

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:

CASE NOS: 22508

APPLICATION OF SAN JUAN RESOURCES, INC.  
FOR APPROVAL OF THE REGINA RANCH (DEEP) UNIT,  
SANDOVAL COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS  
EXAMINER HEARING  
February 3, 2022  
SANTA FE, NEW MEXICO

This matter came on for virtual hearing before  
the New Mexico Oil Conservation Division, HEARING OFFICER  
WILLIAM BRANCARD and TECHNICAL EXAMINER DYLAN ROSE-COSS on  
Thursday, February 3, 2022, through the Webex Platform.

Reported by: Irene Delgado, NMCCR 253  
PAUL BACA PROFESSIONAL COURT REPORTERS  
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A P P E A R A N C E S

For the Applicant:

MICHAEL FELDEWERT  
HOLLAND & HART  
110 North Guadalupe, Suite 1  
Santa Fe, NM 87501  
505-954-7286

Also Present:

Shirley Rey Lovato  
Jean Garcia

I N D E X

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1 HEARING EXAMINER BRANCARD: All right. With  
2 that, call Case 22508, and I will just ask --

3 (Discussion with reporter.)

4 HEARING EXAMINER BRANCARD: With that we will  
5 take a break until 11:20.

6 (Recess taken.)

7 HEARING EXAMINER BRANCARD: We are back on the  
8 record. This is the hearing of the Oil Conservation  
9 Division, February 3, 2022. I believe we are about to start  
10 with Case 22508. It's Item 46 on the agenda, San Juan  
11 Resources.

12 MR. FELDEWERT: May it please the Examiner,  
13 Michael Feldewert of the Santa Fe office of Holland & Hart  
14 appearing on behalf of applicant.

15 HEARING EXAMINER BRANCARD: Are there any other  
16 interested persons for Case 22508?

17 MS. LOVATO: This is Shirley Rey Lovato, and I'm  
18 here in attendance with my sister, Jean Garcia, regarding  
19 this, and we have no questions at this time but wanted to  
20 let you know that we are here. Thank you.

21 HEARING EXAMINER BRANCARD: Thank you. Did you  
22 get that?

23 REPORTER: Yes.

24 HEARING EXAMINER BRANCARD: Are there any other  
25 interested persons in this Case 22508?

1 (No audible response.)

2 HEARING EXAMINER BRANCARD: Hearing none, Mr.  
3 Feldewert, you may proceed with your presentation.

4 MR. FELDEWERT: Thank you, Mr. Examiner. You  
5 will see that this application seeks approval of a voluntary  
6 unit which consists of primarily federal acreage. Perhaps  
7 one of the unusual things about it is that the acreage is  
8 located in Sandoval County and certainly of late we have not  
9 seen much development in Sandoval County.

10 The unit will involve the Mancos Formation and  
11 all lower formations for efficient and effective development  
12 of the unit area. San Juan Resources is to be the  
13 designated operator under the unit agreement. It is the  
14 operating entity.

15 You will see on, Exhibit B, for example, San Juan  
16 Basin Properties LLC. And as Mr. McHugh testified in his  
17 affidavit, that entity, in and of itself, owns over 82  
18 percent of the total working interest in the proposed unit.  
19 And the federal acreage is just over 69 percent.

20 So in our package we have the application. We  
21 then have as Exhibit A the affidavit of Jerry McHugh. He  
22 has previously testified before this Division. He offers to  
23 the Division as Exhibit A-1 the unit agreement with all of  
24 the attached exhibits which the unit agreement A, unit  
25 agreement B, Exhibit B and unit agreement C.

1           Exhibit B to our package is the BLM, Bureau of  
2 Land Management, approval letter, logical designation  
3 letter. One unique difference, perhaps, is that you will  
4 see two letters. So if you look at Page 33 or 34 of the  
5 PDF, you will see the initial letter that the BLM sent in  
6 December, SGR notice, San Juan notice that there was some  
7 errors to it.

8           They contacted the BLM, and you will see on Pages  
9 35 and 36 or 35 of the PDF that the BLM sent a follow-up  
10 letter in January correcting the errors in the initial  
11 letter. And then C to Mr. -- Exhibit A-3 is the C-102, the  
12 draft form for the horizontal well that will be the initial  
13 development well referenced in the unit agreement.

14           Exhibit B, as in boy, to our package is the  
15 affidavit of the geologist Richard Bosher who has previously  
16 testified before this Division. He was the geologist, Mr.  
17 Examiner, that testified in the last case involving the  
18 Lindrith unit which placed before the Division about a month  
19 ago.

20           He provides with his affidavit, Exhibit B-1,  
21 which is the type log from the well referenced in the unit  
22 agreement in which he identifies the top of the Mancos which  
23 is where the unitized interval starts, and then various  
24 intervals within the Mancos that are potential targets under  
25 the unitized plan of development.

