

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: 21303, 21339

APPLICATION OF COLGATE OPERATING LLC
FOR COMPULSORY POOLING, NON-STANDARD
SPACING AND PRORATION UNIT,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
JULY 23, 2020
SANTA FE, NEW MEXICO

This matter came on for virtual hearing before
the New Mexico Oil Conservation Division, HEARING OFFICER
FELICIA ORTH and TECHNICAL EXAMINER JOHN GARCIA on Thursday,
July 23, 2020 through the Webex Platform.

Reported by: Irene Delgado, NMCCR 253
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102
505-843-9241

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

2 For the Applicant:
 3 PADILLA LAW FIRM
 ERNEST PADILLA
 4 1512 S. St. Francis Drive
 Santa Fe, NM 87505

5 For COG Operating:
 6
 7 MICHAEL RODRIGUEZ
 HINKLE SHANOR LLP
 P.O. Box 0268
 8 Santa Fe, NM 87504
 505-982-4554

9 For EOG:
 10
 11 ADAM RANKIN
 HOLLAND & HART
 110 North Guadalupe, Suite 1
 12 Santa Fe, NM 87501
 505-954-7286

13 I N D E X

14

15 CASE CALLED	
16 SUMMARY OF CASE AND EXHIBITS	03
17 TAKEN UNDER ADVISEMENT	08
18 REPORTER CERTIFICATE	09

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

21	Admitted
22 All Exhibits and Attachments	07

23

24

25

1 HEARING EXAMINER ORTH: 21303 is Colgate
2 Operating, and it's compulsory pooling and non-standard
3 spacing matters. The well name is Rincon 22. Mr. Padilla,
4 I know I saw you earlier. You are here for the applicant?

5 MR. PADILLA: (Inaudible.) Hello? Can you hear
6 me?

7 HEARING EXAMINER ORTH: Yes, I can.

8 MR. PADILLA: Okay. Ernest L. Padilla for
9 Colgate Energy Operating LLC. We would like to combine this
10 case with case -- the other case, 21339.

11 HEARING EXAMINER ORTH: Thank you very much.

12 MR. PADILLA: They both propose wells in the same
13 section, so one is N/2 and the other is S/2, I believe, but
14 Exhibit A is the affidavit of Mark --

15 HEARING EXAMINER ORTH: Wait, wait. Mr. Padilla,
16 I have to call for the other appearances.

17 MR. PADILLA: Okay, thank you.

18 HEARING EXAMINER ORTH: Hold on. So 339?

19 (No audible response.)

20 HEARING EXAMINER ORTH: (Inaudible) applicant
21 Colgate Operating, another compulsory pooling application.
22 The well in this matter is Toro 22. Mr. Padilla is here for
23 the applicant in 21303. We have an entry of appearance by
24 COG, Mr. Rodriguez --

25 MR. RODRIGUEZ: Yes, Madam Examiner, Michael

1 Rodriguez with COG Operating LLC.

2 HEARING EXAMINER ORTH: Thank you. And in 21339,
3 entry of appearance for EOG, Holland & Hart, who is here for
4 EOG?

5 (No audible response.)

6 HEARING EXAMINER ORTH: Is someone here for EOG,
7 21339?

8 MR. RANKIN: Adam Rankin is here from the Santa
9 Fe office of Holland & Hart. I will enter my appearance on
10 behalf of EOG, but I am not exactly sure of the status of
11 this case, but I will make my entry of appearance and cover
12 that.

13 HEARING EXAMINER ORTH: Thank you. Someone is
14 making noise. If you would please mute yourself until
15 called upon to speak. Thank you. So do we have other
16 appearances in 21303 or 21339?

17 (No audible response.)

18 HEARING EXAMINER ORTH: Hearing nothing. So, Mr.
19 Rodriguez, do you have any objection to Mr. Padilla
20 proceeding by affidavit?

21 MR. RODRIGUEZ: I have no objection. We are just
22 entering our appearance for our right to appeal at a later
23 date if necessary.

