

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: 22144, 22317,  
22517, 22518

APPLICATIONS OF CIMAREX ENERGY CO.  
FOR HORIZONTAL SPACING UNITS AND  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

CASE NOS: 22375, 22376  
22377

APPLICATIONS OF CHEVRON U.S.A. INC.  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS  
EXAMINER HEARING  
MARCH 18, 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 EXAMINER DYLAN ROSE-COSS on  
Friday, March 18, 2022, through the Webex Platform.

Reported by: Irene Delgado, NMCCR 253  
PAUL BACA PROFESSIONAL COURT REPORTERS  
500 Fourth Street, NW, Suite 105

505-843-9241

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I N D E X

CASE CALLED

STATUS CONFERENCE

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REPORTER CERTIFICATE

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1 HEARING EXAMINER BRANCARD: Good morning. I'm  
2 sorry for the delay in the start of this exciting day today,  
3 but it is March 18, 2022. This is the hearing of the New  
4 Mexico Oil Conservation Division. I am Bill Brancard  
5 serving as the Hearing Examiner today. With me is Technical  
6 Examiner Dylan Rose-Coss. We have a court reporter today,  
7 so please speak clearly and slowly so we can get all of your  
8 important words down.

9 And with that today we have a special docket.  
10 We have two sets of cases here, one set that we will go to  
11 hearing on and one set that we will have a status conference  
12 on. So why don't we start with the status conference, and  
13 we can always go back to the status conference.

14 In the status conference we have Cases 22144,  
15 22317, 22517, 22518, Cimarex Energy Company, and 22375,  
16 22376, 22377. Ask for an appearance from Cimarex Energy  
17 Company?

18 MR. BRUCE: Mr. Examiner, Jim Bruce representing  
19 Cimarex.

20 HEARING EXAMINER BRANCARD: Thank you, Mr. Bruce.  
21 Chevron Production Company?

22 MR. FELDEWERT: Good morning, Mr. Brancard.  
23 Michael Feldewert with the Santa Fe office of Holland & Hart  
24 appearing on behalf of Chevron. And with me in the room is  
25 Kerry McEniry. She is in-house counsel for Chevron USA.

1 HEARING EXAMINER BRANCARD: Thank you. So as I  
2 recall, the cases were set for status conference on the Bone  
3 Spring applications; correct? Is that correct, Mr.  
4 Feldewert?

5 MR. BRUCE: Correct.

6 HEARING EXAMINER BRANCARD: And there was some  
7 sort of glitch here that required renotice? Is that what's  
8 going on or something, and we had to put these off, or are  
9 we are still going to go ahead with a hearing on this? Mr.  
10 Feldewert?

11 MR. FELDEWERT: Mr. Examiner, you are correct,  
12 there are -- the glitch is the overlapping spacing unit  
13 because of various existing Bone Spring spacing units that  
14 are present in the acreage.

15 I know that parties have been in discussion. We  
16 have been trying to sort out -- I know Mr. Bruce and I have  
17 had some discussion about the best way to sort out and  
18 proceed in the circumstance where you have overlapping  
19 spacing units. We are at the point of, you know, making a  
20 decision on how to proceed.

21 So that's the long way of saying that, you know,  
22 I think another status conference is appropriate at this  
23 point because we're not sure when we are going to have the  
24 notices out and the applications filed to effectuate a  
25 proceeding at some point.

1 HEARING EXAMINER BRANCARD: Okay. I'm not sure  
2 I'm following, but you are saying there are other existing  
3 spacing units out there that you didn't know about.

4 MR. FELDEWERT: Yes, sir. For the Bone Spring  
5 cases.

6 HEARING EXAMINER BRANCARD: Okay. Horizontal or  
7 vertical?

8 MR. FELDEWERT: Horizontal.

9 HEARING EXAMINER BRANCARD: Oh.

10 MR. BRUCE: Mr. Examiner, there is several  
11 horizontal wells in the different proposed well units. They  
12 are one-mile laterals.

13 HEARING EXAMINER BRANCARD: Okay. So I think  
14 that sort of leads into and may answer the question I need  
15 to ask, which is, how connected are the Wolfcamp and Bone  
16 Spring cases. Would we need to have them all decided once,  
17 or can we decide them separately?

