

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

**APPLICATION OF BTA OIL PRODUCERS, LLC TO  
RESCIND APPROVAL OF FOUR APPLICATIONS FOR  
PERMITS TO DRILL ISSUED TO TEXAS STANDARD  
OPERATING NM LLC, LEA COUNTY, NEW MEXICO.**

**CASE NO. 23426**

**BTA OIL PRODUCERS, LLC'S  
PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW**

BTA Oil Producers, LLC ("BTA") submits the following Proposed Findings of Fact and Conclusions of Law.

**I. FINDINGS OF FACT**

1. On January 26, 2021, the New Mexico Oil Conservation Division ("Division") issued Order No. R-21572, approving the Vindicator Canyon Exploratory Unit ("Unit"), consisting of 6,000 acres of State land located in Township 17 South, Range 36 East, N.M.P.M. Lea County, New Mexico. Manzano LLC ("Manzano") was designated as operator of the Unit. *See* BTA Exhibit A-3.

2. On April 29, 2021, the Division entered Order No. R-21572-A, which approved the addition of 960-acres of State lands to the Unit. *See* BTA Exhibit A-4.

3. On July 26, 2022, the Division entered Order No. R-21572-B, which removed the E/2 of Section 30 and the E/2 NE/4 of Section 31 from the Unit and added the entirety of Section 21 to the Unit. The Unit currently includes the following 7,200 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 36 EAST, N.M.P.M.  
Section 14: SW/4  
Section 15: All  
Section 20: All  
Section 21: All

Section 22: All  
Section 23: S/2, NW/4  
Section 26: All  
Section 27: All  
Section 28: All  
Section 29: All  
Section 32: N/2, SW/4  
Section 33: NE/4  
Section 34: E/2 E/2  
Section 35: All.

*See* BTA Exhibit A-5.

4. BTA assumed operatorship of the Unit effective October 13, 2022. *See* Transcript of June 1, 2023 Proceedings (“Tr.”) 202:15-17.

5. The New Mexico State Land Office (“NMSLO”) issued final approval of the Unit expansion on January 24, 2023. *See* BTA Exhibit A-6.

6. BTA submitted its proposed Plan of Development to the NMSLO on February 20, 2023. *See* BTA Exhibit A-7.

7. BTA intends to complete numerous wells within the Unit, including the Vindicator 317H and 318H wells (“BTA Wells”), which will have surface hole locations in the N/2 NW/4 of Section 21 and will be drilled from North to South and produce from the Pennsylvanian Shale formation. *See* Tr. 203:2-8; BTA Exhibit A-10.

8. On December 5, 2022, the Division entered Order No. R-22435 in Case No. 23005, which granted Texas Standard Operating NM LLC’s (“TSO”) application to pool all uncommitted interests in the Upper Pennsylvanian Shale formation in a standard horizontal spacing unit underlying the SW/4 of Section 9 and the W/2 of Section 16, Township 17 South, Range 36 East, N.M.P.M., Lea County, New Mexico. *See* BTA Exhibit A-8.

9. Order No. R-22435 granted TSO pooling authorization for the State 9-16 No. 1H

well to be drilled 1330' FWL of Sections 9 and 16 and designated the well as a proximity tract well that would hold the 480-acre standard spacing unit. *See* BTA Exhibit A-8 at p. 5.

10. On February 16, 2023, TSO obtained the Division's approval of Applications for Permit to Drill ("APDs") the TSO State 9-16 No. 1H (API #30-025-51106), State 9-16 No. 2H (API #30-025-51128), State 9-16 No. 3H (API #30-025-51129), and State 9-16 No. 4H (API #30-025-51130) wells ("TSO Wells"). The APDs show that the TSO wells have surface locations in the N/2 NW/4 of Section 21, which is within the Unit. The laterals will be drilled through the Unit and the unitized formation to reach the Pennsylvanian Shale formation within the W/2 of Section 16 and SW/4 of Section 9. *See* BTA Exhibit A-9.

11. As permitted, the TSO State 9-16 No. 1H well is not located within 330' of the quarter-quarter section line and does not satisfy the Division's requirement for a proximity tract well. *See* BTA Exhibit A-9.

12. TSO's permitted wells are different from the one well location for the TSO State 9-16 No. 1H well that was identified in Order No. R-22435. *See* BTA Exhibit A-9; Tr. 205:17-20.

13. Without a proximity tract well, TSO would be required to form a 240-acre horizontal spacing unit instead of a 480-acre unit. *See* Tr. 204:4-6; 19.15.16.15(B)(1)(b) NMAC.

14. Order No. R-22435 states that TSO's State 9-16 No.1H well must be drilled with a TVD of 11,350' to 11,725'. However, the APD lists the TVD at 11,952'. *See* BTA Exhibit A-9; Tr. 206:4-9.

15. Paragraph 34 of Order No. R-22435 required TSO to notify the Division if the owners of all pooled working interests reached a voluntary agreement, resulting in termination of the order. The record in Case No. 23005 does not contain any such notice.

16. TSO's State 9-16 No. 1H will produce from the Pennsylvanian Shale formation,

which is the same formation that is unitized within the Vindicator Unit. Tr. 206:10-19.

17. The C-102s attached to the APDs show that the surface hole locations for TSO's State 9-16 No. 1H wells are located within BTA's Vindicator Unit. *See* BTA Exhibit A-9; Tr. 204:18-23.

