BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SOZO I LP AND SOZO NATURAL RESOURCES, LLC TO REQUIRE A COMMON PURCHASER TO RATABLY TAKE GAS ON REASONABLE TERMS UNDER THE TERMS OF NMSA 1978 §70-2-19.D AND NMAC 19.15.24.12, LEA COUNTY, NEW MEXICO.

Case No. ______________

APPLICATION

Sozo I LP and Sozo Natural Resources, LLC (collectively "Sozo") applies for an order requiring Targa Midstream Services LLC ("Targa") to ratably take gas from a well on reasonable terms to keep the well economic, and in support thereof, states:

1. Sozo Natural Resources, LLC is the operator of, and Sozo I LP is the working interest owner in, the Caleb State Well No. 1 (API No. 30-025-37497), with a well unit comprised of the S/2 of Section 36, Township 9 South, Range 32 East, NMPM, Lea County New Mexico (the "Well''). The Well was drilled and completed in the Atoka formation in 2006, and is still capable of producing gas in paying quantities.

2. The gas purchaser for the Well is Targa. Targa is engaged in purchasing gas from one or more producers in New Mexico, and meets the definition of "common purchaser" under **NMSA 1978 §70-2-19.D and 19.15.24.12.A**. Thus it is required to ratably take produced gas from a well operator without unreasonable discrimination. **Id**.

3. Sozo acquired the Well from OXY USA Inc. ("OXY"), and took over operations on March 1, 2020. Targa consented to the assignment to Sozo of OXY's gas purchase agreement pertaining to the Well. On June 25, 2020 Sozo met with Targa on Sozo's various gas purchase agreements with Targa, and no changes were made by Targa to any such agreements.

4. Subsequently, Targa notified Sozo that it was terminating the gas purchase agreement on the Well. The effective date of termination was September 30, 2020.

5. Targa proposed a substitute agreement which would substantially increase gathering costs, and has refused to negotiate a reasonable agreement with Sozo. Based on operating costs for the Well, and current gas prices, the Well is now uneconomic to produce and has been shut in due to Targa's unilateral price increase. This adversely affects the correlative rights of Sozo and it sole lessor, the State of New Mexico.

6. The Well is capable of producing approximately 230 mcf/day of sweet gas (no hydrogen sulfide is produced), with a high BTU content. Upon information and belief, the Well is the best gas producer in Targa's system in this portion of Lea County. The massive increase in costs proposed by Targa unreasonably discriminates against Sozo, and violates NMSA 1978 §70-2-19.D and NMAC 19.15.24.12.

7. Sozo should be granted relief under NMSA 1978 §70-2-19.D and NMAC 19.15.24.12 in order to prevent waste and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter an order requiring Targa to take Sozo's gas under non-discriminatory terms, and granting such further relief as the Division deems proper.

Respectfully submitted,

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