

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:

Application of STRATA PRODUCTION.
COMPANY to Amend Order R-22021.
Eddy County, New Mexico Case No. 22656

Application of STRATA PRODUCTION
COMPANY to Amend Order R-22022
Eddy County, New Mexico Case No. 22656

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, APRIL 14, 2022

EXAMINER HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq. Hearing Examiners, John Garcia Technical Examiner, on Thursday, April 7, 2022, via Webex Virtual Conferencing Platform hosted by the New Mexico Energy, Minerals and Natural Resources Department

Reported by: Mary Therese Macfarlane
New Mexico CCR #122
PAUL BACA COURT REPORTERS
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A P P E A R A N C E S

FOR STRATA PRODUCTION COMPANY:

Sharon T. Shaheen, Esq.
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C O N T E N T S

CASE NOS. 22655, 22656	PAGE
CASE CALLED:	3
TAKEN UNDER ADVISEMENT (Documents to be produced)	13

I N D E X O F E X H I B I T S

STRATA PRODUCTION COMPANY EXHIBITS	ADMITTED
1-A Case 22655 Application	
1-B Case 22656 Application	
2-A Order No. R-22021	
2-B Order No. R-22022	
3 Sample Pooling Proposal Letter	
4 Sample Notice Letter	

1 (Time noted 1:12 p.m.)

2 EXAMINER BRANCARD: With that I call Cases
3 22655, 22656, Strata Production.

4 MS. SHAHEEN: Thank you, Mr. Examiner. Sharon
5 Shaheen on behalf of Strata Production Company.

6 EXAMINER BRANCARD: Are there any other
7 interested persons here for Cases 22655, 22656?

8 Hearing none, Ms. Shaheen you may proceed.

9 MS. SHAHEEN: Thank you. In these cases Strata
10 is returning with respect to the Road Runner wells to now
11 pool all overriding royalty owners previously in Case Nos.
12 22435 and 22436. Order Numbers R-22021 and -22022 pooled
13 OXY. OXY was the only working interest party pooled in
14 that previous proceeding.

15 And these pertain to the Road Runner Fed
16 Com 23 ILL 5H and the Road Runner Fed Com 23 PML 6H.

17 At Tab 1 is the affidavit of Mr. Krakauskas
18 the landman who has previously testified before the
19 Division, and attached to his affidavits are the
20 applications, the Orders that were previously entered, and
21 the proposal to the overrides.

22 So this was proposed to them as
23 ratifications of a com agreement.

24 And I think in this affidavit I want to
25 back up here to just talk briefly about the voluntary

1 participations we did get, and I'm just taking a second on
2 find it.

3 So it's in paragraph 14, page 3 of the
4 affidavits, Strata sent letters to all the overrides
5 seeking their voluntary agreement through ratifications to
6 the com agreement, and approximately 14 responded. And so
7 we are pooling here the remaining overrides, and those, as
8 I noted, are indicated in Exhibit A to the Notice Letter
9 that I haven't gotten to yet.

10 So Exhibit 4 to the affidavit is my Notice
11 Letter dated March 18th. Attached to that is Exhibit A
12 indicating the overrides being pooled here. There are
13 only three. One of them is OXY who had an override
14 interest in addition to the working interest.

15 Tab 2 is my Affidavit of Notice. We mailed
16 the letters on March 18th, we published on March 22nd, and
17 attached as Exhibit A to the Affidavit of Notice is our
18 little spreadsheet that indicates everything -- everyone
19 received their Certified Mail. But, nonetheless, at the
20 very last page of the exhibits is our Affidavit of
21 Publication. It's actually on the last three pages.

22 With that I would ask that the exhibits be
23 admitted into the record and the case be taken under
24 advisement. I'm happy to take questions.

25 Thank you.

1 EXAMINER BRANCARD: Mr. Garcia, questions?

2 EXAMINER GARCIA: Is this case 22655 and -656?
3 Is it just those two or is it all four.

4 MS. SHAHEEN: It's just those two. You'll be
5 reminded of the difference in the spacing units when we go
6 to the next two.

7 EXAMINER GARCIA: I (inaudible).

8 So I guess my biggest question is: Was
9 there efforts to reach out to these parties? Because to
10 me, doing a quick look through this application, there is
11 this January 25th letter and I'll break it down really
12 simply. To me it's either: Sign this letter or we are
13 going to compulsory pool you. No Option C, no agreements,
14 no communications.

15 Is that basically what happened?

16 MS. SHAHEEN: That's a good question and I don't
17 know the answer to it.

18 I know that there have been some back and
19 forth with different folks, and if you would like for me
20 to submit an exhibit, a Chronology of Contacts for
21 communications with the overrides I can ask Mr. Krakauskas
22 to do that.

23 EXAMINER GARCIA: I guess I would appreciate it.
24 I believe the checklist asks for it, to begin with. I
25 mean, you had it in your last case when they did it

1 (inaudible). This one I didn't see it at all. To me it
2 just seems like: Sign the CA or we'll see you at hearing,
3 I guess. Bad optics, I guess, in my eyes.

