

**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:**

**APPLICATIONS OF TEXAS STANDARD
OPERATING NM LLC FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

Case Nos. 23823 & 23824

AMENDED PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Texas Standard Operating NM LLC (“Texas Standard”) as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

Texas Standard Operating NM LLC
One Petroleum Center, Building One
3300 North A Street, Suite 105
Midland, Texas 79705

Attention: Matt Roberson
(432) 219-6710

APPLICANT’S ATTORNEY

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

OPPONENT

Slash Exploration, LP
Armstrong Energy Corporation

OPPONENT’S ATTORNEY

Hinkle Law Firm

STATEMENT OF THE CASE

APPLICANT

Case No. 23823: Texas Standard Operating NM LLC seeks an order pooling all uncommitted mineral interest owners in the Upper Penn Shale formation underlying a horizontal spacing unit comprised of the W/2SE/4 of Section 11, W/2E/2 of Section 14, and W/2NE/4 of Section 23, Township 17 South, Range 36 East, N.M.P.M. The unit will be dedicated to the Lap Dog State Well Nos. 1H and 2H; and

Case No. 23824: Texas Standard Operating NM LLC seeks an order pooling all uncommitted mineral interest owners in the Upper Penn Shale formation underlying a horizontal spacing unit comprised of the E/2SE/4 of Section 11, E/2E/2 of Section 14, and E/2NE/4 of Section 23, Township 17 South, Range 36 East, N.M.P.M. The unit will be dedicated to the Lap Dog State Well Nos. 3H and 4H.

Also to be considered will be the cost of drilling, completing, and equipping the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling, completing, testing, and equipping the wells.

SPECIAL FACTORS

1. In early August 2023 Texas Standard proposed well units for the Lap Dog State Wells. In early September 2023 Texas Standard filed its pooling applications. Notice was mailed to the interest owners in September and October 2023. Slash Exploration, LP (“Slash”) received certified notice of the application on September 19, 2023.
2. All of the offers made by Texas Standard were to acquire interests and deliver a 75% net revenue interest (“NRI”) to Texas Standard.
3. Slash owns 100% of the working interest in the NE/4 of Section 23, which is covered by State Lease VB-2907. It covers 25% of the lands in the well units. Lease VB-2907 reserves a royalty of 18.75%, and is subject to an existing 3% overriding royalty assigned soon after the lease was issued. Texas Standard and Slash have discussed joinder numerous times, but could not agree on terms.
4. When terms were not agreed upon, Slash threatened to “carve out a very healthy override.” **Exhibit 2-E**. Slash then executed an Assignment of Overriding Royalty to itself and others, dated April 29, 2024, assigning an additional override of 11.25% of 8/8ths. This increased lease burdens by 50%. This assignment was executed almost 8 months after the application was filed and notice was given. It reduced Slash’s working interest NRI in its lease to about 67%. A copy of the assignment is attached as **Exhibit 2-G**.
5. Texas Standard asserts that the extra overriding extra overriding royalty was created to avoid the jurisdiction of the Division in this pooling proceeding. It is improper to permit a party, long after it is served with an application, to reduce the interest of the pooled party after the application is filed and notice is served. **Commission Order No. R-11573-B**.
6. It is Texas Standard’s opinion that the extra (and excessive) override will violate the correlative rights of the Texas Standard, and other interest owners.

As a result of the foregoing, Texas Standard requests that the pooling orders be issued, but that they provide that the interest of Slash is not burdened with the newly created overriding royalty.

OPPONENT

PROPOSED EVIDENCE

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Matt Roberson (landman)	15 min.	Approx. 8
David Entzminger (geology)	10 min.	Approx. 4
Craig Young (engineer)	15 min.	
Cliff Adams (engineer)	10 min.	Approx. 2

OPPONENT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
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PROCEDURAL MATTERS

The cases will be presented by affidavit if they are unopposed.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

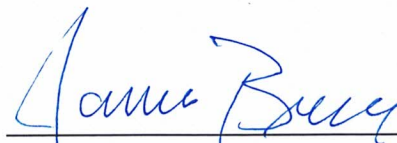
Attorney for Texas Standard Operating NM
LLC

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 17th day of June, 2024 by e-mail:

Dana Hardy - dhardy@hinklelawfirm.com

Jaclyn McLean - JMcLean@hinklelawfirm.com



James Bruce

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone:(575) 393-6161 Fax:(575) 393-0720

District II
 811 S. First St., Artesia, NM 88210
 Phone:(575) 748-1283 Fax:(575) 748-9720

District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

QUESTIONS

Action 355184

QUESTIONS

Operator: MEWBOURNE OIL CO P.O. Box 5270 Hobbs, NM 88241	OGRID: 14744
	Action Number: 355184
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

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