

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: 21843 - 21847

APPLICATION OF CHEVRON USA, INC., TO
AMEND ORDERS R-20859, R-21409, R-21418,
R-21465, R-21467,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
MAY 6, 2021
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 LEONARD LOWE on
Thursday, MAY 6, 2021, through the Webex Platform.

Reported by: Irene Delgado, NMCCR 253
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 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 the Applicant:
CANDACE CALLAHAN
BEATY & WOZNIAK PC
500 Don Gaspar Avenue
Santa Fe, NM 87505
505-670-2924

For ConocoPhillips:
MICHAEL RODRIGUEZ
P.O. Box 0268
Santa Fe, NM 87504
505-982-4554

I N D E X

CASE CALLED	
SUMMARY OF CASE AND EXHIBITS	
TAKEN UNDER ADVISEMENT	12
REPORTER CERTIFICATE	13

E X H I B I T I N D E X

	Admitted
Exhibits and Attachments	12

1 HEARING EXAMINER BRANCARD: Now I will call I
2 believe a series of cases from Chevron USA, 21843, 21844,
3 21845, 21856, and 21847. Appearances for the applicant?

4 MS. CALLAHAN: Good morning, Mr. Examiner. This
5 is Candace Callahan.

6 HEARING EXAMINER BRANCARD: Hang on.
7 Mr. Padilla, you are not muted. Go ahead, Ms. Callahan.

8 MS. CALLAHAN: Candace Callahan with Beaty &
9 Wozniak appearing for Chevron USA Inc.

10 HEARING EXAMINER BRANCARD: Are there any other
11 interested parties in these five cases?

12 MR. RODRIGUEZ: Michael Rodriguez on behalf
13 ConocoPhillips. ConocoPhillips entered an appearance in
14 matter 21843 simply to preserve its right to appeal at a
15 later date. It does not object to this matter moving
16 forward by affidavit today.

17 HEARING EXAMINER BRANCARD: Thank you. And you
18 are just in one case, Mr. Rodriguez?

19 MR. RODRIGUEZ: Correct.

20 HEARING EXAMINER BRANCARD: Thank you, any other
21 appearances?

22 (No audible response.)

23 HEARING EXAMINER BRANCARD: Hearing none, Ms.
24 Callahan, you may proceed.

25 MS. CALLAHAN: Thank you. Chevron is seeking to

1 extend the time for commencement of drilling, and in one
2 case for completion of wells within Chevron's Dagger Lake
3 project area. The planned development in these five cases
4 encompasses 21 Bone Spring wells within five 640 spacing
5 units in Sections 3, 10, 15, 22 and the E/2 of Sections 9
6 and 16, 22 South, 33 East.

7 All 21 wells are part of the simultaneous
8 drilling and completion project. Exhibit A in our exhibit
9 package filed on Tuesday is an affidavit of the Kevin C.
10 Stubbs, land representative for Chevron and copies of all
11 five applications and related orders.

12 In his affidavit Mr. Stubbs describes in detail
13 the roadblocks to the Dagger Lake development plan
14 experienced by Chevron. Exhibit B is a self-affirmed
15 statement of notice, copies of the letter of notice,
16 returned receipts and summaries of those returned receipts.
17 Notices were timely sent on April 13, 2021. And affidavits
18 of publication for each of the five cases are also included
19 as part of Exhibit B on the -- Chevron pending return
20 receipt --

21 (Audio interference.)

22 MS. CALLAHAN: Notice in a newspaper of local
23 circulation was timely published on April 16, 2021. As you
24 know, ConocoPhillips entered an appearance in Case 21843 and
25 is the only working interest owner to have entered an

1 appearance in any of these cases.

2 For Case 20768, Order Number R-20859 was entered
3 on 9-13-2019. There are only two working interest owners
4 other than Chevron in this unit and both were provided and
5 received timely notice together with the overriding royalty
6 interest owners.

7 ConocoPhillips is participating in the Loch Ness
8 wells and provided Chevron with a letter of support for this
9 application which was filed with the Division yesterday.
10 Marathon has not entered an appearance and intends to trade
11 out its interest to Chevron although the trade hasn't been
12 consummated.

13 As Mr. Stubb's affidavit states, the three Loch
14 Ness wells in this unit were commenced in early February
15 2020, and then drilled to plan total depth. They have not
16 yet been completed, and the one-year deadline for completion
17 passed in February 2021. This application to extend the
18 deadline for completion was filed April 2, 2021.