4 MS. SHAHEEN: I will ask him to provide that and
5 submit it as a supplemental exhibit.

6 EXAMINER GARCIA: I believe that's all my
7 questions, Mr. Brancard.

8 EXAMINER BRANCARD: Okay. So the landman
9 affidavit says the people you are seeking to pool who have
10 not agreed are listed on Exhibit A attached to Exhibit 4,
11 which is your Notice Letter.

12 MS. SHAHEEN: That's what it says.

13 EXAMINER BRANCARD: Exhibit A lists five
14 interest owners, including the Bureau of Land Management
15 and the State Land Office. Are you seeking to pool the
16 Bureau of Land Management and the State Land Office?

17 EXAMINER BRANCARD: No. Whenever there's state
18 or federal leases involved in any application, the way I
19 read the reg is you're supposed to provide Notice to them,
20 so that's what I do.

21 EXAMINER BRANCARD: So who are we pooling here?

22 MS. SHAHEEN: Let me get back to that Exhibit A,
23 and I can tell you. It's at .pdf page 37.

24 EXAMINER BRANCARD: Yes.

25 MS. SHAHEEN: So I believe we are pooling

1 Hutchings Oil Company, OXY USA as an override, and Sandia
2 Production Company.

3 EXAMINER BRANCARD: Okay. Is that okay for you,
4 Mr. Garcia, for us to be able to write an Order?

5 EXAMINER GARCIA: I guess I read it the way you
6 did, is BLM and SLO were being pooled here. We pool DOT
7 from time to time, so I guess clarification might be
8 justified.

9 MS. SHAHEEN: Okay. If we can figure out the
10 best way to do that. If you have any suggestions, I'm
11 open.

12 EXAMINER GARCIA; Kind of like who you're
13 pooling, in like that yellow box these are the parties to
14 be pooled.

15 I mean, that's typically what we see on
16 average from all counsel.

17 MS. SHAHEEN: Right. It's just a little bit
18 different here, right, because we already did the
19 compulsory pooling for the working interests.

20 So would it be sufficient for me to submit
21 the entire exhibit package again -- well, let me think
22 about that -- with it highlighted here in Exhibit A.?

23 Or maybe should I do -- maybe I should do a
24 supplemental exhibit. That would be easier.

25 EXAMINER GARCIA; Yeah. You can do a short

1 affidavit from the landman: These are the parties you're
2 requesting to pool, supplemental exhibit and just table
3 format it, and then quick discussion of BLM/SLO are just
4 notified as per whatever rule reference you're thinking
5 of.

6 MS. SHAHEEN: Okay.

7 EXAMINER GARCIA: That's how I see it. Mr.
8 Brancard could always correct me if I'm wrong, because he
9 has the statutes memorized, in my eyes, and the rules.

10 MS. SHAHEEN: Okay. Well, I just want to make
11 it easier for you. So unless Mr. Brancard tells me to do
12 it differently...

13 EXAMINER BRANCARD: Yeah, keep it simple. Just
14 indicate that you're pooling these three parties and you
15 also provided Notice to BLM and Land Office.

16 MS. SHAHEEN: Okay.

17 EXAMINER BRANCARD: Okay. So with that you will
18 be providing that clarification on who's being pooled.

19 And then, Mr. Garcia, you wanted a list of
20 contacts, communication or something?

21 EXAMINER GARCIA: Communication history. I
22 forget what we call it in the checklist. But the history
23 of communications between the parties, I guess. And I
24 believe you needed -- didn't you need an updated checklist
25 for something?

1 MR. BRANCARD: Is that this case?

2 MS. SHAHEEN: I think that was the previous
3 case.

4 EXAMINER GARCIA: My notes merge.

5 EXAMINER BRANCARD: Well, the "sign or else"
6 worked pretty well. They have got 19 people signed.

7 MS. SHAHEEN: I thought that was a pretty good
8 return there with respect to overrides.

9 EXAMINER BRANCARD: Yeah. All right.

10 So with that, are there any other
11 interested parties for 22655, 22656?

12 Hearing none, these cases will be taken
13 under advisement. You will provide in the next week a
14 list of communications to potentially pooled parties, and
15 then an exhibit that highlights who is being pooled in
16 this particular cases.

17 MS. SHAHEEN: Will do. Thank you.

18 EXAMINER BRANCARD: Thank you.

19 (Time noted 1: 23 p.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

7

CCR No. 122, DO HEREBY CERTIFY that on Thursday, April 14,

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2022, the proceedings in the above-captioned matter were

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taken before me; that I did report in stenographic

10

shorthand the proceedings set forth herein, and the

11

foregoing pages are a true and correct transcription to

12

the best of my ability and control.

13

I FURTHER CERTIFY that I am neither employed by

14

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

16

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/CCR/Mary Therese Macfarlan

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