18. The surface locations for the TSO wells are situated approximately 880 feet from the surface locations for the BTA wells. Tr. 206:25, Tr. 207:1-2.

19. BTA is planning to drill its Vindicator 317H and 318H wells in the NW/4 of Section 21 because it has existing pipeline rights-of-way in that location and can place surface facilities in that location to reduce the amount of surface disturbance. *See* Tr. 207:3-11.

20. BTA's vertical Turner wells are currently producing in the NW/4 of Section 21. *See* BTA Exhibit A-11; Tr. 208:4-15.

21. BTA has an existing salt water disposal ("SWD") line in the NW/4 of Section 21. *See* BTA Exhibit A-11; Tr. 208:23-35.

22. TSO's 9-16 well pads are located on top of BTA's SWD line and the well pads and access roads for BTA's Turner wells. *See* BTA Exhibit A-11; Tr. 4-25.

23. If TSO is authorized to drill its wells at its permitted locations, BTA will be required to move its existing surface facilities to avoid conflict with TSO's well pads, resulting in additional surface disturbance to the area. *See* Tr. 209:18-25, 210:1-5.

24. TSO admits there is potential surface interference, and that TSO will have to reroute the road depicted on BTA's Exhibit A-11. *See* Tr. 290:16-25, 291:8-11.

25. TSO also admits that there is potential downhole interference with its proposed 9-16 wells and BTA's planned and currently operated wells in the NW/4 of Section 21. *See* Tr. 292:12-13.

26. TSO's 9-16 wells will penetrate BTA's unitized Pennsylvanian shale reservoir, which will create a collision risk. *See* BTA Exhibit B-2; Tr. 224:8-23.

27. TSO's engineering testimony claims there will be 400' of vertical separation between its State 9-16 wells and BTA's wells, but TSO's APDs show only approximately 30' of vertical separation between the wells. *See* BTA Exhibit A-9; Tr. 241:4-11. TSO's anti-collision reports also fail to incorporate BTA's currently producing vertical wells. Tr. 242:12-13. Under these circumstances, there is a real risk of collision between the TSO and BTA wells. Tr. 241:12-15.

28. If there was a collision between the BTA and TSO wells, all of the impacted wells could be lost, which would result in significant waste for BTA, TSO, the interest owners, and the State of New Mexico. Tr. 241:16-23.

29. The proposed locations for TSO's State 9-16 wells will result in formation damage to BTA's existing vertical wells. *See* Tr. 239:3-11.

30. TSO's proposed State 9-16 wells will interfere with BTA's ability to efficiently develop the Vindicator unit due to the collision risk and formation damage created by the wellbore locations. *See* BTA Exhibit B-2; Tr. 225:19-25, 226:5-11.

31. TSO would be able to efficiently produce its acreage within legal take points from a surface location on its own leasehold. Tr. 239:15-25.

32. TSO could back-build from surface locations on its lease to fully produce its acreage. Tr. 239:21-25.

33. Lease No. B0-0042-1 (comprised of the SW/4 of Section 9), which is included within TSO's proposed State 9-16 horizontal spacing unit, terminated on November 28, 2022. *See* BTA Exhibit A-12; BTA Exhibit A-13; Tr. 210:11-25, 211:1-16.

34. TSO's APDs certified it had the right to drill on each tract when TSO knew the lease had been terminated. *See* Tr. 283:2-25, 284:1-7.

## II. CONCLUSIONS OF LAW

1. TSO's State 9-16 wells interfere with BTA's ability to efficiently develop the Vindicator Unit.
2. TSO's proposed well locations violate BTA's correlative rights and result in waste.
3. TSO does not have the right to drill its wells on the subject acreage because Lease No. B0-9042-1 has expired.
4. TSO's APDs are not valid due to the expiration of Lease No. B0-9042-1.
5. TSO failed to comply with the Division's Drilling Permits rule, 19.15.14 NMAC, due to the lease termination.
6. TSO has not permitted the State 9-16 No. 1H (API #30-025-51106) as a proximity tract well as required by Order No. R-22435. Therefore, Order No. R-22435 approving a 480-acre standard spacing unit is invalid.
7. TSO's APDs for the State 9-16 No. 1H (API #30-025-51106), State 9-16 No. 2H (API #30-025-51128), State 9-16 No. 3H (API #30-025-51129), and State 9-16 No. 4H (API #30-025-51130) are rescinded.

Respectfully submitted,

HINKLE SHANOR LLP

/s/ Dana S. Hardy

Dana S. Hardy

Jaclyn M. McLean

Yarithza Peña

P.O. Box 2068

Santa Fe, NM 87504-2068

Phone: (505) 982-4554

Facsimile: (505) 982-8623

dhardy@hinklelawfirm.com  
jmclean@hinklelawfirm.com  
ypena@hinklelawfirm.com  
*Counsel for BTA Oil Producers, LLC*

**CERTIFICATE OF SERVICE**

I hereby certify that on July 14, 2023, I caused a true and correct copy of the foregoing pleading to be electronically served on the following counsel of record:

James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043  
jamesbruc@aol.com  
*Attorneys for Texas Standard Operating NM LLC*

/s/ Dana S. Hardy  
Dana S. Hardy