

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 ENDURING RESOURCES
FOR APPROVAL OF THE HAYNES CANYON UNIT
RIO ARRIBA, NEW MEXICO

Case No. 22854

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
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6 For Alpine Resources, LLC and Petrox Rock Resources,
 7 Inc.:

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1 HEARING OFFICER BRANCARD: Okay. One more
2 to go.

3 TECHNICAL HEARING OFFICER GARCIA: One
4 more.

5 HEARING OFFICER BRANCARD: Case Number 85.
6 Case Number 22857, sorry, 854. Enduring Resources.

7 MR. RANKIN: Mr. Examiner, Adam Rankin
8 appearing with the Santa Fe office of Holland & Hart
9 on behalf of the applicant in the case, Enduring
10 Resources.

11 HEARING OFFICER BRANCARD: Thank you.

12 MR. BROWN: My name is Kirk Brown. I'm
13 appearing on behalf of Alpine Resources, LLC and
14 Petrox Resources, Inc.

15 HEARING OFFICER BRANCARD: Thank you.

16 And, Mr. Brown, you filed an entry of
17 appearance yesterday?

18 MR. BROWN: Yes.

19 HEARING OFFICER BRANCARD: All right.
20 Mr. Rankin, I'll start with you. Where are we here
21 on this case?

22 MR. RANKIN: Mr. Examiner, thank you.

23 I believe that we are here now to present
24 a request for approval of a voluntary exploratory
25 unit. And I'm prepared to proceed. I believe that

1 the parties who have entered an appearance have
2 reached an agreement with Enduring and so their
3 issues or concerns have been resolved and I'm
4 prepared to walk through what Enduring is proposing
5 here and if Mr. Brown has any questions happy to try
6 to address them, but I believe his concerns, Petrox
7 and Alpine's concerns have been addressed by
8 Enduring.

9 MR. BROWN: I can confirm. Thank you, I
10 can confirm that we have no objections to the
11 Case 22854 proceeding.

12 HEARING OFFICER BRANCARD: Thank you,
13 appreciate that, Mr. Brown.

14 All right. With that, Mr. Rankin, you are
15 free to proceed.

16 MR. RANKIN: All right. Thank you.

17 Mr. Examiner, this case Enduring is
18 seeking approval from the Division for a proposed
19 unit to be called the Haynes Canyon unit. Consists
20 of approximately 4,201.98 acres of Federal, State
21 trust and Patented lands and it's located within Rio
22 Arriba County, all within Township 23 North,
23 Range 6.

24 The application and the affidavit prepared
25 by Ms. Ashland identified the specific tracts that

1 are going be proposed to be included in this
2 unitized area.

3 Exhibits, we filed exhibits on Tuesday.
4 Exhibit A, is a copy of the application that was
5 filed reflecting the proposed unit area and unitized
6 interval.

7 Exhibit B is the affidavit of Ms. Anita
8 Ashland. She reviews the status of the unit and
9 discussions with the BLM. She identifies the
10 unitized interval as being within the Mancos
11 formation at a measured depth of approximately 4,538
12 feet surface down to a depth of 5,620 feet beneath
13 the surface, and in a specific well log.

14 And she identifies the general location of
15 the unit in Exhibit B1 and provides -- refers to the
16 unit agreement itself that was given preliminary
17 approval from the BLM, which is attached as
18 Exhibit A to the application.

19 The unit is comprised of nearly 80 percent
20 of Federal lands. The remainder is patented fee
21 lands. Enduring has approximately 94 percent of the
22 total working interest, and is working with the
23 remaining working interest owners to obtain their
24 voluntary agreement and expects to have sufficient
25 commitments to have effective control of the unit

1 operations.

2 Exhibit B2 is the copy of the unit
3 designation letter that was prepared and provided by
4 the BLM. And one thing, Mr. Examiner, I'll note we
5 received yesterday from the State Land Office their
6 preliminary approval letter as well. I filed that
7 yesterday as Exhibit F in the case. And I'll just
8 make a point on that as I walk through on the
9 geology exhibits.

10 But basically the State Land Office has
11 also given its preliminary approval as well with
12 some requested minor modifications to the unit
13 agreement.

14 Exhibit C is a copy on the affidavit of
15 Enduring's geologist, Mr. Raffaello Sacerdoti. He
16 has previously testified before the Division and has
17 been accepted as an expert in petroleum geology.

18 He reviews the unitized interval referring
19 to a type log that was part of the proposed unit
20 agreement. And I'll note here that based on
21 discussions with Alpine and Petrox as well as with
22 State Land Office and the BLM, the type log will
23 have a minor modification, not as to the depths of
24 the unitized interval, but as to its description,
25 the language that refers to the Mancos-Gallup. I am

1 not a geologist, but I do understand that there is a
2 fairly complex geology in the area and the bedding
3 between the Gallup and the Mancos and among the
4 parties to this voluntary unit agreement, they
5 have -- they are working out exactly how to describe
6 that unitized interval, but the depths are not
7 changing.

8 Mr. Sacerdoti's exhibit affidavit includes
9 Exhibit C2, which is a structure map on the top of
10 the Mancos formation showing the structure across
11 the proposed unitized area.

12 Exhibit C3 is a north to south
13 stratigraphic cross section using the wells he's
14 identified in his overview map as well as -- and C4
15 is an east to west cross section using the wells
16 he's identified in his maps showing that the target
17 interval is located across the unitized area.

