

**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. 23426

PRE-HEARING STATEMENT

BTA Oil Producers, LLC (“BTA” or “Applicant”) submits its Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPLICANT

BTA Oil Producers, LLC

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INTERESTED PARTIES

Texas Standard Operating NM LLC

ATTORNEYS

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STATEMENT OF THE CASE

In Case No. 23426, BTA seeks an order rescinding approval of Applications for Permits to Drill (“APDs”) that were recently submitted by Texas Standard Operating NM LLC (“TSO”) 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, TSO's APDs does not have the right to drill its wells because there is not a valid state lease for the SW/4 of Section 9, Township 17 South, Range 36 East, which is included in TSO's spacing units.

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.

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. Manzano LLC ("Manzano") was designated as operator of the Unit.

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

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. BTA assumed operatorship of the Unit effective October 13, 2022. 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 seeks to efficiently develop the Unit for the benefit of the interest owners and the State.

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.

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.

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.

In addition, the SW/4 of Section 9, Township 17 South, Range 36 East, which is included within TSO’s proposed spacing units, is unleased and is tentatively set on the New Mexico State Land Office’s May 2023 lease sale. As a result, TSO does not have the right to drill its wells on the subject acreage and its APDs should be rescinded.

For the foregoing reasons, BTA requests that the Division issue an order rescinding approval of the APDs for the TSO Wells.

PROPOSED EVIDENCE

Witness	Occupation	Estimated Time	Exhibits
Alex Beal	Landman	Affidavit	Approx. 7
J.T. Truong	Geologist	Affidavit	Approx. 5
Nick Eaton	Engineer	Affidavit	Approx. 5

PROCEDURAL MATTERS

Applicant will present this matter by affidavit if there is no opposition.

Respectfully submitted,

HINKLE SHANOR, LLP

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CERTIFICATE OF SERVICE

I hereby certify that on March 30, 2023, I served a true and correct copy of the foregoing pleading on the following counsel of record by electronic mail:

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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
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QUESTIONS

Action 202522

QUESTIONS

Operator: BTA OIL PRODUCERS, LLC 104 S Pecos Midland, TX 79701	OGRID: 260297
	Action Number: 202522
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	<i>Not answered.</i>
Testimony time (in minutes)	<i>Not answered.</i>