1           He provides as Exhibit B-2 a subsea structure map  
2 that provides not only the structure but also the, the  
3 wells -- well logs that are utilized for a stratigraphic  
4 cross section. And then Exhibit C-3 or B-3, I'm sorry, B-3,  
5 which is Page 43 of our PDF is the stratigraphic cross  
6 sections using the wells identified in the previous exhibit  
7 that shows the Mancos in various productive, potentially  
8 productive intervals within that formation.

9           Exhibit C is our affidavit of notice that went  
10 out to the royalty in the overriding royalty interest owners  
11 who are -- may or may not be contractually bound to this  
12 unit agreement but this then provides them notice in case  
13 they have any questions or concerns.

14           It's a long list. And as a result, there are a  
15 few of those that did not -- at least the postal report  
16 shows they did not get delivered, and then we have a notice  
17 of publication. Here is what is interesting, Mr. Examiner,  
18 this is the first time we have published in this particular  
19 paper. I don't think they have done this a lot. You can  
20 see that from the affidavit that they gave us if you just  
21 read through.

22           But more importantly, despite the fact that we  
23 sent it in a week early in the hopes it would be published  
24 early the following week, this particular newspaper  
25 apparently only publishes notices on a Friday. And so the

1 notice of publication in the newspaper did not occur until  
2 January 21, which is a Friday, which places this outside  
3 our -- doesn't place us within the ten-day window before  
4 the hearing.

5           So we will need to continue this matter to  
6 February 17 to perfect notice under the notice of  
7 publication. So fair warning to anybody who is going to be  
8 publishing in Sandoval County, that newspaper only publishes  
9 on, apparently on Fridays. So with that, Mr. Examiner, we  
10 would ask that Exhibits A, B, C and D be admitted into  
11 evidence and that this matter be taken under advisement,  
12 with the caveat that we need to come back on February 17 to  
13 recall the case to perfect the notice of publication.

14           HEARING EXAMINER BRANCARD: Thank you. Ms.  
15 Lovato, do you have questions?

16           MS. LOVATO: No, not at this time. Thank you for  
17 asking. I will take this into consideration when I read it  
18 more carefully. Thank you.

19           HEARING EXAMINER BRANCARD: Appreciate it. Mr.  
20 Rose-Coss, questions?

21           TECHNICAL EXAMINER ROSE-COSS: Yes. So scrolling  
22 through this proposal for a unit, and it looks like BLM  
23 has -- there's been negotiations with BLM to establish the  
24 unit, and is that underway or is that established?

25           MR. FELDEWERT: You will see, if you look at Page

1 33 of the PDF that is the letter that customarily now you  
2 get from the BLM, it's kind of changed over the years,  
3 Mr. Brancard can attest to that, but currently that's the  
4 way the letter is drafted to give their what used to be  
5 known as a kind of a preliminary approval.

6 This is more of a -- more robust than that. It  
7 gives -- it identifies that they agree this is an area that  
8 is suited to the unit development. They agree with the  
9 boundaries in the agreements, but there are certain steps  
10 that are outlined in the letter that the San Juan Resources  
11 must, you know, address and confirm before the unit is  
12 actually finalized by the BLM.

13 TECHNICAL EXAMINER ROSE-COSS: I see. Is one of  
14 those getting established with OCD?

15 MR. FELDEWERT: It is not. It is not. It is  
16 not. The reason this is before the OCD, based on past  
17 practices, is because not all of the acreage is federal  
18 acreage, there is fee or patented lands that are part of  
19 this that we hope will be part of this voluntarily unit.

20 TECHNICAL EXAMINER ROSE-COSS: I see. So it's  
21 not -- going into a little bit the difference between a  
22 voluntarily unit and compulsory pooling, are they being  
23 compulsory pooled, or is all of this fee acreage going to be  
24 contributing?

25 MR. FELDEWERT: So the way I would like at this



1 is you look at the interest that is involved, okay, so all  
2 the working interest owners that are involved. They have  
3 voluntarily agreed to participate under the unit plan  
4 development or they don't sign the unit agreement.

5 And in the event they do not sign the unit  
6 agreement, the BLM determines if there is enough control to  
7 move forward, which they will here because San Juan has  
8 already -- has 82 percent and they are going to get enough  
9 to have effective control.

10 And as you move into the development of the unit,  
11 they stamp that there is a unit well that is going to cross  
12 a tract of land that has an interested owner that is not  
13 committed to the unit. And you will pool for that  
14 particular drill block within the unit to bring that owner  
15 into the spacing unit for that particular well in which then  
16 they will share on a spacing unit basis for that particular  
17 well. The remaining owners will continue to share on a unit  
18 basis.