18 In his opinion, unitized development will
19 be the most efficient and effective way to develop
20 the acreage and that approval of the application is
21 justified.

22 Exhibit D is an affidavit prepared by our
23 office reflecting that we provided notice in this
24 case to, in this case, Mr. Examiner, we provided
25 notice to the overriding royalty interest owners and

1 to the State and BLM. The affidavit reflects that
2 we gave notice and as well published notice in the
3 newspaper of general circulation on the dates
4 identified in the affidavit and in the letters.

5 And attached to that is the postal report
6 showing status of each of those notices and in order
7 to address any delinquencies in the delivery of
8 those notices, we published notice in the newspaper
9 in the Rio Grande Sun, which is in Rio Arriba
10 County.

11 So with that, Mr. Examiner, we would ask
12 that Exhibits A through F as the late filed exhibit
13 yesterday be accepted into the record. And that
14 we -- that the Division take this case under
15 advisement.

16 HEARING OFFICER BRANCARD: Thank you.

17 Mr. Brown, did you have questions or
18 comments?

19 MR. BROWN: No, I don't. Thank you.

20 HEARING OFFICER BRANCARD: Mr. Garcia,
21 questions?

22 TECHNICAL HEARING EXAMINER GARCIA: I
23 don't believe I have any questions.

24 HEARING OFFICER BRANCARD: So, Mr. Rankin,
25 I'm trying to get my bearings here. Is this

1 somewhere near Counselor?

2 MR. RANKIN: It is. And thank you for
3 raising that because I had mentioned one thing when
4 I was walking through this. As noted in
5 Ms. Ashton's affidavit, there are two pools. It is
6 near Counselor, and there are two pools that have
7 been designated by the Division for this formation
8 within the unitized area. One of which is the
9 Counselor's -- let me find the name here, one
10 second. It is the Counselor's Gallup-Dakota pool
11 and the other is the Basin-Mancos pool.

12 So Enduring has discussed this, with the
13 Aztec District Office, and the Aztec's District
14 Office preference is that Enduring file an
15 application of a nomenclature case whereby the
16 Basin-Mancos pool will be contracted outside of the
17 exterior boundaries of the unit and the Counselor's
18 Gallup-Dakota pool will be expanded to cover the
19 rest of the unitized area so that there will be one
20 pool only within the unit.

21 HEARING OFFICER BRANCARD: All right.
22 Could you go over that again, what's being
23 contracted.

24 MR. RANKIN: So the Basin-Mancos pool
25 would be contracted out to the exterior boundaries

1 outside of the unit area. And the Counselors'
2 Gallup-Dakota pool would be expanded. We were going
3 to include that relief within this application, but
4 we're told by the District office their preference
5 would be for us to file for a subsequent application
6 to effect that change.

7 HEARING OFFICER BRANCARD: It may be
8 logical for us to make that a condition of this
9 order because that would be the next step.

10 MR. RANKIN: Yeah. I mean, it's not --
11 yeah, it's not necessary. I think it's useful for
12 everybody to have a single pool. And it was the
13 desire of the District office to have a single pool
14 for administrative purposes. So our intent is to
15 file an application to do that at the next available
16 docket.

17 HEARING OFFICER BRANCARD: This is all in
18 Rio Arriba County; is that correct?

19 MR. RANKIN: I believe so, yes,
20 Mr. Examiner.

21 HEARING OFFICER BRANCARD: You're right on
22 the edge there. If you went any further south you'd
23 be, I guess it's Sandoval.

24 MR. RANKIN: Yeah.

25 HEARING OFFICER BRANCARD: Well,

1 Mr. Garcia and I get an education in units every
2 time we do one of these cases so ...

3 MR. RANKIN: Me too.

4 HEARING OFFICER BRANCARD: So this is
5 largely -- this is a Federal unit.

6 MR. RANKIN: Correct.

7 HEARING OFFICER BRANCARD: But because
8 there is State trust land in it, you need to get the
9 blessing of the Land Office?

10 MR. RANKIN: For them to get their acreage
11 committed to agree to be part of it, that's true.

12 HEARING OFFICER BRANCARD: But they're
13 agreeing to be a part of the Federal unit?

14 MR. RANKIN: Correct.

15 HEARING OFFICER BRANCARD: So the unit
16 agreement and everything, that's the Federal forms,
17 et cetera?

18 MR. RANKIN: Correct. State Land Office
19 has requested a few minor modifications and you'll
20 see those listed in their Exhibit F.

21 HEARING OFFICER BRANCARD: Okay. I could
22 probably come up with more questions, but I don't
23 know that it would help advance the cause at all.

24 With that, Mr. Garcia, are there any more
25 questions?

1 TECHNICAL HEARING OFFICER GARCIA: No
2 questions.

3 HEARING OFFICER BRANCARD: Thank you.

4 Thank you, Mr. Rankin.

5 With that, are there any more comments on
6 Case Number 22854?

7 Hearing none, the exhibits will be
8 admitted into the record. And Case 22854 will be
9 taken under advisement.

10 And it looks like we might be done for
11 today. Thank you all for your patience. We'll see
12 everybody, probably most of you in two weeks.

13 Thank you.

14 MR. RANKIN: Have a good rest of your
15 week.

16 (Matter concluded.)

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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
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