

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

ORIGINAL

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 14774

APPLICATION OF RMR OPERATING, LLC  
TO ALLOW TWO OPERATORS WITHIN A SPACING UNIT,  
LEA COUNTY, NEW MEXICO,

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

DOCKET NO. 36-11

BEFORE: TERRY G. WARNELL, Hearing Examiner  
DAVID K. BROOKS, Legal Examiner

DECEMBER 15, 2011

Santa Fe, New Mexico

This matter came on for hearing before the  
New Mexico Oil Conservation Division, TERRY G. WARNELL,  
Hearing Examiner, and DAVID K. BROOKS, Legal Examiner,  
on THURSDAY, DECEMBER 15, 2011, at the New Mexico  
Energy, Minerals and Natural Resources Department, 1220  
South Street Francis Drive, Room 102, Santa Fe,  
New Mexico.

REPORTED BY: Lisa Reinicke  
PAUL BACA PROFESSIONAL COURT REPORTERS  
500 Fourth Street, NW, Suite 105  
Albuquerque, NM 87102

RECEIVED OOD  
2011 DEC 30 P 2:37

A P P E A R A N C E S

For the Applicant:

JAMES BRUCE, Attorney at Law  
369 Montezuma, No. 213  
Santa Fe, New Mexico 87501  
(505) 982-2043

I N D E X

PAGE

CERTIFICATE OF COMPLETION OF HEARING

8

EXHIBITS

MARKED/IDENTIFIED

1. Affidavit with Attachments

7

2. Affidavit of Notice

7

1 EXAMINER WARNELL: Let's go back on the  
2 record with docket 36-11, and we'll call case number  
3 14774, the Application of RMR Operating, LLC to allow  
4 two operators within the spacing unit, Lea County,  
5 New Mexico. Call for appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of  
7 Santa Fe representing the applicant. I'm submitting  
8 this by affidavit.

9 EXAMINER WARNELL: Okay. And it looks like  
10 we have the affidavit in front of us. All right.

11 MR. BRUCE: Mr. Examiner, this is a little  
12 case, and maybe a hearing isn't strictly required, but  
13 let me go into detail here. If you take Exhibit 1 and  
14 maybe go back to the second page from the back, which is  
15 a Midland Map Company plat. As you know, the Division  
16 has certain requirements where there is already a  
17 designated operator in a specific formation or pool.  
18 You have to go through a couple of steps for a second  
19 party to become operator.

20 What we're looking at here for this case,  
21 Attachment E to Exhibit 1 is an older Midland Map  
22 Company plat. And we're here today regarding overall  
23 the north half of section 16, township 26 south, range  
24 36 East in specifically the southwest quarter, northwest  
25 quarter of that section 16. If you look at the plat,

1    which I have highlighted, you'll see that Draco Energy,  
2    Inc. is the operator of several wells in section 16,  
3    including one in the southwest quarter, northwest  
4    quarter of Section 16. This is state land. And you'll  
5    see highlighted a lease number, lease L6459. The odd  
6    thing is that lease is expired and Draco no longer owns  
7    any working interest in this half section of land.

8           Exhibit 1 itself is the affidavit of Allen  
9    Parksdale, who is the president of several companies;  
10   RMR Operating, LLC, the applicant. He's also the  
11   president of Red Mountain Resources, Inc. and Black Rock  
12   Capital, Inc. Red Mountain Resources, Inc. is the  
13   parent company of Black Rock and of RMR Operating. RMR  
14   Operating is the operating arm of these two companies.

15           Attachment A to the exhibit is an assignment  
16   whereby Black Rock Capital, the leasehold holding  
17   company acquired 100 percent of the working interest in  
18   the north half of section 16 from the surface to the  
19   base of the Delaware formation, which is highlighted on  
20   the attachment to the assignment, Exhibit A. And if you  
21   look at that you'll see that it is covered by state  
22   lease VB1089, which is the current lease on the  
23   property.