19 TECHNICAL EXAMINER ROSE-COSS: I see. Okay.  
20 Well thanks for that explanation, Mr. Feldewert. And so the  
21 proposal right now is for like one well, but then this area  
22 is going to be developed. Is that my understanding?

23 MR. FELDEWERT: If you look at the unit agreement  
24 there are provisions in there for development plans and  
25 periodic review by the Bureau of Land Management.

1           TECHNICAL EXAMINER ROSE-COSS: Okay. And is it  
2 going to be -- are they targeting -- is it the Mancos and  
3 are they now going to be producing gas or oil in this area?

4           MR. FELDEWERT: My understanding is, just my  
5 understanding as an attorney, is that they are targeting --  
6 I think that the geologist identifies they are targeting  
7 initially the Mancos Niobrera C Interval for the Mancos  
8 Formation, and based on the nature of that, they anticipate  
9 pooling.

10          TECHNICAL EXAMINER ROSE-COSS: And it seems like  
11 this is a little bit -- there is nothing in here and maybe  
12 it's not especially pertinent, but this is somewhat  
13 exploratory. There is not a whole lot of development in  
14 this area, so that it based off of a certain set of  
15 assumptions or calculations.

16          MR. FELDEWERT: It's my understanding -- I also  
17 see that he testifies -- or Mr. McHugh does, that the Oil  
18 Conservation Division is placing this into the pool that you  
19 see there on Page 37. The PDF that's the C-102, it's listed  
20 as a WC and as a bunch of numbers, and it says Mancos -- I  
21 think that means Wild Cat Mancos, and given the designation  
22 and the pool code when I looked at it, it was an oil pool.

23                 So at least there's a determination that they  
24 anticipate, along with the operator, that it's going to be  
25 oil production from the interval targeted by this particular

1 well.

2 TECHNICAL EXAMINER ROSE-COSS: Perfect. Well,  
3 that's it for me or that theory. And then does that make it  
4 40 acre spacing that this is going to be developed on or --

5 MR. FELDEWERT: The way I look at it is, yes, I  
6 mean, there is going to be areas that will be based on a  
7 drill block or spacing unit basis, and so initially this  
8 particular well will be platted with a spacing unit that is  
9 consistent with the horizontal well pools for oil wells  
10 because this is an oil pool.

11 TECHNICAL EXAMINER ROSE-COSS: Is it going to be  
12 vertical or horizontal?

13 MR. FELDEWERT: If you look at at the C-102,  
14 since we are up there in the San Juan Basin, Sandoval County  
15 in the Mancos, this particular well will be one that will be  
16 what they used to call transverse in that they go diagonal,  
17 okay? It will be a horizontal well, number one, but it  
18 won't be a traditional stand-up or lay-down because of the  
19 structure and the forces that are involved, operators up  
20 there tend to drill more diagonal.

21 TECHNICAL EXAMINER ROSE-COSS: Right, perfect.  
22 It's not going to -- have a long, long lateral in the  
23 subsurface like a traditional horizontal unconventional like  
24 we are seeing in the southeast?

25 MR. FELDEWERT: It will be, this particular well

1 is going to be almost a one-mile lateral horizontal well.

2 TECHNICAL EXAMINER ROSE-COSS: Okay.

3 MR. FELDEWERT: In Section 32 is the initial  
4 application.

5 TECHNICAL EXAMINER ROSE-COSS: Okay.

6 Interesting. I appreciate your clarification for my  
7 education, and I'm going to pass the microphone to  
8 Mr. Brancard for his additional questions and I might have  
9 follow up after Mr. Brancard.

10 MR. FELDEWERT: Sure.

11 HEARING EXAMINER BRANCARD: I'm just trying to  
12 figure out where this is. If I'm correct, Mr. Feldewert,  
13 this is sort of along the highway going north from Cuba up  
14 toward El Vado, and we are looking at the -- the acreage is  
15 BLM?

16 MR. FELDEWERT: That is not federal land, is my  
17 understanding. If you look at the Exhibit A to the Page 22  
18 of the PDF --

19 HEARING EXAMINER BRANCARD: Yes, I am looking at  
20 it.

21 MR. FELDEWERT: -- there is kind of a funny hook  
22 up there of Tract 10, Mr. Examiner. You see there is a  
23 funny tract. I remembered it because it had something to do  
24 with the highway or something like that.

25 HEARING EXAMINER BRANCARD: Okay. Kind of

1 looking at our map, if you go further east you run into the  
2 forest service acreage? If you go west, you run into  
3 Jicarilla?

4 MR. FELDEWERT: I don't have that map in front of  
5 me, I will have to take your word for it.

6 HEARING EXAMINER BRANCARD: It appears to be  
7 threading in between those two areas. So how did you come  
8 up with the Health City Sun.

