

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

**APPLICATION OF BTA OIL PRODUCERS, LLC TO
RESCIND APPROVAL OF FOUR APPLICATIONS FOR
PERMITS TO DRILL ISSUED TO TEXAS STANDARD
OPERATING NM LLC, LEA COUNTY, NEW MEXICO. CASE NO. _____**

APPLICATION

BTA Oil Producers, LLC (“BTA”) (OGRID No. 260297) seeks an order rescinding approval of four Applications for Permits to Drill (“APDs”) submitted by Texas Standard Operating NM, LLC (“TSO”) for the State 9-16 1H, 2H, 3H, and 4H Wells.

1. BTA seeks an order rescinding approval of APDs that were recently submitted for the TSO State 9-16 No. 1H (API #30-025-51106), State 9-16 State No. 2H (API #30-025-51128), State 9-16 No. 3H (API #30-025-51129), and State 9-16 No. 4H (API #30-025-51130) wells (“TSO Wells”). The TSO Wells are located in the W/2 of Section 16 and the SW/4 of Section 9, Township 17 South, Range 36 East and traverse the N/2 NW/4 of Section 21, Township 17 South, Range 36 East, which is included within BTA’s Vindicator Canyon State Exploratory Unit (“Unit”). TSO’s proposed well locations interfere with BTA’s ability to develop the Unit and thereby violate BTA’s correlative rights and result in waste. In addition, there does not appear to be a valid state lease for part of the acreage included in TSO’s spacing units.

2. The Division has “jurisdiction, authority, and control over all persons, matters, or things necessary or proper to enforce effectively the provisions of [the Oil and Gas Act] . . .” NMSA 1978, § 70-2-6. The Oil and Gas Act delegates to the Division authority to issue orders that “require wells to be drilled, operated and produced in such manner as to prevent injury to

neighboring leases or properties,” NMSA 1978, § 70-2-12(B)(7), as well as to prevent waste and protect correlative rights, NMSA 1978, § 70-2-11.

3. On January 26, 2021, the New Mexico Oil Conservation Division (“Division”) issued Order No. R-21572, approving the Unit, consisting of 6,000 acres of State land located in Township 17 South, Range 36 East, N.M.P.M., Lea County, New Mexico. The unitized interval is the Canyon formation, at the stratigraphic equivalent of the interval between 11,678 feet and 12,202 feet as found on the sonic log for the Deep Sparkling Muddler 15 State #1 well (API No. 30-025-22194) in Section 15, Township 17 South, Range 36 East, N.M.P.M., Lea County, New Mexico. Manzano LLC (“Manzano”) was designated as operator of the Unit.

4. On April 29, 2021, the Division entered Order R-21572-A, approving the addition of 960-acres of State lands to the Unit. The expanded unit encompasses the following 6,960 acres, more or less, of State lands in Lea County:

TOWNSHIP 17 SOUTH, RANGE 36 EAST, N.M.P.M.

- Section 14: SW/4
- Section 15: All
- Section 20: All
- Section 22: All
- Section 23: S/2, NW/4
- Section 26: All
- Section 27: All
- Section 28: All
- Section 29: All
- Section 30: E/2
- Section 31: E/2, NE/4
- Section 32: N/2, SW/4
- Section 33: NE/4
- Section 34: E/2 E/2
- Section 35: All

5. In Case No. 22668, Manzano filed an application with the Division to amend Order No. R-21572-A to remove the E/2 of Section 30 and the E/2 NE/4 of Section 31 from the Unit and

add all of Section 21 to the Unit. The proposed amendment would modify and expand the geographic area of the Vindicator Canyon State Exploratory Unit, for a net expansion of 240-acres.

6. BTA assumed operatorship of the Unit effective October 13, 2022.

7. The New Mexico State Land Office (“NMSLO”) granted final approval of the Unit expansion on January 24, 2023, and BTA submitted its annual proposed Plan of Development to the NMSLO on February 20, 2023. BTA’s Plan of Development is an estimated plan for development that year and seeks to efficiently develop the Unit for the benefit of the interest owners and the State.

8. BTA intends to complete numerous wells within the Unit, including the Vindicator Canyon State Unit 317H and 318H (“BTA Wells”), which will have surface hole locations in the N/2 NW/4 of Section 21 and will be drilled from North to South to produce from the Pennsylvanian Shale formation.

9. The TSO Wells have surface locations in the N/2 NW/4 of Section 21, and the laterals will be drilled through the Unit and the unitized formation to reach the Pennsylvanian Shale formation within the W/2 of Section 16 and SW/4 of Section 9. The surface locations for the TSO wells are situated approximately 880 feet from the surface location for the BTA Wells.

10. Although the TSO Wells will not produce from the N/2 NW/4 of Section 21, the location of the TSO laterals will interfere with the BTA Wells and with BTA’s ability to develop the Unit. In this regard, TSO’s proposed well locations violate BTA’s correlative rights and will result in waste.

11. In addition, the NMSLO website shows that no lease currently exists for the SW/4 of Section 9, Township 17 South, Range 36 East, which is included within TSO’s proposed spacing units. As a result, TSO does not have the right to drill its wells as they have been permitted.

For the foregoing reasons, BTA requests that the Division set this matter for hearing on the next available docket and issue an order rescinding approval of the APDs for the TSO Wells.

Respectfully submitted,

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