18 MR. FELDEWERT: Mr. Examiner, we addressed that a  
19 couple of hearings ago, made the determination to address  
20 them separately because the Wolfcamp spacing units are not  
21 impacted by the existing Bone Spring spacing units, and  
22 that's why the parties are ready to proceed to hearing today  
23 on the Wolfcamp cases.

24 HEARING EXAMINER BRANCARD: So one of you can win  
25 the Wolfcamp and one wins the Bone Spring?

1 MR. FELDEWERT: In theory.

2 HEARING EXAMINER BRANCARD: We can flip a coin  
3 now and get this over with. All right. So Mr. Feldewert  
4 has suggested, Mr. Bruce, that we have another status  
5 conference on the Bone Spring.

6 MR. BRUCE: Yeah, I would like it set for  
7 hearing, but we'll deal with whatever the Division wants.  
8 If it's a status conference, I would hope it would be heard  
9 soon. I think Cimarex is ready to move forward, and you  
10 know, in looking at the -- at the regs, I think Cimarex is  
11 more or less ready to go.

12 But Chevron is still looking at the situation and  
13 needs to file its own applications for multiple operators  
14 within a spacing unit or for an overlapping well unit.

15 HEARING EXAMINER BRANCARD: So Mr. Feldewert, is  
16 there a need for new applications?

17 MR. FELDEWERT: Well, let me -- as I read the  
18 horizontal -- can you hear me okay?

19 HEARING EXAMINER BRANCARD: Yeah, I was just  
20 waving at the guy walking behind you.

21 MR. FELDEWERT: Okay. As I read the horizontal  
22 well rules, they clearly contemplate that prior to seeking  
23 or filing an application with the Division for approval of  
24 an overlapping spacing unit, you are to provide notice to  
25 all of the working interest owners in the proposed spacing

1 unit and in the existing spacing unit with an opportunity to  
2 object within 20 days.

3           And then if there is an objection, then you file  
4 an application with the hearing -- with the Division for a  
5 hearing. So much like in the pooling case, you have to  
6 properly propose a well. As I read the horizontal well  
7 rules they require an operator to properly send out notice  
8 to all of the affected working interest owners of your  
9 proposal to overlap an existing spacing unit, identify that  
10 spacing unit, advise them of the opportunity to object which  
11 the rules provide, and then proceed accordingly if you  
12 receive an objection within the 20-day period. That's how I  
13 understand the horizontal well rules are supposed to work.

14           HEARING EXAMINER BRANCARD: Sort of like a  
15 non-standard location?

16           MR. FELDEWERT: To some extent, yes, yes.

17           HEARING EXAMINER BRANCARD: But certainly, you  
18 want to go to hearing if there is an objection?

19           MR. FELDEWERT: Thank you, yes.

20           HEARING EXAMINER BRANCARD: We had a number of  
21 cases recently, this seems to be coming up more often where  
22 people are applying simultaneously for compulsory pooling  
23 and for an overlapping spacing unit, so they are throwing it  
24 all in one. But the way you describe it, that's not  
25 necessary --

1 MR. FELDEWERT: Well --

2 HEARING EXAMINER BRANCARD: If there's not an  
3 objection.

4 MR. FELDEWERT: Well, I think, number one, that's  
5 correct. I also know there is, you know, there is a way to  
6 put yourself in a position to be able to file an application  
7 both to pool and then separate for regulatory approval of  
8 the overlapping spacing unit, but I think you are required  
9 to have the correct notice go out to the parties that are  
10 being pooled and all the elements they are pooling.

11 And then the parties that are being -- the  
12 operator working interest owners that are being affected by  
13 the overlapping spacing unit with another proper --  
14 including the opportunity to object within 20 days. You can  
15 set yourself in a simultaneous application, but they are  
16 separate independent notice requirements.

17 HEARING EXAMINER BRANCARD: That's right,  
18 although in a sense what people are objecting to is the  
19 spacing unit, which is what we are discussing in a  
20 compulsory pooling case, so it's often better to combine  
21 them, as opposed to a non-standard location where we are  
22 just talking about the well.

23 MR. FELDEWERT: And, yeah, and you may have a  
24 different basis for an objection. If you have a laydown  
25 spacing unit and you are overlapping a stand-up you're going

1 to have working interest owners that are not involved in the  
2 pooling, but they are involved in the overlapping spacing  
3 unit.