24 HEARING EXAMINER ORTH: All right. Thank you,
25 Mr. Rankin, do you have any objection to Mr. Padilla

1 proceeding by affidavit?

2 MR. RANKIN: No, Madam Examiner.

3 HEARING EXAMINER ORTH: Thank you. Mr. Padilla,
4 we are back to you.

5 MR. PADILLA: So as I started saying, we have
6 three exhibits in this case. The first, Exhibit A, which is
7 the affidavit of our landman whose credentials have been
8 accepted as a matter of record before the Division. His
9 name is Mark Hadjik, H-a-d-j-i-k. His affidavit is a
10 standard affidavit for both sets of wells, the Rincon four
11 wells and Toro two wells.

12 They are both -- they are all in Section 22, 19
13 South, 28 East. The affidavit of our geologist, Sergio
14 Ojeda, it also appears as Exhibit B. And my exhibit for
15 publication and notice together with a notice of publication
16 filed in Eddy County, it's attached to my affidavit. All
17 parties have -- have been served or noticed either actually
18 or by constructive notice.

19 With EOG it's my understanding that in case -- I
20 believe they are the 339 case, EOG and Colgate completed a
21 transaction on Thursday of last week, and my understanding
22 is that there is no issue between them at all. To the
23 extent that there may not be a complete agreement in the
24 prehearing statement, EOG requested special language and
25 we don't -- for EOG -- we don't have any objections to that

1 special language, and but I think that is a moot issue at
2 this point.

3 Other than that, it's a pretty straightforward
4 case unless the examiner has any questions on my affidavit,
5 the notice of publication, which is Exhibit C, and has the
6 all the attachments -- the green cards and a sample of the
7 notices.

8 Colgate does require or is asking for overhead
9 rates of 8,000 for a producing well -- I mean 800 for a
10 producing well and 8,000 for a drilling well, a 200 percent
11 risk penalty. And the AFEs show that the cost of these
12 wells is approximately \$6.9 million, which, according to
13 Mr. Hajdik, is reasonable and representative of the cost of
14 wells in the area of Eddy County where the wells are going
15 to be drilled.

16 With that, we ask the admission of Exhibits A, B
17 and C.

18 HEARING EXAMINER ORTH: All right. Thank you,
19 Mr. Padilla. Exhibits, A, B and C are admitted. Let me ask
20 Mr. Garcia if he has any questions.

21 TECHNICAL EXAMINER GARCIA: In the title it says
22 non-standard spacing. Are you pursuing non-standard
23 spacing?

24 MR. PADILLA: No, they are standard -- if we did
25 put that in there, then we ask that the non-standard portion

1 be dismissed.

2 TECHNICAL EXAMINER GARCIA: For cases 21303 and
3 21339?

4 MR. PADILLA: Correct.

5 TECHNICAL EXAMINER GARCIA: I think you cut out,
6 did you say that you and EOG agreed to special language?

7 MR. PADILLA: In their prehearing statement they
8 requested the special language on when to pay their share of
9 well costs, and I won't try to paraphrase the language, but
10 it is contained in EOG's prehearing statement.

11 TECHNICAL EXAMINER GARCIA: Is it also in the P P
12 checklist?

13 MR. PADILLA: Yes, I think, I think -- I'm not
14 sure about the checklist, but it's not -- but to the extent
15 that it's not, it may not be in the checklist, then I think
16 we ask that that language be adopted as to EOG.

17 TECHNICAL EXAMINER GARCIA: That's all I have.

18 HEARING EXAMINER ORTH: Thank you very much,
19 Mr. Garcia. Are there any questions from COG or EOG?

20 MR. RODRIGUEZ: No, Madam Examiner.

21 HEARING EXAMINER ORTH: Thank you, Mr. Rodriguez.

22 All right. Thank you very much, Mr. Padilla.

23 The exhibits are accepted and it will be taken under
24 advisement 21213 and 21339.

25 (Exhibits admitted.)

1 (Taken under advisement.)

2 (Concluded.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 REPORTER'S CERTIFICATE

5

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 23rd day of July 2020.

18

/s/ Irene Delgado

19

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

20

21

22

23

24

25