9 MR. FELDEWERT: That was the -- when we  
10 inquired, that was the publication of general circulation in  
11 Sandoval County.

12 HEARING EXAMINER BRANCARD: Okay. Do we know  
13 where it's published?

14 MR. FELDEWERT: I do not. Let's see. It doesn't  
15 say anything in the affidavit of publication. I know my  
16 assistant had to take a look, and this what she was directed  
17 to with respect to a publication of general circulation in  
18 Sandoval County.

19 HEARING EXAMINER BRANCARD: You would have mailed  
20 out notices to all these private mineral interest owners;  
21 correct.

22 MR. FELDEWERT: Yes. And if you go down the line  
23 of the UPS status beginning on Page 46 of the PDF, I think  
24 it is, you know, sometimes it says it's on its way, but most  
25 of them have been delivered, but sometimes it says they are

1 on their way. I think there was one or two where it  
2 appeared we did not have an address of record -- although, I  
3 take that back, I'm not sure that's the case. No, it was a  
4 return to sender for one of the trusts, so I guess like an  
5 estate trust, like six or seven from the bottom.

6 HEARING EXAMINER BRANCARD: And did you do both  
7 mineral interests and overriding?

8 MR. FELDEWERT: We did royalty and override.

9 HEARING EXAMINER BRANCARD: Okay. I don't have  
10 any further questions. Mr. Rose-Coss?

11 TECHNICAL EXAMINER ROSE-COSS: Those are my  
12 questions. I would note, on my map, this is sandwiched in  
13 between -- and again, no one is looking at the forest  
14 service Jicarilla land to confirm, to confirm your  
15 observation, Mr. Brancard, on the NW side of the Jemez slash  
16 El Rito Mountain.

17 HEARING EXAMINER BRANCARD: I guess I will just  
18 once again open it up to Mr. Lovato if you had any  
19 questions.

20 MS. LOVATO: Actually, while you were talking, I  
21 looked up -- I Googled the Health City Sun. It appears to  
22 be a newspaper located here in Albuquerque, New Mexico, but  
23 it does say that it is published mainly servicing people who  
24 deal with -- it says they specialize in publications of  
25 legal notices and business advertising.

1 I'm curious as to why, there is another newspaper  
2 in Sandoval County, and it's the Cuba news, that would one  
3 would have been a good one for them to use, but this one  
4 appears to be that it is for financial and legal news, it's  
5 a news source. So I just wanted to bring that up. Other  
6 than that, I think I'm good.

7 HEARING EXAMINER BRANCARD: Appreciate that.  
8 That's my recollection of Health City Sun is it's used  
9 primarily for legal notices.

10 MS. LOVATO: Right.

11 HEARING EXAMINER BRANCARD: There are certain  
12 times when agencies have to provide notice to like every  
13 county, and so Health City Sun gets used in that situation  
14 at times as the newspaper.

15 But there is a newspaper in Cuba, is there?

16 MS. LOVATO: Yes, there is, but I don't know the  
17 specifics, but they run it, as the gentleman mentioned, this  
18 one is only on Fridays, but that one I think is also limited  
19 in when they submit it, so I would have to look that up.

20 But that one, I know because as a land owner I do  
21 look at that paper, because I come from Cuba, New Mexico --  
22 well, actually La Jara, which is closer to Regina, which is  
23 closer to what we are talking about today.

24 HEARING EXAMINER BRANCARD: All right. Thank  
25 you. I appreciate that information. Is there anyone else

1 on the call today for Case 22508, San Juan Resources, Regina  
2 Ranch Unit?

3 (No audible response.)

4 HEARING EXAMINER BRANCARD: Hearing none, thank  
5 you, everyone. We will accept the exhibits into the record,  
6 the case will be continued to February 17 to complete the  
7 notice requirements, and so thank you very much, Mr.  
8 Feldewert.

9 MR. FELDEWERT: Is there anything -- will the  
10 Division continue it and put it on that docket, Mr.  
11 Examiner?

12 HEARING EXAMINER BRANCARD: Yes, because we have  
13 to get that docket out today.

14 MR. FELDEWERT: Got it.

15 HEARING EXAMINER BRANCARD: So we do continuation  
16 notices.

17 MR. FELDEWERT: Thank you for your time.

18 HEARING EXAMINER BRANCARD: Thank you, thank you,  
19 everyone.

20 (Exhibits admitted.)

21 (Continued.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

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REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico Certified Court Reporter, CCR 253, do hereby certify that I reported the foregoing virtual proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings to the best of my ability.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this case.

I FURTHER CERTIFY that the Virtual Proceeding was of poor to good quality.

Dated this 3rd day of February 2022.

/s/ Irene Delgado  
\_\_\_\_\_  
Irene Delgado, NMCCR 253  
License Expires: 12-31-22