4 So that's why separate regulatory approval. So  
5 it just seems to me that the parties have to send out the  
6 proper notice letters to all the affected working interest  
7 owners before they can be in a position to amend an  
8 application to seek approval from -- for an overlapping  
9 spacing unit if indeed that is needed.

10 HEARING EXAMINER BRANCARD: Reading between the  
11 lines here, I'm guessing you all, Chevron, have not sent out  
12 these letters, notice letters yet.

13 MR. FELDEWERT: Correct.

14 HEARING EXAMINER BRANCARD: Okay. So.

15 MR. FELDEWERT: In part because, in part because  
16 it took me a little while, and I apologize, to figure out  
17 exactly how this is done, and then, secondly, getting it  
18 implemented with spring break and everything else with that.

19 HEARING EXAMINER BRANCARD: So what's your timing  
20 on it? I guess what I would like to be aware of when we go  
21 back to a status conference is whether we need to include  
22 issues related to the overlapping spacing unit. Would you  
23 agree?

24 MR. BRUCE: Mr. Examiner, I mean, Cimarex is  
25 ready to send out the notice. Of course, the interest

1 owners, working interest owners in the existing wells have  
2 been given notice of the current applications, anyway, so  
3 they are aware of it, so it's kind of superfluous, but,  
4 nonetheless, Cimarex will comply.

5 But, obviously, you know, with multiple units and  
6 two operators in a spacing unit, I mean, Chevron will object  
7 to one of the overlapping wells, one -- one of the  
8 underlapping wells is in -- Cimarex's proposed unit is  
9 Chevron, and of course they have been aware of this and have  
10 objected for months.

11 So once again, notice is kind of superfluous and  
12 but, you know, Cimarex will comply, but obviously since  
13 Chevron hasn't sent out notice, which I was planning on  
14 doing next week, you know, and the objection period,  
15 obviously this matter could not be -- these matters cannot  
16 be heard probably until May at the earliest from what Mr.  
17 Feldewert is talking about Chevron and its current  
18 situation.

19 But maybe if we had a status conference at the  
20 April hearing just to determine what the situation is, maybe  
21 that would be a good idea, late April or early May.

22 HEARING EXAMINER BRANCARD: Okay. How about a  
23 status conference on May 5?

24 MR. FELDEWERT: That works for Chevron, Mr.  
25 Examiner.

1 HEARING EXAMINER BRANCARD: And am I correct it's  
2 still these seven cases that we're talking about here?

3 MR. BRUCE: I think so.

4 HEARING EXAMINER BRANCARD: Cimarex and Chevron.

5 MR. BRUCE: Yes.

6 MR. FELDEWERT: It would be all cases on the  
7 docket set for the status conference today, yes.

8 HEARING EXAMINER BRANCARD: All right. I can do  
9 a scheduling order then, status conference on May 5. And I  
10 guess I forgot to do something very important procedurally  
11 is, are there any other parties here today interested in  
12 these cases?

13 MR. PERKINS: Mr. Examiner, this is Kyle Perkins  
14 with MRC Permian Company and MRC Permian Company LTD, and we  
15 are agreeable with all of that.

16 HEARING EXAMINER BRANCARD: You all did an entry  
17 of appearance?

18 MR. PERKINS: Yes, sir, we have appeared in these  
19 and the competing cases, and I wanted to come on and have  
20 our appearance noted in the case, but I will drop off and  
21 not slow things down during the contested hearing.

22 HEARING EXAMINER BRANCARD: You don't plan on  
23 asking questions, just (unclear) is that correct,  
24 Mr. Perkins?

25 MR. PERKINS: We just wanted our appearance

1 noted, but have no questions.

2 HEARING EXAMINER BRANCARD: Thank you. Are there  
3 any other interested persons in this case. Right now I'm  
4 talking about 22144, 22317, 22517, 22518, 375, 376 and 377.

5 (No audible response.)

6 HEARING EXAMINER BRANCARD: Hearing none, those  
7 seven cases will be set for status conference on May 5, and  
8 I will send out the scheduling order.

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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 18th day of March 2022.

/s/ Irene Delgado  
\_\_\_\_\_  
Irene Delgado, NMCCR 253  
License Expires: 12-31-22