

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

IN THE MATTTTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

Application of Longfellow Energy, LP
for Compulsory Pooling and for
Approval of a Non-Standard Location,
Eddy County, New Mexico

Case No. 21954
Case No. 21989

REPORTER'S TRANSCRIPT OF PROCEEDINGS

STATUS CONFERENCE

JULY 1, 2021

This matter came on for hearing before the
New Mexico Oil Conservation Division, William
Brancard, Esq. Hearing Examiner, and John
Garcia, Technical Examiner, on July 1, 2021, via
the Webex Virtual Conferencing Platform hosted
by the New Mexico Department of Energy, Minerals
and Natural Resources.

Reported by: Mary Therese Macfarlane
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1 (Time noted 8:16 a.m.)

2 EXAMINER BRANCARD: So with that I'm ready to
3 call the first case on the docket today. It's Cases 1
4 and 2, Case 21954, 21989, Longfellow Energy.

5 Can I have an entry of appearance for
6 Longfellow.

7 MS. SHAHEEN: Good morning everyone. Sharon
8 Shaheen on behalf of Longfellow Energy.

9 EXAMINER BRANCARD: Thank you Ms. Shaheen. Good
10 morning.

11 EXAMINER BRANCARD: ConocoPhillips.

12 MS. HARDY: Good morning, Mr. Hearing Examiner.
13 Dana Hardy with the Santa Fe Office of Hinkle Shanor on
14 behalf of ConocoPhillips.

15 EXAMINER BRANCARD: Thank you.

16 Spur Energy.

17 MR. RANKIN: Good morning, Mr. Hearing Examiner.
18 Adam Rankin with the Santa Fe office of Holland and Hart
19 on behalf of Spur Energy Partners.

20 EXAMINER BRANCARD: Thank you. Good morning.

21 And are there any other interested parties
22 in Cases 21954, 21989? (Note: Pause.) Hearing none, I
23 will turn to Ms. Shaheen.

24 But I will start with a concern that I
25 have, having researched these two cases. The following

1 two cases, and I think 21990.

2 It appears from our records that your
3 client, or perhaps you, have a habit of simultaneously
4 filing an administrative application for a non-standard
5 location and an application for a hearing on a
6 non-standard location. This is a bit unorthodox. It's
7 confusing us. That doesn't take much to confuse us, but
8 it does. And so the person who handles the administrative
9 application doesn't have a clue that there's also an
10 application for hearing going on. And I'm not sure the
11 parties understand where they're supposed to file their
12 objections to, whether it's the administrative application
13 or the hearing application. So can you please educate us
14 on what Longfellow's strategy is here, and why this is a
15 good thing.

16 MS. SHAHEEN: Well, I have done this in the
17 past, which is to -- uh, out of an abundance of caution,
18 when filing a Compulsory Pooling Application and there is
19 an NSL that would be involved, I would file an application
20 for both compulsory pooling and for an NSL, approval of an
21 NSL, in the event that someone objects to the
22 administrative application.

23 That's the way I've always done it. The
24 difference here is that this is the first time someone has
25 objected to an administrative application. In the past

1 there have been no objections to the administrative
2 applications and the NSL portion of the application for
3 hearing would thus be dismissed.

4 Here is somewhat unusual in that
5 ConocoPhillips has objected and that Spur objected.

6 I would first note that ConocoPhillips did
7 not timely object to the administrative application. The
8 Division rule is very clear it's 20 days from the day that
9 the administrative application is filed. Conoco filed its
10 objection with the Director on June 8th, which was six
11 days after that 20-day period had run.

12 So I apologize if I have confused anyone
13 but it has been my practice since I've been before the OCD
14 to file those applications together in an effort to be
15 efficient, and I don't think that the Division rules
16 prohibit that.

17 EXAMINER BRANCARD: Well, no, they don't, and
18 it's not unusual for someone to file a compulsory pooling
19 application where they mention they have a non-standard
20 location, but the assumption is that that non-standard
21 location is handled administratively here. Here we have
22 actual separate applications for hearing for non-standard
23 locations, so I think that's what is sort of a little
24 confusing. 22020 I believe is just for non-standard
25 location, and I believe 21954 has become just for a

1 non-standard location. So that's a bit confusing.

2 And we have situations here where a party
3 has filed an Entry of Appearance in the case within the
4 20-day time frame but not filed an objection, and so our
5 folks are moving ahead processing the administrative
6 cases.

7 So I'm not sure where we are going on this.

8 Anyway, let's try to figure out where to go
9 with this.

10 So Cases 21954, 21989, one is non-standard
11 location, one is compulsory pooling. We have an objection
12 to holding these cases by affidavit, so we need to set a
13 hearing for them.

14 What is your proposal, Ms. Shaheen?

15 MS. SHAHEEN: I would propose these be set as
16 soon as possible. They were originally on Longfellow's
17 July drilling schedule, and frankly ConocoPhillips has no
18 basis for objecting to this.

19 I don't know whether the hearing examiners
20 have had a chance to look at our response to the Motion
21 for Continuance, which was filed before the request for
22 the status conference, but I detailed there why
23 ConocoPhillips has no basis for objecting to either the
24 NSL or the compulsory pooling. And I'm happy to go
25 through those reasons, but maybe that will be unnecessary.

1 What I would propose: If -- July 15th
2 would be ideal if it were available. I understand there
3 are a number of cases on that docket. And if not July
4 15th, then August 5th. And I'm happy to explain why they
5 should be heard as quickly as possible.

6 EXAMINER BRANCARD: Okay. Well, I'm going to
7 check with the other parties here to see what exactly the
8 issues are, how much of a hearing we need on this.

9 I will say in setting contested cases, you
10 know, our summer hearings have sort of filled up like
11 beach houses here, and so we are looking at September now
12 for hearings. That's really what's available.

13 You know, as I mentioned last time, it
14 hasn't gotten any better. We had 111 cases in two weeks,
15 so I don't know what we are going to do, how we are going
16 to get through August listening to all of that.

17 So please deal with that reality.

18 I think September 9th might be the earliest
19 we can get somebody in at this point.

20 So let me start.

21 Ms. Hardy, what is the objection of
22 ConocoPhillips here?

23 MS. HARDY: Well, Mr. Examiner, ConocoPhillips
24 is still evaluating the applications and determining how
25 they would like to proceed. They hold an 18.75 percent

1 working interest in the adjacent acreage that's affected
2 by the NSL and a 12 1/2 percent in the spacing unit. And
3 they really just need additional time to evaluate this.
4 This is the first docket on which the pooling applications
5 has been set, so it hasn't been previously continued, and
6 I think it's reasonable for them to request more time and
7 determine how to proceed.

8 At this point we filed Prehearing
9 Statements opposing the application, both applications,
10 actually. And I think that there are issues regarding
11 good faith negotiation, potentially, and also potential
12 concerns regarding engineering and geology, but I think
13 that those are still being worked out and evaluated.

14 So really I think the issue is that
15 ConocoPhillips needs more time, and I think that's
16 reasonable, given the procedural posture of these cases.

17 With respect to the filing of the NSL
18 administrative application and the objections, as you had
19 mentioned earlier Longfellow did file its hearing
20 application before, I think, it filed the administrative
21 application, and ConocoPhillips did object to the hearing
22 application.

23 So I do think it has created confusion, the
24 filing of both applications simultaneously, or the hearing
25 application prior to the administrative application.

1 So really I think that these cases need to
2 be set for contested hearing, and I think September sounds
3 reasonable.

4 EXAMINER BRANCARD: Well, I will correct you
5 there. I think the compulsory pooling was part of 21954,
6 so the compulsory pooling application was out there
7 already.

8 I guess I'm confused. Does ConocoPhillips
9 not have geologists available to evaluate this stuff?

10 MS. HARDY: Well, no, we do. We do. But the
11 pooling application showed Longfellow is dismissing the
12 pooling request in Case 21954 and proceeding only on the
13 NSL request under that application, and then filed an
14 additional application for pooling, 21989, that includes
15 additional wells. And that application was filed -- this
16 is the first docket that application has been set on, so
17 now we're evaluating the request in 21989, which is a new
18 pooling application.

19 EXAMINER BRANCARD: I didn't look that
20 carefully, but what you're saying is that the pooling
21 application in -989 is different, at least for the number
22 of wells, than -954?

23 MS. HARDY: Right. Correct.

24 EXAMINER BRANCARD: It's the same unit, right?

25 MS. HARDY: Right. But they have added wells.

1 I think 21954 only included one well, which was the well
2 that the NSL is proposed for also; and then 21989 I
3 believe includes three wells. I believe that's correct.
4 I know it's more than one.

5 EXAMINER BRANCARD: Mr. Rankin, your thoughts
6 for Spur Energy.

7 MR. RANKIN: Good morning, Mr. Examiner. At
8 this point Spur Energy does not object to the case being
9 continued. Our concern is with the NSL for the Elvis
10 State Com 1H well, and that -- we -- uhm, we did at the
11 time, uh, timely object to that administrative
12 application. I will say that Spur was also confused by
13 the different applications and how they were intended to
14 be handled by the applicant. And so our intent is to
15 continue to evaluate that NSL. These cases, that's where
16 Spur's concern was, more with respect to the NSL for that
17 well than with the pooling itself.

