

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION TO RE-OPEN CASE NO.21593:
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. 21726

MOTION TO DISMISS

Sozo I LP and Sozo Natural Resources, LLC (collectively “Sozo”) move to dismiss this case, filed by Targa Midstream Services LLC (“Targa”). In support thereof, Sozo states:

1. Sozo Natural Resources, LLC is the operator of, and Sozo I LP is a working interest owner in, the Caleb State Well No. 1 (API No. 30-025-37497; the “Well”). The Well was drilled and completed in the Atoka formation in 2006, and is still capable of producing sweet gas in paying quantities.

2. The gas purchaser for the Well is Targa. However, Targa terminated the gas contract with Sozo on the Well and sought to impose a contract with costs which made producing the well uneconomic. Targa is in a monopoly position regarding gas sales from the Well. Targa has no options: It must sell its gas to Targa. As a result, Sozo filed an application to require Targa to take gas from the Well on a reasonable, non-discriminatory basis. The basic facts of this matter are set forth in Sozo’s application, attached as **Exhibit 1**.

3. If Sozo cannot produce the Well on an economic basis, it will be condemned to P&A the well, and reserves will be lost. This will cause loss of reserves and waste, and will violate NMSA 1978 §70-2-2.

4. Sozo's application was set for hearing on January 7, 2021, and Sozo gave notice of the hearing to Targa as required Division rules. **Exhibit 2.** Certified notice of the hearing was received by Targa on December 21, 2000, 17 days before the hearing. Targa did not timely enter an appearance in the case or present evidence. Sozo presented its case and the case was taken under advisement subject only to submission of a memo on points and authorities.

5. Targa filed its application to re-open Case No. 21593 on January 20, 2021, claiming that it "did not receive actual notice." Baloney. Basically, this is "the dog ate my homework" defense. Targa had proper notice and had sufficient time to prepare for hearing and present its case. It did not do so, and waived its rights.

6. Targa complains that Sozo did not informally tell Targa that it was filing an application with the Division. Sozo was not required to do so under any statute or regulation. Actually, it was extremely foreseeable to Targa that Sozo would take some action to protect its rights from Targa's discriminatory behavior. Allowing Targa's application to proceed will prejudice Sozo's rights.

WHEREFORE, Sozo requests that the Division dismiss Case No. 21726.

Respectfully submitted,



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Attorney for Sozo I LP and Sozo Natural Resources, LLC

CERTIFICATE OF SERVICE

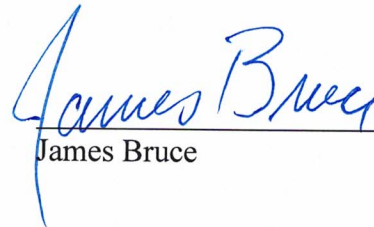
I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 19th day of March, 2021 by e-mail:

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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. 21593

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.

EXHIBIT /

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 its 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,

COPY

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December 17, 2020

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Targa Midstream Services LLC
Suite 2100
811 Louisiana Street
Houston, Texas 77002

Attention: Misty Edwards

Ladies and gentlemen:

ATTACHMENT **A**

Enclosed is a copy of an application, filed with the New Mexico Oil Conservation Division by Sozo I LP and Sozo Natural Resources LLC, seeking an order requiring Targa Midstream Services LLC to ratably take gas on reasonable terms from 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, pursuant to the provisions of NMSA 1978 §70-2-19.D and 19.15.24.12.A.

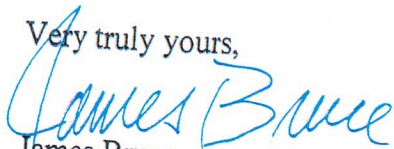
This matter is scheduled for hearing at 8:15 a.m. on Thursday, January 7, 2021. During the COVID-19 Public Health Emergency, state buildings are closed to the public and the hearing will be conducted remotely. To determine the location of the hearing or to participate in an electronic hearing, go to emnrd.state.nm.us/OCD/hearings or see the instructions posted on the Division's website, <http://emnrd.state.nm.us/OCD/announcements.html>.

You are not required to attend this hearing, but as an owner of an interest who may be affected by the application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting this matter at a later date.

A party appearing in a Division case is required by Division Rules to file a Pre-Hearing Statement no later than Thursday, December 31, 2020. This statement may be filed online with the Division at ocd.hearings@state.nm.us, and should include: The name of the party and his or her attorney; a concise statement of the case; the name(s) of the witness(es) the party will call to

testify at the hearing; the approximate time the party will need to present his or her case; and identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to the undersigned.

Very truly yours,



James Bruce

Attorney for Sozo I LP and Sozo Natural Resources LLC

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Targa Midstream Services LLC
 Suite 2100
 811 Louisiana Street
 Houston, Texas 77002



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