24           As I said, Black Rock owns 100 percent of the  
25   working interest in the north half of section 16 from

1 the surface to the base of the Delaware pursuant to  
2 Exhibit A, the assignment marked as Exhibit A, and is  
3 subject to state lease VB1089, Attachment B, which is a  
4 printout from the state land office website showing that  
5 lease. Devon Energy is the record title owner of the  
6 lease. You'll see that it was issued January 1, 2007,  
7 has a five-year term, so that lease will expire in a  
8 couple weeks' time and it covers all of the north half  
9 of section 16.

10 RMR Operating filed an APD with the division  
11 about a month and a half ago, which is marked as  
12 Exhibit C. They are seeking to drill a well, the  
13 Medicine Man State Well Number 1, in the southwest  
14 quarter, northwest quarter of section 16. It's in the  
15 Sioux Tansill-Yates-Seven-Rivers pool, which is also  
16 where Draco Energy's wells are completed.

17 The APD was rejected because there was a prior  
18 operator. And if you'd go to Attachment D, to the first  
19 exhibit, you can see a listing from the Division's  
20 website showing the operator of the wells in section 16,  
21 including in the southwest quarter, northwest quarter  
22 Draco Energy Operates the Maralo 16 State Well Number 2.  
23 Now, as I said, Draco does not own any working interest  
24 because its lease had expired but it's still listed as  
25 the operator of record.

1           By the final page of this attachment RMR  
2     Operating did send a letter pursuant to Division Rule  
3     19.15.15.12 notifying them that they would be filing the  
4     APD for their well. They have not heard back from  
5     Draco, so maybe officially, at least at this point, they  
6     could file the APD and get it approved. However,  
7     because of the expiring lease RMR would request an order  
8     just so that there is something of record that the  
9     district office could look at that would approve RMR as  
10    operator so that we don't get into this is the last  
11    available hearing date. And we would like an order  
12    simply so that there is no question that RMR can get an  
13    APD for the well and timely commence operations.

14           And submitted as Exhibit 2 is the affidavit of  
15    notice. Notice was given pursuant to the rule. Notice  
16    was given to Draco Energy and also the commissioner of  
17    public lands, the mineral owner. And no objections have  
18    been received. I would move the admission of Exhibits 1  
19    and 2 and ask that the Division enter this order simply  
20    for lease preservation purposes. And if you would like  
21    I would gladly draft up an order because I would like to  
22    get something issued by, say, the middle of next week.

23                   EXAMINER BROOKS: Did he say the middle of  
24    next week?

25                   MR. BRUCE: Yes, I did.

1 EXAMINER WARNELL: Exhibits 1 and 2 are  
2 admitted.

3 Now, back to that middle of next week comment.

4 [Exhibits 1 and 2 admitted into evidence.]

5 EXAMINER BROOKS: Well, as you say, under  
6 the rule I don't really see why there needs to be a  
7 hearing of order on this case. But if you would submit  
8 what you want that would probably make a greater impact.

9 MR. BRUCE: Yeah, it's really just overkill  
10 just to make sure we can get a well coming out that APD  
11 approved so that they can commence a wellhead by the end  
12 of the year.

13 EXAMINER BROOKS: Right.

14 EXAMINER WARNELL: We can do that.

15 MR. BRUCE: That's all I have, Mr. Examiner.

16 EXAMINER WARNELL: Thank you, Mr. Bruce.

17 Case 14774 will be taken under advisement.

18 [Case 14774 taken under advisement.]

19

20

21

22

23

24

25

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_  
\_\_\_\_\_, Examiner  
Oil Conservation Division

## REPORTER'S CERTIFICATE

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

I, Lisa Reinicke, New Mexico Provisional  
Reporter, License #P-405, working under the direction  
and direct supervision of Paul Baca, New Mexico CCR  
License #112, Official Court Reporter for the US  
District Court, District of New Mexico, do hereby  
certify that I reported the foregoing proceedings in  
stenographic shorthand and that the foregoing pages are  
a true and correct transcript of those proceedings and  
was reduced to printed form under my direct supervision.

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

*Lisa Reinicke*

Lisa R. Reinicke,  
Provisional License P-405  
License expires: 8/21/2012

Ex count: