

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 SPUR ENERGY PARTNERS LLC
FOR COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO

Case No. 22760

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
June 2, 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
HEARING OFFICER JOHN GARCIA on Thursday, June 2,
2022, through the Webex Platform.

Reported by: PAUL BACA COURT REPORTERS
500 4th Street, NW, Suite 105
Albuquerque, New Mexico 87102
505-843-9241

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

For Spur Energy Partners LLC:

HOLLAND & HART LLP
PO Box 2208
Santa Fe, New Mexico 87504-2208
505-988-4421
BY: ADAM RANKIN
agrarkin@hollandhart.com

I N D E X

	PAGE
CASE CALLED	
HEARING	3
CERTIFICATE OF REPORTER	16

EXHIBITS

NUMBER	PAGE ADMITTED
A	14
B	14
C	14
D	14
E	14
F	14

1 HEARING OFFICER BRANCARD: Now Item 35.

2 This is Case 22760, Spur Energy Partners.

3 MR. RANKIN: Good morning, Mr. Examiner,
4 Adam Rankin with Holland Hart appearing on behalf of
5 the applicant in this case, Spur Energy Partners.

6 HEARING OFFICER BRANCARD: Are there any
7 interested persons for Case 22760?

8 Hearing none, you may proceed, Mr. Rankin.

9 MR. RANKIN: Thank you, Hearing Examiner.

10 In this case the Applicant, Spur Energy
11 Partners is seeking to pool -- seeking two
12 compulsory pooling orders in this case that would
13 replace and revoke an existing order, R-21578, which
14 was amended to extend the order in order to include
15 additional acreage, the southeast quarter of
16 Section 6.

17 In doing so it pulls in acreage that has
18 an ownership depth severance, so Spur therefore is
19 seeking to create two separate pooling units each
20 comprised of 440 acres.

21 Accordingly, they're seeking to pool --
22 seeking orders as follows: One, to pool all
23 uncommitted interests in a portion of the Yeso
24 formation from the top of the formation to 3,150
25 feet underlying standard 480-acre horizontal spacing

1 unit that would be comprised of the southeast
2 quarter of Section 6 and the east half of Section 7
3 all in Township 19 South, Range 25 East in Eddy
4 County. That will be referred to throughout as the
5 shallow unit.

6 And then also seeking a separate order
7 pooling all uncommitted interests in a portion of
8 the Yeso formation from below 3,150 feet to the base
9 of the Yeso underlying standard 480-acre spacing
10 unit comprised of the same acreage in Eddy County.
11 We refer to that as the deep unit.

12 As to each unit Spur proposes to dedicate
13 initial wells named as the Trudy wells. And the
14 shallow unit, it's the Trudy Fed Com 10H, 30H, 50H,
15 and 11H, 20H, 51H, and 70H wells.

16 And then in the deeper unit it will be the
17 Trudy 90H and 91H wells.

18 The exhibit packet that we filed
19 previously and updated, I believe, on Tuesday
20 includes a table of contents that reviews the
21 contents of the exhibit packet. Exhibit A are two
22 separate compulsory pooling checklists, one for each
23 of the proposed units, the shallow and deep
24 identifying the formation and pool code that would
25 be -- that is assigned to this acreage that the

1 wells and so forth that are required by the Division
2 for pooling.

3 Exhibit B is a copy of the application
4 that was filed in the case.

5 Exhibit C is the affidavit of Spur's
6 landman, Mr. Rett Dalton. Mr. Dalton has previously
7 testified before the Division. And this has his
8 credentials as an expert in petroleum land matters
9 accepted as a matter of record.

10 In his affidavit he reviews what it is
11 that Spur is seeking and why. He reviews the
12 acreage at issue, the prior order. He identifies
13 the depth severance and then the wells that are to
14 be dedicated to each of the proposed spacing units
15 within the acreage.

16 And then he reviews his Exhibit C1, which
17 are the land plats, C102 land plats for each of the
18 proposed well, identifying the first and last take
19 points and surface locations.

20 Exhibit C2 is the ownership tract plat
21 identifying the tracts that comprise the proposed
22 spacing units in each case. And then following
23 pages identify the interests on a tract basis and
24 then recapitulation of those interests on a
25 unit-wide basis. In yellow are the parties that

1 Spur is seeking to pool within each of the proposed
2 spaces units.

3 In addition, you'll see there is a page
4 for each case identifying -- each proposed unit,
5 identifying the overriding royalty interest and the
6 nonparticipating royalty interest that Spur is
7 seeking to pool as well for each of these spacing
8 units.

9 Exhibit C3 is a copy of the well proposals
10 and AFEs that were sent to each of the owners of the
11 working interest of the spacing unit.

12 Exhibit C4 is a copy of the chronology of
13 contacts reflecting Spur's efforts to identify,
14 locate and make agreement with each of the parties
15 that it's seeking to pool.

16 Exhibit D is a copy of the affidavit
17 prepared by Spur's geologist Mr. Lipinski, who has
18 previously testified and had his credentials
19 accepted.

20 Exhibit D1 is a locator map identifying
21 the spacing units in a red dashed box as well as the
22 line of cross section that represents the cross
23 section in a later exhibit.

24 Exhibit D2 is the instruction map
25 identifying the general structure of the acreage on

1 the Yeso formation.

2 And then Exhibit D3 is a cross section
3 comprised of the wells that Mr. Lipinski identifies
4 as being representative of the geology in the area
5 showing the location and landing targets for each of
6 the wells for both spacing units as well as
7 identifies the depth severance that partitions the
8 spacing units.

9 Exhibit D4 is a gun barrel view of the
10 spacing that Spur is proposing for these wells
11 within the acreage and again identifies the location
12 of the depth severance within the spacing unit.

13 Exhibit E is a copy of the affidavit that
14 we prepared reflecting that we provided notice to
15 all the parties subject to pooling in these cases.

16 Exhibit F is a copy of the notice of the
17 affidavit and publication showing that we had
18 provided notice in a newspaper of general
19 circulation within -- within Eddy County.

20 Mr. Examiner, at this time I would move
21 the admission of Exhibits A through F and their
22 attachments and stand for any questions that the
23 Division may have.

24 HEARING OFFICER BRANCARD: Thank you,
25 Mr. Rankin.

1 Mr. Garcia, I'm sure you have questions.

2 TECHNICAL HEARING OFFICER GARCIA: I have
3 a few. I guess easy question first. Is there any
4 standard acreage north of these wells, because it's
5 only half a mile being left out? I was looking at
6 Exhibit D1 and it appears to have some wells drawn
7 on here but I guess I'm unsure if it's a full
8 diagram and I don't know if there's any wells in the
9 section to north.

10 MR. RANKIN: I don't know the answer to
11 that question. I can find out for you whether or
12 not there are any --

13 TECHNICAL HEARING OFFICER GARCIA:
14 Probably a supplemental affidavit, I guess, would be
15 useful for these cases. And I guess my more -- I
16 don't know what to call it, I guess, what's the
17 purpose of trying to get two orders under one case?
18 I mean, is the depth severance so historically, all
19 law firms and all counsel and all operators, two
20 separate cases because it's different interests,
21 different notice slightly. Even if it's slight,
22 it's still different. I mean, I guess what's the
23 reasoning for trying to get two under one order? I
24 mean, did two full application, you just filed one
25 application.

1 MR. RANKIN: We did one application. The
2 reason, I suppose, Mr. Examiner, is because there
3 was one existing order previously. So because of
4 the additional acreage we have -- and it inserts a
5 depth severance into the proposed new spacing unit
6 requiring that there be two separate orders.

7 TECHNICAL HEARING OFFICER GARCIA: Yeah.
8 I guess it seems awkward and I'm unsure how it
9 works. I mean, sometimes our cases and orders are
10 hard to track already for the public. We get lots
11 of calls from the public that they have a hard time
12 tracking it, they can't find it.

13 It just seems awkward, I guess, at minimum
14 because I believe I will see you again later today
15 with the depth severance in the Yeso and you have
16 two separate cases.

17 MR. RANKIN: Yeah. I guess the difference
18 here, Mr. Garcia, is that in this case we had an
19 existing order in place. And by the addition of the
20 acreage in Section 6, there is a depth severance
21 requiring that there be two separate spacing units
22 under two separate orders. So just the nature of
23 the acreage dictated that we had, request two
24 separate orders, one for each of the units.

25 TECHNICAL HEARING OFFICER GARCIA: Are you

1 requesting two separate orders or are you trying to
2 get them under one?

3 MR. RANKIN: We're requesting two separate
4 orders, Mr. Examiner. I believe that is the way to
5 do it so that it's not confusing, that there would
6 be two separate orders.

7 TECHNICAL HEARING OFFICER GARCIA: I think
8 it might confusing because the case numbers will go
9 on two separate R numbers. So I guess I'll get
10 Bill's thoughts of it and -- but he is here to keep
11 me out of trouble. I believe that's all my
12 questions for now. I will pass to Mr. Brancard.

13 HEARING OFFICER BRANCARD: The way I see
14 it is you're actually -- we actually need to issue
15 three orders. You can issue an order revoking the
16 prior order, which would be 21578-B. Okay? That's
17 gone. We don't replace units, it's gone.

18 MR. RANKIN: It's gone.

19 HEARING OFFICER BRANCARD: Now you're
20 coming in for two new units out of those. So I
21 think you really need to file another application,
22 Mr. Rankin. Split these up. You've done notice and
23 everything, that's great, but I don't know how much
24 more you need to repeat at that point. Because we
25 really can't do this under one case, is what

1 Mr. Garcia is saying because everything is tracked
2 by cases. People file cases to get an order for a
3 unit, so that's the way it works. You file an
4 application for compulsory pooling of a unit, it's a
5 case.

6 In this situation you're filing an
7 application for compulsory pooling of two units in
8 one case. Two separate units in one case.

9 People could come in and file 37
10 applications, you know, units under one case order.
11 We have lots of -- you see these cases divided up
12 every day between Wolfcamp, Bone Spring, depth
13 severance, et cetera, but they're all handled as
14 individual cases so people get the proper notice is
15 done under that and it's also, as Mr. Garcia noted,
16 the tracking issue, which is things get tracked by
17 case number.

18 So I think we really need to file a second
19 application here. You need to file two more
20 applications, including one to revoke the initial
21 order, but that's an easier one in some ways.

22 MR. RANKIN: Hum.

23 HEARING OFFICER BRANCARD: Because
24 obviously we want all this to happen at the same
25 time, otherwise it doesn't make sense for you, and

1 that's fine. But I think you really need to file
2 another application to deal with one of these units.
3 So we can approve one of the units with this
4 application, or we can hold off until you file a
5 second one and we approve it all at once which I'm
6 sure you prefer to have the revoking and the new
7 units altogether happening at one time so your
8 client's not left out there with half of a loaf.

9 MR. RANKIN: I'm sorry, Mr. Examiner, I
10 didn't understand that we couldn't seek relief,
11 whatever relief was necessary to pursue the request
12 in one application. I can think of other examples
13 where we have filed under one application and have
14 received separate orders. But I understand, you
15 know, I didn't understand. I thought the Division
16 would be able to have, you know, the same case
17 record for each case under each order, there would
18 just be separate orders.

19 So, in other words, the record would be
20 same, there would just be different orders
21 reflecting the creation of each of these separate
22 units. So I didn't mean to make it complicated or
23 confusing. I do believe that Spur would like to be
24 able to proceed with its plans, so I guess if we
25 could, you know, proceed with an order for one of

1 the units, that will be my preference and then we
2 would come back and file a separate application for
3 the other one.

4 TECHNICAL HEARING OFFICER GARCIA: I guess
5 when you file that supplemental affidavit discussing
6 the stranded acreage, which we address in the next
7 case also. Bill, can we have them address which
8 unit they're seeking with this current case the
9 shallow or the deeper, would that suffice for us?

10 HEARING OFFICER BRANCARD: Yeah. And I
11 understand, Mr. Rankin, this is a fairly unique
12 situation here. So I understand you're trying to be
13 creative and figure out how to get it all done at
14 once. No harm there.

15 But, yeah, I think you just identify which
16 of these cases you would like to go forward first,
17 that would just make it easier for us rather than us
18 having to pick. We don't care. You've done the
19 notice, you've done everything each, so just pick
20 one.

21 MR. RANKIN: Yeah. And Mr. Dalton, I
22 believe, is on right now. Maybe, Mr. Garcia, he may
23 be able to answer your question about whether or not
24 there's existing, either whether there is existing
25 development or other plans for the acreage to be in

1 the northeast quarter. I don't mean to put him on
2 the spot and I can try to find out or I can just
3 follow-up after this case is taken under advisement.

4 HEARING OFFICER BRANCARD: We have got a
5 lot of cases, so you can just follow-up, that will
6 be great.

7 MR. RANKIN: Thank you, will do. So we'll
8 do -- Mr. Examiner, we'll confirm which of these
9 units we prefer to go forward at this time and we'll
10 follow-up with a separate application for the other.

11 HEARING OFFICER BRANCARD: Thank you. All
12 right.

13 So with that, are there any interested
14 persons for Case 22760? There are not.

15 The exhibits will be admitted into the
16 record. These cases will be taken under advisement.

17 Spur will provide us with information
18 about resolving the stranded acre question that
19 Mr. Garcia raised. And will indicate which of these
20 two proposed orders it wants to go forward under
21 this application, and then -- and file an
22 application for the other case.

23 Thank you.

24 And we can -- I think, Mr. Garcia, I think
25 we can go ahead and revoke the other order under

1 this application.

2 TECHNICAL HEARING OFFICER GARCIA: I
3 agree.

4 HEARING OFFICER BRANCARD: Thank you.
5 Because that has a preexisting case, so it can fit
6 under that.

7 Thank you.

8 (Matter concluded.)

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

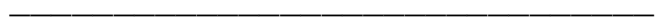
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

REPORTER'S CERTIFICATE

I certify that the foregoing is a correct transcript from the record of proceedings in the above-entitled matter. I further certify that the transcript fees and format comply with those prescribed by the Court and the Judicial Conference of the United States.

Date: June 2, 2022

/s/ Edwina Castillo



EDWINA CASTILLO, RPR, CCR
Certified Court Reporter #407
License Expires: 12-31-2022