19 For all the good reasons set out in Mr. Stubb's
20 affidavit, Chevron is requesting Order Number R-20859 be
21 amended retroactively to extend the deadline for completing
22 the three Loch Ness wells for a year to February 1, 2022.

23 We think the language in the order gives the
24 Division discretion for good cause to retroactively extend
25 the deadline for completion. Personnel displacement as a

1 result of COVID-19 protocols contributed to the oversight of
2 timely filing the application to amend. And no harm has
3 been caused to any part as a result of oversight and no
4 working interest owner is opposed to the application.

5 In Case 21844, prior Case Number 21240, Order
6 Number R-21409 was entered on July 29, 2020. Chevron is
7 requesting a two-year extension to drill the Morag wells
8 from 7-29-2021, to 7-29-2023 because these wells are
9 scheduled be to drilled after all the other wells in this
10 21-well project.

11 In Case Number 21845, prior Case Number 21244,
12 Order Number R-21418 was entered on August 7, 2020. Chevron
13 is requesting a one-year extension to drill the Kraken wells
14 from August 7, 2021, to August 7, 2022.

15 In Case Number 21846, prior Case Number 21242,
16 Order Number R-21465 was entered September 21, 2020, Chevron
17 is requesting a one-year extension to drill the Ogoopogo
18 wells from September 21, 2021, to September 21, 2022.

19 I would like to just point out that we're aware
20 that the revised (unclear) is included in our exhibit
21 package an appended to the affidavit of Mr. Stubbs has to be
22 corrected to reflect first take point of 100 feet from the
23 north line and we will resubmit them.

24 In Case Number 21847, prior Case Number 21246,
25 Order Number R-21467 was entered September 21, 2020.

1 Chevron is requesting a one year extension to drill the
2 Narwhal wells from September 21, 2021, to September 21,
3 2022.

4 With that, I would submit the record into the
5 record and ask that the Division take these cases under
6 advisement.

7 HEARING EXAMINER BRANCARD: Thank you. Mr.
8 Rodriguez, any questions or comments?

9 MR. RODRIGUEZ: No comments, Mr. Examiner.

10 HEARING EXAMINER BRANCARD: Mr. Lowe?

11 TECHNICAL EXAMINER LOWE: I want to get a
12 clarification. Mr. Rodriguez, you are here in reference to
13 which case again? For all of them, or just one?

14 MR. RODRIGUEZ: I am here on behalf of
15 ConocoPhillips in Case Number 21843.

16 TECHNICAL EXAMINER LOWE: 43, okay. Okay, thank
17 you.

18 MR. RODRIGUEZ: Thank you.

19 TECHNICAL EXAMINER LOWE: I'm trying to flip
20 around here with exhibits going and so forth here. Just to
21 get clarification on my end. Cases 43 and 44, 21843, 44,
22 are you requesting a two-year extension for those two?

23 MS. CALLAHAN: The ones from 21843 have been
24 drilled but not completed, so we are asking for a one year
25 extension for completion deadline for those three wells.

1 We are asking for a two year extension in Case
2 21844.

3 TECHNICAL EXAMINER LOWE: It's 44, okay.

4 MS. CALLAHAN: Those wells are all scheduled to
5 be drilled after all the other wells, which is why we are
6 asking for more time for those wells.

7 TECHNICAL EXAMINER LOWE: In the current state,
8 the situation we are all dealing with with Covid and so
9 forth, what is your -- how do you go forth in submitting --
10 well, never mind, we are doing -- that's okay. That's all
11 I have for now. Thank you.

12 MS. CALLAHAN: Thank you.

13 HEARING EXAMINER BRANCARD: Thank you. Again, so
14 Ms. Callahan, 21844, you are asking for a two year extension
15 that's a little unusual since you were only given a year to
16 begin with, now you want an extra two years. Your
17 justification is your schedule?

18 MS. CALLAHAN: Well, no, it's not just the
19 schedule. We have described all the problems we have had
20 getting all the APDs for these wells. We still don't have
21 all the APDs for the wells to drill them, and we anticipate
22 that things are not going to flow as easily as they have in
23 past years.

24 So we're, you know, in light of the fact that
25 there are so many wells in the drilling program, we are

1 anticipating that we may need more time to get all of the
2 wells drilled because I think there is still going to be
3 some glitches, and we still don't have all the APDs.

4 So we would like to get all of these together, I
5 guess, to be able to move from one to the other in our
6 simultaneous drilling and completion program.

7 HEARING EXAMINER BRANCARD: So when do you
8 anticipate drilling the well under 21844, the Morag wells?

9 MS. CALLAHAN: Well, they're -- I can't give you
10 an exact date, but they are at the end of the other wells
11 that haven't been drilled. There are 21 wells that need --
12 well, there are 18 wells that need to be drilled now. Three
13 of them were drilled in the first case, but not completed.

14 So we still need to drill the rest of the wells,
15 and my understanding is that their concern that they won't
16 get the APDs in time to timely sequence all the remaining 18
17 wells.

18 We do understand it is unusual, and it's possible
19 that, you know, the wells might get drilled before then, we
20 are just trying to avoid having to come back if that's not
21 the case.

22 HEARING EXAMINER BRANCARD: Okay. So but the big
23 issue then is 21843, which appears that your compulsory
24 pooling authority has lapsed under 21843 under that order
25 because you didn't even file an extension before the

1 deadline.

2 MS. CALLAHAN: That is correct.

3 HEARING EXAMINER BRANCARD: Why not -- why aren't
4 you just filing a new application for compulsory pooling in
5 this case?

6 MS. CALLAHAN: Because we don't anticipate
7 ultimately we'll need compulsory pooling for this case
8 because Chevron is -- I mean, ConocoPhillips is
9 participating, and Chevron is purchasing the other working
10 interest owners' interests.

11 So really I guess it's the overrides that we are
12 concerned with in terms of pooling.

13 HEARING EXAMINER BRANCARD: Well, what we are
14 concerned with is the language of the order that says if you
15 don't complete within one year after drilling, commencement
16 of drilling, this order shall be of no effect. And so you
17 missed that one year deadline to apply for an extension
18 here. So I'm not sure what authority we have to be
19 retroactive. I'm looking at Paragraph 6 of the order.
20 R-20859. Ms. Callahan?

21 (No audible response.)

22 HEARING EXAMINER BRANCARD: Ms. Callahan, are you
23 there?

24 MS. CALLAHAN: Oh, I'm sorry, I inadvertently
25 muted myself.

1 HEARING EXAMINER BRANCARD: I simply asked the
2 question about the paragraph in the order that says this is
3 of no effect if there is no completion within one year.

4 MS. CALLAHAN: Yes, I do recognize that that's
5 the language of the order. We are hoping that the Division
6 will see fit to retroactively grant out request to amend and
7 amend it retroactively.

8 HEARING EXAMINER BRANCARD: Are there any other
9 comments or questions on these five cases?

10 (No audible response.)

11 HEARING EXAMINER BRANCARD: Hearing none, the
12 exhibits are admitted into the record, and Cases 21843, 44,
13 45, 46, 47 are taken under advisement. Thank you.

14 MS. CALLAHAN: Thank you.

15 (Break in proceeding.)

16 HEARING EXAMINER BRANCARD: Ms. Callahan, are you
17 still with us?

18 MS. CALLAHAN: I am.

19 HEARING EXAMINER BRANCARD: I forgot to mention,
20 you, I think, indicated in Case 21846, I believe you need to
21 provide additional corrected exhibits. Is that --

22 MS. CALLAHAN: Yes, we need to resubmit the APDs
23 that were -- I guess the surface hole location was
24 suggested, and then I think it was inadvertent that the
25 first take point was incorrectly reflected on what we have

1 just submitted.

2 We are not asking for a non-standard location, so
3 I would like the opportunity to resubmit the APDs with the
4 corrected first take point.

5 HEARING EXAMINER BRANCARD: Can that be done
6 quickly?

7 MS. CALLAHAN: Yes, I'm sure it can.

8 HEARING EXAMINER BRANCARD: So just to correct
9 the record then, Case 21846 is taken under advisement
10 subject to the submittal of corrected exhibits.

11 MS. CALLAHAN: Thank you.

12 HEARING EXAMINER BRANCARD: Thank you.

13 (Exhibits admitted.)

14 (Taken under advisement pursuant to caveat.)

15

16

17

18

19

20

21

22

23

24

25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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, 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 6th day of May 2021.

/s/ Irene Delgado

Irene Delgado, NMCCR 253
License Expires: 12-31-21