTIFIED SPEAKER: This is a family member.  
9 She's sitting here.

10 HEARING OFFICER BRANCARD: We need a name for the  
11 record.

12 MS. ELAINE MURPHY: For the record, it's Elaine  
13 Murphy.

14 HEARING OFFICER BRANCARD: And you are an  
15 interest owner?

16 UNIDENTIFIED SPEAKER: Yes.

17 MS. ELAINE MURPHY: Yes.

18 HEARING OFFICER BRANCARD: Okay. Kathleen  
19 Murphy, do you have any questions?

20 TECHNICAL EXAMINER MURPHY: I do have one  
21 statement, no relation, but I was getting ready to remind  
22 SPC for their filled out C-102s, that one of those needs the  
23 dedicated acreage, and so I will look for those to be  
24 completely filled in on the C-102s. Thank you.

25 HEARING OFFICER BRANCARD: Thank you.

1                   MS. LUCK: We can submit those, the C-102s for  
2     you. Thank you. And I would like to make one more point,  
3     if I may, Mr. Examiner.

4                   HEARING OFFICER BRANCARD: Sure.

5                   MS. LUCK: Just in response to Ms. Elaine  
6     Murphy's comment, it's our understanding her interests were  
7     a lease, and so there would not be a notice directed to her  
8     by name because her interest is a lease at this point and  
9     also then any interest that she might be an heir to.

10                  And then with regard to hearing date, we did  
11     publish for the original hearing because this case was  
12     applied for at the January 7 hearing. But per the normal  
13     procedure, Santo filed a continuance timely and at the  
14     January 7 hearing a hearing date was issued for today.

15                  HEARING OFFICER BRANCARD: Thank you. And with  
16     that I will take cases 21576 and 21577 under advisement.  
17     Thank you, Ms. Luck.

18                  (Exhibits admitted.)

19                  (Taken under advisement.)

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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, CCR 253, do hereby certify that I reported the  
8 foregoing virtual proceedings in stenographic shorthand and  
9 that the foregoing pages are a true and correct transcript  
10 of those proceedings to the best of my ability.

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

15 I FURTHER CERTIFY that the Virtual Proceeding was  
16 of poor to good quality.

17 Dated this 21st day of January 2021.

18

/s/ Irene Delgado

19

Irene Delgado, NMCCR 253  
License Expires: 12-31-21

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