18 So with that, you know, I think it would be
19 helpful for the parties to have additional time to
20 evaluate the impacts of the spacing that would impact
21 Spur's offsetting development plans.

22 EXAMINER BRANCARD: Okay. Just to circle back
23 for a second: Ms. Hardy, ConocoPhillips is objecting to
24 or concerned with the pooling application?

25 MS. HARDY: With those applications. They also

1 have concerns regarding the NSL, similar to Spur.

2 EXAMINER BRANCARD: Okay. Any last thoughts?

3 MS. SHAHEEN: If I may address Ms. Hardy's
4 comments.

5 First of all, I think it's important for
6 the hearing examiners to know that the offset tract is --
7 was previously pooled without objection from
8 ConocoPhillips. They've elected to participate in those
9 six wells. There is an NSL within that offset tract that
10 was approved without objection from ConocoPhillips.

11 Longfellow has been conferring with Conoco
12 since January about the offset tract in the development
13 there, and since March about the proposed Elvis unit and
14 the NSL there, so for them to suggest that they need more
15 time to evaluate is a little -- I'm not sure what the
16 right word is, but I don't believe that's actually what's
17 going on here.

18 The parties have all been negotiating with
19 each other about acquiring various assets, and I believe
20 that their objections to these applications going forward
21 are simply based on business reasons. Conoco knows
22 exactly how their interest will be impacted here, and the
23 bottom line is their correlative rights will not be
24 impaired, because they have an interest in the Santana,
25 they've elected to participate in those wells, and one of

1 those wells is an NSL that is where the offset tract with
2 the Elvis unit.

3 So they really have no basis for objecting
4 here. They have had plenty of time to evaluate it. This
5 should be heard as soon as possible. It was originally on
6 the July drilling schedule, now it's been bumped to the
7 end of August, and we can't drill that NSL until we get
8 that approval.

9 So with all due respect I would ask this be
10 set as soon as possible for a hearing date.

11 EXAMINER BRANCARD: Thank you.

12 Let me clarify. So 21954, that's just the
13 NSL now. Is that correct?

14 MS. SHAHEEN: Well, it is -- I plan to dismiss
15 the compulsory pooling part of that application, because
16 we have refiled to pool the three wells in Case No. 21 --
17 sorry, I lost it. 21989.

18 So yes, the 21954 will only address the NSL
19 portion, the 21989 will address the force pooling of the
20 same unit.

21 EXAMINER BRANCARD: So what you're saying is you
22 haven't dropped the compulsory pooling out of -954.

23 MS. SHAHEEN: That's right. I was concerned
24 that if I dismissed that portion of it that the entire
25 case would be dismissed, which I didn't want to happen.

1 And in the past, as I explained earlier, when I have these
2 NSLs combined with the compulsory pooling, at the hearing
3 on the compulsory pooling I would dismiss the NSL portion.
4 Here we are in the opposite position. At the hearing on
5 the NSL I would dismiss the forced pooling portion of
6 21954 and go forward with 21989 with respect to the forced
7 pooling.

8 EXAMINER BRANCARD: Thank you.

9 We are going to set this hearing for
10 September 9th. That's a New Cases docket, but we can put
11 this at the end of those new cases. We don't have any
12 other contested cases.

13 Hopefully all or part of this will get
14 resolved. My suggestion is that if part of this gets
15 resolved, such as, say, we get -- you all agree on the
16 NSL, that you drop that case so we can just proceed on the
17 compulsory pooling -- or vice versa -- so we are having a
18 hearing on as few issues as possible, if we have a
19 hearing.

20 So with that I will try to fashion a
21 Prehearing Order for this case.

22 MS. SHAHEEN: Thank you.

23 (Time noted 9:26 a.m.)

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1 STATE OF NEW MEXICO)

2 : ss

3 COUNTY OF TAOS)

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REPORTER'S CERTIFICATE

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I, MARY THERESE MACFARLANE, New Mexico Reporter

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CCR No. 122, DO HEREBY CERTIFY that on Thursday, July 1,

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2021, the proceedings in the above-captioned matter were

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shorthand the proceedings set forth herein, and the

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foregoing pages are a true and correct transcription to

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the best of my ability and control.

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I FURTHER CERTIFY that I am neither employed by

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nor related to nor contracted with (unless excepted by the

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rules) any of the parties or attorneys in this case, and

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that I have no interest whatsoever in the final

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disposition of this case in any court.

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/s/ Mary Macfarlane

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